

Questions for Richard McGregor, author of *Xi Jinping: The Backlash* (Lowy Institute 2020)

You argue in the book that Xi Jinping is facing a backlash on several fronts. When do you think this backlash began and what were the telltale signs?

Without sounding perverse, let me start by saying that I think Xi's extreme policies are themselves the product of something of a backlash, against the likes of Bo Xilai and Zhou Yongkang. These two former members of the Politburo, both now in prison, were detained and investigated in 2012 and 2013 respectively, on an array of corruption and malfeasance charges. In the official media these days, they are accused of a political crime far worse than mere corruption—plotting a coup against Xi. Such a backlash might not have prevented Xi from taking over as general secretary in late 2012, but it would have ensured that Xi came to office as a highly compromised leader, beholden to Bo and Zhou.

These cases provide an important context to explain why Xi behaved with such alacrity and haste when he became general secretary. When Xi was chosen as Hu Jintao's successor in 2007, I don't recall anyone suggesting he would be the kind of transformational leader that he has turned out to be. At the time, he was considered to be a compromise candidate for the top job. But the Bo and Zhou cases seem to have had a salutary effect on him. He concluded that the system was crumbling, and so he set about to destroy the powerful fiefdoms that had been built up under Hu Jintao and to re-establish the party discipline he thought had been corroded so thoroughly during the previous decade.

To your question, I don't think that there was a fully formed backlash against Xi until early 2018, when he abolished presidential term limits, effectively putting off the issue of succession in perpetuity. Up until then, there was a lot of discontent and grumbling on many fronts. The anti-corruption campaign damaged many powerful families. The technocrats, in different ways, were unhappy with the direction of economic policy, financial reform, and the Belt & Road Initiative. The crackdown on lawyers and civil society angered many liberals. But I think the term-limits issue crystalized concerns about Xi. That was the point when the critics' view of Xi really hardened. There was no longer any room for doubt that he was taking China backwards.

Is the backlash prompted by the aggressiveness of Xi's policies or by the failure of some of his policies?

The former more than the latter, although that is an interesting way to frame the question. You could argue that many of Xi's policies have been failures, in the economy and financial markets, for example, but more on that later. His backers might argue the opposite—that his political campaign has done exactly what he wanted it to do. They would point to the way Xi has galvanized the CCP system to ensure loyalty and compliance. After all, that is precisely Xi's aim—to solidify and fortify the party and its 90 million-plus members against all enemies. Xi's way of going about this, however, has been relentless and radical. It is a scorched-earth policy, using all the levers of power in the hands of the general secretary to eliminate anyone who refuses to get on board with his agenda. I think many senior party members in Beijing would

have supported some form of re-centralization of power, the kind of cyclical swing that happens periodically in China. But Xi's my-way-or-the-highway style, as much as what he is actually doing, has been deeply alienating for many of his senior colleagues.

What are the forces that are pushing back against Xi within China? What are their motivations? How might these forces generate meaningful pressure on Xi? Because China is so opaque under Xi's rule, how can we be certain that these forces are pushing back against Xi's agenda?

The opacity is a problem, to be sure. It should inject a level of caution into all judgments about China. Having said that, it's pretty obvious, both from public statements and private conversations, that there is deep unhappiness with Xi in diverse parts of the system. That should come as no surprise when you remember how he has conducted himself in office.

Almost immediately after becoming general secretary, Xi started to take on powerful interests. The anti-corruption probe into the SOEs began with the big beasts in the energy sector, the so-called "petroleum gang," doubtless flowing on from the investigation into their then titular head, Zhou Yongkang. He gave his corruption chief, Wang Qishan, pretty free rein to go after bad actors in the bureaucracy, and in the SOEs, the military, and then the private economy. Wang Qishan's ruthlessness seems to have spread through the anti-corruption apparatus at all levels of the party-state, in the provinces, cities, and towns and villages. To be sure, some senior officials were spared because of their relations with Xi. A number of officials were cut down on expedient political grounds. But the anti-corruption campaign went far beyond Xi's immediate political enemies.

