



THE PARTY REMAKES CHINA:

What to Watch for After the 20th Party Congress

SEPTEMBER 2022

UC San Diego

SCHOOL OF GLOBAL POLICY AND STRATEGY
21st Century China Center

TABLE OF CONTENTS

- 3 LIST OF ABBREVIATIONS | EXECUTIVE SUMMARY**
- 6 BEYOND THE 20TH PARTY CONGRESS: ELITE AUTONOMY IN THE POLITBURO STANDING COMMITTEE UNDER TWO SCENARIOS**
Victor Shih
- 12 THE MUZZLED CENTRAL COMMITTEE SELECTORATE**
Susan Shirk
- 15 THE PARTY PERSEVERES: SUSTAINING SUPPORT THROUGH CRISES**
Lei Guang, Yanchuan Liu, and Yiqing Xu
- 19 THE STRANGLING OF NEWS MEDIA IN CHINA UNDER XI**
Margaret Roberts, Brandon Stewart, Hannah Waight, and Yin Yuan
- 23 THE CENTER CANNOT HOLD: XI'S SELF-IMPOSED ECONOMIC TRIBULATIONS**
Barry Naughton
- 28 TALENT FLOW INSIDE CHINA: PARTY AND GOVERNMENT ADVANCE, ECONOMY RETREATS?**
Ruixue Jia
- 31 XI JINPING'S NATIONAL SECURITY AND MILITARY PRIORITIES**
Tai Ming Cheung
- 34 WITHER BRI AFTER THE 20TH PARTY CONGRESS?**
Weiyi Shi
- 37 CHINA HAS A CLIMATE PLAN, BUT IMPLEMENTATION CHALLENGES WILL REMAIN AFTER THE 20TH PARTY CONGRESS**
Michael Davidson
- 39 BIOGRAPHIES**
- 42 ABOUT 21ST CENTURY CHINA CENTER | CONNECT**

LIST OF ABBREVIATIONS

BRI	Belt and Road Initiative
CCP	Chinese Communist Party
CC	Central Committee
MEE	Ministry of Ecology and Environment
NDRC	National Development and Reform Commission
OFDI	Outbound Foreign Direct Investment
PLA	People's Liberation Army
PRC	People's Republic of China
PSC	Politburo Standing Committee
TITR	Trans-Caspian International Transport Route

EXECUTIVE SUMMARY

The 20th Party Congress marks a monumental transition in China's post-Mao political system, one which continues to move China from institutionalization to personalistic leadership. While the Party Congress will almost certainly grant Xi Jinping a third term as China's supreme leader, it remains to be seen who will fill the other top leadership positions and what further changes in rules and institutions the Congress might portend. Under Xi, the shattering of norms has introduced uncertainty into a once-predictable political system, which makes it more challenging than ever for analysts to divine China's path ahead.

Much ink has already been spilled on the Party Congress as analysts attempt to read the tea leaves based on announced retirements, promotions, and Xi's public remarks. We wanted to go deeper by connecting elite politics to hard data and to larger trends in policy and politics. In pursuit of this goal, we asked our scholars to opine on the significance of the 20th Party Congress in light of their own research and, based on this research, to project where China is headed in Xi's third term.

Our contributors came through with remarkable speed and incisive insights. Harris Doshay, assistant director of research and writing, edited the report with alacrity and thoughtfulness that improved its quality. As always, the school's communications team — Rose Pi'ilani Fernandez, Amy Robinson, and Virginia Watson — made the report much more presentable than it would otherwise be. We are proud to present the report in the following pages. Below is an executive summary of the report's main findings:

