

FOREIGN AFFAIRS

China's Coming Upheaval: Competition, the Coronavirus, and the Weakness of Xi Jinping

By Minxin Pei April 3, 2020

Over the past few years, the United States' approach to China has taken a hard-line turn, with the balance between cooperation and competition in the U.S.-Chinese relationship tilting sharply toward the latter. Most American policymakers and commentators consider this confrontational new strategy a response to China's growing assertiveness, embodied especially in the controversial figure of Chinese President Xi Jinping. But ultimately, this ongoing tension—particularly with the added pressures of the new coronavirus outbreak and an economic downturn—is likely to expose the brittleness and insecurity that lie beneath the surface of Xi's, and Beijing's, assertions of solidity and strength.

The United States has limited means of influencing China's closed political system, but the diplomatic, economic, and military pressure that Washington can bring to bear on Beijing will put Xi and the Chinese Communist Party (CCP) he leads under enormous strain. Indeed, a prolonged period of strategic confrontation with the United States, such as the one China is currently experiencing, will create conditions that are conducive to dramatic changes.

As tension between the United States and China has grown, there has been vociferous debate about the similarities and, perhaps more important, the differences between U.S.-Chinese competition now and U.S.-Soviet competition during the Cold War. Whatever the limitations of the analogy, Chinese leaders have put considerable thought into the lessons of the Cold War and of the Soviet collapse. Ironically, Beijing may nevertheless be repeating some of the most consequential mistakes of the Soviet regime.

During the multidecade competition of the Cold War, the rigidity of the Soviet regime and its leaders proved to be the United States' most valuable asset. The Kremlin doubled down on failed strategies—sticking with a moribund economic system, continuing a ruinous arms race, and maintaining an unaffordable global empire—rather than accept the losses that thoroughgoing reforms might have entailed. Chinese leaders are similarly constrained by the rigidities of their own system and therefore limited in their ability to correct policy mistakes. In 2018, Xi decided to abolish presidential term limits, signaling his intention to stay in power indefinitely. He has indulged in heavy-handed purges, ousting prominent party officials under the guise of an anticorruption drive. What is more, Xi has suppressed protests in Hong Kong, arrested hundreds of human rights lawyers and activists, and imposed the tightest media censorship of the post-Mao era. His government has constructed “reeducation” camps in Xinjiang, where it has incarcerated more than a million Uighurs, Kazakhs, and other Muslim minorities. And it has centralized economic and political decision-making, pouring government resources into state-owned enterprises and honing its surveillance technologies. Yet all together, these measures have made the CCP weaker: the growth of state-owned enterprises distorts the economy, and surveillance fuels resistance. The spread of the novel coronavirus has only deepened the Chinese people's dissatisfaction with their government.

The economic tensions and political critiques stemming from U.S.-Chinese competition may ultimately prove to be the straws that broke this camel's back. If Xi continues on this trajectory, eroding

the foundations of China's economic and political power and monopolizing responsibility and control, he will expose the CCP to cataclysmic change.

A PAPER TIGER

Since taking power in 2012, Xi has replaced collective leadership with strongman rule. Before Xi, the regime consistently displayed a high degree of ideological flexibility and political pragmatism. It avoided errors by relying on a consensus-based decision-making process that incorporated views from rival factions and accommodated their dueling interests. The CCP also avoided conflicts abroad by staying out of contentious disputes, such as those in the Middle East, and refraining from activities that could encroach on the United States' vital national interests. At home, China's ruling elites maintained peace by sharing the spoils of governance. Such a regime was by no means perfect. Corruption was pervasive, and the government often delayed critical decisions and missed valuable opportunities. But the regime that preceded Xi's centralization had one distinct advantage: a built-in propensity for pragmatism and caution.

In the last seven years, that system has been dismantled and replaced by a qualitatively different regime—one marked by a high degree of ideological rigidity, punitive policies toward ethnic minorities and political dissenters at home, and an impulsive foreign policy embodied by the Belt and Road Initiative (BRI), a trillion-dollar infrastructure program with dubious economic potential that has aroused intense suspicion in the West. The centralization of power under Xi has created new fragilities and has exposed the party to greater risks. If the upside of strongman rule is the ability to make difficult decisions quickly, the downside is that it greatly raises the odds of making costly blunders. The consensus-based decision-making of the earlier era might have been slow and inefficient, but it prevented radical or risky ideas from becoming policy.

