Xi Takes Charge:
Implications of the 19th Party Congress for China’s Future

A 21st Century China Center Briefing
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Since Xi Jinping became China’s top leader in 2012, he has taken drastic measures to root out corruption, centralize authority and strengthen the role of the Chinese Communist Party (CCP) in the Chinese political system. Under Xi, the Party has expanded its reach beyond its traditional control over personnel, propaganda and military matters to extend to economic policy, a domain that had been delegated to government agencies since the introduction of market reforms in 1979. Party propaganda under Xi highlights a renewed emphasis on China’s revolutionary legacy and communist ideology. Within the Party, Xi strives to unify the membership around his leadership core, eliminate rivals and achieve what Victor Shih and Jude Blanchette in their essay call a “factionless party.” As Tai Ming Cheung observes, no other CCP leader, not even Mao Zedong, who had to share authority with other senior commanders, controlled the military to the same extent as Xi does today. What’s more, he has also grasped direct control over China’s expansive internal security apparatus. It is widely expected that Xi will further strengthen the party, and his own hold on it, during his second term.

The 19th CCP Congress, coming midway in the top leader’s usual ten-year period in power, will test whether the Party’s institutional rules and precedents can constrain a leader like Xi with ambition to concentrate power in his own hands. As Susan Shirk explains, Deng Xiaoping and other post-Mao leaders tried to prevent the over-concentration of power through fixed terms of office, term limits and mandatory retirement ages. Will the unwritten Party rules, including the appointment of a successor in training, be observed at Xi’s midterm Congress, or will Xi change the rules in order to hang on beyond 2022? And if he does fail to observe institutional precedents, will he face a backlash from other Party leaders?

If Xi achieves even more power after the Congress, what may be the political consequences of his top-down mode of governance domestically and internationally? Will Xi be able to parlay his success in cleaning up the party into more effective policymaking in economic reform? Will he be emboldened to commit the military in international disputes or exercise restraint?

UC San Diego has a deep bench of China scholars whose research focus is on contemporary Chinese politics, society and economy. In this 21st Century China Center briefing, they bring their considerable knowledge about the country to bear on a series of critical questions about Xi, the party and the future of China. Here are some take-away points from their analyses of leadership succession, factional politics, economic policy, information control and the role of the military:

- The 19th Party Congress provides a crucial test of the CCP’s post-Mao trend of political institutionalization. If Xi Jinping is able to violate the Party’s unwritten rules and precedents of leadership succession, he is more likely to herald an uncertain future of power struggles and instability in China than a stable system unified under one leader.

- Xi has centralized power more quickly and more completely than any other leader since Mao. But it is doubtful that he will use such power to blaze new trails for market-based reform.
• Xi’s economic policies have hit short-term targets, but they are untenable in the long run as real market reforms recede into the more distant future. As China embarks on a large number of ambitious and expensive initiatives, risks for a major policy blunder are high due to the pathological effects of dominant power.

• Xi has presided over the rise of a national security state that will further strengthen his grip over the military and other coercive instruments of power. He will have a more pliant and capable military on call, should he decide to deploy its power in domestic or international crises, or to further exert China’s influence on the global stage.

• Xi has made information control a central focus of his administration. Cyclical patterns of censorship combine with a long-term trend to create an upward spiral of more and tighter controls on information under Xi’s second term.

• Xi’s centralization of power will run into limits during his second term. Even if Xi wishes to countenance a new direction, his top-down mode of governance will likely render the party a less effective organization to drive policy change.

A consensus view is emerging that Xi has elevated the party to the highest point of power since Mao and that he has asserted control over all major state, party, and security institutions and sectors of policy, so much so that a considerable degree of pessimism is warranted about progress on China’s economic and political reform agenda. The party is re-entrenching its power with Xi at the helm. The era of market reform and opening up may have come to an end.

October 2017
China is in the midst of choosing its leaders in its own secretive way inside the Communist Party. Ordinary citizens may have no say about who their leaders will be, but they have been hearing all year about how important the 19th Chinese Communist Party Congress is. The media has been saturated with positive messages about Party history and current achievements. Bus-stops display posters heralding the upcoming Congress. The entire policy apparatus is directed toward making sure there are no surprises that could disrupt a smooth, well-orchestrated process of leadership selection. The central government has intervened to control financial markets, including shutting down the bitcoin market recently, for fear of capital flooding out of China. Chinese Foreign Minister Wang Yi declared last year that the number one goal of Chinese foreign policy during 2017 was to utilize Xi Jinping’s diplomatic ideas and practice to “create a favorable external environment for the convening of the 19th CCP National Congress.”

The biggest question that the 19th CCP Congress will answer is whether Xi Jinping will follow the practice of peaceful leadership succession established by the retirements of his predecessors or defy precedent to prolong his rule past 2022.

Xi Jinping’s decision about his succession plans could determine the fate of party rule: Will he deliver a normal midterm congress, including promoting a successor in training, in order to reassure the elite that he will respect their interests by retiring from office after two five year terms? Or will he flout precedent in order to prove his supremacy and risk a backlash from the elite who will blame him for thwarting their ambitions and endangering their career security?

There’s a lot at stake for China – and for the rest of the world – in China’s orderly rotation of power. Some international investors and businesspeople might assume that having one dictator running China for decades is better than a collective leadership that changes every five or ten years. But what they ignore is the political risks that accumulate if power isn’t equitably shared at the top and no one dares question the decisions of the leader.

INSTITUTIONALIZATION AND PEACEFUL LEADERSHIP SUCCESSION

After Mao died at the age of 82 in 1976, his successors intentionally designed a system to prevent the rise of another dictator who might turn against other leaders and jeopardize the nation through his own irrational schemes. Deng Xiaoping, Mao’s former comrade in arms who had twice been purged by Mao, didn’t blame Mao as an individual for the Cultural Revolution and other tragic mistakes like the Great Leap Forward. Instead he targeted the systemic source of the problem: “Overconcentration of authority is liable to give rise to arbitrary rule by individuals at the expense of collective leadership.” Deng and his colleagues introduced fixed
terms of office, term limits and a mandatory retirement age; delegated more authority from the Party to government agencies under the State Council (China’s Cabinet); and started holding regular meetings of Party institutions like the Central Committee, the Politburo, and the Standing Committee of the Politburo – all moves designed to decentralize authority, regularize political life and check dictatorial power.

The centerpiece of the effort to prevent dictatorship and regularize political competition was the practice of peaceful leadership succession. Leadership succession is often identified as the “Achilles heel” that threatens stability in authoritarian regimes because it leads to sclerotic dictators and power struggles. When Jiang Zemin voluntarily retired from Party leadership in 2002, the Presidency in 2003, and military head in 2004, it was the first time that a leader of a major communist nation had left office without dying or being deposed in a coup. Hu Jintao, after serving ten years, retired voluntarily from all his positions in 2012. The precedents of the voluntary retirements of Jiang and Hu today govern expectations for Xi’s retirement in 2022.

UNWRITTEN RULES

Yet the rules of the political game in China remain in flux as Chinese politicians compete with one another. The retirement age for Party leaders has been lowered over time – it is now 67 – as the leaders have used it as a convenient tactic for eliminating rivals and reducing the number of eligible contenders. Moreover, whereas the retirement age and two-term limit for government officials (including the Presidency) are formalized in writing, the rules governing Party officials remain unwritten. Still, precedent appears to govern the retirement of overage leaders from the top leadership bodies. And as Alice Miller has noted in her China Leadership Monitor articles, seniority also governs promotion into the Politburo Standing Committee; all leaders promoted onto PBSC, apart from the young successors in training, consistently have come from most senior cohort among the non-retiring members of the previous Politburo (except women and PLA) since the 14th CCP Congress in 1992.3

The durability of Deng Xiaoping’s project of stabilizing Party rule through institutionalization was
limited by his aversion to separation of powers that would give legislative or judicial institutions the authority to check the power of the Communist Party. Hu Jintao sought to strengthen the collective institutions of the CCP and flirted with intra-Party democracy but failed to lock it in by revising the Party’s constitution. Without formal written rules about retirement age, two-term limit and the process of selecting new leaders, the precedents of the Jiang and Hu retirements have weight – especially because they protect the career interests of the political elite – but they are not binding. The 19th Party Congress is a test of just how powerful these precedents are. Are they strong enough to convince even a leader with the ambition of Xi Jinping that he will be more authoritative and secure if he follows them than if he doesn’t?

What should we expect from a normal midterm Party congress and what would constitute violations of precedent that indicate an extraordinary congress that signals the possible rise of a dictatorial leader?

THE CENTRAL COMMITTEE SELECTS THE LEADERS

Here’s how the process works: The Party Congress will elect a new Central Committee (with a few more names on the ballot than the number of slots). Then the Central Committee will elect the top leaders. The Party constitution grants the 200 or so full members of the Central Committee the formal authority to elect the top slates of powerful leaders, including the General Secretary, Politburo Standing Committee, Politburo and Central Military Commission. I’ve called the Central Committee China’s “selectorate,” and noted that the relationship between the top leaders and the Central Committee selectorate is one of “reciprocal accountability.” Under reciprocal accountability, the Party leaders appoint the provincial and central government, Party officials and the military officers who make up the Central Committee, and then as Central Committee members, these appointed officials in turn elect the top Party leaders. The lines of accountability go in both directions, but the leaders have more actual sway over the Central Committee members than the other way around. To understand how reciprocal accountability works in China, think about the relationship between the Pope and the College of Cardinals in the Vatican.

PICKING THE NOMINEES

The slate of nominees for top leadership positions is drawn up in the Chinese version of the smoke-filled room by a handful of current and past leaders. We don’t know who, in addition to the current General Secretary, chooses the nominees, but there is a strong norm that the General Secretary cannot choose them on his own.

There is always a small possibility that the Central Committee could vote to reject the names handed down from on high. Although such a rejection has never occurred.
in China, it did happen twice in the history of the Soviet Union during the Khrushchev era. The Vietnamese communist party prevents such a possibility by allowing its central committee to hold real competitive elections for leadership positions that permit nominations from the floor.

Under Hu Jintao, the CCP sought to reduce the risk of the Central Committee rejecting unpopular nominees by holding a straw poll of the selectorate a few months before the actual party congresses in 2007 and 2012. To the extent that these straw polls allowed the Central Committee members to have input into the nominating process, they represented baby steps in the direction of intra-party democracy. Xinhua New Agency announced that the polls were held but the results were kept secret even from the officials who voted. Some Chinese political cognoscenti say that Xi Jinping emerged as China’s top leader because he beat Hu Jintao’s preferred candidate, Li Keqiang in the 2007 popularity contest. Another rumor is that the 2012 straw poll was tainted because Ling Jihua, the head of the Central CCP Office under Hu Jintao, who ran the secret election, manipulated the results to help get himself a seat on the Politburo. As far as we know at this point, no such straw poll has been held in China this year in advance of the 19th CCP Congress, suggesting that the nomination process is being controlled more tightly than before by Xi Jinping and a few other leaders.

