

Chinese president under pressure over trade war with US

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Days after completing a trip to Africa and the Middle East, Chinese President Xi Jinping convened a meeting of the Chinese Communist Party's (CCP) 25-member Politburo on Tuesday to determine policy on a range of economic issues. Xi held the meeting amid the mounting threat of a US-China trade war and signs he is coming under pressure from critics and factional opponents within China.

The statement released after the Politburo referred to “new problems and new changes” facing the Chinese economy, including “obvious changes in the external environment”—that is, US trade measures and threats against China in particular.

The following day, the Trump administration confirmed it was actively considering raising proposed tariffs on \$200 billion of Chinese goods from 10 percent to 25 percent. Beijing responded on Friday by threatening another \$60 billion in tariffs on US products.

The Politburo meeting followed an executive meeting on July 23 of the State Council, often referred to as China's cabinet, that oversees economic matters. In May, China reported its first current account deficit in years, and the latest purchasing managers' index fell to a five-month low of 51.2 in July (above 50 indicates growth). In response to these signs of a slowing economy, the Politburo indicated that measures would be taken to boost infrastructure spending and encourage corporate research and development.

The Trump administration's trade war measures are not simply aimed at forcing Beijing to cave in to Washington's economic demands, but are more broadly aimed at ensuring US dominance in Asia and internationally by undermining the CCP regime. Given this agenda, the prognostications on the Xi leadership

by analysts in the US and its allies need to be treated with caution.

Nevertheless, while not suggesting that he is about to be ousted, several recent articles point to internal criticism of Xi, just months after he cemented his hold on power. In March, China's National People's Congress rubberstamped constitutional changes that ended the two-term limit for the post of president, potentially allowing Xi to stay in office indefinitely.

A comment published on July 27 in the *Australian Financial Review* by Lowy Institute analyst Richard McGregor asked the question: “Has China's leader Xi Jinping now passed his peak?” Suggesting that there were “signs of a nascent pushback against Xi's absolute power,” it said “whisperings emanate from a variety of sources—retired leaders, rival factions within the CCP, the intelligentsia and the economic policy making apparatus.”

McGregor noted that Xi was under pressure as a result of Trump's aggressive trade measures. “Xi can scarcely be blamed for Trump,” he commented. “His rivals, nonetheless, have latched onto deteriorating relations as a stick to beat Xi over the head with. Trump often talks about his ‘good friend’ Xi. But the US president is in fact behaving anything like a friend to his peer in Beijing.”

In a similar vein, the *New York Times* this week cited the remarks of Jia Qingguo, a professor of international relations at Beijing University. “China should adopt a lower profile in dealing with international issues. Don't create this atmosphere that we're about to supplant the American model,” he told a recent forum.

In an article on August 1, entitled “Xi's Grip Loosens Amid Trade War Policy Paralysis,” Jamestown Foundation analyst Willy Wo-Lap Lam suggested that while Xi's position was not under

challenge, “his authority seems somewhat diminished.” He continued: “Xi is widely seen as failing to thwart what the Chinese Foreign Ministry calls Trump’s ‘hegemonic’ and *lingba* (‘bullying’) tactics.”

Despite Xi’s robust rhetoric and announcement of retaliatory tariffs, Lam noted a series of steps indicating moves by the Chinese regime to adopt a more cautious approach since June. He pointed out that Beijing had ordered a halt to media references to the “Made in China 2025” strategy to develop cutting-edge technologies to compete globally, to which Washington has objected. He also noted that in mid-July, the CCP Propaganda Department banned media use of the phrase “trade war,” in a bid to tone down tensions with the US.

The CCP leadership is clearly concerned about the economic impact of escalating tit-for-tat trade penalties with the US. The Chinese economy has already slowed significantly, with an official growth target for 2018 of just 6.5 percent. Even though the figures for the second quarter recorded 6.7 percent annualised growth, the pattern is uneven across the country. More depressed regions, such as Jilin in the northern “rust belt,” reported growth of just 2.5 percent for the first half year.

Low growth and rising unemployment will exacerbate social tensions and undermine the political authority of the CCP regime. Having all but abandoned any socialist pretensions, it has relied on high growth figures and whipping up Chinese nationalism to appeal to sections of the middle classes in particular.

The consolidation of Xi as bureaucratic strongman, constantly referred to as the “core” of the party and the state, is not a sign of strength but of the regime’s brittleness. He is being built up to contain factional infighting within the CCP and also to try to suppress mounting class tensions through the use of police-state methods.

While capitalist restoration in China since 1978 has led to rapid economic growth, it has also led to a widening social gulf between rich and poor. The 2018 World Inequality Report pointed out that in 1978, the share of national income of the top 10 percent of the population and the bottom 50 percent was roughly equal. By 2015, however, the top 10 percent took 42 percent of national income, compared to just 15 percent for the bottom half of the population.

The CCP regime is acutely aware of the potential for a social explosion, despite China’s extensive repressive apparatus, as the living standards of the working class deteriorate. The US threats of trade war and a further economic slowdown are fuelling factional differences within the CCP bureaucracy over how to counter that danger, and this is undermining Xi’s position as political strongman.



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