

Research China

CPC Congress cements Xi's power – and US-China rivalry

- The 20th National congress of the CPC marked a further consolidation of the power of Xi Jinping. Xi was elected for another term of five years and no successor was lined up to take over the reins in 2027. The Standing Committee of the Politburo also now consists mostly of Xi allies.
- With Xi striking a defiant tone against the West and showing no signs of bowing to US pressure, the CPC Congress also cemented a continued US-China rivalry that may intensify further in coming years. The recent US package of restrictions to put a break on Chinese chip development clearly underlines this.
- On the economic front, continuity is set to prevail and there are still no signs of a change in the zero-covid policy, see *Research China – Security and risks highlighted in Xi's opening of Congress, 17 October 2022*.

The 20th National Congress of the Communist Part of China ended on Saturday and as usual, China's new top leadership, the Standing Committee (SC) of the Politburo, was presented the following day following the first plenum of the Central Committee. Below is an overview of key changes and takeaways:

1. Four new members mostly Xi allies:

- Li Qiang (age 63)** is the new number two and now seen as favourite to become the new premier when Li Keqiang steps down in March. Li is Party Secretary in Shanghai and managed promotion despite the troubled lockdowns during spring this year. Li was Xi Jiping's chief of staff when Xi was Party Secretary in the east-cost province of Zhejiang from 2004-07. He has been behind the expansion of Shanghai as a free trade hub.
- Cai Qi (age 66)** enters as number five in the hierarchy and is maybe the biggest surprise in the SC. He is party secretary of Beijing and was a protégé of Xi for a decade during his time in the east coast provinces of Fujian and Zhejiang.
- Ding Xuexiang (age 60)** has worked as Xi's chief of staff for the past years and is number 6 in SC. He worked as Xi's private secretary when Xi was mayor and party secretary in Shanghai and later when Xi became China's leader.
- Li Xi (age 66)** who enters at spot number 7 is currently party secretary of Guangdong, China's most populous province and among the most developed on the south-east coast. He is not known to have worked directly with Xi but

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as he is also appointed to lead the corruption fighting Central Commission for Discipline Inspection, it is assumed that he is a trusted ally of Xi.

2. **Two retiring ahead of time, two due to age:** Current premier Li Keqiang is retiring, although at age 67 (informal limit is 68) he could have continued in the SC. Many had expected him to stay on and get another key role in the Party. Maybe more surprising, Wang Yang also stepped down despite also being 67 and thus being able to take another turn. He was once seen as candidate for becoming premier after Li Keqiang. The other two members leaving the SC were Li Zhanshu (72) and Han Zheng (68) as expected.
3. **No successor lined up:** There are no clear successors lined up in the SC. Normally a leader serves two periods on the SC before becoming leader and has also had experience from governing provinces. But none of the current members either has the age or credentials in line with this. It looks like Xi and the party is setting them up for Xi to continue another term in 2027.

The new SC is cementing Xi's power and with that the current economic as well as political path. It is noteworthy, though, that most of the new members were allies to Xi during his time in the provinces on the east coast (in Fujian and Zhejiang). These are provinces that have developed the most and with strong participation of the private sector. Not least Zhejiang which has also been *pointed out to be model* of a balanced development model for the rest of China and where Xi Jinping served as leader from 2007-20. Li Xi, the only new member not having worked directly with Xi in those provinces, is currently party secretary in Guangdong, another of the high-growth provinces on the east coast and responsible for the Greater Bay Area integration promoting a dynamic economic zone across key cities in Guangdong with Hong Kong and Macau.

No doubt this new leadership team will have strong decision power but it comes with the risk of fewer checks and balances and increased group thinking. The key challenges for the new SC will be to continue to underpin China's growth, work for Common Prosperity (another word for reducing inequality and imbalances), navigate rising tech restrictions from the US and drive Xi's innovation and self-reliance agenda.

New leadership cements US-China rivalry and multipolar world

There is no doubt that politicians in Washington will see the development with rising concern. Xi has become the symbol of an autocratic China that the US, and increasingly the EU, are seeing as a rival and with Xi gaining power, the rising confrontations may only intensify in the years to come. China will seek more partnerships in the non-Western world and the US and increasingly the EU will aim to contain China and put a break on its development.

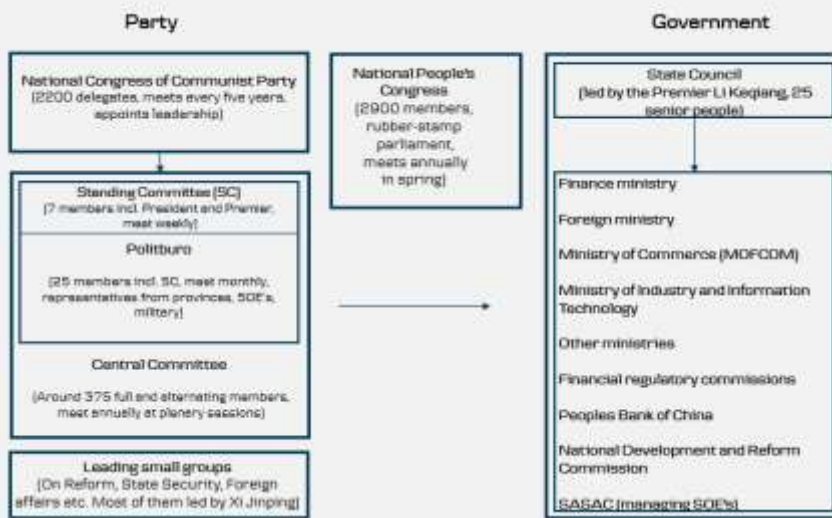
The latter was underlined by the recent very severe export restrictions on US microchips and chip-making tools, which is *going to be a major challenge* for China's tech ambitions and its' quest for self-reliance. The restrictions also add to the increasingly hostile view of the US in Beijing and the "fighting spirit" that Xi referred to many times during the CPC Congress. We have yet to see China's response to the new US tech restrictions.

Thus far China has kept calm and refrained from retaliating through for example reducing exports of rare earth minerals. China will likely await how the restrictions are implemented before deciding on any measures. But it cannot be ruled out, China will feel the need to respond in order to deter further US export restrictions. That entails the risk of

a more full blown economic war, though, something that has so far kept China from reacting. Time will tell if that remains their preferred choice. Either way, **it seems inevitable that we are set for many years of confrontation and instability on the geopolitical front with resemblance of a new Cold War between the West and China.**

Appendix

Overview of China's political system



Source: Danske Bank

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