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The New Leadership in Beijing: Political and Economic Implications

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INTRODUCTION¹

On the 15 November 2012 in Beijing, on the closing day of the 18th Communist Party Congress, the new Politburo Standing Committee was announced. In March 2013, the government changes accompanying this followed. China now has a wholly new leadership line up.

There were four immediate striking features of the new line up:

- the number of Standing Committee members had been reduced from nine in the preceding 17th congress to seven;
- the age of five of the new leadership means that they would need to retire at the next congress in 2017 as they will have already passed the 68-year old threshold disbarring them from reappointment;
- four of the seven have been classified as more conservative than liberal in their instincts; and
- four of the seven have authentic links directly or through marriage to former senior leaders.

Working out the political logic behind the reduction from nine to seven has proved difficult because of the highly opaque way in which this final line-up had been decided. The party used a combination of relying on precedents established through previous congresses, and in particular the methods used in the 2002 and 2007 leadership changes, one generational and one intergenerational. But it also used what was described in some party material as innovative intra-party democratic methods. The new line-up coming from this complex process has been presented as a band of leaders who can work in a unified, consensual way, and who can, most importantly, gain legitimacy beyond the bounds of the tiny group in the party that elevated them to the wider society beyond, 93 per cent of whom are not party members.

PARTY LEADERSHIP DYNAMICS

Despite these gestures towards consultation, there is a Politburo super-elite that, despite all the superficial appearance of being promoted after consultation and consensus-building, is, in the manner of its appointment and

¹ This paper was a submission by Professor Kerry Brown to the Foreign Affairs Committee of the UK House of Commons in connection with the committee's one-off evidence session on 'Government Policy Towards China' on 2 July 2013.

presentation an expression of raw political power. Its members are in their positions because they have the support of hugely powerful networks within the core power-centre of the modern party. They are also there because they are seen as the best bet for the party to now face its menu of immense challenges. These were outlined by Xi Jinping in his brief comments on 15 November: continuing to deliver growth and prosperity, bridging the gap between the party and those it rules, dealing with its own internal governance and in particular corruption, and trying to come to terms with the country's increasing international obligations.

Easy talk of factions and leftist versus rightist elements in the party elite should be resisted. The seven-strong line up shows a networked party, in which leaders in their careers build up political capital for promotion through their provincial, ministerial, central and business careers. State-owned enterprises, for instance, remain a strong power base for leadership. In this 'marketized' power environment, vested interests are bound up with particular enterprises, institutions and party organs. These are recruited in to support, or sometimes to oppose, particular elite careers.

For Xi Jinping, the image of a 'networked leader' has been part of the narrative presented overtly and subliminally to the domestic and international public. He is seen as someone with experience at all levels of government, from village upwards, as someone who has links to the military as a junior private secretary to a military leader in the early 1980s, to the party schools, and to the major provinces through leadership posts in Fujian, Zhejiang and the city of Shanghai. He is someone who is not dogged by dark rumours about his past in the Cultural Revolution from 1966 to 1976 in the same way as the felled Bo Xilai was, but regarded as belonging to a victimized family at that time that was properly rehabilitated in the late 1970s with the return of Deng Xiaoping's leadership. Li Keqiang similarly has networks provincially and through the Communist Youth League.

This is a networked leadership, and within this a tribal and family-linked leadership. Rumours of a narrative of dynastic clashes between the families of Bo Xilai, Wen Jiabao and Xi Jinping surfaced throughout 2012 and had their apogee in the claim that the exposé of the Wen family's wealth documented in the *New York Times* in October was aided by allies of Bo's family. This probably overstates the level of manipulation and control in elite politic dynamics in China, but family links remain immensely influential, with clear connections to parts of the party-industrial and military complex. The challenges of how elite leaders try to restrain their family from taking advantage of commercial opportunities are very real. Family links with this

networked leadership are the least understood but probably one of the most influential parts of the dynamics it operates in.

For all seven leaders, there are two striking features of their careers. First, they are utterly beholden and committed to the party for all that they have achieved, and have never uttered or done anything that might detract from its right to have a monopoly on power in China. Second, none has made any comment or done anything in their former careers to indicate that they believe in Western-style democratization of the party and its processes. This leadership will be as wedded to cautiousness as its predecessors, both because of the immense constraints around it and because there is nothing to be gained at the moment from bold systemic policy moves. They will hold to general continuity rather than policy disruption and maintain the line set out in the 12th Five Year Programme, which runs to 2015.

