

Assessing China's New Leadership One Year On

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After two years of preparations and secret maneuvering, China ushered in its new leadership - the “fifth generation” to rule the nation since 1949—at the 18th Party Congress in November 2012 and the Twelfth National People’s Congress in March 2013. We now know who will rule China in the years to come, but what characterizes the new elite, how are they likely to rule, what new policy initiatives have been evident in their first year in office, and is the new party-state stable?

True to Chinese communist tradition, the leadership reshuffle was orchestrated behind closed doors with no small amount of factional maneuvering and manipulation by retired party elders. The Bo Xilai scandal, which erupted in the midst of the transition, added further drama and uncertainty to the process. While the Chinese Communist Party (CCP) has now institutionalized a regular turnover of the elite at 10-year intervals and fixed retirement ages, the continued opacity of the selection and appointment process, the intense bargaining among competing patron-client networks, and the behind-the-scenes intervention of retired party elders (esp. Jiang Zemin) highlights the lack of real institutionalization in the system. In this regard, China’s political system remains immature and unaccountable, but the very fact that there are now regular transitions reflects progress from China’s Maoist past. This is one of Deng Xiaoping’s lasting legacies, but it is also one of the key lessons the CCP learned from its intensive study of the former Soviet Union’s collapse.

Leadership Turnover

The transition was unveiled in three phases. The new CCP leadership was rolled out at the 18th Party Congress in November 2012, followed immediately by the appointment of the new Central Military Commission, and then in March 2013, the new government (State Council, National People’s Congress Standing Committee, President and Vice-President) was announced at the 12th National People's Congress.

The Party Congress produced a sweeping turnover of leading personnel. A new seven-member Standing Committee of the Politburo was elected, with the full Politburo of 25 members drawn from the 205-member Central Committee (which also has 171 alternates). A seven-member Secretariat was also drawn from the Politburo. This represents approximately a 70

percent turnover in the Central Committee and the Politburo, with five of the seven Standing Committee members being replaced. (See Tables)

The new Politburo Standing Committee appears to be filled with strongly conservative individuals while the broader Politburo contains more reformist elements. This would suggest a continuation of current conservative policies - most likely for five years until five of the seven must retire at the 19th Party Congress in 2017. At that point, the more reformist members of the Politburo would be set to step up to the Standing Committee and a more progressive and more reformist second Xi Jinping term might be anticipated.

It is interesting to note, however, some characteristics (some new) of the new leadership as a whole. The average age of the new Politburo is 61 and, on average, they are all in their early sixties. They continue the trend of better educated leaders—19 of the Politburo's 25 members have university degrees, one has a military academy degree, and the remaining five have credentials from the Central Party School. By contrast, thirty years ago on the 1982 Politburo **none** possessed university degrees. The new Politburo also reverses the previous tilt towards those with background in coastal provinces, and has a better balance: 14 members from coastal provinces, 11 from central provinces, and none from the western regions. As has been the case since the 1990s, the new Politburo leadership continues to be strongly civilian (21 of 25 have no military experience at all).

There are two other noteworthy characteristics. First, this is the “Cultural Revolution Generation”—15 of the 25 joined the Party during the Cultural Revolution. Of these, many were sent to the countryside (including Xi Jinping). Second, there is a relative decline in those with “technocratic” backgrounds (training in engineering or natural sciences) and a relative **increase** in those with backgrounds in economics, social sciences, law, journalism, and even humanities. Six members of the new Politburo hold economics degrees, two in international relations, two in literature, one in history, and one in political science. Moreover, 13 of the 25 hold post-graduate degrees.

If these are the general characteristics of the new Politburo Party leadership, what can be said of the policy challenges they face?

Early Indicators

The Hu Jintao-Wen Jiabao leadership that stepped down is widely viewed as having been quite ineffective in a number of policy areas - to the point where some Chinese commentators characterize their rule as “ten lost years.” Certainly the past four years have witnessed policy sclerosis in the Party and government. The looming leadership transition was one contributing factor, but genuine fear of undertaking reforms was a deeper one. That is, many in the Party and government are well aware of the pressing need for bold and far-reaching reforms—political, economic, financial, social, ethnic, civic, legal, media, educational, technological—but two factors limited these reforms from being undertaken.