Under Xi, correcting policy mistakes has proved to be difficult, since reversing decisions made personally by the strongman would undercut his image of infallibility. (It is easier politically to reverse bad decisions made under collective leadership, because a group, not an individual, takes the blame.) Xi's demand for loyalty has also stifled debate and deterred dissent within the CCP. For these reasons, the party lacks the flexibility needed to avoid and reverse future missteps in its confrontation with the United States. The result is likely to be growing disunity within the regime. Some party leaders will no doubt recognize the risks and grow increasingly alarmed that Xi has needlessly endangered the party's standing. The damage to Xi's authority caused by further missteps would also embolden his rivals, especially Premier Li Keqiang and the Politburo members Wang Yang and Hu Chunhua, all of whom have close ties to former President Hu Jintao. Of course, it is nearly impossible to remove a strongman in a one-party regime because of his tight control over the military and the security forces. But creeping discord would at the very least feed Xi's insecurity and paranoia, further eroding his ability to chart a steady course.

A strongman who has suffered setbacks—as Mao Zedong did after the Great Leap Forward, a modernization program that centralized food production, leading to some 30 million deaths by famine in the early 1960s—naturally fears that his rivals will seize the opportunity to conspire against him. To preempt such threats, the strongman typically resorts to purges, which Mao did four years after the end of the Great Leap Forward by launching the Cultural Revolution, a movement intended to eliminate

“bourgeois elements” in society and in the government. In the years ahead, Xi may come to rely on purges more than he already does, further heightening tensions and distrust among the ruling elites.

LEAN TIMES AHEAD

A key component of Washington’s strategic confrontation with Beijing is economic “decoupling,” a significant reduction of the extensive commercial ties that the United States and China have built over the last four decades. Those advocating decoupling—such as U.S. President Donald Trump, who launched a trade war with China in 2018—believe that by cutting China off from the United States’ vast market and sophisticated technology, Washington can greatly reduce the potential growth of China’s power. In spite of the truce in the trade war following the interim deal that Trump struck with Xi in January 2020, U.S.-Chinese economic decoupling is almost certain to continue in the coming years regardless of who is in the White House, because reducing the United States’ economic dependence on China and constraining the growth of China’s power are now bipartisan aims.

Since the Chinese economy today is less dependent on exports as an engine of growth—exports in 2018 accounted for 19.5 percent of GDP, down from 32.6 percent in 2008—decoupling may not depress China’s economic growth as much as its proponents have hoped. But it will certainly have a net negative impact on the Chinese economy, one that may be amplified by the country’s domestic economic slowdown, which is itself the product of a ballooning debt, the exhaustion of investment-driven growth, and a rapidly aging population. The slowdown may be further exacerbated by Beijing’s attempt to shore up near-term growth with unsustainable policies, such as increased bank lending and investment in wasteful infrastructure projects.

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As the economy weakens, the CCP may have to contend with the erosion of popular support resulting from a falling or stagnant standard of living. In the post-Mao era, the CCP has relied heavily on economic overperformance to sustain its legitimacy. Indeed, the generations born after the Cultural Revolution have experienced steadily rising living standards. A prolonged period of mediocre economic performance—say, a few years in which the growth rate hovers around three or four percent, the historical mean for developing countries—could severely reduce the level of popular support for the CCP, as ordinary Chinese grapple with rising unemployment and an inadequate social safety net.

In such an adverse economic environment, signs of social unrest, such as riots, mass protests, and strikes, will become more common. The deepest threat to the regime’s stability will come from the Chinese middle class. Well-educated and ambitious college graduates will find it difficult to obtain desirable jobs in the coming years because of China’s anemic economic performance. As their standard of living stalls, middle-class Chinese may turn against the party. This won’t be obvious at first: the Chinese middle class has traditionally shied away from politics. But even if members of the middle class do not participate in anti-regime protests, they may well express their discontent indirectly, in demonstrations over such issues as environmental protection, public health, education, and food safety. The Chinese middle class could also vote with its feet by emigrating abroad in large numbers.

