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Xi Consolidates Power Amid Friction in US-China Relations

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- The “Two Sessions” (National People’s Congress and the Chinese People’s Political Consultative Conference) concluded March 20 in Beijing.
- Xi Jinping and the Party’s major institutions have steadily deepened authoritarian control as China goes all in on a one-Party state with a market-oriented economy.
- US-China relations are cool and getting cooler.

Party and State

The newly-created National Supervisory Council will extend disciplinary control of the Party to state institutions, further subordinating the Chinese people and their government to the top leadership of the Party. For example, Chinese citizens with low ranking on a new social credit system face the potential of being banned from buying train or plane tickets for a year. The unanimous vote to strip away term limits for president ensures Xi’s vision for China’s future can take as many years as he and at least a majority of the 25-person Politburo deem necessary.

US-China Relations: What to Watch

The field of handlers for the US-China relationship is crowded, with Wang Qishan as Vice President, Wang Yi as State Councilor, and Liu He as Vice Premier and top economic advisor. No conclusive word yet on where this leaves former State Councilor Yang Jiechi, but the Ministry of Foreign Affairs affirmed Monday that Yang would continue to play a role. [\[Full cabinet lineup\]](#)

Newly appointed central bank governor Yi Gang announced there will be a “series of reform and opening measures” in the weeks leading up to the Boao Forum in Hainan in April. Domestic reforms to strengthen Chinese firms are not the same as opening up, which may become even more problematic if the Administration continues to use punitive measures to seek reductions in our bilateral trade deficit with China. We find credible media reports of \$60 billion in revenue from new tariffs targeting China for IP infringement using the International Economic Emergency Powers Act to be announced soon, perhaps this week. This time around, in either event, expect Chinese retaliation, which is likely to match the value and scope of US punitive measures.