First, there was deep disagreement between conservatives and liberals over what reforms were needed, and second, there was a shared fear that any real reforms (particularly political and social ones) could quickly cascade out of control of the Party-state and could wind up undermining the Party’s grip on power. The CCP is highly aware of the negative example of Mikhail Gorbachev’s Soviet Union and genuinely fears a similar scenario in China if serious reforms are undertaken. As a result of this policy sclerosis, the various problems in society festered and deepened during the Hu-Wen era - leaving the Xi Jinping-Li Keqiang leadership facing heightened and sharper frictions in society, the economy and polity.

The continuation of conservatism is not to say that there have been no new policy initiatives. For his part, Xi already seems a bit bolder than Hu, and also displays a more relaxed demeanor and warmer personality. He also has an attractive younger wife, who is a popular singer. Xi’s background is also different from the apparatchik-technocrat Hu; Xi is more a “managerial princeling” with a greater personal flair and feel for common people. He also has previous exposure to the military (aide to former Defense Minister Geng Biao), and his emphasis on building ties to the PLA has been very evident since he entered office.

In the year since he has been in power, Xi has already struck several new themes. First, he signaled a tougher attitude towards tackling corruption, which is a cancer riddling the entire society and Party-state. Appointing the tough-minded Wang Qishan to head the Central Discipline Inspection Commission is another indication that the leadership may mean business this time—although the pervasiveness of the problem suggests that it can never be effectively curbed and certainly not without real institutional checks and balances, an open media and real rule of law. In addition, Xi issued an eight-point directive to curb expenditures on official

banquets, cars, motorcades and other extravagances. He also has indicated his distaste for official “formalism” and sloganeering.

While these are commendable initiatives, one must recognize that they are attempting to deal only with some of the symptoms of official corruption—not the systemic root causes of it. Corruption is embedded in society and the economy, not just in the party-state. It is sociological in nature (*guanxi* culture) and fueled by no real rule of law, no separation of powers, no transparency, no asset disclosure regulations, and whistleblowers. Thus, one is forgiven for being skeptical about the potential success of Xi’s new anti-corruption crusade.

The new leadership has also disposed of the embarrassing Bo Xili problem. Bo was put on trial and then sentence to life imprisonment for embezzlement, bribe-taking, and abuse of power (he was also deprived of his political rights for life and stripped of all his assets). Bo’s trial itself was something of a novelty—not just because of his seniority and the salacious elements of his case, but because of the unprecedented openness of his trial (court proceedings were relayed to the public live and almost *in toto*) and Bo’s defiant defense of himself.

The centerpiece of Xi’s new program to date seems to be his call to realize the “Chinese Dream” (中国梦). Although he has not elaborated on the concept in any great detail, he has indicated that the Chinese Dream includes two core elements. The first is a more equitable and communitarian society, not that different from Hu Jintao’s “Harmonious Society” but it definitely offers a contrasting vision to the reality of a country with one of the world’s highest Gini coefficients – a measure of income inequality – and a pervasive mentality of Hobbesian hedonism. The second element is the “great renaissance of the Chinese nation” (中国的大复兴) - the notion that China will regain its central place in the global order and all Chinese will have dignity and live a comfortable life.

But Xi’s vision also has a harder and more nationalistic edge to it. Within a week of gaining power, he led the Politburo Standing Committee on a tour of the “Road to Rejuvenation” exhibition in the National Museum on Tiananmen Square. This exhibition is all about China’s “Hundred Years of Shame and Humiliation” at the hands of the West and Japan, and how the CCP put an end to this imperialist exploitation and delivered unity and dignity to China. In this gesture and in speeches, Xi has explicitly tied himself to this negative nationalist narrative and

taken other steps to signal a tougher stance on foreign and national security policy. He has toured and inspected numerous military units (army, air force, naval and missile commands) and has given a series of tough speeches urging the People's Liberation Army to "prepare to fight and win wars." He has coupled this tough rhetoric with the vision of a "rich nation and strong military" (富国, 强军). Xi also personally directs the Party's Maritime Leading Small Group - thus placing him at the center of China's toughening position on the Senkaku/Diaoyu maritime dispute with Japan and its disputes with several Southeast Asian nations over conflicting claims in the South China Sea. This more muscular, assertive and nationalistic posture resonates deeply with the Chinese public, as well as the military.

