

OPINION

Is there Inner Party Push Back to Xi's Economic Policies?

Formal opposition to Xi Jinping is highly unlikely, but that doesn't mean there isn't disquiet about his way of operating.

BY VICTOR SHIH – MAY 29, 2022



Premier Li Keqiang. Credit: Friends of Europe via Flickr

April's dismal economic data from China has led many pundits to question whether the combination of crackdowns on the technology and real estate sectors, along with Beijing's insistence on its zero-Covid stance, is really serving the country well. Some have even speculated that criticism of Xi Jinping and his policies is growing within the upper echelons of the Chinese Communist Party (CCP).

Given the high degree of power consolidation that Xi has carried out in recent years, outright opposition to his continuing rule is very unlikely. However, other senior leaders, especially Premier Li Keqiang, have demonstrated an alternative style of leadership, less ambitious in nature but more consistent in seeking to create a better business environment in China. If history is any guide, Xi could come to see this alternative style as a threat to his power and seek to eliminate it, creating even greater uncertainty in Chinese policy making.

Xi has done much to ensure his position is unassailable since he came to office nearly a decade ago. Following the purge of the faction of former senior leader [Zhou Yongkang](#) in 2013, and the dramatic [reshuffling](#) of China's military in 2016, the Chinese leader now tightly controls both the security apparatus and the military, the two most important levers of power within the regime. Any individual or group that dares to challenge his authority openly is soon purged, as in the case of former Chongqing party boss and one-time rising star, [Sun Zhengcai](#). Moreover, no leader in China, and certainly not Li Keqiang, would dare to coordinate opposition to Xi in the run-up to the all-important 20th Party Congress this autumn, where he is expected to secure a further term in office. In addition to the fact that Xi controls the security services and their vast surveillance power, coordinating such a conspiracy would run counter to long-standing party rules against "factionalism." Senior leaders like Li all know these rules and would not dare to break them.

That doesn't mean there's no disquiet about Xi's way of operating. As a powerful secretary-general, Xi has the final say across a large number of vital issues via the party's leading small groups — from the degree of leverage that's appropriate for the economy, to military reform, to the development of artificial intelligence in China. These leading groups sometimes promulgate up to ten new decrees during a single meeting, meaning that Xi, who chairs the vast majority of them, can end up making dozens of decisions in a week that will have a profound impact on the trajectory of Chinese growth and technological development. Some recent decisions, such as the stricter limits placed on real estate purchases, restrictions on youth video gaming, the virtual ban on after-school tutoring, and the implementation of strict cybersecurity reviews for domestic and overseas listings, have pummeled the stock market and undermined general economic growth in China. Many of these announcements were made with little warning to stakeholders, and without a consultative process. Xi also chaired a Politburo meeting in May which decided on the "unwavering" continuation of China's zero-Covid policy, which many blame as the main source of the country's recent economic weaknesses.

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Compared with the apparently all-powerful Xi, Li Keqiang has demonstrated a more restrained leadership style that is starting to look more attractive to some. Li, who heads the State Council, has stuck to a narrower range of issues, but has pursued policy agendas in a much more consistent and predictable fashion. At the height of the first Covid crisis in 2020, he headed China's Anti-Covid Leading Group: he not only carried out the arduous task of controlling the pandemic, but also focused on providing fiscal and financial lifelines to small and medium-sized enterprises. Since the 19th Party Congress in 2017, Li has consistently trumpeted an equal playing field for firms, including private and foreign ones, as well as reducing government red tape and minimizing financial discrimination against small and micro-enterprises.

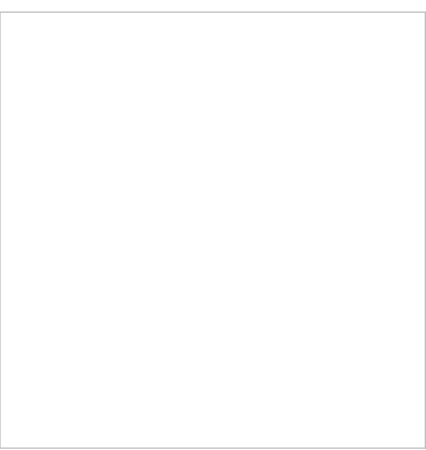
In recent weeks, Li has taken multiple opportunities to highlight this agenda. In a meeting on clean government on April 25th, Li stated that the government's macroeconomic policies must promote "fair general benefits, a high level of efficiency, and the stable operation of the economy."¹ In mid-May, Li went on an inspection trip to Yunnan Province, where he was seen walking among ordinary people without a mask. As he has done in several State Council meetings, he called on banks to provide new loans and extend the maturities of existing loans to small enterprises. At a meeting with regional governors, Li again called for more credit and better terms for loans to small enterprises, as well as for more tax cuts and rebates.

