

Dictatorship of Xi Jinping threatens the Chinese state itself



Chinese President Xi Jinping speaks during the celebration marking the 100th founding anniversary of the Chinese Communist Party on July 1 in Beijing. Picture: Reuters

- By **George Soros**
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Xi Jinping, the ruler of China, suffers from several internal inconsistencies which greatly reduce the cohesion and effectiveness of his leadership. There is a conflict between his beliefs and his actions and between his public declarations of wanting to make China a superpower and his behaviour as a domestic ruler. These internal contradictions have revealed themselves in the context of the growing conflict between the US and China.

At the heart of this conflict is the reality that the two nations represent systems of governance that are diametrically opposed. The US stands for a democratic, open society in which the role of the government is to protect the freedom of the individual. Mr Xi believes Mao Zedong invented a superior form of organisation, which he is carrying on: a totalitarian

closed society in which the individual is subordinated to the one-party state. It is superior, in this view, because it is more disciplined, stronger and therefore bound to prevail in a contest.

Relations between China and the US are rapidly deteriorating and may lead to war. Mr Xi has made clear that he intends to take possession of Taiwan within the next decade, and he is increasing China's military capacity accordingly.

He also faces an important domestic hurdle in 2022, when he intends to break the established system of succession to remain president for life. He feels that he needs at least another decade to concentrate the power of the one-party state and its military in his own hands. He knows that his plan has many enemies, and he wants to make sure they won't have the ability to resist him.

It is against this background that the current turmoil in the financial markets is unfolding, catching many people unaware and leaving them confused. The confusion has compounded the turmoil.

Although I am no longer engaged in the financial markets, I used to be an active participant. I have also been actively engaged in China since 1984, when I introduced Communist Party reformers in China to their counterparts in my native Hungary.

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They learned a lot from each other, and I followed up by setting up foundations in both countries. That was the beginning of my career in what I call political philanthropy. My foundation in China was unique in being granted near-total independence. I closed it in 1989, after I learned it had come under the control of the Chinese government and just before the Tiananmen Square massacre. I resumed my active involvement in China in 2013 when Mr Xi became the ruler, but this time as an outspoken opponent of what has since become a totalitarian regime.

I consider Mr Xi the most dangerous enemy of open societies in the world. The Chinese people as a whole are among his victims, but domestic political opponents and religious and ethnic minorities suffer from his persecution much more. I find it particularly disturbing that so many Chinese people seem to find his social-credit surveillance system not only tolerable but attractive. It provides them social services free of charge and tells them how to stay out of trouble by not saying anything critical of Mr Xi or his regime. If he could perfect the social-credit system and assure a steadily rising standard of living, his regime would become much more secure. But he is bound to run into difficulties on both counts.

To understand why, some historical background is necessary. Mr Xi came to power in 2013, but he was the beneficiary of the bold reform agenda of his predecessor Deng Xiaoping, who had a very different concept of China's place in the world. Deng realised that the West was much more developed and China had much to learn from it. Far from being diametrically opposed to the Western-dominated global system, Deng wanted China to rise within it. His approach worked wonders. China was accepted as a member of the World Trade Organisation in 2001 with the privileges that come with the status of a less-developed country. China embarked on a period of unprecedented growth. It even dealt with the global financial crisis of 2007-08 better than the developed world.

Mr Xi failed to understand how Deng achieved his success. He took it as a given and exploited it, but he harboured an intense personal resentment against Deng. He held Deng Xiaoping responsible for not honouring his father, Xi Zhongxun, and for removing the elder Xi from the Politburo in 1962. As a result, Xi Jinping grew up in the countryside in very difficult circumstances. He didn't receive a proper education, never went abroad, and never learned a foreign language.

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Xi Jinping devoted his life to undoing Deng's influence on the development of China. His personal animosity toward Deng has played a large part in this, but other factors are equally important. He is intensely nationalistic and he wants China to become the dominant power in the world. He is also convinced that the Chinese Communist Party needs to be a Leninist party, willing to use its political and military power to impose its will. Xi Jinping strongly felt this was necessary to ensure that the Chinese Communist Party will be strong enough to impose the sacrifices needed to achieve his goal.

Mr. Xi realised that he needs to remain the undisputed ruler to accomplish what he considers his life's mission. He doesn't know how the financial markets operate, but he has a clear idea of what he has to do in 2022 to stay in power. He intends to overstep the term limits established by Deng, which governed the succession of Mr Xi's two predecessors, Hu Jintao and Jiang Zemin. Because many of the political class and business elite are liable to oppose Mr Xi, he must prevent them from uniting against him. Thus, his first task is to bring to heel anyone who is rich enough to exercise independent power.

That process has been unfolding in the past year and reached a crescendo in recent weeks. It started with the sudden cancellation of a new issue by Alibaba's Ant Group in November 2020 and the temporary disappearance of its former executive chairman, Jack Ma. Then came the disciplinary measures taken against Didi Chuxing after it floated an issue in New York in June 2021. It culminated with the banishment of three US-financed tutoring companies, which had a much greater effect on international markets than Mr Xi expected. Chinese financial authorities have tried to reassure markets but with little success.

Mr Xi is engaged in a systematic campaign to remove or neutralise people who have amassed a fortune. His latest victim is Sun Dawu, a billionaire pig farmer. Mr Sun has been sentenced to 18 years in prison and persuaded to "donate" the bulk of his wealth to charity.

This campaign threatens to destroy the geese that lay the golden eggs. Mr Xi is determined to bring the creators of wealth under the control of the one-party state. He has reintroduced a dual-management structure into large privately owned companies that had largely lapsed during the reform era of Deng. Now private and state-owned companies are being run not only by their management but also a party representative who ranks higher than the company president. This creates a perverse incentive not to innovate but to await instructions from higher authorities.

China's largest, highly leveraged real-estate company, Evergrande, has recently run into difficulties servicing its debt. The real-estate market, which has been a driver of the economic recovery, is in disarray. The authorities have always been flexible enough to deal with any crisis, but they are losing their flexibility. To illustrate, a state-owned company produced a

Covid-19 vaccine, Sinopharm, which has been widely exported all over the world, but its performance is inferior to all other widely marketed vaccines. Sinopharm won't win any friends for China.

To prevail in 2022, Mr Xi has turned himself into a dictator. Instead of allowing the party to tell him what policies to adopt, he dictates the policies he wants it to follow. State media is now broadcasting a stunning scene in which Mr Xi leads the Standing Committee of the Politburo in slavishly repeating after him an oath of loyalty to the party and to him personally. This must be a humiliating experience, and it is liable to turn against Mr Xi even those who had previously accepted him.

In other words, he has turned them into his own yes-men, abolishing the legacy of Deng's consensual rule. With Mr Xi there is little room for checks and balances. He will find it difficult to adjust his policies to a changing reality, because he rules by intimidation. His underlings are afraid to tell him how reality has changed for fear of triggering his anger. This dynamic endangers the future of China's one-party state.

George Soros is founder of the Open Society Foundations.

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