Finally, Xi shows no signs of wanting to launch political reforms. To the contrary, on his tour of Guangdong Province in December 2012—where he went to signal his support for the economic revolution Deng launched there—Xi delivered a blistering critique of Gorbachev's reforms, saying China needed to be vigilant against such risky revisionism that resulted in the collapse of the Soviet Union. In particular, Xi highlighted the need to maintain strict Party control over the military, arguing: "Why must we stand firm on the Party's leadership over the military? Because that is the lesson from the collapse of the Soviet Union. In the USSR, where the military was depoliticized, separated from the Party and nationalized, the Party was disarmed."

Without serious political reforms, there can be no real economic reform of the state sector—and corruption will continue to breed like mosquitos in a swamp. Without political reforms there can be no real reform of the educational system—and thus there will be real impediments to innovation in China and China building a "knowledge economy" to escape the "middle income trap" and moving up the value chain of production.

For his part, incoming Premier Li has echoed Xi's emphasis on combating corruption and curbing official extravagance. He also has signaled a reduction in bureaucratic red tape, arguing that the central government is overly involved in trying to administer too many sectors and he has outlined plans to reduce the government approval process by one-third. But, many observers are highly skeptical of Li Keqiang's ability to tackle the deep and institutionalized power of the SOEs and other impediments to the much-needed economic rebalancing.

Still to be seen are the results of the upcoming Third Plenum of the 18th Central Committee, to be convened in November 2013. Chinese sources indicate that the leadership will unveil bold economic reforms—but this remains to be seen.

Policy Challenges

These are still early days in the Xi-Li era. To be certain, the new leadership faces a formidable mountain of serious policy challenges in virtually every sector.

There exists a surprisingly strong consensus inside and outside of China today on what the principal challenges are and what reforms are needed:

- reorienting the economic growth model away from investments into physical infrastructure and subsidized exports to one driven by domestic consumption and innovation (emphasizing the knowledge economy and service industries);
- downsizing the state sector of the economy, breaking the monopolies of the 145,000 huge state-owned enterprises, decentralizing economic decision-making, and deregulating the financial sector;
- adequately resourcing “public goods” for the populace (health care, environmental protection, improved quality of education, pensions, old age care, etc.);
- empowering civil society and loosening controls over the media, so as to facilitate the free flow of information needed in a real market economy and innovation society;
- instituting the real rule of law, so as to counter rampant corruption, rising crime, systemic abuse of privilege and power, and facilitate the predictable functioning of a market economy;
- deepening price and financial sector reforms so as to remove distortions in the economy;
- addressing the seething discontent among ethnic groups in Tibet and Xinjiang instead of relying on intimidation and repression;
- replacing hollow political slogans with practical programs and resources that are intelligible to and benefit the populace;
- permitting some political competition, even within a one-party dominant system;
- adopting a more accommodating and less confrontational posture towards China’s neighbors (particularly over maritime territorial disputes);
- improving relations with the United States; and
- playing a greater role in global governance commensurate with China’s power and position in the international community.