The technocrats and the small-l liberals, for want of a better description, possibly have been covered by the ferocity of the anti-corruption campaign. But their complaints about Xi are policy-related. They can be broadly grouped into three areas, on the economy, foreign policy, and in law and human rights. They also should not be considered as a single entity. They are a diverse set of officials and scholars, some of whom are very prominent and experienced. Collectively, they cannot organize against Xi for fear of retribution. As individuals, they have little power, which is why they have struggled to generate meaningful pressure on Xi. Many of the most liberal amongst them have been rounded up or have had their organizations shut down. The media, which once would have been part of an outlet for some of their views, are more tightly controlled. The anti-corruption campaign injects an extra level of caution. If they play up, they or their families could come under investigation. For the immediate term, short of a major crisis it is difficult to see how they can turn themselves into effective internal advocates for their respective causes.

How has Xi responded to the domestic backlash?

It is difficult to give a definitive answer to this question. But in general terms, I think it is fair to say that Xi has doubled down on politics, while showing flexibility on the economy. On politics, Xi's position is clear from various speeches and the Fourth Plenum of late 2019. He has emphasized internal party governance, which is a polite way of saying "follow my rules or else." The party has always had a lot of rules, all piled up on top of each other. Xi has been distinctive

in enforcing what is on the books as much as adding to it. He has emphasized “struggle,” a notion that is axiomatic to the party’s legacy, and the sense that the CCP alone can be entrusted with the historical mission of leading China and making it a powerful nation again. The idea of “struggle” can drive everything, from periodic purges to a permanent sense of rancor and suspicion toward foreigners.

On the economy, I think Xi is showing more signs of flexibility than he is given credit for. Either that or he is willing to leave a lot of policy making to the financial technocrats, particularly in areas that he does not have a good feel for. I am not saying that Xi has renounced his core belief that a strong state sector is essential to CCP rule. He has emphasized the importance of the state sector often enough. As late as September 2018, he took a high-profile trip to the rustbelt in the Northeast that inevitably involved talking up the state sector. Nicholas Lardy’s research, which shows how a growing share of investment funds has been going to state firms since Xi took power, backs up this narrative.

But in late 2018, the confluence of two separate streams of events seemed to prompt a shift in Xi’s rhetoric, if not his position. At the time, the economy appeared to be falling into a slump, perhaps precisely because of the problem that Lardy writes about—the CCP favoring the state sector over the private sector. This coincided with the fortieth anniversary of the “reform and opening” period under Deng Xiaoping. As an official anniversary with many state-mandated events and acres of newsprint given over to covering them, many outspoken supporters of market reform and political liberalization were given a platform to broadcast their views. Although not criticizing Xi by name, there was plenty of condemnation of his policies. Soon thereafter, Xi’s public posture on the private sector became more positive. Whether he has had a genuine change of heart is unlikely, but he seems to have developed a greater appreciation for how indispensable the private sector is for the economy.

Again, on advice from his reform-minded advisers, so far Xi seems to have held firm on deleveraging and unwinding the shadow banking system. These policies, incidentally, might have hurt the private sector, although that was not their aim.

The external backlash against Xi is far more visible. What are the principal causes of this backlash? Has this backlash produced any impact on Xi’s foreign-policy agenda?

The external backlash is certainly more visible! It is also widespread. Just about every single advanced nation, in one form or another, is renegotiating the terms of its relationship with Beijing, often in an atmosphere of hostility. As a result, so far it is difficult to see any fundamental change in Xi’s foreign policy, apart from being forced into trade negotiations with the United States.

As to the causes, I would point to a number of things that can be folded together. As it was for many Chinese themselves, I think Xi’s decision to abolish term limits was a pivotal moment. Many foreigners had a vague sense of China being an authoritarian state. They knew that China was growing rapidly and using its economic weight to get its way around the world. They knew that China was becoming more assertive—about issues such as the South China Sea. Xi’s decision on term limits brought all these sentiments together in a way that any single policy or

military initiative never could. It was a wakeup call for many people that something else was going on, that China was not merely another big country that one way or another would be a rival of the United States. Here was a very different sort of beast, a party-state with a leader determined to get his way.

Has the backlash described in your book hurt Xi politically? Since Xi appears to have solidified his control, even a perception that his agenda has backfired may not endanger his hold on power. How can a dominant leader who is seen as taking the party down a risky, if not dangerous, path continue to maintain his authority?