An economic slowdown would also disrupt the CCP’s patronage structure, the perks and favors that the government provides to cronies and collaborators. In the recent past, a booming economy provided the government with abundant revenue—total revenue in absolute terms tripled between 2008 and

2018—providing the resources the CCP needed to secure the loyalty of midlevel apparatchiks, senior provincial leaders, and the managers of state-owned enterprises. As the Chinese economic miracle falters, the party will find it harder to provide the privileges and material comforts that such officials have come to expect. Party elites will also need to compete harder among themselves to get approval and funding for their pet projects. Dissatisfaction among the elites may spiral if Xi's prized priorities, such as the BRI, continue to receive preferential treatment and everyone else must economize.

Finally, in the event of a dramatic slowdown, the Chinese government will most likely find itself confronting greater resistance in the country's restive periphery, especially in Tibet and Xinjiang, which contain China's most vocal ethnic minorities, and in Hong Kong, which was British territory until 1997 and retains a different system of governance with far more civil liberties. To be sure, escalating tensions in China's periphery will not bring the CCP down. But they can be costly distractions. Should the party resort to overly harsh responses to assert its control, as is likely to be the case, the country will incur international criticism and harsh new sanctions. The escalation of human rights violations in China would also help push Europe closer to the United States, thus facilitating the formation of a broad anti-China coalition, which Beijing has been desperately trying to prevent.

Although middle-class discontent, ethnic resistance, and pro-democracy protests won't force Xi out of power, such pervasive malaise would undoubtedly further erode his authority and cast doubts on his capacity to govern effectively. Economic weakness and elite demoralization could then push Beijing over the edge, leading the CCP toward calamity.

BEATING THE DRUMS OF NATIONALISM

In theory, the CCP should be capable of avoiding or mitigating the damage from an economic slowdown. An effective strategy would incorporate some of the valuable lessons Xi's predecessors learned from the collapse of the Soviet Union. Moscow continued to provide significant aid to Cuba, Vietnam, and several vassal states in Eastern Europe well into the Soviet Union's twilight years. The regime also pursued a costly military intervention in Afghanistan and funded proxies in Angola and Southeast Asia. To avoid those kinds of mistakes, Beijing should prioritize the conservation of its limited financial resources to sustain the open-ended great-power conflict. In particular, China should retrench from its expansionist projects, above all the BRI, and other foreign assistance programs, such as the grants and concessional loans it has provided to Cambodia, Cuba, Venezuela, and several developing countries in Africa. Beijing might incur considerable short-term costs—namely, the loss of prestige and goodwill—but over the long term, China would avoid the perils of imperial overreach and preserve enough funds to recapitalize its banking system, which has been exhausted by excessive lending in the last decade.

Beijing should also build stronger ties with U.S. allies to prevent Washington from recruiting them into a broad anti-China coalition. To do so, the regime will have to offer enormous economic, diplomatic, military, and political concessions, such as opening the Chinese market to Japan, South Korea, and Europe; ensuring the protection of intellectual property; making significant improvements in human rights; and abandoning certain territorial claims. Xi's government has already taken steps to repair ties with Japan. But to truly court U.S. allies and avert a slowdown, either Xi or his successors will need to go further, undertaking market-oriented reforms to offset the economic losses caused by decoupling. The large-scale privatization of state-owned enterprises is a good place to start. These inefficient behemoths

control nearly \$30 trillion in assets and consume roughly 80 percent of the country's available bank credit, but they contribute only between 23 and 28 percent of GDP. The efficiency gains that would be unleashed by reining in the state's direct role in the economy would be more than enough to compensate for the loss of the U.S. market. The economist Nicholas Lardy has estimated that genuine economic reforms, in particular those targeting state-owned enterprises, could boost China's annual GDP growth by as much as two percentage points in the coming decade.