There is a surprising consensus inside and outside of China over the recognition that China has reached a threshold in its development in which the broad programs and policies of the past thirty years have are producing diminishing returns, and qualitatively new directions and reforms are called for. They need to reorient the country's economic growth model away from a reliance on domestic infrastructure investment and low-tech exports to one that is driven by domestic consumer spending and higher value-added, knowledge-intensive exports. The latter requires not only massive reorientation of the educational and R&D sectors to spur indigenous innovation, it also requires breaking the monopolistic chokehold that SOEs have over key sectors of the economy: banking, energy, finance, defense, heavy industry, aerospace, telecommunications, and much of the transportation sector. In addition, China needs to adequately fund and address pressing social welfare issues: healthcare, environmental protection, education, pensions, old age care and other needs of a rapidly aging society. Constraints on the media need to be relaxed, and a real rule of law developed. Ethnic unrest in Tibet and Xinjiang is also a festering challenge.

Finally, the new leadership faces a plethora of problems on the foreign policy front: managing strategic competition with the United States; managing strained relations with Europe; reassuring Asian neighbors rattled by Chinese territorial claims, military modernization, and assertive diplomacy; and repairing a deteriorating image across the developing world of a China only interested in resource extraction and the dumping of goods on their markets.

Obstacles to Reform

Tackling these multifaceted, complex and deep-rooted problems will not be easy. Assuming they truly try, the new leadership can be expected to encounter enormous forces of inertia and deeply embedded, powerful interest groups. Unfortunately, I do not anticipate such qualitative changes. The reasons are mainly fourfold.

The first is what political scientists refer to as “path dependency.” That is, it is very difficult to change the macro direction and orientation of a state—particularly if its growth model has produced such extraordinary results as has China's over the past three decades. This growth model has not only produced impressive national development—it has also employed a huge

relatively unskilled workforce. To transition away from this model risks widespread unemployment and labor unrest—which threatens social stability and party rule.

To be sure, China does not need to jettison its export economy or its domestic infrastructure construction—but it does need to change the composition of its exports through moving up the value chain and shift its investment from “hard” to “soft” infrastructure: education, science, cutting-edge technologies, innovation, and cultural creativity. But for China to achieve these transitions requires more than a shift in financial allocations—it requires a loosening of the political system, media, censorship, and civil society. A knowledge economy cannot be built in an authoritarian dictatorship. The Communist Party is not about to embrace these needed reforms—as it could spell the end of its rule.

This leads to the second inhibiting factor: the Soviet shadow and the Arab Spring. The Chinese Communist Party is profoundly conscious of the various factors that led to the collapse of the Soviet Union and its former satellite states in Eastern Europe. More recently, it has nervously watched and assiduously studied the “color revolutions” across Eurasia. The Party is petrified about the possibility of a repeat in China, and is of the view (to quote Mao) that “a single spark starts a prairie fire.” They fear that taking even initial steps towards opening the political system to competition, empowering civil society, loosening censorship over the media, or giving the legislative and judicial systems autonomy, would inevitable cascade quickly and spell the demise of party rule. Discussions with, and publications by, some party intellectuals make clear that they know that these reforms are needed—but the preponderance of conservative elements in the party are of no mind to permit them.

The third obstacle is institutionalized interests. China may not be a democracy, but it certainly has strong vested interest groups and bureaucratic politics. It is not unnatural that those (in any system) who possess wealth, resources, power, and privilege are not about to voluntarily surrender them. In the case of China this is largely a consequence of the state sector of the economy (the core of any communist country), which still accounts for roughly 30 percent of GDP. This includes the banking sector, energy sector, finance sector, much of the transportation sector, defense sector, state enterprise sector, telecommunications sector, and enormous swaths of land and property owned by the party, state, and military. Lenin warned of “state-monopoly capitalism” in 1917—China has it today. These vested interests—particularly the 120 mammoth

state-owned corporations (out of 145,000 total)—are not about to divest their interests voluntarily.

Aside from the state economic sector, three other entrenched interest groups inhibit needed reforms: the military, the sprawling internal security apparatus, and the arch-conservative wing of the Communist Party. Taken together, this “iron quadrangle” of key and well-resourced actors succeeded in commandeering the outgoing Hu Jintao administration. Even if Xi Jinping and the new leadership wished to loosen or break the chokehold that these strong interest groups exert in China today, they would encounter stiff and insurmountable resistance.