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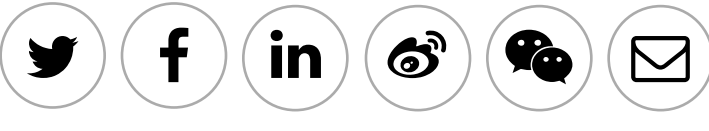
Li also recently held a meeting with dozens of top foreign business executives: After patiently listening to their concerns, he promised them more transparent regulation, and more help for businesses struggling with blocked supply chains and workers stuck in lockdown. Xi Jinping took part at the same event, but his speech focused on redesigning global trade institutions — not necessarily the highest priority for foreign executives right now. Although such meetings can appear perfunctory, Li's consistent support for less red tape and more policy support for business has struck a note of assurance amid the great uncertainties facing the Chinese economy. His consistent agenda certainly contrasts with the wide-ranging, and at times unpredictable policies emanating from the party leading groups chaired by Xi.

The current situation echoes what happened in China following the Great Leap Forward, when Mao Zedong's radical agricultural policies of the late 1950s led to the death of an estimated 30- 50 million Chinese. Although a few senior leaders directly criticized Mao back then, most concentrated on presenting an alternative policy vision, one which adhered to a more realistic assessment of economic capacity instead of utopian estimates of high agricultural output. Leaders such as Liu Shaoqi introduced a more collegial decision-making style and consulted a wider range of officials and experts before making policies. He and Deng Xiaoping did not challenge Mao's authority at the time and usually bowed to Mao's wishes in the end. But they nonetheless showed rank-and-file party members that a different leadership style was possible within the party. To be sure, the situation in China today is nowhere near the disaster that befell China in the early 1960s. Still, one can see echoes of Liu Shaoqi in Li's actions in recent months.

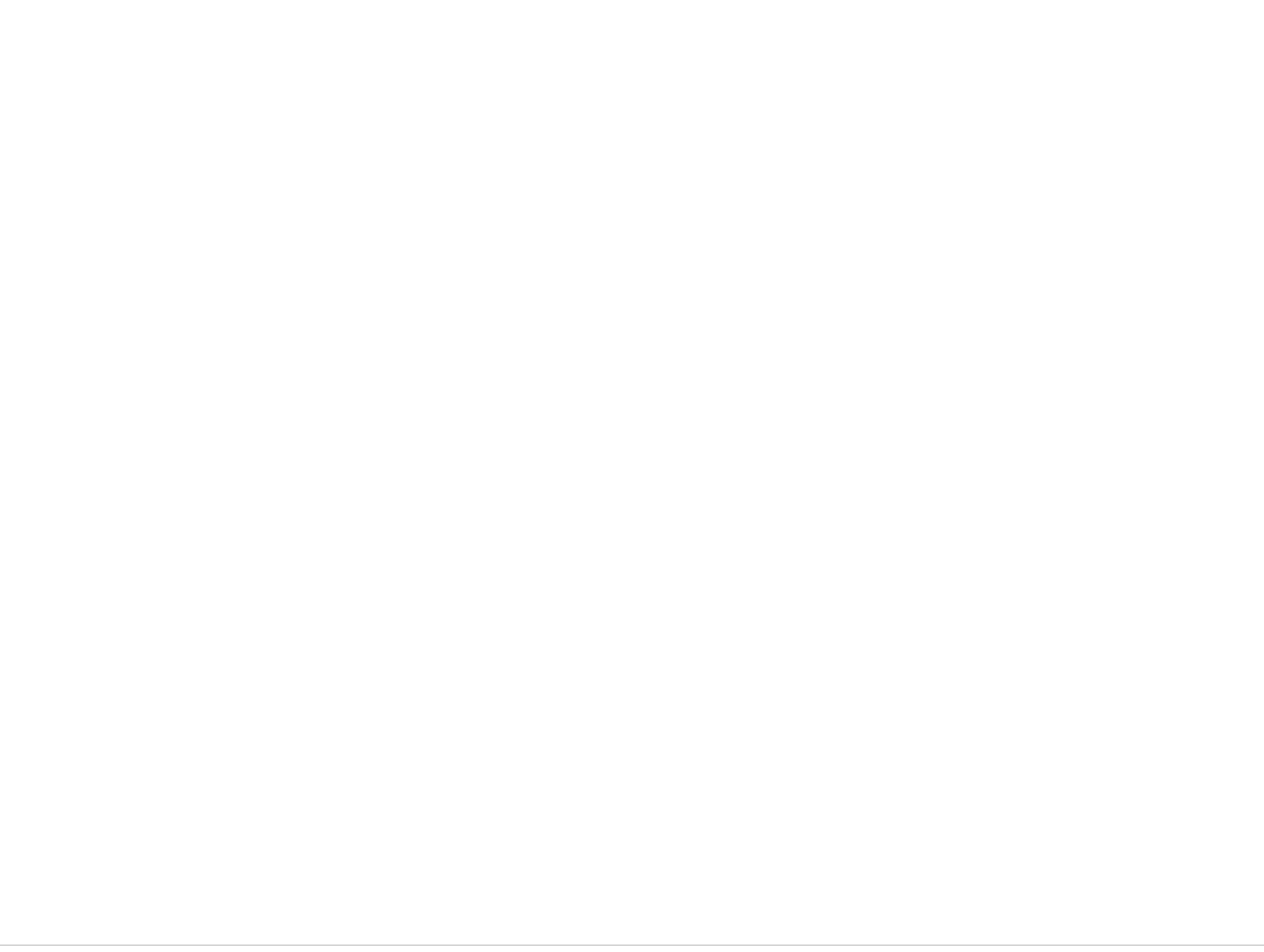
The question in the run up to the autumn's Party Congress and beyond is how Xi Jinping will interpret Li's actions. The optimistic hope is that Xi will see that the business community in China and abroad prefers a more transparent and consultative policy-making process, and might therefore adjust his own leadership style, thereby assuaging investor concerns. History, though, suggests that others displaying an alternative leadership style could be interpreted as an attempt to usurp Xi's so-far unquestioned authority. In the case of Mao, such suspicions eventually metastasized into a series of high level purges in 1965 and 1966, which inaugurated the tumultuous Cultural Revolution. One hopes that history does not repeat itself — or even rhyme.