Chinese leaders establish their authority not before taking office, but afterward. Once elected, they utilize all the levers of power to reward their loyal subordinates with promotions and policy favors, and weaken rivals with accusations of corruption or disloyalty. Under collective leadership, the Party general secretary should share the patronage and power to punish with other members of the Politburo Standing Committee. Past practice suggests that retired leaders also have a say. But during his first term as party boss, Xi Jinping appeared to grasp this power over political careers more firmly in his own hands. Some of the power was entrusted to his enforcer Wang Qishan, who leads the CCP Central Discipline Commission, the newly empowered body that investigates corruption and disloyalty to the Party center.

In effect, Xi has carried out a massive purge of government, military and Party ranks. It has destroyed potential rivals and their powerbases, such as the Communist Youth League and the Chongqing party organization, and opened up positions in the Central Committee and Politburo for his loyalists to fill.

ELEVATING A SUCCESSOR IN TRAINING

According to precedent, a midterm Congress should prepare the way for an orderly leadership succession five years later by selecting at least one successor in training. If the 19th CCP Congress operates normally, this is the time when one so-called “sixth generation leader” born after 1960 (under the age of 57) should be promoted to the Politburo Standing Committee and be prepared to become China’s top leader and Party general secretary in 2022. At the last midterm in 2007, two successors were elevated, one to be General Secretary and one to be Premier.

The pool of candidates for successor in training is small at this midterm congress. Only three officials already in the Central Committee or Politburo have served as provincial party secretaries or governors and are under the age of 57 – Chen Min’er, Hu Chunhua and Zhang Qingwei. In 2007, at the midterm of the 17th CCP Congress, there were nine such qualified contenders. Seniority is an inherent norm in official promotion in China, and Politburo and Politburo Standing Committee members are usually promoted from the members of the Central
Committee. But there have been exceptions in the past that could give Xi the latitude to helicopter someone into the Politburo Standing Committee who hasn’t worked his way up the ladder. There are risks to doing so too. The violation of the norm of seniority is harmful for political stability as it disrupts officials’ expectations of their career prospects and provokes factional infighting. Still Xi’s promotion of a young follower as an heir-apparent would be less provocative than not promoting any successor in training at all.

If Hu Chunhua and/or Chen Min’er walk out on the stage as a member of the Politburo Standing Committee on the last day of the Congress, it will show that Xi Jinping believes that he needs to win the trust of other Party politicians by signaling that he intends to step down voluntarily in 2022. But if no younger leader walks on the stage, it will show that Xi has decided to go for broke to establish himself as a political strongman. Violating norms is an effective way for a dictator to demonstrate his overwhelming power. It will be interpreted as a clear sign that Xi intends to remain in office or at least rule from behind the curtain after his two terms end in 2022. Defying the institutionalized process of leadership succession might help Xi keep everyone off balance and dependent on him. But for China, the tension and uncertainty that would ensue will heighten the risk of political instability.

POWER-SHARING AND LEADERSHIP SPLITS

Most authoritarian governments are brought down by splits in the leadership, not by revolts of the masses. According to Yale political scientist Milan Svolik, two thirds of the authoritarian leaders who were overthrown from 1946-2008 were deposed by elite insiders. Elite coup attempts are more frequent in China than we might realize. Xi Jinping himself has identified five top leaders who engaged in “anti-Party activity” on the eve of his taking office, including Politburo Standing Committee and public security czar Zhou Yongkang; Politburo member Bo Xilai; Ling Jihua, Hu Jintao’s right hand man who ran his Party office; and Xu Caihou and Guo Boxiong, the two most senior generals in the People’s Liberation Army.

Stability at the top depends on some form of power-sharing that commits the leader to respect the interests of other politicians in the Communist Party. That is why Party institutions are so important. Regular meetings of the collective institutions of the party (the Central Committee, Politburo, and Politburo Standing Committee) reveal the intentions of the leader; retirement rules create opportunities for politicians to advance their careers; and expectations of an orderly leadership succession process build confidence between the leader and other Party politicians.

If Xi fails to appoint a successor in training, he will put a target on his back and risk a backlash from the political elite. Would there be politicians who have the motivation and the ability to mount a challenge to Xi Jinping after the party congress? One logical possibility points to the “disgruntled losers,” politicians who according to prior practice of step-by-step promotion had reason to expect to move up to the Standing Committee at the 19th CCP Congress. There are four Politburo leaders in this category: Wang Yang, Li Yuanchao and Hu Chunhua are still active, but Sun Zhengcai was recently purged in an apparent effort to eliminate him from competition.
Back in 2012, when the Politburo Standing Committee was reduced in size from nine to seven, the power-sharing dilemma was solved through seniority, by promoting the five older Politburo members for one term until retirement, while the two younger ones, Wang Yang and Li Yuanchao, would expect to move up to the Standing Committee in 2017. Wang Yang, former Guangdong Party secretary and currently a Vice Premier with responsibilities over finance and economics, reportedly still stands a chance, but current Vice President Li Yuanchao, who sought to establish something close to a meritocratic civil service during his tenure as the head of the CCP Organization Department during the Hu era, is widely believed to have no chance at all because some of his associates have been rounded up by the Central Discipline Commission.

As the only two sixth generation youngsters on the Politburo, Sun Zhengcai and Hu Chunhua have reason to hope that they might succeed Xi and Premier Li Keqiang in 2022. But a 2017 straw poll could produce two successors in waiting who are more popular. After all, neither Xi nor Li were Politburo members when they were anointed as successors and promoted to the Standing Committee in 2007. No straw poll was held in the lead up to the 19th CCP Congress, however. Sun Zhengcai, former Chongqing Party Secretary, was not only passed over but suddenly hauled away for party discipline infractions. Sun’s downfall is widely interpreted as Xi’s shot across the bow to intimidate potential elite resistance. Guangdong Party Secretary Hu Chunhua has publicly professed his fealty to Xi Jinping in an effort to salvage his prospects for promotion.

Table 1: Testing Xi’s Extraordinary Power at the 19th Party Congress

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<th>Symbols of the Leader’s Power</th>
<th>Normal</th>
<th>Extraordinary</th>
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<tr>
<td>Xi’s theories not included in CCP Constitution or included without his name</td>
<td>Xi Thought in CCP Constitution</td>
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<tr>
<td>Xi reselected as General Secretary of the Party</td>
<td>Xi selected as Chairman, title that had been abolished after Mao (and briefly, his immediate successor Hua)</td>
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<tr>
<th>Leadership Structure</th>
<th>5-9 members of Politburo Standing Committee (PBSC)</th>
<th>PBSC abolished, and General Secretary rules through Secretariat</th>
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<tr>
<td>Retirement age</td>
<td>All PBSC and PB members over 67, including Wang Qishan, retire.</td>
<td>Wang Qishan remains in PBSC, perhaps as Premier.</td>
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<tr>
<td>Promotion from PB to PBSC by seniority</td>
<td>Apart from successors in training, all leaders promoted onto PBSC come from most senior cohort among the non-retiring members of the previous Politburo (except women and PLA)</td>
<td>Senior Politburo members are not promoted to PBSC, and some new PBSC members who are not successors in training are promoted without having served on Politburo</td>
</tr>
<tr>
<td>Nomination Process</td>
<td>Straw poll of Central Committee</td>
<td>No straw poll and nominees almost all Xi’s close associates</td>
</tr>
<tr>
<td>Leadership Succession</td>
<td>1-2 successors in training promoted into PBSC</td>
<td>No successors in training promoted</td>
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Xi Jinping may believe that he can coup-proof himself by intimidating rivals using the means of anti-corruption and Party discipline investigations. His near-total control over the media and Internet is aimed at preventing a rival leader from mobilizing a mass following as well as at impeding large-scale social protest. Yet fear evokes conformity and sycophancy (as we recently have observed from many provincial leaders) but not genuine loyalty. What’s more, politicians have less reason to be afraid of Xi than they were of Mao because there are more exit options from political life in China nowadays.

If Xi and his colleagues don’t get the power-sharing process right during this transition, the Party might not survive the next decade. Bitter rivalries at the top could break out into the open during the next domestic or foreign policy crisis, especially if it stirs public protests too. China’s leaders still remember the lesson of the 1989 Tiananmen crisis - what brought the PRC to the brink of collapse was the split in the leadership over how to respond to the protests, not the protests themselves.

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A grand military parade took place on August 1, 2017 to celebrate the 90th anniversary of the founding of the People’s Liberation Army (PLA). It was a masterfully choreographed display of martial pomp, political symbolism and strategic messaging. The spectacle was an unmistakable sign of the pre-eminent clout that Xi Jinping has amassed in his five years as commander-in-chief.

The military show of force occurred as the leadership line-up for the 19th Party Congress was being finalized. Xi’s tenure as Central Military Commission (CMC) chairman is being extended for at least another 5 years at the Party meeting, but will there be any steps announced to identify and begin the grooming of his successor to this position, a pre-requisite for any aspiring paramount leader? From past practice, the answer is no as Xi was not formally given a CMC position – that of executive vice-chairman—until two years into the second term of his predecessor Hu Jintao.

While the Party congress will offer few if any clues as to who might eventually replace Xi at the top of the military hierarchy, it will show how he is able to impose his authority and vision on the powerful and insular military and national security establishment. No other Chinese Communist Party leader, not even Mao Zedong, has controlled the military to the same extent as Xi does today. Mao had to share power with powerful revolutionary-era marshals.

Over the past five years, Xi has carried out sweeping changes. They range from a far-reaching reorganization of the PLA high command to the largest ever anti-corruption crackdown that has claimed more than 100 generals, including some of the most senior officers. Many of these reforms, especially the organizational changes, are still being implemented and will take several more years to complete, but Xi declared at the parade that a new military institution is beginning to take shape: “The people’s army now has a new system, a new structure, a new pattern and a new look”.

The transformation of the PLA has several features that have significant political and strategic implications for Chinese military, domestic politics and the global security order. These features have taken shape during Xi’s first term and there is every reason to expect that they will intensify after the 19th Party Congress.

PERSONALIZATION OF POWER

The reorganization of the PLA high command has led to a re-centralization and personalization of command authority to Xi and the CMC. This reverses a long-term effort begun under Deng Xiaoping in the 1980s to delegate authority to the PLA leadership. Moreover, Xi was not content with simply being CMC Chairman, a role that primarily deals with politico-military matters. Wanting to assume a more hands-on operational role, Xi oversaw the creation of the new post of commander-in-chief of the PLA Joint Battle Command in April 2016.
Xi is also surrounding himself with officers who have close personal connections or who have worked with him earlier in his career. They include Gen. Zhang Youxia, who is widely rumored to be up for promotion as a CMC vice-chairman, the most senior post available for serving officers, and Gen. Miao Hua, who became director of the CMC Political Work Department in September. Zhang is a princeling whose family has close links with Xi’s family, while Miao crossed paths with Xi when they both worked in Fujian in the mid-1980s to early 2000s.