1. **Xi will gain more power in his third term, but precisely how much more power will depend on his success, or the lack thereof, in bringing an overwhelming number of his loyalists into the Politburo Standing Committee,** the innermost circle of communist party's decision-making structure. Xi's power will also be built on the muzzling of the CCP selectorate, the one institution that could force some constraints on his rule within the Party. Finally, Xi's broad-based popularity in China has been evident in surveys taken throughout the COVID-19 pandemic, showing the resiliency of his popularity in an information environment that he also tightly controls.
2. **Upcoming personnel reshuffling before and during the Party Congress is bound to alter the balance of power in China's elite politics.** We identify two important possible patterns of promotion that could lead to important shifts with implications for Xi's rule. The fate of Wang Yang, Li Xi, and Hu Chunhua, all of whom have sizable factions separate from Xi, will determine overall elite autonomy after the 20th Party Congress. Their relatively large and autonomous factions are only with some potential to check Xi's authority and allow for policy debate or adjustment inside the Politburo Standing Committee. If Wang, Li, and Hu go by the wayside and Xi fills their slots with his own loyalists, Xi's factional power will increase tremendously. If they remain, Xi's power will still increase relative to today due to the retirement of other important figures but will not be quite so unchallenged.
3. **While Xi may be popular with the general public, China's economy is facing large headwinds with which Xi's government is ill-equipped to deal effectively.** Consumer confidence is low. Unemployment is up, especially youth unemployment. The threat of continued unpredictable lockdowns under the COVID-Zero regime only increases China's economic peril. With the retirement of some of his more experienced economic advisors, Xi seems to be set to continue strengthening the Party's leadership role in the economic sphere, which does not bode well for growth and adaptivity in the face of obstacles. Increasing securitization of the economy will also limit the flexibility of China's economic policymakers.
4. **These economic headwinds have implications for employment patterns and Chinese outbound investment.** As a result of the economic slowdown and the political crackdown on big technology firms, government jobs are attracting more and more talented young workers away from the private sector. This means more talent working for the state, but it also may mean a brain drain from the engine of productivity that has driven China's growth for 40 years. In the long run, this will only intensify the aforementioned economic struggles. The Belt and Road initiative, as a key element of Xi's foreign policy in his first 10 years, will not be discarded. However, a slowing economy is likely to change the form and scale of China's outbound foreign investment.
5. **Propaganda has become increasingly flagrant and guidelines more closely adhered to over the course of the last 10 years.** Reporting and journalism will continue to suffer under especially stringent propaganda guidelines during the Party Congress, with intense censorship and scripted propaganda likely to continue after 2022. This highly-controlled media environment stifles independent voices that might serve as information feedback in times of emerging crisis.

- 6. China sees U.S.-led alliances as threatening its strengthening position in the western Pacific, and has accelerated its military modernization to assert its sovereignty in the South China Sea and Taiwan Strait.** China's military modernization is likely to increase its pace coming up to 2027, a year the Party has highlighted as a strategic goal for building a fully modern military force.
- 7. Expect stability in climate policy, but the devil is in the details of implementation.** Direction on climate policy is likely to be dictated less by personnel shifts in the Party Congress than by attention given to the issue by central leadership and priority given to implementation. Staffing relevant agencies with competent, determined and experienced officials is critical in continuing the difficult work of carrying out China's ambitious climate goals.

Barring catastrophic shocks, enduring policy shifts are unlikely to emerge from the meetings, for good or ill. But overall, Xi's consolidation of power within the Party and society alongside his sidelining of experienced, independent voices will likely intensify existing problematic policies after the Party Congress. These trends may not immediately translate into popular dissatisfaction but will have deleterious effects for China's economy and global engagement.

BEYOND THE 20TH PARTY CONGRESS: ELITE AUTONOMY IN THE POLITBURO STANDING COMMITTEE UNDER TWO SCENARIOS

Victor Shih

With Xi Jinping all but certain to take the helm of the Chinese Communist Party (CCP) again at the mid-October 20th Party Congress, a lot of the guesswork has been taken out of elite political analysis. Yet, at least one important issue remains uncertain: will there still be autonomous politicians at the top willing to debate policy and politics with Xi Jinping? This is an important issue for determining the quality of Chinese policymaking going forward. If a dictatorial style of leadership is dominant, such as it was during the late-Mao or late-Stalin years, no official will dare to speak out against potential policy pitfalls. On the other hand, if leaders with their own sizable powerbases continue to serve at the highest level, there stands a much better chance of a reassessment and course correction after major policy failures.