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COVER STORY

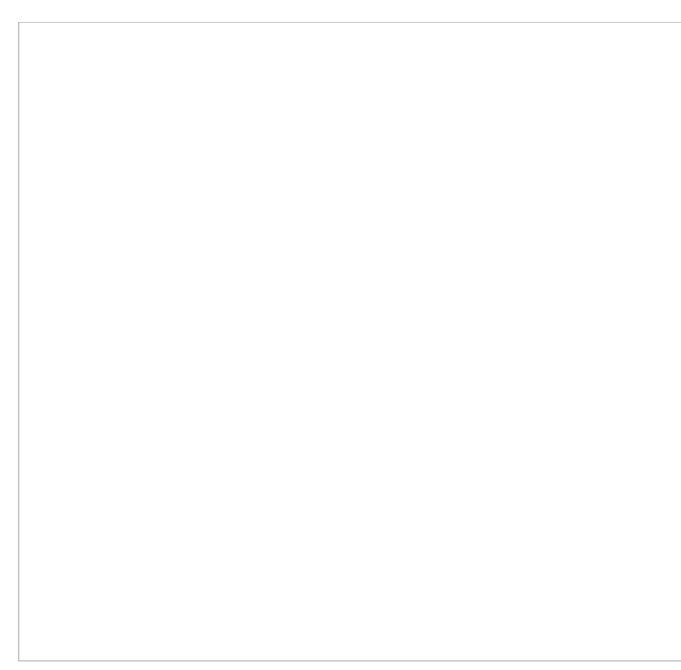


China's Sea Change

BY BRENT CRANE

The Chinese State Shipbuilding Corporation (CSSC) is the world's largest shipbuilder, supplying everything from container ships to cruise ships to companies in the U.S., Taiwan and elsewhere. But CSSC also builds warships for China's navy, which is modernizing rapidly and just recently surpassed the U.S. navy in size. Given this change, as well as China's increasingly assertive military, many are now questioning the wisdom of placing orders with CSSC — and thereby funding the military capabilities of a potential adversary.

THE BIG PICTURE

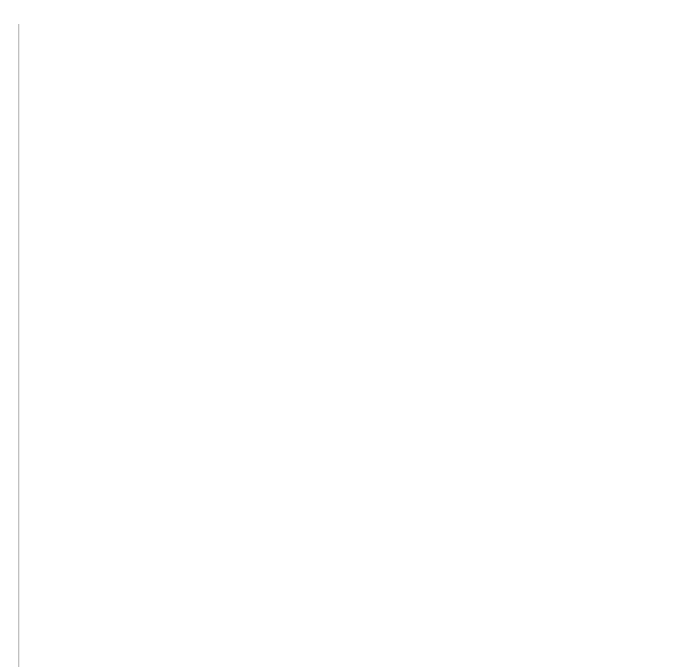


Solar Suppliers

BY ELIOT CHEN

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Q & A



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BY JORDYN HAME

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