SQUEEZING THE PLA’S AUTONOMY AND POLITICAL INFLUENCE

When Xi came to power, there were concerns that the PLA was becoming more autonomous and politically influential. There were several occasions during Hu’s rule as CMC chairman when the PLA appeared to be operating independently with little oversight from the civilian leadership, especially on matters related to foreign and security policy.
Xi quickly addressed this emerging gap in party-army relations under the guise of a sweeping anti-corruption drive into the top ranks of the military and national security systems that included the removal and imprisonment of the two top military chiefs during Hu’s tenure, Gens. Xu Caihou and Guo Boxiong. The PLA Daily admitted in 2016 that the arrests of these two officers was because of “their violation of the bottom line of the party’s political discipline, rather than the corruption they committed.”

The anti-corruption crackdown had been most intense during the first few years of Xi’s reign and then appeared to wind down in the past couple of years. But the reported arrest of several three-star generals and admirals this past summer, including recently retired Chief of Joint Staff for the PLA, General Fang Fenghui, indicates that the anti-corruption mechanism remains an active and potent tool for Xi to keep the top brass in check.

FROM POLITICAL CONTROL TO DISCIPLINE GOVERNANCE

The long-standing political monitoring and control system that has been the bedrock of the Party’s grip on the PLA has been drastically overhauled. The old system proved unable to prevent rampant corruption from taking root at all levels of the PLA, while the political commissars from the very top echelons were running some of the most blatant racketeering networks. A parallel disciplinary governance system has been established to watch over the commissars and
commanders. Hong Kong media reports suggest that the head of the CMC Discipline Inspection Commission could be in line for a CMC vice-chairmanship if the number of these posts are expanded from the current two to four.

It is too early to tell how this will impact the PLA’s political reliability and war-fighting readiness, but the reported arrests of Gen. Fang Fenghui and Gen. Zhang Yang, the former head of the CMC Political Work Department, shows that the disciplinary control system is a major new power center in the military establishment.

MILITARY SERVICE POLITICS

One of the biggest problems standing in the way of the PLA’s aspirations to be a state-of-the-art fighting force was that it was trapped in a 20th century time warp in which the ground forces were in charge and took most of the resources. In an era when the principal security threats facing China are in the maritime, air, cyber, and space domains, this makes little strategic sense.

Xi was finally able to overcome this bottleneck in 2016 by downgrading the ground forces’ grip on power so that it would be at the same rank as the air force, navy, and rocket forces. At the same time, the new organizational paradigm is joint command between the service arms. However, ground force officers still hold more than 80 percent of the top command positions in the PLA high command, which shows that the PLA’s continentalist mindset will continue to hold sway for the foreseeable future.

MAKING THE PLA COMBAT READY

The August 1 military parade was intended to showcase the PLA as ready for war if ordered. Everyone – including Xi – was wearing combat fatigues, with the display taking place at the PLA’s biggest combat training base at Zhurihe in Inner Mongolia. One of Xi’s priorities as CMC chairman has been to improve the PLA’s combat readiness and war-fighting capabilities, especially to cope with what PLA chiefs see as an increasingly threatening security environment surrounding China, from the escalating stand-off on the Korean Peninsula to border frictions with India. There is also intensifying military strategic competition with the U.S., maritime power plays in the South and East China Sea and an uneasy peace across the Taiwan Strait.

TECHNOLOGICAL CHANGE

Xi has called on the PLA, China’s defense industry, and its legions of scientists and engineers to engage in a revolution in military technological affairs and develop new generations of weapon systems to close the gap with the likes of the U.S. Over the past decade, the PLA has been able to make major progress with the introduction of increasingly advanced capabilities, especially in areas such as precision strike missiles, warships and combat aircraft. The research and development pipeline is bulging with plenty of new projects and the big issue going forward is how the military will be able to afford to purchase and absorb all of these expensive systems.
Beyond the military, Xi has also invested considerable time and effort to build up an expansive national security establishment dealing with domestic stability and any other threats to the Party’s hold on power. A raft of new institutional and regulatory mechanisms and strategies have been established over the past few years, including a national security commission that Xi heads, new national security-related laws, and national security doctrines. This has allowed the national security apparatus to enjoy growing clout across many aspects of policymaking, transforming China into a national security state under Xi’s rule.

The expansion of the national security state looks set to continue in Xi’s second term against a backdrop of slowing economic growth, deepening structural societal problems, and an increasingly volatile geo-strategic environment that stretches from the Korean Peninsula to the Sino-Indian Border and well beyond.
CONCLUSIONS

Xi Jinping’s control of the military and national security establishment during his second term will likely be even stronger than during his first term. This has important and potentially far-reaching political and geo-strategic implications. First, if Xi is looking to break with precedent in the post-Mao era and continue to stay in power beyond his second term, then a tight and uncontested hold on the military power base is critical to mounting such a move. Second, if Xi is seeking to continue to broaden China’s regional and global security footprint like he has done during his first term with activities such as island-building in the South China Sea, he will have an increasingly capable PLA to be able to carry out these missions.
The Pros and Cons of Centralizing Power in China

As we draw closer to the 19th Party Congress, it has become apparent to China watchers that Xi Jinping’s rule is very different from that of his predecessors, including Deng Xiaoping. After establishing a high degree of control over the party and the military, Xi has turned his attention to a long list of domestic and foreign agendas. The question is whether Xi will deploy a well-oiled Chinese Communist Party machinery in his quest to reshape China and the world. Past history and theories of authoritarian politics suggest insecurity about his power, the policy echoing chamber and the lack of policy initiatives at the leadership level will ensure that the CCP operates in a sub-optimal manner.

XI CENTRALIZES POWER

All signs of total dominance by Xi are there. Since the 18th Party Congress five years ago, over 60 central committee or provincial standing committee members have been arrested on charges of corruption. This was the largest purge of the upper echelon of the Chinese Communist Party since the fall of the Gang of Four in 1976. Our data suggest that most of those who were purged had previous work ties with Zhou Yongkang, unsurprisingly, but also Hu Jintao, Xi’s immediate predecessor. As we have seen, even some very senior-level officials, such as Zhou Yongkang, Xu Caihou, Ling Jihua and Sun Zhengcai, were arrested.

In their place, Xi Jinping and Wang Qishan placed a large number of followers in key positions. For example, in the run up to the party congress, Xi follower Chen Min’er obtained the secretary position of Chongqing, which likely will earn him a promotion into the Politburo. Likewise, Cai Qi, who was not even an alternate member of the Central Committee prior to the 19th Party Congress, became party boss of Beijing, a crucial position with a guaranteed Politburo seat. Wang Qishan follower Jiang Chaoliang was promoted to the secretary position of Hubei, which in recent years has meant a Politburo seat. This may set him up as the super financial regulator and a vice premier in the near future.

Several other Xi followers also look like they are poised to take key positions that will induct them into the Politburo. For example, Shanghai mayor Ying Yong and Guangdong governor Ma Xingru — both reputed to have close ties with Xi through work or family — are set up to take over party secretary positions in the two provincial-level units, which would induct them into the Politburo. Xi’s college roommate Chen Xi is the executive vice minister of the powerful Central Organization Department. If he becomes the head of the COD, he will also gain entry into the Politburo. In the Politburo Standing Committee, Xi will likely obtain an absolute majority either through a reduction in the size of the PSC or through inducting several members from his faction into the PSC, such as Li Zhanshu, Zhao Leji and possibly Chen Min’er. Also, Wang Qishan may remain Xi’s ally in the Politburo’s Standing Committee after the 19th Party Congress.

Since the 18th Party Congress, Xi has also dramatically restructured the decision-making power at the top level to concentrate power in his own hands, as several observers, such as Chris Johnson, have pointed out already. New institutions, such as the reform leading groups, the national security council and the People’s Liberation Army command headquarters, all concentrate executive power over economic policy and deployment of troops directly in the hands of Xi, thus giving him unprecedented power since the death of Mao. The propaganda apparatus also launched a personality cult campaign for Xi that China has not seen since the
end of the Cultural Revolution. All the caution against personality cults emphasized by Deng, Hu Yaobang and Zhao Ziyang has gone out the window, replaced by daily propaganda barrages about Xi.

Does this mean the CCP is now a well-oiled machine at the complete disposal of Xi Jinping himself?

There is no doubt the CCP continues to be an organization with both extensive and intensive capacities. The CCP’s capacities are extensive because it has always sought to control nearly every aspect of Chinese citizens’ lives, including those living overseas and increasingly foreign citizens. Within China, the CCP controls everything from the military, online chatter, and nearly all energy production and distribution, to nearly the entire financial system. Outside of China, the CCP is behind billions of dollars in developmental loans to developing countries, as well as hundreds and possibly thousands of watchers to monitor the behavior of Chinese citizens and, increasingly, foreign individuals and institutions.

China specialists typically raise fragmented authoritarianism as a key limitation of one-party rule in China. That is, because the constituent parts of the party have their own interests, they tend to water down the decrees issued by the party center. To be sure, that is a perennial problem in the party because subordinates always have private preferences that deviate from the objectives of their superiors. The party either incorporates some of these preferences in the policymaking process, or faces the problem of fragmented authoritarianism.

However, under a unified leadership, the party’s power also becomes more intensive. Agents for the party may be highly motivated to execute the will of the party center. First, one-party regimes motivate their members with a pyramidal command structure, where higher-level officials are rewarded with disproportionate power compared to those lower in the hierarchy. The promotion incentive provides powerful motivation to do the Party’s bidding insofar as the top leadership can observe the behavior of lower-level agents. Furthermore, lower-level agents have clear ideas about the party center’s objectives under a unified leadership. In a more fragmented leadership, lower-level agents may try to play off different powerful leaders to get their way. A unified leadership leaves much less room for lower-level manipulation of elite fragmentation.

INSECURITY IN POWER

Still, there are limitations, and Xi’s consolidation of power at the top level does not completely circumvent them. In fact, some of these problems have been made worse by this consolidation. The perennial problem in authoritarian regimes is information asymmetry about the identities and level of power of one’s rivals. This problem applied to even very powerful leaders. Stalin began to form a coalition to edge out Lenin as Lenin’s health faltered. Mao faced an increasingly self-assertive Lin Biao after the 9th Party Congress. Although Xi has gotten rid of his rivals prior to the 18th Party Congress, new perceived rivals will emerge, perhaps even from the ranks of his close followers. For example, if Chen Min’er were to build a powerful fiefdom at the central level a few years from now, on top of his already extensive networks in Zhejiang and Guizhou, can Xi afford to continue to trust him?
For both Mao and Stalin, they resolved this information asymmetry by fashioning coalitions of the weak, i.e. promoting officials with historical blemishes or who were very junior. Officials with past records of corruption or counterrevolutionary crimes could not join any rival coalitions against the dictators, thus making them trustworthy. Inexperienced officials were too ignorant of elite political dynamics to deviate from the dictators’ instructions or form challenging coalitions. They made for “safe” senior officials for both Stalin and Mao.