The fourth obstacle to reforming China’s relations with its neighbors and the western world lies in its entrenched national narrative of victimization and aggrieved nationalism. This narrative, assiduously developed over six decades, underpins the political legitimacy of the Communists Party—but it is a core source of the frictions with China’s neighbors and the West (particularly Europe and the United States). China needs to shed this psychological baggage in order to truly normalize its relations with Asia and the West.

Because of these obstacles, as well as the sheer totality and complexity of the problems and policy challenges they face, I am not optimistic that China’s new leadership will be able to undertake the reforms needed for domestic adjustments and foreign relations. Thus, the world should expect more of the same from Xi Jinping & Co.: authoritarian stagnation at home and occasional abrasiveness abroad.

This raises a final issue of importance, but one that is not often addressed: the overall stability of the CCP party-state and the system over which it presides.

The CCP’s Fin de Siècle?

The CCP has now been in power for 64 years. While possessing many instruments of strength, and having overseen the most remarkable national development in the history of the world, various cracks in the façade are visible. History never exactly repeats itself, but lessons can be drawn from it. In the case of China, Sinologists have witnessed repeated patterns of dynastic decline over the centuries - and there seem to be many elements present in today’s

China that were apparent in the declining years of several of these dynasties and also during the republican period (1911-1949). These elements include:

- A hollow state ideology that society does not believe in, yet ritualistically feigns compliance with
- Elite factionalism and scheming
- Intensified corruption and self-serving officials
- Pronounced inequality between haves and have-nots
- A pervasive sense of uncertainty and frustration among the populace
- Failure to provide adequate social welfare to society
- Increasingly widespread social and ethnic unrest
- A declining respect for central authority and increased localism
- No real rule of law and capriciousness of the state
- Over-taxation, but siphoned off into officials' pockets

In addition to these, there is one other pertinent feature worth noting and another one to keep an eye on.

The first is the number of wealthy Chinese elites who have “one foot out the door” in the form of foreign bank accounts, foreign property and assets, foreign residency status (China does not permit dual nationality), children in foreign universities and relatives abroad. These individuals are ready to bolt at a moment's notice, as soon as the political system is in its endgame - but they will remain in China in order to extract every last *renminbi* possible until that time. Their hedging behavior speaks volumes about the fragile stability of the Party-state in China today.

The second feature – the one to keep an eye on – is the institutions and professions responsible for enforcing one-party rule and maintaining the façade of legitimacy. The history of the former Soviet Union, East Germany and other former communist states in eastern Europe, as well as a range of Asian and Latin American authoritarian regimes, all indicate that when the “guardians” of the party-state (the censors and propaganda authorities, internal security services, the military, keepers of state secrets and intellectuals) become lax in enforcing the party-state's control over society, the façade begins to crack and it becomes clear the “emperor has no clothes.”

This has *not yet* begun to occur in today's China - which is why Xi warned of the importance of maintaining strict Party control of the military - but observers and analysts should be alert to this prospect. Once the Party-state stops enforcing its own hegemony over society, the endgame has begun.

Thus, we must not miss the “forest for the trees” in our analysis of China's leadership today. It does matter who the new leaders are and what policies they will pursue - but many of the challenges they face and that confront China today are *systemic* in nature, and thus bigger than individual leaders. Analysts of China would do well to be alert to, and monitor, these deeper features of the Chinese system and society.

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Table 1
Politburo Standing Committee

(Rank Order)

1.	Xi Jinping (State President and Chairman of the Central Military Commission)
2.	Li Keqiang (Premier of the State Council)
3.	Zhang Dejiang (Chairman of the National People's Congress Standing Committee)
4.	Yu Zhengsheng (Chairman of the Chinese People's Political Consultative Congress)
5.	Liu Yunshan (First Secretary of Central Secretariat; President, Central Party School)
6.	Wang Qishan (Secretary of the Central Commission for Discipline Inspection)
7.	Zhang Gaoli (Vice Premier of the State Council)

Table 2
The Politburo

(Stroke Order of Names, Current Positions)

