

# CHINA UNDER PRESIDENT XI JINPING: A NEW ERA OF STRATEGIC REORIENTATION



by Prof Tan Kong Yam

Under the leadership of President Xi Jinping, China has undertaken a profound transformation, aimed at reshaping its economic, technological, and geopolitical foundations. This shift from a high-growth, export-driven model to one centred on security, sustainability and domestic innovation defines Xi's tenure. It reflects his vision of a modern, self-reliant China poised for global influence, responding to both internal challenges and external pressures.

## **Xi Jinping's Vision: Addressing Internal and External Challenges**

President Xi's leadership has emphasised the importance of securing China's future against the vulnerabilities exposed by its previous growth model. His 2022 speech, published in the party's theoretical journal, *Qiushi* (求是), underscored the existential threat of ideological decay within the Communist Party of China (CPC). Xi warned, "If the people we cultivate no longer believe in Marxism and Communism ... tragedies like the collapse of Eastern Europe and the disintegration of the Soviet Union will occur!" This statement encapsulates his rationale for combining economic reorientation with a robust reinforcement of party control and ideological fidelity.

## **Economic Transformation: From Speculation to Innovation Redirecting National Savings**

Xi's administration seeks to steer China's vast national savings away from speculative real estate investments towards productive sectors. The focus is on advanced manufacturing and supporting industries that contribute to technological advancement.

## **Technological Self-Reliance: A Strategic Imperative**

The realisation of China's technological vulnerabilities, highlighted by US sanctions on companies like ZTE, catalysed an aggressive push for self-reliance. This strategic change in direction was partly triggered by Xi's

painful recognition of China's vulnerability due to its weak technological development. In March 2017, Chinese state-owned multinational telecommunications equipment and systems company ZTE Corp pleaded guilty to illegally exporting US technology to Iran and North Korea in violation of US trade sanctions. It was fined a total of US\$1.19 billion by the US Department of Commerce. However, the Department of Commerce later found that ZTE had made false statements regarding its compliance with some earlier agreements and banned US companies from exporting to ZTE for seven years. At least 25% of the components on ZTE smartphones originated from the United States, including Qualcomm processors and "certified Android" software from Google Mobile Services.

In order to save ZTE, President Xi personally pleaded ZTE's case to then president Donald Trump. On 7 June 2018, ZTE agreed to a settlement with the Department of Commerce in order to lift the export ban. The company agreed to pay a US\$1 billion fine, place an additional US\$400 million of suspended penalties in escrow, replace its entire senior management, and establish a compliance department selected by the US Department of Commerce. President Trump and the US regulatory agency could have forgotten the incident. However, for President Xi, it was a great personal humiliation that he vowed to redress through greater technological independence.

## **Innovation-driven Enterprises: Prioritising Homegrown Breakthroughs in Sectors Critical for Global Leadership**

The government's regulatory crackdown on property developers is designed to curb economic volatility while channeling capital into critical industries, including artificial intelligence (AI), semiconductor production, quantum computing, advanced telecommunications (5G and 6G), biotechnology and healthcare, space exploration, renewable energy systems and battery storage technologies.

The policy focused on transiting from “Made in China” to “Created in China”. This transition to an innovation-led economy is central to Xi’s agenda. The strategy aims to elevate China’s global value-chain position while reducing reliance on foreign technology. Some of the national programmes and policies include the “Little Giants” programme involving state support for small and medium enterprises specialising in critical technologies; public-private collaboration to encourage cooperation between government agencies and private firms like Huawei and Tencent to achieve technological goals; investment in education and R&D, with strong emphasis on STEM education; and funding for research institutions to build a talent pipeline.

Most critically, the strategy is focused on technocratic leadership, promoting the rise of leaders with expertise in science and engineering to ensure alignment with the party’s innovation-driven policies. The CPC’s recent appointments reflect this technocratic focus, with leaders with STEM background promoted to the Politburo, like Ding Xuexiang (b. 1962), first-ranked vice premier of the State Council; Ma Xingrui (b. 1959), party secretary of Xinjiang; Yin Li (b. 1962), party secretary of Beijing; Liu Guozhong (b. 1962), fourth-ranked vice premier of the State Council; Li Ganjie (b. 1964), head of the Central Organisation Department; Zhang Guoqing (b. 1964), third-ranked vice premier of the State Council; Chen Wenqing (b. 1960), secretary of the Central Political and Legal Affairs Commission; Chen Jining (b.1964), party secretary of Shanghai; and Yuan Jiajun (born 1962), party secretary of Chongqing.