In this note, I derive two measurements of factions among current and potential future Politburo Standing Committee members based on an elite biographical dataset originally gathered by Shih, Liu, and Shan (Shih et al. 2008) and which has been updated by Shih, Meyer, and Lee (Shih et al. 2020). The dataset today includes over 5,000 officials in the Central Committee (CC) (both full and alternate members), provincial standing committees, State Council and central party organs, and in the senior ranks of the People's Liberation Army. The analysis here mainly pertains to

civilian factions, with the exception of military officers who are in the Central Committee.

The first metric simply measures the size of elite factions as a share of total active elite in a given time period. Following the extant literature, factional ties are identified as prior co-working experience before the patron enters the Politburo Standing Committee (Shih et al. 2012; Meyer et al. 2016; Jia et al. 2014).

Meanwhile, the second metric measures whether members of the Politburo Standing Committee (PSC) elite have overlapping factional ties with Xi. The presumption is that any faction member shared with Xi would first and foremost be loyal to Xi instead of to another weaker patron. Thus, an elite with a large network would lack autonomy if his network is shared mostly with Xi. Since we do not yet know who will end up in the PSC, the final section of this note presents two potential outcomes at the PSC level and assesses the level of elite dependence on Xi after the 20th Party Congress under these scenarios.

Overall, the fate of Wang Yang, Li Xi, and Hu Chunhua, all of whom have sizable and autonomous factions, will determine overall elite autonomy after the 20th Party Congress.

"Overall, the fate of Wang Yang, Li Xi, and Hu Chunhua, all of whom have sizable and autonomous factions, will determine overall elite autonomy after the 20th Party Congress."

To be sure, it remains unclear even prior to the 20th Party Congress whether relatively autonomous figures have continued to operate at the highest level independent of Xi. Journalists, citing sources in Beijing, have reported that Premier Li Keqiang has pursued economic policies independent of Xi's agenda (Wei 2022). Although such rumors cannot be verified independently, Li Keqiang, the premier, and Han Zheng, the executive vice premier, have at least been delegated substantial authority to deal with major issues confronting the regime, ranging from COVID-19 to the development of Hainan as a free trade zone. Xi's willingness to delegate formal power to these officials suggests some degree of power sharing. Yet, if the powerbase of these officials is small or largely overlaps with Xi's own faction, the elite would lack even the basic means to mobilize opposition to prevailing policies. As such, it seems logical that they would not dare to challenge Xi's preferred policies in the first place, even if such policies were to produce dire consequences for the regime or the population at large. A few PSC members with large, autonomous factions would leave open the possibility of an elite challenge to Xi's policies, although in all likelihood, fear of a purge would deter overt challenges to Xi barring a policy catastrophe.

FACTION SIZE OF CURRENT AND POTENTIAL PSC MEMBERS

The relative size of elite factions in the CCP provides some indication of the distribution of power among top leaders. At the beginning of the Cultural Revolution, for example, purges led to the decimation of Liu Shaoqi's faction while Mao's faction remained more or less intact (Shih et al. 2010). Figure 1 depicts the size of factions as a share of the active elite in the 2018-2021 period and in July 2022 just prior to the congress. Active elite here includes all CC full and

alternate members, provincial standing committee members, and State Council and central party organ vice ministers who are not in the CC.

Although the patrons, in this case all PSC or Politburo members, were mostly in office for the entire 2018-2022 period, some of their clients retired, thus exiting the dataset, while other clients were promoted into provincial standing committee or Central Committee positions, thus entering the dataset. To account for these changes, Figure 1 also provides an over-time comparison of the factions of various elites in the immediate post 19th Party Congress period and in the run-up to the 20th Party Congress in 2022 when provincial congresses formalized a large number of turnovers. One should note that factions naturally decay over time since a Politburo member's former colleagues at lower levels likely face earlier retirement age, thus shrinking their network over time while they are still in office. Therefore, most elites in Figure 1 saw their networks shrink between mid-2021 and mid-2022 due to retirement. Some, such as Hu Chunhua, Li Zhanshu, and Li Keqiang, had their factions shrink at a rapid rate.