Xi may pursue similar strategies, especially after the 19th Party Congress. The tradeoff for this strategy, of course, is that senior ranks will be occupied by officials who are either very inexperienced or are ostracized by their peers.

A POLICY ECHOING CHAMBER

Another perennial problem for dictatorships is that policymaking becomes an echoing chamber. That is, because the dictator has power of life and death over all officials in the regime, once the dictator makes policy preferences known, no one dares to challenge them. In fact, to curry favor in the short-term, officials have high incentive to enthusiastically endorse the dictator’s policy preference. When the dictator’s policy preference is a bad one, lower-level officials, in fact, play a prisoner’s dilemma game that leads to sycophancy and the adoption of bad policies.

Let’s suppose that if every official tells Xi that his policy is bad, he will change his mind, but he won’t change his mind if only one of them cautioned him. At the same time, he has just a slight tendency to punish those who disagree with him and reward those who agree. In this classic prisoner’s dilemma set up, knowing Xi’s tendencies, lower-level officials would all wholeheartedly agree with Xi — even though they all know his policies are bad — in order to not be punished by Xi and to possibly capture some short-term benefits of Xi’s favors. Thus, although policies like the One Belt One Road Initiative are questionable, and the drive to focus on the “core” functions of Beijing is unambiguously bad, lower-level officials and even scholars have tripped over themselves to heap praises on these policies. The Xi administration likely will face many such blunders in the next five years because of this logic.

STUNTED POLICY INNOVATION

Finally, related to the echoing-chamber effect, high concentrations of power will lead to weak incentives for policy innovation, especially at the highest level. This was a phenomenon witnessed during the Brezhnev Era in the former Soviet Union. Essentially, for officials already in the Politburo or the PSC, they have slim chance of moving farther up. Replacing the dictator would be impossible or highly risky while he is still alive. In addition, with policy power residing in leading groups controlled by Xi, few senior officials would have their own policy domain from which they can affect policies and capture rent. On top of that, if they displayed some policy initiatives that deviated from the dictator’s preferred policy, the dictator may interpret such deviations as signs of disloyalty. To prevent such misunderstanding, senior leaders in the regime have even weaker incentive to engage in policy innovations in their jurisdictions, beyond what the dictator clearly favors.

Thus, policy innovation and experimentation, which Elizabeth Perry and Sebastian Heilmann argue are keys to the CCP’s success, will become much more muted under a dictatorial Xi. To the extent that policies are discussed and tried, it will be directed by a small handful of technocrats trusted by Xi largely without the input of central ministries and local governments. Policies that
are adopted in a top-down manner will also not take the preferences of lower-level officials into account, thus facing a greater implementation problem.

CONCLUSION: SIGNS OF PATHOLOGIES OF POWER

Obviously, these pathologies will appear in various degrees in different policy arenas. What should we look for? First, political upheavals will not disappear under a dictatorial Xi. We already have seen some potential challengers of Xi sidelined or arrested. For example, Sun Zhengcai, who some talked about as a potential successor to Xi, was recently arrested. Li Yuanchao, a potential competitor to Xi prior to the 18th Party Congress, has seen his entire faction put into jail. Although at the 19th Party Congress, Xi likely will be able to pack the ranks of the Politburo and the PSC with his loyalists, and he will continue to look for signs of disloyalty and betrayal from members of his faction. Eventually, someone previously thought of as close to Xi will also get into trouble for being too ambitious.

We also will see increasingly fantastical ideas being praised by officials and academics in China. This tendency will intensify once Xi’s “thought system” is enshrined in the party constitution. The costs of publicly disagreeing with Xi’s policies will become prohibitively high. Of course, China is full of smart, patriotic people who will try to influence Xi’s policy preference, likely before a policy idea becomes “his” idea. However, there will also be an equal, if not greater, number of charlatans who will advocate ideas that benefit themselves or special interests, or who are just plain wrong. Of course, China is not alone in facing the Olsonian dilemma. However, unlike in the U.S. where elections and public pressure can engender policy changes, until the dictator realizes his errors, lower-level officials cannot dispute or change adopted policies in Xi’s China. China may well see a policy blunder that has major economic or even political impact in the next five years.

Finally, we are already seeing an increasingly stultifying policymaking style in Beijing, where a small group of technocrats in Beijing impose policies on central and regional stakeholders. Unlike the broad consultative process that once was the norm in Beijing, the top-down process leaves central and local officials with little stake in the policies because they likely will deviate sharply from their preferences. Thus, implementation may become even more of a problem under a more unified Xi leadership, despite ample lip service paid to Xi’s “thoughts.”
Xi Jinping’s Second Term as CEO of China, Incorporated

Xi Jinping came to power in 2012 with a bold and broad agenda that included ambitious economic reforms. Four years later, the economic reform program is in shambles, with no clear successes and multiple failures. Progress on restructuring debt and reining in excess liquidity has been modest. Most worrisome, policymakers were forced to re-impose capital controls to prevent the Chinese currency from being swamped by massive capital outflows. This sense that the reform agenda has stalled has caused some analysts to shift their hopes to the future. Viewing Xi’s reforms as stymied by interest group opposition, they suggest that Xi’s second term, after the further consolidation of his power likely at the 19th Party Congress, may bring a breakthrough to revitalized reforms.

This view of Xi Jinping as a frustrated reformer is misguided. In fact, Xi Jinping has generally achieved the economic outcomes he wanted. Moreover, those economic outcomes contribute directly to the consolidation of his power, which is likely his primary concern. We can gain some insight by thinking of Xi as a successful CEO, ready to take the helm of China, Incorporated for a second term. Xi has reinvigorated the organization, even as he has subjected it to greater discipline. Whatever misgivings bureaucrats and state managers may have about the concentration of power Xi has achieved, they are likely to see his economic performance as having been successful. However, being a successful CEO is quite different from being an effective leader of a great nation.

XI JINPING’S STRONG PERFORMANCE IN 2017

China’s economic policymakers have pulled off an extraordinary feat in 2017. In early 2016, China’s policymaking was widely doubted and GDP growth seemed set for an inexorable downward slide. Capital flight was huge: China lost $500 billion in official foreign exchange reserves in 2015 and another $320 billion during 2016. Over the last year, though, the situation has been completely turned around. Enough excess capacity was closed down to raise prices for steel and coal and return state firms to profitability. Enough credit was pumped into housing to revive the faltering real estate sector (primarily through expanded home mortgage programs). Restrictions on the capital account clamped down on capital outflows and allowed the central bank to pull off an impressive, although artificial, appreciation of the RMB. Pulling every lever at their disposal, economic policymakers put the economy right where they wanted it to be on the eve of the Party congress. Growth actually accelerated in the first half of 2017, albeit by a tiny fraction, and Xi Jinping’s headline target of having GDP double between 2010 and 2020 is comfortably within range.

XI JINPING AS A SUCCESSFUL CEO

Xi has been an extraordinarily dynamic CEO, revitalizing the Party-state organization from top to bottom through a combination of inspiration and fear. Beginning with the anti-corruption campaign, Xi has of course purged the organization of his opponents, but he also set a new standard for behavior for company men (they are mostly male). Membership in the Party now comes with more constraints, but it also comes with enhanced power and a renewed sense of mission. The Party is supposed to set the strategic direction of every organization in the country, so of course, being a member of the Party is more meaningful than ever.
Characteristic of a good CEO, Xi has tied this revitalized sense of mission to specific achievable outcomes. Xi has emphasized a series of ambitious but realistic targets: China should double GDP by 2020, at which time it will also have eliminated poverty (yes, eliminated). Air pollution should be noticeably reduced in Beijing this year and next year. The project of infrastructure construction in Asia, labelled the “Belt and Road Initiative,” should be well underway. Most important of all, China should start to emerge into leadership in a series of high tech industrial sectors in the next few years. Sectors like electric vehicles and web-based commercial and financial services lead the way. Following close behind is a push toward mastery of artificial intelligence and semiconductor production, seen as core technologies of the new wave of industrial and post-industrial change.

It is a long and extraordinarily ambitious list. Xi has infused the organization with a new set of objectives and elicited a new level of commitment. In the early days of the Xi administration, it was sometimes said that local officials were paralyzed, prevented from doing business as usual by the fear induced by the anti-corruption campaign. Those days are gone. Local officials now see that they have a range of ambitious targets to achieve. Moreover, as the rhetorical commitment has heated up, so has the commitment of resources. Local governments have been given access to resources through “public-private partnerships” and new investment funds. This is a comprehensive investment program to which hundreds of billions of dollars, no, trillions of dollars, are being committed.

To be sure, local officials have also been subjected to increased oversight. For example, inspection teams sent out (separately) by the Central Disciplinary Inspection Commission, the Environmental Ministry and the State Council now check up on local governments. Yet at the same time, new “fault tolerance mechanisms” have been adopted to stress that local officials will not be held accountable for mistakes as long as they are carrying out bold and well-intentioned “reforms.” The message is clear: stay close attention to the changing policy directions coming from the top and make sure you are seen to be actively pursuing the policies labeled as “reform” in today’s edition. Nobody can afford to not be on board.

XI JINPING AS ECONOMIC REFORMER

Does Xi have a commitment to economic reform? In one sense he does – Xi is committed to achieving a streamlined and more effective organization that achieves the goals described in the previous section. To revitalize the system, Xi has introduced new disciplinary mechanisms, extending from the anti-corruption campaign to centrally-dispatched inspection teams. He has presided over the introduction of new funding mechanisms designed to be more cost effective. These include new investment funds to guide ambitious industrial policies and a re-purposed and recapitalized China Development Bank poised to lend billions to favored clients. The program of state enterprise reform has increasingly focused on the creation of stronger state-owned enterprises designed to serve as national champions and carry out Party and state strategic objectives.

However, when economic reform is defined differently, Xi’s commitment evaporates. Economic reform can be defined as increasing the scope of fair competition by better rules and lower entry barriers, that is, by letting fair market competition play a stronger role. This was of course the promise of the November 2013 Third Plenum to “let the market play the decisive role in resource allocation.” However, after a promising start in 2014, those reforms stalled out in the face of slowing growth, stock market turbulence and capital flight in 2015 and 2016. Ambitious
reforms of the fiscal system, stock and bond markets, the urban residence permit system (hukou) and the rural land system have all ground to a halt, falling short of their ambitious objectives. Thus far, Xi has revealed no inclination to revive them.

We cannot know Xi Jinping’s true motives or ultimate goals. However, we can see that Xi has, in his day-to-day decision-making, consistently prioritized two things above market-oriented economic reform. First, Xi has refused to accept growth slower than 6.5 percent per year and thus steps back from reforms that threaten to slow the economy. Xi has pulled the plug on reforms that either caused economic turbulence or threatened to deprive local officials of resources needed for investment (which in turn fuels short-term growth). The bursting of the stock market bubble in the summer of 2015 led Xi to halt equity market reforms and intervene to save the market. When fiscal reforms threatened to starve local governments of revenues temporarily in the spring of 2015, they were watered down. The fear was that weaker local government investment would contribute to the slowdown in growth already underway. Second, Xi has revealed a strong preference for measures that make state-owned firms into more effective instruments of national and Communist Party strategy, rather than freeing them to pursue profitability and the market. Communist Party participation in “strategic” decision-making in state-owned enterprises has been formally re-introduced. New “state capital investment and operation funds” have been set up to replace the existing weak supervision of state-owned firms. These new funds have ambitious development agendas and ask their subordinate state-owned enterprises to target a range of different objectives. Xi has insisted that economic entities like state-owned enterprises must directly serve the great revitalization of the Chinese nation. Rapid growth in the short-run and effective instruments to facilitate Xi’s vision of national greatness are more important than market-oriented reform.

