

# XI JINPING AND CHINA FACE ANOTHER TOUGH YEAR

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Every year on December 31 , a glimpse is revealed

of an impenetrable world. On Chinese state television, Xi Jinping delivers his new-year address to the nation.

China's netizens pore over the footage: on no other occasion do they get to see their leader sitting at what purports to be his desk. They swap analysis of Mr. Xi's collection of photographs displayed on bookshelves behind him. And they parse his ponderously delivered words.

"Along the way, we are bound to encounter headwinds," he said this year. Many will see that as an understatement of China's current woes.

Just over a year ago, Mr. Xi abandoned his strict "zero-covid" measures, which had been in force for nearly three years and had led to ever more frequent, brutally enforced lockdowns. But the country did not experience what Mr. Xi described in his speech as a "smooth transition" out of that period.

China's under-vaccinated population was ill-prepared: according to some estimates, well over 1 million people

died of the disease as the country staggered back to normality (officials admitted to only a fraction of that number). The economy failed to gather momentum. Youth unemployment soared and the property market continued to slump. Foreign investors in China grew more nervous. The headwinds were fierce.

That was 2023. 2024 looks hardly less troubled.

Mr. Xi will try to put on a brave face. In mid-January he will send an unusually large delegation to schmooze with plutocrats at the World Economic Forum, an annual gathering of businesspeople, politicians and celebrities in Davos, Switzerland.

Reuters, a news agency, says the team will be led by China's prime minister, Li Qiang—the highest-ranking Chinese official to attend in person since Mr. Xi himself showed up in 2017. Mr. Li is a protégé of Mr. Xi who got the job in March 2023 after serving as party leader in Shanghai. He impressed foreigners there with his business-friendly ways.

He will find that much harder in Davos. When Mr. Xi went there, it was different. Many officials and firms in the West were shuddering at the prospect of Donald Trump's presidency (he was about to be sworn in) and the impact that his threatened trade war with China would have on global growth.

They were enraptured by Mr. Xi's efforts to portray himself as a champion of free trade. Now many of them see China as a source of risk, whether caused by the country's faltering economy, strategic rivalry with America, or Mr. Xi's West-loathing politics, with a growing emphasis in all domains on the need to protect national and regime security.

In Western capitals and boardrooms the new year begins with much China-linked worry. On January 13th presidential elections in Taiwan could whip up cross-strait tensions if the front-runner, William Lai, the candidate of the ruling Democratic Progressive Party, succeeds in his bid. China sees him as a die-hard separatist.

### ***The sin of economic unease***

By the normal political calendar, the party's Central Committee—a body comprising more than 370 members of the political, military and business elite—should have convened its “third plenum” late in 2023.

In the party's five-yearly cycle of gatherings, third plenums attract much attention because of their usual focus on economic reform (China dates the launch of the post-Mao era of “reform and opening” to a third plenum in 1978).

That no such meeting has yet been held in the current cycle has caused much speculation about disharmony among the elite over how to tackle China's long-term economic difficulties, such as an ageing population, shrinking workforce and high levels of debt.

Senior officials did manage to hold an annual conference in December to discuss more immediate economic problems. Nothing that emerged from the closed-door gathering suggested any bold new measures to rev up growth.

For the economy, 2024 will be no less bumpy than the past year. It will not enjoy the brief boost that it gained from the scrapping of covid controls and the resulting pickup of consumer demand. GDP growth in the coming year may be slower than in 2023, when it was probably close to the government's target of around 5% (the lowest one in more than three decades).

The World Bank predicts the economy will grow by 4.5% in 2024 and 4.3% in 2025. There will be “continued fragility” in China's recovery, it says.

Some clues to the government's economic strategy will be revealed in March at the annual session of China's rubber-stamp legislature, the National People's Congress. In his report to the delegates—his first since his appointment as prime minister—Mr. Li is likely to announce a growth target for 2024. If it matches the previous year's, despite all the headwinds, that could signal that the government is prepared to step in with stimulus measures to ensure the target is reached.

But investors will remain wary, not least because the government's messaging is becoming ever more untrustworthy (in 2023, for example, it stopped publishing data on youth unemployment). At December's meeting on the economy, officials were told to “strengthen economic propaganda” and “sing the praises of the bright prospects of the Chinese economy.”

China's Ministry of State Security went further. In a commentary on the meeting, posted on social media, it suggested that negativity about China's economy was a serious political sin. The aim of people who air disparaging views, it said, was to “attack and deny” Chinese-style socialism in a “futile attempt” to subject the country to “strategic containment and suppression”.

On December 25th *Caixin*, a magazine in Beijing, published a pro-reform editorial, noting that during the Cultural Revolution of the 1960s and 1970s, “the national economy was on the brink of collapse, yet the authorities insisted that the situation was ‘very good’ and ‘getting better and better’.” The article was quickly deleted from *Caixin*'s website.