The appointment of Xi Jinping as chairman of the Central Military Commission (CMC), two years before expected, was also a surprise. He is regarded as the one leader of the new seven who has links with the military from his career in the early 1980s in the general office of the central military in Beijing. With the party position, that of the CMC chair, and president, Xi Jinping has been given the full number of major positions of responsibility and their associated powers more quickly than any other leader since the late 1970s. This is a powerful statement of elite confidence in and support for the new leadership.

FOREIGN AFFAIRS AND ECONOMIC POLICY

For foreign affairs and the issue of the military and Taiwan there is nothing, at the moment, for the new leadership to gain from changing the parameters set out by its predecessors. For Taiwan, the strategy under Hu Jintao of deeper economic links and covert support for the ruling Kuomintang, which is closer to the mainland than Democratic Progressive Party, has paid good dividends. Barring elections in 2016 returning a DPP candidate supporting independence more vocally (which is unlikely), for the new leaders to alter this policy would antagonize Hu and upset a situation widely seen as stable. Military leaders would have no strategic reason to clash with the politicians on this. For broader foreign policy issues, just as with domestic ones, while presentation might change, for the short to medium term it is unlikely that the defensive and assertive mindset of this leadership will. It continues to aim for securing more strategic space relative to the United States, which underlies Xi's statement while in the country in June that 'the Pacific is big enough for both of us.' But China's assertive and brittle diplomatic behaviour over the last

four years has made it more isolated than it should be, and created a highly ambiguous narrative for the rest of the world. It has presented an image of economic opportunity, but also of the military, security and political unknown. Communicating more clearly China's vision of itself in the world will be a major task for its new leaders. Diversifying the country's diplomatic links is also important: this might explain Xi's visit to Russia and Africa after he became president.

For economic policy, since Li Keqiang has taken over as premier in charge of macroeconomic policy, the commitment is to double GDP by 2020 to create a middle-income society with a per capita GDP of \$12,000. Li has stated that the country needs to see fast sustainable growth. That means growth rates before 2015 of around seven per cent per year. It also means attacking the great structural imbalances in the economy – low domestic consumption, low service-sector proportion of GDP, low urban-to-rural ratio (though this is changing rapidly) and high capital investment. A social welfare system and an integrated housing market are two ways to lift consumption. Foreign companies wanting to conquer the Chinese market will be seen as allies in this task. The main issue for these foreign companies and governments is to do everything to improve market access.

This relates to the 'green economy' commitments in the current Five Year Programme. Provincial leaders have been told clearly that green GDP targets will become 'hard' ones, although there is lack of clarity about how to measure these. The intellectual argument about the impact of climate change on the environment and on long-term sustainable economic growth has largely been won. Ironically, China is a polity less infected by climate-change scepticism and denial than the United States. It has also, under the former leadership, progressed a long way from the Copenhagen United Nations Climate Change Conference in 2009 to seeing that even greater pressure on developed countries will not be enough to solve its own issues. The quandary for the new leadership is to accelerate greening while maintaining high growth. Technology and innovation programmes will need radical reform to move from the rhetoric of commitment to greening to implementation. The formulation of the key strategies for the 13th Five Year Plan will begin now, with the outcomes of this vast process of internal consultations only clear in around 2015, and the formal announcement of the new plan in 2016.

LESSONS LEARNED?

What has the 'learning Marxist Party' learned from this succession? Through the issues around Bo Xilai, and through the scandal of Ling Jihua, former chief of the General Office of the Central Committee and institutionally in charge of the pre-planning of the Congress, who was moved sideways to head the United Front Department after the discovery of his son's death in a car crash with two women in March this year, the party has learned that a gap now exists in terms of what it regards as its moral function in society and how it is viewed by the public.