ECONOMIC POLICY AND THE PERSONNEL DECISIONS OF THE 19TH PARTY CONGRESS

The economic objectives that Xi has pursued will be intertwined with the personnel decisions to be made at the 19th Party Congress. For example, Xi will likely promote subordinates who have been effective in helping the system reach the goals of investment, growth and poverty reduction. One obvious example is Chen Min’er, recently promoted to First Party Secretary of Chongqing Municipality, certain to be a Politburo member after the 19th Party Congress, and even potentially a Standing Committee member. Chen has served for several years as head of Guizhou Province, which has benefited from massive central government support for infrastructure construction and poverty alleviation. Chen benefited from central money and now his execution of the center’s policies in Guizhou is sufficient to propel him into higher office. At a less exalted level, He Lifeng, head of the National Reform and Development Commission (NRDC)—like Chen Min’er a former subordinate of Xi Jinping—will bring his enthusiastic advocacy of the Belt and Road Initiative as his credential for potential Politburo membership. If these are indeed Xi’s picks for promotion among the economic leadership, they will bring a strong commitment to Xi’s short-term economic goals, and no discernable desire to restart more profound market-oriented reforms.
This would be in sharp contrast to the personnel line-up Xi brought with him for his first term. When he came to power, Xi appointed three prominent technocrats with high reform credibility: Zhou Xiaochuan of the People’s Bank of China; Lou Jiwei of the Ministry of Finance; and Liu He as office head of the Communist Party Finance and Economics Leadership Small Group. Each of them brought a demonstrated commitment to market reforms and each made important contributions to the formulation of the reform agenda in 2013-2015. Nevertheless, this was not enough to drive the reform agenda through to implementation. The new leadership will seemingly lack such technocrats—only Guo Shuqing at the China Bank Regulatory Commission seems set to play a more important role after 2017, while Zhou and Lou will be gone.

Of course, we simply do not know who will fill the key economic positions after the 19th Party Congress. If unexpected appointments are made to the People’s Bank of China, or if power is configured around the Premier in a way that strengthens expertise and authority in government agencies, it could tip policy in a new direction. But based on trends apparent in the past couple of years, top economic bureaucrats are likely to be less committed to reform than the outgoing team was.

**ECONOMIC POLICY AFTER THE 19TH PARTY CONGRESS**

If we were judging Xi Jinping as the CEO of the world’s largest business, we would be enthusiastic about the progress he has made in the past year. At the 19th Party Congress, Xi will be reappointed by the grateful organization men, the bureaucrats and businessmen who make up China, Incorporated. Xi has delivered the goods for his prime constituencies and they will be happy to reward him.

However, reforming an organization, no matter how big, is not the same thing as reforming an economy. Xi Jinping is the leader of the world’s most populous and dynamic country. The use of all levers of economic policy to stabilize economic performance in 2017 has been an awe-inspiring demonstration of the capabilities of the Chinese government. But it is also a cautionary tale for the future. The fact that all China’s policy instruments have been brought to bear on a limited number of medium-term “strategic objectives” has meant that those policy instruments are not available for other tasks of institutional reform. Without any additional instruments available to carry out market-oriented reforms, those reforms have languished.

This means that deep-seated problems have been deferred for the future. Clamping down on capital outflows and restricting convertibility on the capital account has made financial reforms more difficult and represents a retreat from China’s goal of making the RMB a global currency. Pouring money into investments to keep growth high has led to an increase in the overall debt level, an increase in the number of low-yielding (or failed) investment projects, and a steady erosion in the efficiency of investment. Chinese policymakers have essentially gambled on the success of a large number of ambitious and expensive initiatives. Since the Chinese economy retains enormous vitality and potential, we can expect that some of these initiatives will succeed, even as others fail. We can’t realistically predict the success rate of these initiatives decades from now based on trends apparent in the past couple of years, top economic bureaucrats are likely to be less committed to reform than the outgoing team was.
now, but we can expect that the leadership team that emerges from the 19th Party Congress will be at least as committed to these goals as are the current leaders. This means more money for hi-tech industrial policy, more Belts and Roads and more large-scale domestic construction projects. Most likely, this means radical market reforms receding into the more distant future. The short-term fortunes of China, Incorporated and the long-run interests of the Chinese nation are not identical.
At the outbreak of the Cultural Revolution in 1966, Mao Zedong informed his colleagues, “Someone once said: Only an emperor would believe there were no parties outside the Party, and it would be exceedingly strange for there to be no factions inside the Party. Thus it is for our Communist Party.” Fifty years later, Xi Jinping, the current general secretary of the Communist Party of China (CCP) and president of China, is trying to prove Mao wrong. This week’s 19th National Party Congress may determine whether he achieves his ambition.

Since assuming leadership of the party in 2012, Xi has used his first five-year term to prosecute a multi-pronged attack on rival party and government officials, patronage networks, and institutions within the party-state — all with the goal of eliminating competing centers of power and the much-maligned “vested interests.” New data show that this has, for Xi, been a massive success. But in the long term, the dominance of a single leader instead of the consensus rule of the past three decades may end up sabotaging China’s own grand ambitions.

Xi’s goal is not to eliminate all competing individuals and ideas within the party — that would be impossible in an organization of 89 million members. Rather, the clear objective is to eradicate the organizational means to establish and sustain patronage networks that are not controlled by Xi or his clear close allies. The recent disassembling of the Communist Youth League, the strengthening of party committees within state-owned enterprises, and the “four consciousnesses campaign” of loyalty to the party and Xi are just some examples of Xi’s demand for all entities within China to be unified under his command.

The speed and ferocity with which Xi has achieved near-unrivaled dominance over the institutions of party control has provoked comparisons to the Great Helmsman himself, Mao Zedong. While these analogies are often overwrought, it is incontrovertible that Xi is no longer first among equals, as with his predecessors Deng Xiaoping, Jiang Zemin and Hu Jintao. Instead he is supreme leader and, as of late 2016, the “core” of the CCP central apparatus.

Yet Xi’s work is far from done. The upcoming 19th Party Congress, which begins on Oct. 18, and where the top party leadership will be reshuffled, presents a crucial test for just how close Xi Jinping is to reaching his goal of a unified CCP under his unassailable command. If he gets his way at the Party Congress, and his key allies are installed in the Politburo and its all-powerful Standing Committee, as well as key leadership positions in the party, Xi’s position for the coming five-year term (2017-2022) will be strengthened immensely and he will have come very close to realizing the dream of a factionless party in the foreseeable future. If his followers control all the key organs of the party, potential rivals will find it difficult to build factions through any individual organs, as the Communist Youth League did during the Hu Jintao years.

Making definitive statements like these about Chinese politics is notoriously difficult. The great
Simon Leys once called the analysis of communist politics “the art of interpreting nonexistent inscriptions written in invisible ink on a blank page.” And it’s true, in the black-box world of Chinese politics: Reliable data is virtually nonexistent. Yet there are measures we can turn to, however imperfect, to evaluate just how powerful Xi has become in the five years since assuming power, and how unrivaled his strength may soon become.

PARTY PLANNING

The first, and most obvious, measure of power in a Leninist political system such as China’s — where power over all institutions of governance is dominated by a single opaque and hierarchical party — is the ability to advance existing allies and create new ones through key, targeted promotions while isolating, and ideally overseeing the downfall of, potential enemies.

On this front, Xi has done immensely well, aided by the sword of his anti-corruption campaign, which has allowed him to eliminate powerful rivals — most famously former security czar Zhou Yongkang and People’s Liberation Army officers Xu Caihou and Guo Boxiong. More recently, Xi orchestrated the purge of Sun Zhengcai, who until this summer was seen as a possible future leader. Those with strong ties to previous party leaders have also been removed, the best-known of which was Ling Jihua, an ally of former president and CCP general secretary Hu who was sentenced to life imprisonment on corruption charges in 2016.

At the same time, Hu’s followers were blocked from obtaining any additional key positions after the 18th Party Congress in 2012, an imperative for Xi if he was to avoid replicating Hu’s inability to break free from the shadow of his predecessor, Jiang Zemin. There are few impediments as frustrating to a current party leader as a retired one, a fate Xi was clearly determined to avoid.

The influence of the 91-year-old Jiang, however, has been harder to shake. Despite Jiang’s formal retirement in 2002 (after holding power from 1989), several of his senior allies remain in place. The proportion of Jiang followers in key positions remained stable through the post-2012 political maelstrom, largely because many of them were already entrenched in positions at the highest level, such as Politburo Standing Committee members Zhang Dejiang and Zhang Gaoli.

In what may be an effort to pick his battles wisely, Xi has turned his attention to the lower levels instead, where he has overseen a massive shake-up in the provincial leadership, with 23 of the 31 party secretaries being reassigned since 2016 alone. While every general secretary does his best to re-align the provinces in his favor, Xi’s reach here is unparalleled. For comparison, in the two years prior to the 17th Party Congress, Hu Jintao’s “mid-term” congress, 17 provincial party secretaries were moved, while Chen Liangyu was the only former or current Politburo member felled for corruption through Hu’s entire tenure as general secretary.

But this is only part of the story. For all the acumen Xi has shown in centralizing power, he has still not achieved complete mastery over the top leadership. Xi’s allies — officials with shared work experience prior to his elevation into the Politburo, as well as the “princelings” like himself who are the children of the founding generation of revolutionaries — still occupy only a small share of key positions in the regime. This should not be seen as an indication of weakness, but rather as a measure of the importance of this week’s 19th Party Congress as the crucial platform for Xi to assert his dominance of the regime by moving his followers into these key positions.

Utilizing new biographical data gathered by academics at the University of California San...
Diego, we can measure the number of senior officials forced out of office by charges of corruption and the extent to which these arrests benefited Xi’s faction. This offers a way to gauge Xi’s progress so far and the extent of the task still ahead as he approaches his critical second term.

Since Xi took power, the number of arrests of senior Central Committee or provincial Standing Committee officials has increased dramatically — 28 officials in 2014 alone, which is nearly six times greater than the highest number of arrests during the second Hu term from 2007 to 2012.

Approval of these arrests undoubtedly came from the Politburo Standing Committee, which Xi leads, so we know they were either ordered by him or at least had his explicit consent. Also, given that officials at the Central Committee level all have high-level patrons, Xi’s purges signaled both the willingness and the ability to offend a large number of current and former senior officials in the party, something that Hu was either unwilling or, more likely, unable to do.