Xi Jinping	Vice-President of the CCP; Chairman of the Central Military Commission: President
Ma Kai	Vice Premier
Wang Qishan	First Secretary of the Central Commission for Discipline Inspection
Wang Huning	Director of Central Committee Policy Research Office
Liu Yunshan	First Secretary of CCP Secretariat; President, Central Party School
Liu Yandong	Vice Premier (Female)
Liu Qibao	Party Secretary of Sichuan Province
Xu Qiliang	Vice Chairman of the Central Military Commission
Sun Chunlan	Party Secretary of Fujian (Female)
Sun Zhengcai	Party Secretary of Jilin Province
Li Keqiang	Premier of the State Council
Zhang Dejiang	Chairman of National People's Congress Standing Committee
Li Jianguo	Vice Chairman and Secretary General of National People's Congress
Li Yuanchao	Vice President
Wang Yang	Vice Premier
Zhang Chunxian	Party Secretary of Xinjiang Autonomous Region
Zhang Gaoli	Vice Premier
Fan Changlong	Vice Chairman of the Central Military Commission
Meng Jianzhu	Secretary, Central Committee Commission of Politics and Law
Zhao Leji	Party Secretary of Shaanxi Province
Hu Chunhua	Party Secretary of Inner Mongolian Autonomous Region
Yu Zhengsheng	Chairman, Chinese People's Political Consultative Congress
Li Zhanshu	Party Secretary of Guizhou Province
Guo Jinlong	Party Secretary of Beijing Municipality
Han Zheng	Mayor of Shanghai Municipality

Table 3
The Secretariat

Liu Yunshan
Liu Qibao
Zhao Leji
Li Zhanshu
Du Qinglin
Zhao Hongzhu
Yang Jing

Table 4
The Central Military Commission

Chairman	Xi Jinping (President of the PRC and General Secretary of the CPC)
Vice Chairman	General Fan Changlong
Vice Chairman	Air Force General Xu Qiliang

Members

General Chang Wanquan	Minister of National Defense
General Zhang Youxia	Director of the General Armaments Department
General Fang Fenghui	Chief of the General Staff Department
General Zhang Yang	Director of the General Political Department
General Zhao Keshi	Director of the General Logistics Department
Air Force General Ma Xiaotian	Commander of the PLA Air Force
General Wei Fenghe	Commander of the Second Artillery Corps
Admiral Wu Shengli	Commander of the PLA Navy

Table 5

The State Council

Name	Position
Li Keqiang	Premier
Zhang Gaoli	Vice Premier
Liu Yandong	Vice Premier
Wang Yang	Vice Premier
Yang Jing	State Councilor
Chang Wanquan	State Councilor
Yang Jiechi	State Councilor
Guo Shengkun	State Councilor
Wang Yong	State Councilor
Wang Yi	Minister of Foreign Affairs
Chang Wanquan	Minister of National Defense
Xi Shaoshi	Minister of National Development & Reform Commission
Yuan Guiren	Minister of Education
Wan Gang	Minister of Science & Technology
Miao Wei	Minister of Industry and Information Technology
Wang Zhengwei	Minister of State Ethnic Affairs Commission
Guo Shengkun	Minister of Public Security
Geng Huichang	Minister of State Security
Huang Shuxian	Minister of Supervision
Li Liguo	Minister of Civil Affairs
Wu Aiying (female)	Minister of Justice
Liu Jiayi	Auditor-General
Lou Jiwei	Minister of Finance
Yin Weimin	Minister of Human Resources & Social Security
Jiang Daming	Minister of Land & Resources

Zhou Shengxian	Minister of Environmental Protection
Zhou Xiaochuan	Governor of the People's bank of China
Jiang Weixin	Minister of Housing and Urban-Rural Development
Yang Chuantang	Minister of Transport
Chen Lei	Minister of Water Resources
Han Changfu	Minister of Agriculture
Gao Hucheng	Minister of Commerce
Cai Wu	Minister of Culture
Li Bin (female)	Minister of National Health and Family Planning Commission