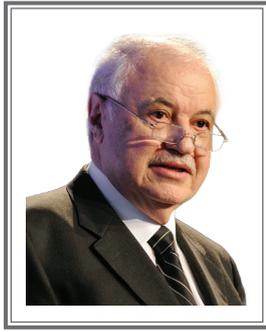


## Xi's Challenges During His Third Term in Power



**Talal Abu-Ghazaleh**

President Xi Jinping has secured a third term in power, surrounding himself with those loyal to him in the Chinese Communist Party's (CCP) 20th congress. The event was attended by over 2,400 delegates who rubber stamped Xi's reshuffles and constitutional changes. He has solidified his grip on the CCP and secured his place as China's most powerful leader since Mao Zedong, the founder of the People Republic of China. The CCP Politburo, which is the decision making body of the party, has been filled with loyalists close to the President; a display of Xi's dominance over the party.

Xi is known for his ideology over growth policy where his political thought has been written into the party's charter, further cementing his autocratic leadership of China. This increased autocracy may see some pushback from the USA and other western nations as it increasingly become a country where only one voice is heard. His full control means that he and his team will be fully responsible for the repercussions of policies for the world's second largest economy which faces a number of domestic and international challenges.

China has now released a set of postponed economic figures which shows that all is not well, despite the words of the Chinese Premier. The Yuan has weakened against the dollar and stocks have slumped over concerns that Xi will continue with ideological policies rather than focus on economic growth. China is experiencing slow growth and seems to be a shadow of its former self where it experienced hyper growth for thirty years from 1980 through to 2010. It is way below the rate of expansion it has seen for decades and some way off the 5.5% 2022 target that was set in March.

The Chinese net-zero policy on COVID outbreaks in the country is having severe repercussions on productivity with never ending lockdowns and authorities trying to trace every infected person. This is affecting the movement of people, their ability to work and in turn businesses and overall Chinese productivity as a result. China is a vast country with the world largest population and enforcing such a policy is highly resource intensive, costly and comes at the price of reduced growth. It seems that this policy is here to stay with Xi saying in his opening speech at the 20th congress that Beijing had launched a people's war to stop the spread of the virus.

A slowdown in the Chinese property market is another crucial challenge for Xi, which by some estimates is responsible for close to thirty percent of Chinese GDP. The development of the vast Chinese real estate market in recent years has caused high prices and growing developer debt, creating a housing bubble which will be disastrous should it burst. Mega Chinese real estate developers are also in big trouble with many failing to meet interest payments to international investors, with one being labelled the most indebted property company in the world.

The Chinese private sector is struggling due to the increased costs of raw materials, higher borrowing costs, leading to millions of private Chinese bricks and mortar businesses going bust. These businesses make up sixty percent of the Chinese economy and eighty percent of urban employment. China has also been facing growing US export control for some time now which poses a huge challenge to it both at home and abroad as the US tries to squeeze it out of the global technology sector and hamper its ability to compete internationally.

Xi may have won a third term in power, but these growing domestic problems and international challenges will not just disappear because he doesn't want to acknowledge them. This is a critical juncture for China where Xi needs a highly competent management team experienced in economic reforms to patch the domestic market, and one that understands how to handle international relations particularly with western countries.