Xi Jinping reappointed to head Chinese regime under siege

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China's National People's Congress (NPC) officially installed Xi Jinping for a third term as president on Friday and Li Qiang, a close associate of Xi, as premier on Saturday. The body, which nominally acts as the country's legislature, is finalising other top governmental appointments—with Xi's supporters being appointed to key positions.

Xi's re-appointment as president was a foregone conclusion following his appointment to a third term as Chinese Communist Party (CCP) general secretary at the party congress last October. It is the culmination of the process that Xi set in motion in 2018 when the country's constitution was amended to end the two-term limit on the presidency.

The CCP congress also stacked the top party body, the Politburo Standing Committee, with Xi's followers and incorporated "Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era" into the party's constitution. Party officials and the state-owned media ritually declare Xi to be the "core" of the party leadership and government.

The flipside of the official lauding of Xi in China is the coverage in the US and Western media. As part of the propaganda for the accelerating US-led preparations for war with China, the American media paints Xi as a political strongman and autocrat—the most powerful leader in China since Mao Zedong. In reality, Xi has been thrust to the fore by a fragile CCP regime under siege both at home and abroad. He is a Bonapartist figure balancing between rival factions in the party and capitalist class amid sharpening social and geo-strategic tensions.

Beijing confronts escalating US military and diplomatic provocations over Taiwan and the South China and East China Seas, and a dramatic US military build-up and strengthening of alliances throughout the Indo-Pacific region. In addition, the Biden administration has not only maintained the trade war measures put in place by Trump but imposed one ban after another on the transfer of advanced semiconductors and the machinery needed for their manufacture to China.

Last week, in an unusual step, Xi explicitly accused the US of seeking to undermine China, declaring: "Western countries led by the United States have implemented all-around containment, encirclement and suppression of China." A major restructuring endorsed by the NPC on Friday of the State Council points to several significant aspects of the mounting crisis facing the regime.

The State Council, which functions as China's cabinet, will strengthen its control over the key Ministry of Science and Technology (MOST), which will be called on to boost efforts to create an advanced computer chip-making industry in China. A new Central Science and Technology Committee will be created, directly under the State Council, to oversee all the ministry's operations.

China is heavily dependent on imported semiconductors and has been hit hard by the US bans. According to the latest Chinese customs figures, the number of semiconductors imported by China in the first two months of the year plunged by 26.5 percent to 67.6 billion units, compared to the same period last year. Their total value dropped by 30.5 percent from $68.8 billion to $47.8 billion compared to the first two months last year.

While higher numbers of relatively low-end chips may have been manufactured within China, the most damaging impact will have been in the lack of access to advanced semiconductors, critical for both commercial and military applications.

The reform plan endorsed by the NPC declared it was necessary to "rationalise the scientific and technological leadership and management system… to overcome difficulties in key core technologies, and accelerate the realisation of high-level technological self-reliance and strength."

However, China, despite its economic size, confronts huge problems in replicating and competing with what is a globally-organised industry. The US has not only banned the sale of American equipment and semiconductors to China but pressured Japan, Taiwan, the Netherlands and South Korea to do the same. The Taiwan Semiconductor Manufacturing Company has a virtual global monopoly in the production of the most advanced chips.

The *Financial Times* reported last week that the Netherlands is preparing to impose bans on the export of semiconductor manufacturing equipment to China on the pretext of national security. The Dutch company ASML is the world's largest supplier of advanced chip equipment. The article suggested that a ban on the servicing and repair of existing ASML equipment in China may be under consideration.

The State Council reform also strengthened the oversight of Chinese financial sector, which is threatened by a meltdown in the real estate sector following years of frenzied speculation as well as high levels of government debt. Estimates put public debt as high as $US18 trillion, of which $10 trillion is "hidden debt" owed by shaky local government financing platforms.

A new National Financial Regulatory Administration (NFRA) is to be established to take over from the existing China Banking and Insurance Regulatory Commission (CBIRC). It will wield significant new supervisory powers over the financial industry, excluding the share markets, including over small local banks that represent nearly half of the country's banking sector. Significantly, its national officials will take over from local regulators. The NFRA will be directly administered by the State Council.

The economy as a whole has slumped sharply. Economic growth in 2022 was just 3 percent, well under the target of 5.5 percent and one of the lowest figures for decades. Projected growth for 2023 of "around 5 percent" was announced by outgoing Premier Li Keqiang on the opening day of the NPC. The CCP regime had long regarded 8 percent growth as the minimum figure necessary to minimise unemployment and maintain social stability.

Under intense pressure from the major powers and the corporate elite, the Chinese government in December abruptly ended its zero-COVID policy that had minimised infections and deaths in China and removed virtually all health restrictions. As a result, infections have ravaged the population and estimates for the death toll are over one million. While the CCP regime is hoping that ending zero-COVID will give it an economic boost, the adoption of the same murderous let-it-rip policy as governments around the world will only further undermine its claims to be looking after public welfare.

Over the past decade, Xi had effectively sidelined Li Keqiang and taken control of economic policy, which traditionally had been the province of the premier. Li Keqiang had been an advocate of further opening up the Chinese economy to foreign investment as part of a *China 2030* plan drawn up with the World Bank. In response to Washington's increasingly confrontational stance and the global economic turmoil, Xi has sought to boost Chinese corporations and China's ability to compete technologically.

Li Qiang, the new premier has been closely associated with Xi. He worked for Xi as secretary when Xi was governor of the wealthier coastal province of Zhejiang in the mid-2000s. When Xi became president in 2012, Li took over as Zhejiang governor himself, then party boss of nearby Jiangsu province. In 2017, Li was installed in the powerful position of CCP secretary in Shanghai where he is credited with convincing Tesla founder Elon Musk to build the company's first overseas factory in the city. He is due to speak today about the direction of economic policy and will undoubtedly cleave closely to the line of his mentor.