The CCP still retains a great deal of legitimacy based on solid economic growth (however unevenly shared) and a sense that China is regaining its position as a global superpower. It is also not difficult to see how the anti-corruption campaign is broadly popular with the population. On top of that, the truth is that an authoritarian leader can make many mistakes and take his or her country down many blind alleys before being held accountable. An authoritarian leader also has great power to control the narrative within his/her own country, whereby any problems are the fault of lax officials and not the fault of the leader. In the short term, it is tough to see Xi knocked off his perch or being forced to share power by anything short of a crisis.

In the coming years, what should we watch closely in trying to gauge Xi's political strengths and his ability to push forward with his agenda?

The first most important bellwether is economic—the extent and impact of the current slowdown, and the response to the slowdown. In other words, the issue is whether the technocrats will be able to hold the line in unwinding the shadow banking sector and whether they will come under pressure from Xi to pump up growth again. The second bellwether is whether any debate will surface about reviving the issue of succession. Finally, there are the “black swans” and the “gray rhinos”—or whatever you want to call them—things such as pandemics. At the time of this writing, it is still too early to assess the political impact of the coronavirus in Wuhan and beyond.

Have analysts who disapprove of Xi's agenda and values overlooked any of his strengths or overplayed any of his shortcomings?

An important question. Are those critics who insist that Xi must eventually pay a price for his policies simply refusing to recognize the reality that is staring them in the face. In other words, for all China's problems, are the critics blind to the fact that China is making huge gains under Xi's stewardship? To make the argument—growth is steady. The country's technological base is strengthening. Diplomatically, despite problems with the West, China is making great strides elsewhere in the world, often at the expense of Washington and Europe. The foreign campaign to highlight abuse of the rights of Uighurs has failed to shift Beijing's position. The problems in Hong Kong and Taiwan, although difficult, are being contained. And whatever China's missteps, they don't compare to the way that Donald Trump is debauching the image of the West and attacking the country's governing institutions. As for the Chinese people, by and large they are proud and energized by their country's trajectory. In their eyes, the China Dream is on track.

Although I don't agree with this argument, it is a reminder that Xi's critics have to be careful about overegging their case. China is not about to collapse. The country's entrepreneurs and its people retain their energy and ambition, qualities that are often absent in the more complacent West.

But even if Xi's China is successful in the short term, it doesn't mean that other countries should accept its extra-territorial impact on the world. In fact, the opposite is the case. Other countries should push back, and in fact they are doing just that. I still don't see the Xi model—one-man rule over an increasingly ideological party—as a winner. Eventually, it will push up against the natural limits of such a system, especially as other factors come into play, such as a naturally slowing of the economy and demographic decline, both of which will breed an increasingly restive populace. Xi doesn't portend the end of history in China. The story of modernization in China will still have a long run.



Richard McGregor is a senior fellow for east Asia at the Lowy Institute, Australia's premier foreign policy think tank, in Sydney. Mr. McGregor is a former journalist and author who has won numerous awards for his reporting in China and east Asia. McGregor is an expert on the Chinese political system – his book, *The Party*, on the inner-workings of the Chinese Communist Party, published in 2010, was called a “masterpiece” by *The Economist*. Translated into seven languages, *The Party* was chosen by the Asia Society and *Mainichi Shimbun* in Japan as their book of the year in 2011. His latest book on Sino-Japanese relations, *Asia's Reckoning: China, Japan and the Fate of US in the Pacific Century*, published in 2017, was called “shrewd and knowing” by the *Wall Street Journal* and the “best book of the year” by the *Literary Review* in the UK. As the Former Bureau Chief of *Financial Times* in Beijing and Washington D.C., he led a team of senior reporters in both capitals for one of the world's biggest business newspaper. He has also been based in Hong Kong, Shanghai, Tokyo, and Taipei. On top of the *Financial Times*, he has worked for the BBC, the *Far Eastern Economic Review*, the *International Herald Tribune*, *The Australian* and the *Australian Broadcasting Corporation*. He was born and spent the early years of his career in Australia. McGregor was a visiting scholar at the Wilson Center and George Washington University in Washington from 2014-2016.