### ***Not the year of the dissident***

In 2024 Mr. Xi will be in no mood for dissent. A few days before the zero-covid policy was scrapped, he saw one of the most powerful displays of discontent with the government since the Tiananmen Square unrest of 1989. The protests, though brief and small, broke out in several big cities.

Ostensibly they were against covid-related lockdowns, but they also had a political hue. People held up sheets of white paper to symbolize opposition to censorship. As their counterparts did in Tiananmen, they sang the communist anthem, the “Internationale”—loved by protesters in China not for its ideological message, but for its language of revolt.

In Shanghai some even shouted “Communist Party step down” and “Xi Jinping step down”. In a country so saturated with surveillance technology, it was an extraordinary moment of bravery. Mr. Xi will remain haunted by it.

Throughout 2023 police tracked down participants, warning many and detaining some. Fear has taken hold again.

“I know many young people who can no longer live in Beijing,” says a young resident of the city. “They’d come here from elsewhere and rent places to live. After they got involved in this matter, the government ordered them not to enter Beijing anymore,” he says. “All they can do is return to their hometowns and look for something else, find a new job...They’ve had to pay a huge price.”

At a meeting on December 23rd to discuss their priorities in 2024, police chiefs around the country were ordered by their bosses in Beijing to “tighten the strings of political security” and step up “proactive” efforts to protect China’s political system and its ideological sanctity.

In Hong Kong, security will be a prominent theme of the political year, too. The territory is planning to adopt new laws in 2024 relating to crimes such as treason, secession, sedition and subversion. This is required by article 23 of China’s mini-constitution for Hong Kong, the Basic Law, but previous efforts to enact such legislation have been frustrated by strong public opposition.

Since an eruption of anti-government unrest in Hong Kong in 2019, China’s sweeping clampdown on dissent in the territory has cleared the way for these laws to be passed. Few observers believe that residents would dare to organize any large protests. In the coming months verdicts will be reached in juryless trials of dozens of Hong Kong’s most prominent pro-democracy activists. The outcomes could cast an even deeper chill over Hong Kong’s shrinking space for free speech.

Among China’s leaders the purges that have been an ever-present feature of Mr. Xi’s rule will continue apace.

The past year saw a dramatic display of these, with the ouster of a foreign minister, Qin Gang, and of a defense minister, General Li Shangfu—both of whom had been in the job for just a few months. In public no reasons have been given for the dismissals, but it is believed that Mr. Qin’s related at least in part to an extra-marital affair and General Li’s to corruption.

Mr. Qin was replaced by his predecessor, Wang Yi. After months without a defense minister, China named a new one on December 29th: General Dong Jun, a former commander of the navy. On the same day, nine senior military officials were purged from the national legislature, without explanation.

It is sometimes difficult to tell what motivates these shakeups. Mr. Xi is waging a relentless war on corruption as well as a campaign to enforce loyalty to his rule—there may be hidden political reasons why certain people are targeted for graft.

But in the financial industry, fighting corruption appears to be the main reason for a sweeping clean-up in the past year. State media say that in 2023 more than 100 financial officials, mostly bankers, were rounded up for graft. In December one bank manager was sentenced to life in prison for embezzling 2.3bn yuan (\$325m). The campaign is “expected to be ratcheted up” in 2024, says Jiemian, a Shanghai-based business news portal.

## *Follow the leader*

So is Mr. Xi's control of financial affairs generally. In March 2023 he announced the setting up of a new party-led agency, the Central Financial Commission, to take charge of all financial matters.

Its duties include oversight of watchdogs such as the People's Bank of China, the central bank, and the newly established National Administration for Financial Regulation. He also re-established a long-disbanded body—the Central Financial Work Commission—to enforce party discipline.

Far from reinvigorating pro-market reforms, the third plenum, whenever it is held, is likely to stress the party's—and Mr. Xi's—leadership of everything. The glumness that has settled over China's private sector is unlikely to be dispelled in 2024.

Mr. Xi may hope that China's troubles will be offset by malaise in the West, such as divisions over support for Ukraine and Israel's war in Gaza, and political strife in America as a presidential election looms there in November.

But the West's anxieties about China will not abate—whoever wins America's elections, China will remain a bugbear in Washington. America will keep trying to handicap the development of cutting-edge technology in China with restrictions on investment and trade. Economic friction between China and the West will grow, punitive tariffs could ensue, possibly in 2024.

Mr. Xi will exploit such moves to portray his country as a victim, hoping thereby to nurture nationalist sentiment. Celebrations in October of the country's 75th anniversary as a Communist state will be milked for the same purpose. A new law on patriotic education, which took effect on January 1st, will hammer home the point that sharing this sentiment is not optional.

But nationalism is not entirely effective as a bulwark against the party's critics: the protests in 2022 showed that. Murmurings about Mr. Xi's autocratic rule, fanned by the country's troubles since then, will probably remain mostly private. But they are unlikely to subside in the Year of the Dragon.

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