

# THREE CHALLENGES BEFORE XI

Relevant for: International Relations | Topic: Effect of policies and politics of developed & developing countries on India's interests

Xi Jinping  
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While presiding over a grandiose military parade at the Tiananmen Square in Beijing on Tuesday marking the 70th anniversary of the Communist revolution, Chinese President Xi Jinping said there's no force "able to shake our great motherland's status". The parade, and Mr. Xi's speech underscored the Communist Party's grip on the country and the leader's status.

The country has made great economic progress under the leadership of the Communist Party of China (CPC), especially in the last 40 years after Deng Xiaoping opened up the economy. China is now the world's second largest economy in dollar terms. If the size of the Chinese economy was \$30.55 billion in 1952, it stood at \$13.6 trillion in 2018. GDP per capita jumped from \$54 in 1952 to \$10,200 last year. China has almost eradicated urban poverty. According to the World Bank, some 850 million people were lifted from poverty since the economic reforms. Today's China is an industrial powerhouse and a leader in advanced technologies, a far cry from the poor, broken and primarily agrarian economy which the communists took over in 1949.

While Mr. Xi and his party are celebrating these achievements, his regime also faces transformational challenges today.

## Economic slowdown

With globalisation and free trade in crisis and the era of cheap labour in China over, the country's exports-dependent economy has slowed down. In the second quarter of 2019, Chinese economy grew 6.2%, slowest in more than 27 years. After the 2008 economic crisis, Chinese planners have shifted their focus from exports to domestic consumption. Though the share of exports in GDP has come down since its peak in 2008 (36.04%), China is still very much dependent on global economy (the share remained almost 20% in 2016).

The trade war with the U.S. has hurt China badly with its industrial growth rate falling to a 17-year low of 4.8% in July. The numbers suggest that China is experiencing one of the worst economic slowdowns since it was opened up.

## Geopolitical tensions

Deng Xiaoping once famously said, "hide your strength and bide your time", which more or less defined China's foreign policy doctrine for decades. While its focus was on the country's economic development, China was also "peacefully" rising as a regional power in Asia. With China's big power status, however, it can no longer hide. Take the case of the U.S., for example. U.S.-China ties have been normalised after President Richard Nixon's historic 1972 visit to China. When China liberalised its economy, economic and trade ties with the U.S. deepened. But now, the U.S. and China are involved in a bitter tariff war which is hurting each other as well as the global economy. Tensions have also raised in the South China Sea region. President Donald Trump's policy seeks to take on China, if not contain its rise. The cooperative competition between the two countries has entered into a phase of confrontational competition.

## Political crises

On Tuesday, a few hours after President Xi gave his emphatic speech in Beijing, a protester was shot in the chest in Hong Kong by the police. Hong Kong has been in turmoil for month. What began as a protest against an extradition Bill has morphed into a violent movement for political reforms and “liberation”. The Hong Kong protests are perhaps the greatest challenge Mr. Xi has faced since he became President. In Xinjiang, Beijing was accused of detaining one million Uighurs in “re-education camps”. China says these were de-radicalisation camps, but the detention has sparked a global outcry, with Mike Pompeo, the U.S. Secretary of State, calling the camps “the stain of the century”. Choosing the next Dalai Lama could be another major political challenge. China has insisted that the next Lama should come from Tibet so that Beijing can have some leverage on the “reincarnation”. The Communist Party would not like these political issues to snowball into a “counter-revolution”. But how Mr. Xi is going to address them may also have lasting impact on the party’s hold on China.

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