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Unfortunately, Xi is unlikely to embrace this strategy. After all, it runs against his deeply held ideological views. Most of China's recent foreign and security policy initiatives bear his personal imprint. Curtailing or abandoning them would be seen as an admission of failure. As a result, the CCP might be limited to tactical adjustments: promoting public-private partnerships in the economy, deregulating certain sectors, or reducing government spending. Such steps would represent an improvement but would probably neither raise sufficient revenue nor appeal strongly enough to U.S. allies to decisively alter the course of the U.S.-Chinese confrontation.

Instead, Xi will probably beat the drums of Chinese nationalism to counter the United States. Ever since the 1989 Tiananmen Square protests—which shook the party to its core and resulted in a government crackdown on dissent—the CCP has ceaselessly exploited nationalist sentiment to shore up its legitimacy. In the event of decoupling and an economic slowdown, the party will likely ramp up those efforts. This should not be hard at first: most Chinese are convinced that the United States started the current conflict to thwart China's rise. But ironically, fanning the flames of nationalism could eventually make it harder for the party to switch to a more flexible strategy, since taking a vigorous anti-American stance will lock in conflict and constrain Beijing's policy options.

The party would then have to turn to social control and political repression. Thanks to its vast and effective security apparatus, the party should have little difficulty suppressing internal challenges to its authority. But repression would be costly. Faced with rising unrest fueled by economic stagnation, the party would have to devote substantial resources to stability, largely at the expense of other priorities. Strict social control would also likely alienate some elites, such as private entrepreneurs and high-profile academics and writers. Escalating repression could generate greater resistance in China's periphery—Tibet, Xinjiang, and Hong Kong—and elicit international criticism, especially from the European countries that China needs to court.

AFTER THE DELUGE

The CCP is still far from dead. Short of China's losing a direct military conflict with the United States, the party can conceivably hang on to power. That said, a regime beset by economic stagnation and rising social unrest at home and great-power competition abroad is inherently brittle. The CCP will probably unravel by fits and starts. The rot would set in slowly but then spread quickly.

It is possible, but unlikely, that mounting dissatisfaction within the regime could motivate senior members to organize a palace coup to replace Xi. The party, however, has adopted sophisticated coup-proofing techniques: the General Office of the Central Committee monitors communication among members of the committee, the only body that could conceivably remove Xi. What is more, Xi's loyalists dominate the membership of the Politburo and the Central Committee, and the military is firmly under

his control. Under such circumstances, a conspiracy against the top leader would be exceedingly difficult to pull off.

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Another possible scenario is a crisis that creates a split among China's top elites, which in turn paralyzes the regime's fearsome repressive apparatus. Such an event could be precipitated by mass protests that the security forces are unable to contain. As with the Tiananmen protests, divisions could emerge among top leaders over how to deal with the protesters, thus allowing the movement to gain momentum and attract broad-based support nationwide. But this scenario, although tantalizing, is unlikely to materialize, since the party has invested heavily in surveillance and information control and has developed effective methods to suppress mass protests.

The scenario that would entail the greatest likelihood of radical change is a succession struggle that would occur if Xi were to pass away or resign owing to infirmity. Typically, the fight for power that follows the end of strongman rule produces a weak interim leader: consider Soviet Premier Georgy Malenkov, who followed Stalin, or CCP Chair Hua Guofeng, who followed Mao. Such leaders are often pushed out by a stronger contender with a transformative vision: think Nikita Khrushchev in the Soviet Union and Deng Xiaoping in China. Given this new leader's need to assert his authority and offer a different, more appealing agenda, it is unlikely that Xi's hard authoritarianism would survive the end of his rule.

That would leave the new leader with only two options. He could return to the survival strategy that the party had before Xi by restoring collective leadership and a risk-averse foreign policy. But he might find this to be a hard sell, as the party and all its previous survival strategies might have been discredited by this point. So he might instead opt for more radical reforms to save the party. Although stopping short of liberal democracy, he would, in this case, roll back repression, relax social control, and accelerate economic reform, just as the Soviet Union did between 1985 and its collapse in 1991. Such a course of action might be more attractive to a party elite traumatized by two decades of strongman rule; it might also resonate with Chinese youth yearning for a new direction.