And yet, although the number of Xi followers holding key positions increased in the aftermath of the 18th Party Congress in 2012, the large-scale leadership turnover over the past four years has not led to a significant increase in Xi followers in key positions — the roughly 125 roles of the highest importance in the party-state apparatus.

Although Xi promoted a few followers into key positions, a proportion also retired from key positions in the same period. As we entered 2017, Xi very obviously packed a few more of his followers in key positions, including He Lifeng as the head of the National Development and Reform Commission and Cai Qi, who is still not even an alternate member of the Central Committee, as the party secretary of Beijing. Undoubtedly after the 19th Party Congress, a few more of his followers, such as Shanghai Mayor Ying Yong and Central Organization Department Vice Director Chen Xi, will be poised to take over key positions and enter the Politburo.

**MAKING HEADLINES**

In addition to personnel changes, there are other ways to measure a leader’s relative power within the Chinese political system. One is to track pronouncements in China’s flagship state media, which is tightly controlled by the CCP leadership and is a crucial tool for communicating political and economic priorities to the Chinese people, and especially to lower levels of the party-state bureaucracy. The previous two general secretaries of the CCP, Jiang Zemin and Hu Jintao, initially heaped praise on their respective predecessors — Deng Xiaoping (in the case of Jiang) and Jiang (for Hu) — before trying to establish their own ideological brand identities in the media. As newly appointed CCP general secretaries, Jiang and Hu had to rely on the legacies of their predecessor to establish and protect their own legitimacy.

Clearly, this suggests that the new leader is beholden to his predecessor. After a few years of jockeying and learning, he (and thus far it has always been a “he”) can establish his own legacy, typically by launching an ideological campaign that bears his own stamp. For Jiang, it was the “Three Represents” campaign that came at the end of his term in office, while Hu gave the world his “Scientific View on Development” after serving for five years.

Xi Jinping, on the other hand, clearly has little time for his predecessors and launched his own propaganda blitz right from the start. The official People’s Daily began a massive Xi-themed propaganda campaign almost immediately after he assumed power in a manner that was quantitatively and qualitatively different from the campaigns of previous leaders (with exception of Mao Zedong, a comparison Xi would undoubtedly prefer to avoid).
On average, the People’s Daily under the Jiang administration carried roughly 3,000 stories per year mentioning him. For Hu, it was a little over 2,000 self-referential stories per year. With Xi, in stark contrast, mentions per year in the People’s Daily have already reached 5,000, with little indication that this pace will slow down. Equally significantly, the People’s Daily reduced reporting on Hu Jintao to near zero almost as soon as Xi assumed power.

This stands in sharp contrast to the first few years of the Hu administration, when mentions of Jiang were common. In addition, whereas Xi’s predecessors made liberal use of their predecessors’ slogans in the first few years of their tenures — perhaps out of necessity to buy time until their own legitimacy would be burnished — Xi immediately launched his “China Dream” a mere few weeks after assuming office in November 2012, and he has scarcely mentioned Hu’s “Scientific View on Development.” More recently, we see new mega-projects such as the “Belt and Road Initiative” inextricably linked with Xi Jinping.

Xi has also ordered the People’s Daily to emphasize his own campaign slogans to the exclusion of those belonging to his predecessors. In 2014, for example, the People’s Daily mentioned slogans from Xi’s ideological campaigns with a frequency 12 times that of Hu Jintao’s, a level of audacity Hu himself dared not display while in office. At the very least, these metrics suggest that Xi’s new administration has not relied on the legacy and legitimacy of his predecessors.

Given Xi’s boldness and clear ambition, which has only increased since his designation of the “core” of the Central Committee at the 6th Plenum in late 2016, the 19th Party Congress will be a crucial event for Xi as he works toward fully consolidating his control over the party, and thus the government and military. With additional purges and normal retirements, many key positions in the regime will be freed up, allowing Xi to appoint his lieutenants to those positions. Besides Cai Qi, the newly installed Beijing party secretary who almost certainly will enter the Politburo, Xi followers Ying Yong, Chen Xi and Fu Zhenghua are also poised to take positions that typically come with Politburo seats. On the other hand, Qin Yizhi, a formerly high-flying cadre in Hu’s faction, recently found himself excluded from the delegate list for the 19th Party Congress, making it impossible for him to enter the Central Committee.

NEW AMBITIONS

Not everyone will take this lying down. There will undoubtedly be internal pushback, including from those advocating the principle of the “five lakes and four seas” first put forth by Mao Zedong in 1944, which calls for appointing cadres from different factions. Thus, there remain opportunities for Xi’s 19th Party Congress plans to be impeded or outright thwarted. Rumors abound that Han Zheng, who rose out of the Jiang-controlled Shanghai bureaucracy, may get a seat in the new Politburo Standing Committee, signaling Jiang’s residual influence.

Interestingly, the person entrusted by Xi with the anti-corruption drive, Wang Qishan, seems to have taken advantage of the campaign to maneuver his own allies into key positions, including Lin Duo, Jiang Chaoliang and Lu Hao. The number of Wang Qishan followers (again, those with shared work experience) has risen sharply since 2012. More recently, there are rumors that Wang’s former colleague, Yang Xiaochao, is in the running to head the China Insurance Regulatory Commission, the country’s top insurance regulator. If so, this would be a clear sign that Wang Qishan has established his own powerful faction since 2012, clearly a potential threat to Xi’s “factionless party” agenda. Wang Qishan might also be able to advance more followers into key positions at the 19th Party Congress.
Regional geopolitical events, such as a possible conflagration with North Korea, or any further deterioration in the domestic economy, might also feed discontent with Xi’s leadership. As he lays claim to — and takes credit for — virtually all areas of governance (economic, social, or foreign), this means the buck also stops with him, making it hard to shift blame for perceived policy failures elsewhere.

Despite these potential complications, Xi Jinping is almost certain to dominate the stretch of time until the next Party Congress in 2022. This will have serious implications for policymakers around the world.

First, domestic policymaking pre- and post-19th Party Congress will be owned by Xi, and thus we should expect an echo chamber for the foreseeable future, a dynamic already at play. Chen Min’er, the current party secretary of Chongqing and a possible successor to Xi, recently took to the People’s Daily to proclaim, “The most important achievement [of the past five years] is that we have made clear Xi Jinping’s status as core of the Party.” Under Xi, China has reached a point where there is little dissent on major policy agendas in official circles.

This might be positive in terms of the metric of demonstrating personal power, but it brings with it real risks.

Certainly, the political system has always been tightly controlled, even during the heady days of “reform and opening” under Deng Xiaoping, but for much of that time there was space for key policy stakeholders to air differing policy perspectives. No more. There is now only one public source for China’s policy agenda. For a country confronting so many social, economic and diplomatic challenges, complete dominance by a single leader may exacerbate any policy blunders by making the system more top-heavy. That is, if the leader endorses the wrong policy, few below him will dare to voice dissent or even sound a warning, especially when the current propaganda drive urges all cadres to “consciously maintain the unity of outlook” (baochi kanqi yishi) with Xi. Any mistake at the top will be made worse by the lack of accurate information flowing to the top and by the difficulty of changing course. “Garbage in, garbage out” is another way of putting this.

Some have speculated that Xi has used his first five-year term to focus on “politics” in order to turn to “economics” in his second term (i.e. to use his newly acquired political authority to impose liberalizing and marketizing economic reforms on an intransigent bureaucracy). Driving much of this optimism that Xi will soon unveil himself as a committed economic reformer is the notion that China must reform, therefore it will reform. Declining productivity, an over-dependence on investment for growth, and a bloated state-owned sector are clearly dragging on the Chinese economy, so it would seem obvious, indeed necessary, that these are the areas to be tackled by a more reformist Xi. But what actual evidence do we have that Xi believes in the rules- and market-based economy? Looking back over the past five years, the preponderance of evidence points toward a leader with a vision altogether at odds with the “reformer-in-waiting” narrative.

At the core of Xi’s vision is a country that is firmly led by an invigorated Communist Party, with national security concerns as paramount, and with a “caged” market economy that is heavily managed and manipulated by the party-state to achieve “wealth and power” for the nation. Reforms to the economy will happen when and if they don’t threaten party dominance and domestic stability, or if they are needed to stave off existential threats.

We see this vision at play in China today, where since 2012, the party has exerted more and
more control over the economy in order to achieve the planned economic outcomes of stability and growth. In the past three years, we have seen heavy state intervention in the stock market, the foreign exchange market, the real estate market, and most recently the commodities market through the so-called “supply-side structural reform,” which entailed forcefully shutting down coal and steel production against the wishes of producers.

Second, policymakers in the U.S. and in European capitals needn’t believe that Xi’s “hands are tied” when negotiating within China. For decades, China’s leaders have pointed to vested interests and intransigent bureaucrats when explaining why painful reforms or concessions were impossible. Anyone who has spent time in a large bureaucracy understands the challenges of pushing for change within a system of entrenched interests, but for Xi Jinping, the excuse of foot-dragging cadres has also proved a devilishly clever way of amassing more power, under the guise of “breaking through bottle necks.” The level of power and authority Xi now wields over the system renders these excuses moot. If you can restructure the PLA and purge current and former Politburo members, an intransigent official from Hubei shouldn’t pose much of a challenge. If China does not meet a demand, it is because Xi does not find it worthwhile to do so.

Finally, and more starkly, we need to recalibrate the way we talk about China under Xi, specifically the notion that the country is still on a meta-trajectory of “reform and opening.” Beginning with the death of Mao Zedong in 1976, and the rise to power of Deng Xiaoping two years later, economic development was seen as the key driver of political stability for the CCP. No longer. Xi Jinping has overseen a paradigm shift, and while economics still matters, pure national security concerns occupy the high-ground national decisionmaking. Market reform will still be on the agenda, but these will be tweaks rather than overhauls to the model itself.

Thus, industrial plans like “Made in China 2025,” a techno-nationalist blueprint for domestic dominance in high-tech sectors such as artificial intelligence and robotics, are far worthier of our attention than defunct documents like the 2013 3rd Plenum Decision and its pledge to allow markets to play a “decisive role” in the economy. Likewise, the prohibition on the use of virtual private networks (VPNs) in China should receive more attention than any official calls for “friendship” or connections with the outside world.

We might call this “China Inc. 2.0,” or we may find a better description, but it is inaccurate and unhelpful to claim that China holds “reform and opening” as the lodestar of its policy agenda — national security and geostrategic concerns now occupy that position.

“One mountain cannot contain two tigers,” so the Chinese saying goes, and Xi Jinping clearly agrees. Whether he is ultimately able to achieve the elusive goal of a factionless party remains to be seen, but for now, this is Xi’s party, and we had better get used to it.

This essay was just published in Foreign Policy, October 16, 2017 (http://foreignpolicy.com/2017/10/16/1-3-billion-people-are-in-one-mans-grip-xi-jinping-china-party-congress/). Research for this piece was made possible by a grant from the Carnegie Corporation to the 21st Century China Center.
China Tightens Censorship: Same Old Pattern or New Normal?