### **Geopolitical Reorientation: Strengthening Global Influence**

President Xi’s strategic reorientation extends beyond domestic reforms, aiming to recalibrate China’s global presence and counter Western dominance. China’s status as ASEAN’s largest trading partner underscores its influence in Southeast Asia. Initiatives like the Belt and Road Initiative (BRI) enhance infrastructure connectivity, with projects such as high-speed rail networks and energy systems reinforcing China’s role as a development partner. China’s partnerships with BRICS and Global South nations provide access to resources and political alliances. Through institutions like the Asian Infrastructure Investment Bank (AIIB), China offers an alternative to Western-led financial systems, positioning itself as a champion of developing economies.

## **Promise and Peril: Evaluating Xi’s Strategic Vision**

### **The Promise**

Xi’s strategic vision could enhance China’s technological leadership, with advances in AI, renewable energy and space technology underscoring China’s growing innovation capabilities. It could also enhance China’s global influence by expanding global partnerships, strengthening ties with ASEAN and the Global South and diversifying China’s trade and investment networks. Improvement in economic sustainability could also help China to transit to high-value industries and green technologies, thereby ensuring long-term growth potential.

### **The Peril**

However, there is a significant economic drawback to this strategy: domestic overregulation and excessive party oversight risk stifling private-sector dynamism and undermining innovation. In addition, growing inequality and demographic pressures could destabilise the social fabric. Geopolitical risks like aggressive foreign policy actions, particularly in contested regions like the South China Sea, may isolate China diplomatically.

### **Underestimating US Dynamism**

China’s national slogan since 2021, “The East is Rising, the West is Declining”, reflects confidence in its ascendancy over the United States. However, as Singapore’s late leader Lee Kuan Yew noted, the United States excels in leveraging global talent and fostering bottom-up creativity, a strength China struggles to replicate due to its top-down, homogeneous governance model. Writing in *Commentary* magazine on 6 October 2011, Harvard professor Joseph Nye said, “As Lee Kuan Yew once told me, China can draw on a talent pool of 1.3 billion people, but the US can draw on the world’s 7 billion and recombine them in a diverse culture that exudes creativity in a way that ethnic Han nationalism cannot.”

### **US Responses under President Trump**

With the second coming of Donald Trump, a hardline approach towards China is evident in the president-elect’s following nominations for key government positions:

- ▲ Marco Rubio: Secretary of State
- ▲ Pete Hegseth: Secretary of Defense

- ▲ Elise Stefanik: US Ambassador to the United Nations
- ▲ Robert Lighthizer: Trade Policy Lead
- ▲ Mike Waltz: National Security Adviser

Trump's plan to raise tariffs on Chinese imports to 60% poses great challenges and will have significant impact on China's growth. According to Morgan Stanley, this policy is projected to reduce China's 2025 GDP growth from the expected 4.8% to approximately 3.4%, a drop of 1.4 percentage points. UBS bank estimates that imposing 60% tariffs on Chinese goods will suppress China's GDP growth by approximately 2.5 percentage points within the first 12 months. However, if China implements countermeasures, the drag could be limited to 1.5 percentage points.

### **Navigating the Future: Challenges and Opportunities**

While a fragile truce might emerge in the trade war, the technological rivalry between the United States and China will persist as a long-term conflict. China's countermeasures

could include expanding domestic demand, broadening markets to reduce reliance on the United States and leveraging centralised negotiation strategies to maintain stability.

### **Conclusion: Balancing Promise with Peril**

President Xi Jinping's strategic reorientation marks a bold effort to redefine China's role in the global order. By prioritising self-reliance, fostering domestic innovation and building global partnerships, China seeks to navigate an increasingly complex international landscape. However, the success of this vision depends on balancing economic goals with social stability, asserting global influence without alienating key partners, and responding adeptly to US challenges. If managed poorly, it could undermine China's long-term sustainable growth and usher in an era of steady decline. If managed effectively, Xi's agenda could reshape not only China's future but also the global order in the 21st century.

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