If reformers gained the upper hand and embarked on such a path, the most critical issue would be whether they could avoid "the Tocqueville paradox," named after the political theorist Alexis de Tocqueville, who observed that the reforms that a weakened dictatorship pursues have a tendency to trigger a revolution that eventually topples the reformist dictatorship itself.

Moderate reforms might be more effective in China than they were in the Soviet Union, however, because a new Chinese leader would not have to deal with a collapsing external empire, as the last Soviet leader, Mikhail Gorbachev, did in Eastern Europe. Nor would a new leader face national disintegration, as the Soviet Union did in the late 1980s and early 1990s, when all 15 Soviet republics bolted from the center, because non-Chinese ethnic minorities make up less than ten percent of China's population. They may cause serious problems in Tibet and Xinjiang, but otherwise, ethnic minorities pose no real threat to China's territorial integrity.

Whatever the outcome after Xi's political exit, the CCP will likely undergo dramatic changes. In the best-case scenario, the party may succeed in transforming itself into a "kinder, gentler" regime, one that endorses economic and political reforms and seeks a geopolitical reconciliation with the United States. By the end, the CCP could be unrecognizable. In the worst-case scenario, deep institutional rot, inept

leadership, and the mobilization of anti-regime movements could very well cause a hard landing. Should that happen, it would be one of history's greatest ironies. Despite the lessons the CCP has learned from the Soviet implosion and the steps it has taken since 1991 to avoid the same fate, the end of one-party rule in China could follow an eerily similar script.

THE SICK MAN OF EAST ASIA

Such a scenario will likely be dismissed as pure fantasy by those who believe in the durability and resilience of CCP rule. But the Chinese party-state's botched initial response to the outbreak of the novel coronavirus and the subsequent eruption of public outrage should make them think again. The worst public health crisis in the history of the People's Republic of China has revealed a number of significant weaknesses. The regime's capacity to collect, process, and act on critical information is much less impressive than most would have anticipated. Considering the enormous investments in disease control and prevention that China has made since the SARS outbreak in 2002–3 and the implementation of laws on emergency management in 2007, it has been staggering to see how thoroughly the Chinese government initially mishandled the new coronavirus epidemic. Local authorities in Wuhan—the epicenter of the outbreak—concealed critical information from the public even after medical professionals sounded the alarm, just as Jiang Yanyong, a veteran army doctor, did in 2003 about SARS. Although they received reports from Wuhan about the spread of the virus in early January, most members of the senior leadership did not take any serious action for two weeks.

The crisis has also revealed the fragility of Xi's strongman rule. One likely reason that Beijing failed to take aggressive action to contain the outbreak early on was that few crucial decisions can be made without Xi's direct approval, and he faces heavy demands on his limited time and attention. A strongman who monopolizes decision-making can also be politically vulnerable during such a crisis. A series of decisions Xi made after the Wuhan lockdown began—such as sending Li, the premier, to the epicenter of the virus instead of going himself and remaining unseen in public for nearly two weeks—undermined his image as a decisive leader at precisely the moment the system seemed to be rudderless. He reasserted control only weeks after the crisis began—by firing the party chiefs in charge of the city and the province where the outbreak started and imposing tight censorship rules on the press and social media.

But the brief window during which Chinese social media and even the official press erupted in outrage revealed just how tenuous the CCP's control over information has become and highlighted the latent power of Chinese civil society. For unknown reasons, China's censorship system performed poorly for about two weeks after the lockdown in Wuhan was announced. During that period, people were able to learn how the government had muzzled medical professionals who had tried to warn the public. Criticism of the government reached a peak when Li Wenliang—a doctor who in late December was among the first to warn Chinese authorities about the danger of COVID-19, the disease caused by the novel coronavirus, and who was subsequently interrogated and silenced by local police—died of the illness on February 7, showing that the CCP could lose public support quickly in a crisis situation.

The events of the past few months have shown that CCP rule is far more brittle than many believed. This bolsters the case for a U.S. strategy of sustained pressure to induce political change. Washington should stay the course; its chances of success are only getting better and better.