This is a significant paradox. The party that rose to power representing the United Front for workers and peasants, overthrowing elitist power structures and striving for equality and sovereign dignity for China is now regarded as the fiefdom of vested interests, run by a clearly defined party aristocracy, of which Xi Jinping, Yu Zhengsheng, Li Keqiang and Wang Qishan are members through direct lineage or (for the last two) marriage. Xi's declaration against corruption on 15 November 2012 therefore is a critical issue, because it strikes at the heart of the party's views to itself of its own legitimacy. Wang Qishan's leadership of the Central Discipline and Inspection Commission is also important, as he is regarded as one of the most effective of the new leaders. Since November 2012 Xi has revisited the issue of combating corruption, and built on his past interests in restoring the moral mandate of the party to rule and be looked up to. But, beyond Xi's abstract declarations of good intent, in a system where party interests are intimately linked to sources of vast profit, and to the control of goods that deliver this, and where most of the networks of elite political figures can leverage their links for commercial gain, it is hard to see hard-edged outcomes that address some of these enormous issues of vested interest.

In terms of policy, the new leadership operates in restrained circumstances, with commitments that cut across the transitional period. These are contained in macroeconomic documents like the Five Year Programme, and in the clear statements made by Hu Jintao in his 8 November 2012 speech at the end of his time as party secretary. These carry across to the new leadership. They broadly declare the focal areas to be the need for: social management, investment in a national welfare system to address inequality, measures to create an innovative economy with greater service-sector components, and dealing with sustainability, food security and energy supply. There is an awareness, however, that society is beset with too much contention, and that the costs of policing this (in 2011, the internal security budget was \$111 billion, \$5 billion more than defence) are unsustainable. The party has to find

a better way of appealing to the public to support its policies beyond wealth creation and coercion.

These are highly general commitments. The new leadership has space in terms of what it does at a micro level to implement policy, and in terms of how it communicates that policy. The new Politburo have asked through the Propaganda Department that official speeches are delivered in more natural language, and that less of the dreaded 'Hu' stilted language of ideological diktat is served up. Presentation is immensely important in selling policy, and for this leadership, the structural issues of how to mobilize a society that is undergoing immense and complex economic and socio-political change is more critical than is supposed. The later comments of Wen Jiabao delivered the rhetoric and soundbites of the need for more predictability in society through rule of law and legality. The new leadership now needs to grapple with implementing that.

Ideology will not be jettisoned, as the refusal to take reference to Mao Zedong Thought out of the party constitution during the Plenum meeting in early October 2012 made clear. But the leadership can express that ideology in a different and more human way, in particular looking to close the gap between a highly trained elite and the society it is meant to guide and show moral and political leadership to. Xi Jinping's deployment of the symbolic resources of his own history and of his own vision and linguistic register therefore do matter.

CONCLUSION

China's new leadership is one of political scientists, historians, economists, lawyers and social scientists. The era of the technocrats has come to an end. It is a leadership that is diverse in terms of the regional experience within the country, having links from Shanxi, to Hainan, to Zhejiang and Henan, but whose sole international experience is through Zhang Dejiang's period studying in North Korea. This is a leadership set up therefore for a domestic agenda and that will resist attempts to pull it more deeply into international affairs, which are seen as lying beyond what the elite define as in China's national interests (preservation of stability, building up economic strength, safeguarding sovereignty), despite the very real pressures that will be put on it to that effect. It is a leadership brought from a very limited intellectual culture (male, Han, aged 58 to 68) but that is probably as diverse as the party in its current situation might be able to manage. The fundamental question is, therefore, whether the best that the party can offer, in terms of the immense

challenges facing it, is going to prove to be good enough. While the new leaders are probably more interested in hearing new ideas about how to approach the immense governance issues confronting them, on issues like Tibet, human rights or internal reform they are in no mood to hear lectures from outsiders who they view as tainted by the global financial crisis since 2008. They view international relations in a more emboldened way than their predecessors, and show their awareness of their country's new economic status and how this needs to be reflected in how the world talks to and engages with China.

The structure of the Central Committee that was announced along with the new Politburo and Standing Committee is unchanged. 50 per cent of its membership is new. But the bias towards provincial leadership positions (a fifth), military positions (around 22 seats), academic and state-owned enterprises, and national ministry positions as the standard components of the committee remains the same. Representation from people who state that their home province in Guangdong remain high. In terms of gender, age and ethnicity, however, the Central Committee remains almost wholly similar to the last one. This is a sign that underneath the bolder presentation of reformist intention towards corruption, economic policy and use of political language, the Chinese Communist Party in the 21st century lives with the paradox that a movement founded in revolution has become, in its seventh decade in power, self-preserving, highly cautious, led by people with remarkably little diversity, and extremely conservative.

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