There is no doubt that censorship is on the rise in China. In recent months, the government has cracked down on technology that evades China’s infamous Great Firewall, tightened regulations on real-name registration of social media users, fined social media companies for not censoring sufficiently and blocked popular social media websites.\(^1\) Censors, propaganda officials and police are on high alert, and “social order” both on and offline is a top priority.\(^2\)

What is behind this increase in censorship? Two parallel phenomena both explain this trend. The first is the well documented ebb and flow of censorship around politically sensitive events – the lead up to high-profile meetings like the 19th Party Congress regularly bring tightening in information control. But the trend is also consistent with the unrelenting increases in censorship under the Xi administration – since taking office, Xi has ratcheted up controls on information, making information control one of his top priorities.

The recent censorship increases are consistent with both a continuation of policy and the usual cyclical nature of information control in China, suggesting that new censorship policies might not disappear after the Party Congress. Indeed, censorship regulations that appeared several years ago, unassociated with Party meetings or sensitive events, have yet to relax. And while we are seeing increases in censorship currently, we have also rarely seen censorship restrictions loosen in the last five years, suggesting that censorship is unlikely to revert after the meeting. Here, I discuss both documented historical trends in censorship around Party meetings, censorship policy under the Xi administration and expectations about future censorship trends after the conclusion of the 19th Party Congress.

EBB AND FLOW: CENSORSHIP AROUND PARTY MEETINGS

It is well known that censorship in China has historically swayed in rhythm with politically sensitive events. Party meetings, anniversaries, international events like the Olympics, or even holidays are often characterized by time periods of censorship tightening – manifested in the arrests of dissidents, the development of technologies to censor or surveil online speech and the spread and coordination of online propaganda.

Data recording censorship clearly documents that censorship has historically increased during Party meetings and loosened after them. Truex (2016) shows that arrests of dissidents are more likely to occur just before these events, and Pan (2015) shows that “troublemakers” are often paid off presumably for good behavior in anticipation of meetings.\(^3\) Furthermore, websites are shut down for ‘maintenance,’ making it harder for people to exchange their views online and in virtual private networks (VPNs), used to evade the Firewall.\(^4\) The intensity of propaganda also follows the same calendar. In my own work, I have shown that China’s online propaganda team the “Fifty Cent Party” focuses their efforts during local and central meetings, diluting the information environment during these sensitive time periods.\(^5\) I have also shown that newspapers
are more likely to coordinate and reprint news from official sources during this period, following more closely the Party line.6

The government tightens censorship in the lead up to Party meetings because of the ability for events such as Party meetings to generate dissent, both among the general public and the elite. These moments are the most dangerous to the Chinese regime because they provide focal points for coordination, common dates that many people may be likely to use for action even if they haven’t had the chance to communicate.7 In the past, celebrations of holidays like Qingming have erupted in protests and anniversaries are often moments of collective action. Party meetings are also time periods when potentially controversial policy decisions are made, providing openings for disgruntled elites to coordinate and organize in opposition to new government policy. Censorship tightening before meetings is therefore pre-emptive policy to deter and prevent such coordination.

**XI’S INCREASED CENSORSHIP**

While the recent increase in censorship in the lead up to the Party Congress is consistent with historical patterns of ebb and flow of censorship around meetings, it is also consistent with the longer-term censorship trends of Xi’s regime. Immediately after Xi came into office in 2012, he went to work steadily ratcheting up censorship policies in an effort to tame the flow of information in China. Xi’s policies sought to increase the authority and technology of the Chinese government in controlling the flow of information, particularly on the Internet.

Only months after taking office, Xi forcefully signaled that information control was going to be a central focus of his administration. In comments at a propaganda meeting in Beijing, Xi urged the propaganda apparatus to take back control of the Internet and “wage a war to win over public opinion.”8 Soon after, the government began a widespread crackdown on social media users. Initially targeted at big “V’s,” or popular social media users with many followers, the campaign focused on cracking down on “online rumor mongering.” The Supreme People’s Court passed a law increasing criminal penalties for social media users posting rumors that had been viewed 5,000 times or forwarded 500 times. Hundreds were arrested in the subsequent crackdown.9

In 2014, the government created a new government bureaucracy – the Cyberspace Administration of China (国家互联网信息办公室，CAC) – to regulate the Internet.10 Xi Jinping himself personally leads the leading group that guides the activities of the CAC, a signal of its centrality to government policy. The CAC significantly streamlined Internet control, which was previously distributed over many different bureaucracies.11 This has allowed the CAC to more forcefully regulate the Internet, for example by tightening restrictions on real name registration, regulating online news portals or holding social media sites more responsible for their content.

The Xi administration has also taken substantial steps within the past five years to improve technology, in an effort to more strictly enforce censorship. In early 2015, the government began cracking down on Virtual Private Networks (VPNs), which are used to evade the Great Firewall, disrupting many popular VPN applications. 2015 also saw the deployment of China’s “Great Cannon,” a technology aimed at disrupting foreign websites through large-scale denial of service attacks.12 Recently, the censors have become more sophisticated at regulating videos and images on the Internet, which had been largely out of the control of automated censorship mechanisms.
Last, the Xi administration has put an increasing emphasis on online propaganda. Xi has frequently emphasized that arts, the media, and posts on the Internet should reflect “positive energy” (正能量), and emphasized that the primary role of the media is to serve the Party. To serve this purpose, the Chinese government has recruited thousands of online commentators in the last five years. In my own work, I have shown that many of these government commentators post “cheerleading” posts, consistent with Xi’s emphasis on positive energy, and we estimate that these online commentators write an astonishing 448 million posts per year.

**WHAT HAPPENS NEXT?**

These two trends – ebbs and flows of censorship before Party meetings and Xi’s constant censorship tightening – create diverging expectations of censorship policy after the 19th Party Congress. On the one hand, some aspects of censorship may loosen after the meeting consistent with trends that we have seen in the past. On the other hand, Xi is expected to retain power for at least five more years, which may mean that censorship policy will continue tightening. Overall, the censorship trajectory looks less like an ebb and flow and more like an upward spiral.

Of course, some of this will depend on what happens at the meeting itself. For reasons elaborated by Susan Shirk in this briefing, the Party meeting is particularly sensitive this year. If Xi fails to name a successor in training to the Politburo Standing Committee, there may be elite conflict. And this would likely result in more, not less, censorship, as political conflict played out within the Party.

The extent that censorship can continue to increase will also depend on citizens’ backlash to the new policies. As I show in my forthcoming book, netizens in China do not like being censored. The elite enjoy having access to VPNs to connect with friends, watch foreign movies and get access to the latest technology. Citizens like expressing their views and accessing the latest news online. If censorship too obviously disrupts citizens’ way of life, it may cause backlash. The government’s ability to continue tightening censorship will in part rely on the invisibility of its new technologies of censorship and the extent to which it can channel information without significantly disrupting citizens’ lives.

Even if censorship does loosen after the Party Congress, increases in recent censorship restrictions have undoubtedly strengthened the CCP’s information control system. Party meetings are in many ways testing grounds for new technology and opportunities to push the boundaries of information control. Policies that relax after the meeting does not necessarily mean a reversal; the tightening of censorship – even if temporary – strengthens the censorship arsenal of a Party that it is amassing in anticipation of its next big political crisis.

All in all, trendlines do not look good for freedom of online expression in China over the coming years. Xi has made controlling speech online a central policy. Even if policies seem to loosen right after the Congress, the development of new technology, streamlining of the information control administration and use of the Internet as a platform for spreading government propaganda will likely continue apace.


Truex (2016).


King, Pan, and Roberts (2017).

The 19th Party Congress: A Retrospective Analysis*

UC San Diego 21st Century China Center Briefing published prior to the 19th CCP Congress offered six take-away points about the Congress and predicted some of its likely consequences.

- The 19th Party Congress provides a crucial test of the CCP’s post-Mao trend of political institutionalization. If Xi Jinping is able to violate the Party’s unwritten rules and precedents of leadership succession, it is more likely to herald an uncertain future of power struggles and instability in China than a stable system unified under one leader.
- Xi has centralized power more quickly and more completely than any other leader since Mao. However, it is doubtful that he will use such power to blaze new trails for market-based reform.
- Xi’s economic policies have hit short-term targets, but they are untenable in the long run, absent of real market-based reform. As China embarks on a large number of ambitious and expensive initiatives, risks for a major policy blunder are high due to the pathological effects of dominant power.
- Xi has presided over the rise of a national security state that will further strengthen his grip over the military and other coercive instruments of power. He will have a more pliant and capable military on call, should he decide to deploy its power in domestic or international crises, or to further exert China’s influence on the global stage.
- Xi has made information control a central focus of his administration. Cyclical patterns of censorship combined with a long-term trend to create an upward spiral of tighter controls on information are evident under Xi’s second term.
- Xi’s centralization of power will run into limits during his second term. Even if Xi wishes to countenance a new direction, his top-down mode of governance will likely render the party a less effective organization to drive policy change.

Following the conclusion of the Congress, we now offer a few brief observations about the immediate outcomes of the meeting. We will be continuing to follow longer-term consequences in our research.

LEADERSHIP SUCCESSION

Xi Jinping chose not to appoint any successor in training and thereby signaled his likely intention to remain in office after the normal two terms end in 2022. Defying the institutionalized process of leadership succession is a bold move that both demonstrates Xi’s overwhelming power and injects greater uncertainty and tension into the system.

*While the preceding essays were completed before the 19th Party Congress convened on October 18, 2017, this final piece was written as a retrospective analysis after the Party Congress was over on October 24, 2017.
Deng Xiaoping’s effort to regularize political life and check the “overconcentration of authority” that led to the tragedies of the Great Leap Forward and Cultural Revolution under Mao Zedong, has clearly failed. Xi Jinping now dominates all policy arenas in China. Officials seeking to further their own careers will act as “yes-men” to prove their loyalty to the leader and as a result, the risk of major policy mistakes looms large. Another risk is backlash from “disgruntled losers” whose expectations for promotion have been disappointed. Some, but not all, political challengers have been jailed for corruption and “plotting to seize state power.”

Not surprisingly, the nomination process also was more centralized and dominated by the incumbent leader than in 2007 and 2012. At the previous two congresses, members of the Central Committee had voted in a straw poll prior to the formal election in a small step toward intra-party democracy. Xi Jinping reportedly won nomination as Hu Jintao’s successor because he did so well in the 2007 straw poll. This time, however, Xi didn’t want to give up control over the nomination process.

A Xinhua article published right after the conclusion of the 19th Party Congress criticized the straw polls for practices that are normal in democracies, i.e. people voted haphazardly for people with whom they had connections and they canvassed for votes. Xinhua also accused Zhou Yongkang (former security czar), Ling Jihua (former head of the Party’s central office) and Sun Zhengcai (the Chongqing Party secretary who had been identified as a potential successor until he was jailed shortly before the Congress) of vote buying during earlier straw polls.

This year’s nominees for top positions were chosen instead by individual interviews with current and retired senior officials. Xi Jinping interviewed 57 people and other senior leaders, at the request of the Politburo Standing Committee, interviewed 258 ministers and 32 senior military officers. Xinhua claimed that this method was superior because it was more democratic, free and fair; another article argued that this interview method avoided “blind undercurrents” of politicking that occur when people vote anonymously in group settings. In the one-on-one interviews Xi was better able to obtain the outcome he wanted. Some individual Politburo members were persuaded to voluntarily not seek reappointment even though they hadn’t reached retirement age, a practice previously unseen in CCP leadership politics.

POWER SHARING

The composition of the Politburo Standing Committee chosen at the 19th CCP Congress reflects Xi Jinping’s need to protect himself against a backlash from other Party politicians by sharing some power with them. The new list of Politburo Standing Committee members suggests some factional balance because of the inclusion of Wang Huning and Han Zheng, who came out of the Jiang Zemin-dominated Shanghai bureaucracy, as well as Li Keqiang and Wang Yang, who are more associated with Hu Jintao. However, because Wang Huning never had any important administrative position, he has no power base of his own and is expected to toe the Xi Jinping line completely. Therefore, along with close allies Li Zhanshu and Zhao Leji, Xi Jinping will have a majority in the PSC.

...it is all but certain that Xi followers will dominate the 20th Party Congress because many of the current Politburo members will naturally move up to the Standing Committee.
As in the past four Party congresses, since 1997, all of the Politburo Standing Committee members come from among the most senior members of the Politburo. The retirement of Wang Qishan at age 68 not only represents a nod toward retirement age rules but also eliminates a powerful figure who might represent a threat to Xi Jinping if he had remained in office.

It is in the Politburo where one sees Xi’s domination of the party. He has expanded the base of followers who can sustain his rule beyond 2022. Of the 15 new members, 9 have been widely identified as former co-workers or childhood and family friends of Xi Jinping. A tenth, Wang Chen, overlapped with Xi when he was a sent-down youth in Yan’an. Regardless of who may or may not be chosen as a potential successor between now and the 20th Party Congress, it is all but certain that Xi followers will dominate the 20th Party Congress because many of the current Politburo members will naturally move up to the Standing Committee. In order to achieve this dominance, Xi has had to “helicopter” a number of his followers from ordinary party members directly into the Politburo, skipping Central Committee membership. These included Huang Kunming, Cai Qi and his former private secretary Ding Xuexiang. It is probable that his close followers such as Li Zhanshu will in turn cultivate their own networks of younger followers to occupy important positions at the 20th and the 21st Party Congress. In other words, through maneuvering mainly at the Politburo level, Xi has set his faction up for dominance for the foreseeable future.

RECOMMITTING TO A STRONG RULE BY THE PARTY AND THE CORE LEADER

Xi excluded mentioning any of his predecessors’ names except Mao and Deng in his long work report at the 19th Party Congress. Unlike past leaders who would pay homage to their predecessor’s accumulated “theoretical” contribution to the communist thought, Xi evoked a direct connection with the founding moment of the Chinese Communist Party by opening his report with the simple statement “do not forget our origins.”

The subtle phraseological turn, together with three small but significant changes to the Party Constitution, suggests that Xi is firmly in charge and that he is ready to consolidate further Party control over all sectors of Chinese society. Compared to the 2012 Party Constitution, the 2017 document emphasizes that the Party leads everything, not just over the “political, ideological and organizational areas” as it was phrased in 2012; maintains “absolute” (newly added word) control over the military; and aims to build a modern “powerful country,” not just a modern nation, by the PRC’s centennial in 2049.

A most consequential change to the Party Constitution is the addition of “Xi Jinping Thought on Socialism with Chinese Characteristics in the New Era.” The concept itself represents continuity with Deng Xiaoping’s 1982 slogan, “socialism with Chinese characteristics” and with the long-term goals articulated by the Party’s collective leadership before Xi came into power. But giving primacy to the current leader’s ideological concept in the Party Constitution is an honor that no leader other than Mao has ever been granted. With his New Era thought, Xi declares both continuity in the party policy to realize the goal of building a “moderately well-off” (xiaokang) society and signals his intention to depart in a new direction in building socialism.

There will be continued emphasis on Chinese exceptionalism in the next five years. The phrase “Chinese characteristics” was mentioned 79 times in Xi’s work report. He has used “Chinese characteristics” as a prefix to describe “large power diplomacy,” “governance system,” “modern war-fighting system,” “military strengthening,” “new-style think-tank,” “basic healthcare system”
and even “philosophy and social sciences.” (see table below). We expect to hear further elaborations of the meaning of “Chinese characteristics” by the authority figures in all these areas.

**Table:** “Chinese characteristics” is emphasized throughout Xi’s report. Below is the frequency of usage of the phrase as a prefix to substantive subject areas

<table>
<thead>
<tr>
<th>Subject Area</th>
<th># times mentioned</th>
</tr>
</thead>
<tbody>
<tr>
<td>Socialism (中国特色社会主义)</td>
<td>70</td>
</tr>
<tr>
<td>Large-country diplomacy (中国特色大国外交)</td>
<td>2</td>
</tr>
<tr>
<td>Governance system (中国特色的制度安排)</td>
<td>1</td>
</tr>
<tr>
<td>Modern war-fighting system (中国特色现代作战体系)</td>
<td>1</td>
</tr>
<tr>
<td>Military-strengthening (中国特色强军之路)</td>
<td>2</td>
</tr>
<tr>
<td>New-style think-tank (中国特色新型智库)</td>
<td>1</td>
</tr>
<tr>
<td>Philosophy and social sciences (中国特色哲学社会科学)</td>
<td>1</td>
</tr>
<tr>
<td>Basic healthcare system (中国特色基本医疗卫生制度)</td>
<td>1</td>
</tr>
</tbody>
</table>

**ECONOMIC REFORM**

Where does this leave us in terms of Xi’s commitment to market reform? Our prognosis remains unoptimistic. The word “market” was mentioned 19 times in the report, the lowest number of times it was mentioned since the 14th Party Congress in 1992 (compared to 51 mentions of market in the report at the 15th Party Congress, 50 at the 16th, 33 at the 17th, and 23 at the 18th Party Congresses). In the section on deepening comprehensive reform, Xi bluntly asserts that “only socialism can save China, and only reform and opening up can develop China.” The kind of reform that Xi is talking about, however, is less about deepening the role of the market. Rather, it is to strengthen the publicly owned (or state-owned) economy while the private sector will be merely supported and encouraged.

We will have to wait until the National People’s Congress meets in March 2018 to see the exact line-up of personnel in charge of economic policy. A critical unknown is who will replace Zhou Xiaochuan as head of the People’s Bank of China.

Despite remaining uncertainties, the 19th Party Congress gives us some additional tea leaves to read. Perhaps most significant is the ascension of Liu He, Xi Jinping’s most trusted economic adviser, to a spot on the Politburo. On the one hand, this clearly strengthens Xi’s control of the
Politburo by elevating a trusted subordinate. On the other hand, Liu He is an economic official with strong pro-market inclinations and a clear reform orientation. Indeed, the elevation can be considered a reward for the successful complex of policies that Liu He helped put in place at the end of 2015 and beginning of 2016 when the initial reform push ran into significant difficulties.

Monetary policy in the immediate wake of the 19th Party Congress has displayed signs of modest tightening, continuing a trend toward higher interest rates that has been evident since the beginning of 2017. This indicates that monetary policy-makers feel encouraged and perhaps emboldened to take steps in the direction of a gradual de-leveraging. While it is still too early to tell, this may be an early sign that Xi Jinping will give whomever emerges as the new central bank head greater support in this effort.

MILITARY AND DEFENSE

Xi offered a timeframe in the work report for China’s military modernization. By 2035, the PLA’s modernization will be complete so that it will be a hi-tech information-oriented fighting force. By 2050, the PLA will be a “world-class” military power, which means that it will be able to match the technological leadership of the U.S. This shows that he intends to maintain the intensive pace of military modernization that he carried out during his first term in power, devoting extensive time and attention to military affairs. Xi quickly followed up after the Party Congress by meeting senior military leaders, touring military facilities and emphasizing the importance of building up the PLA’s combat strength.

Xi consolidated his already dominant control of the PLA by installing hand-picked loyalists to key positions on the Central Military Commission (CMC) which had been reduced in size from 11 to 7 members. Gen. Zhang Youxia became a CMC executive vice-chairman and CMC Political Work Department Director Gen. Miao Hua became a CMC member. Zhang, who is close with Xi through family connections, is young enough to have the possibility to stay for two five-year terms.

The lack of a successor in training makes it unlikely that the norm will be followed to appoint a civilian onto the CMC halfway through the second term, in an effort to gain knowledge of military affairs before fully taking over at the 20th Party Congress. Anyone who aspires to become Xi’s successor will need time to be acquainted with the military and for military chiefs to get to know them.

ELEVATED IMPORTANCE OF FOREIGN POLICY AND CHINA MODEL

For the first time since 1997, China’s number one diplomat has been given a seat in the Politburo. Yang Jiechi, a veteran diplomat and expert on U.S. relations has been promoted to the Politburo. He currently serves as the National Security Advisor and is likely in line to become a Vice Premier.

Xi has reason to elevate foreign policy to higher importance, given his open declaration of China’s international ambitions. Xi declares that, in the new era, the Chinese model of
development, namely socialism with Chinese characteristics (SWCC), “offers a brand new option for developing countries that want to achieve fast development and yet want to keep their independence.” Xi believes that SWCC represents a distinct contribution of Chinese wisdom and that it can expand the developmental pathways for other developing countries. Previous Chinese leaders, with the exception of disgraced Bo Xilai, had been cautious about touting a distinctive China model as a competitive challenge to Western-style market economy. But not Xi. Not only does he advocate SWCC as an economic model but he also asserts that China’s “socialist democratic politics” is a viable model that contributes to the mankind’s political culture.

CONCLUSION

In conclusion, the outcome of the 19th Party Congress has confirmed our analysis about the trend of power concentration in the hands of Xi. In spite of his nod to the seniority rule and his attention to factional balance at the very top of political power, Xi has changed the rules of the game for leadership succession and power sharing within the party. The shock to the Chinese political system may produce potential backlash to Xi’s rule down the road.

There is no doubt that the Party will be front and center in all areas of Chinese people’s lives, including the economy. In the economic area, the tension between the party/state and the market will remain and much will depend on if the pro-market officials will be given room to pursue a reform agenda. In national defense, the Party’s “absolute” control over the military is re-affirmed and modernization of the military, especially its war-fighting capability, will be a key focus of Xi’s efforts in the years to come.

Finally, Xi sees China moving closer to the center of the world’s stage. Xi will continue to invoke the rhetoric of “Chinese characteristics” to highlight Chinese exceptionalism. But he will start to proffer the Chinese political and economic system as a viable alternative to western pluralism, democracy and a free market economy.
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