Figure 1 reveals that Xi Jinping did not command the largest faction among active elites in either time period. Instead, Guangdong party secretary and Politburo member Li Xi commanded the largest faction both in the 2018-2021 period and in 2022. For the majority of current and potential PSC members, their factions have ranged between 6% to 9% of active elite in the run-up to the 20th Party Congress. Li Keqiang, Ding Xuexiang, and Han Zheng all have smaller factions in the 4-5% range. Hu Jintao, as the former party secretary general, no longer commands a sizable faction, and its size is declining rapidly. Finally, career think-tanker Wang Huning has by far the smallest elite faction since he has only worked in the Central Policy Research Center for most of his career.

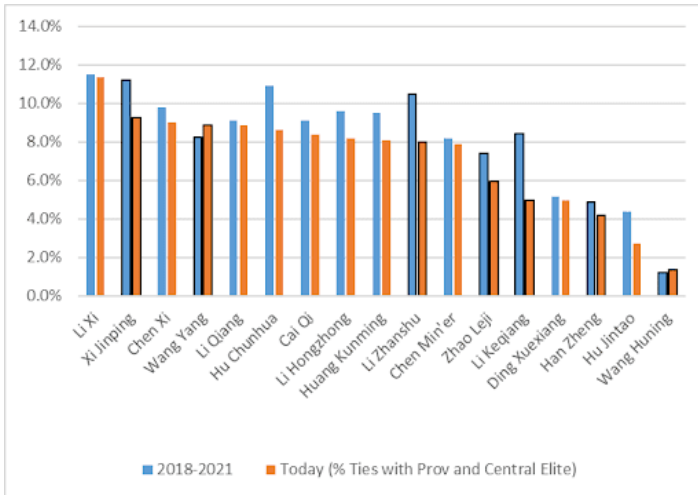


Figure 1: Faction Size of Current and Potential PSC Members as a Share of Active Elite in the 2018-2021 Period and in July 2022

Beyond static size, over time changes, especially as provincial party congresses took place, provide some information about the political ambition of the elite. Even more so than Xi, Li Xi was able to replace retirees in his faction with new members in the elite, thus arresting reduction of his faction size over time. In contrast, even Xi himself saw a significant shrinkage of his faction between 2021 and 2022 to below 10% of the active elite. To be sure, Xi's followers also occupy more senior positions at the PSC, Politburo, and CC levels, thus making his faction clearly the most powerful one. Among current PSC members (bars with black outline in Figure 1), all of their factions shrank as a result of retirement with the exception of Wang Yang. For some, such as Li Zhanshu and Li Keqiang, their factions shrank by over 20% of their share in the 2018 to 2021 period. One can interpret this shrinkage as Xi not allowing more officials in those factions to receive promotions to senior levels while the two Li's also did little to arrest the shrinkage of their factions. For some reason, Wang Yang was able to avoid the attrition of his faction through retirement. This was not a random outcome and was likely due to active intervention by Wang.

Among current Politburo members aspiring for promotions to the next level, they also saw their

factions shrink due to retirement of former colleagues. Among them, however, Li Xi, Li Qiang, Chen Min'er, and Ding Xuexiang were able to minimize the reduction to just one or two members in their respective factions. Because of the strong inertia of retirement, one can interpret the minimization of shrinkage as the result of deliberate actions seeking to develop their powerbases for future political jostling.

FACTIONS' OVERLAP WITH XI

Although the size of one's faction provides a rough indicator of relative power in the elite, many current and potential PSC members themselves also are in Xi's own faction, and therefore share many elite ties with him. As such, elites who share the majority of their ties with Xi likely do not have too much political autonomy because they would lack the ability to mobilize their own independent factions against Xi's policies. To measure this, I derive a simple metric of the share of an elite's faction shared with Xi Jinping.

Figure 2 depicts this metric for all current and potential PSC members in Xi's faction (blue bars) or not in his faction (orange bars) as of July 2022. The least autonomous PSC member is Wang Huning, whose few followers also worked within the walls of Zhongnanhai in the Central Administrative Office directly serving Xi himself. All of Xi's followers from his Fujian and Zhejiang days, including Huang Kunming, Cai Qi, Li Qiang, and Chen Min'er, also share at least 40% of their factions with Xi. Ding Xuexiang, who joined Xi's faction when he served as Shanghai party secretary, also shares close to 50% of his faction with Xi. Interestingly, the other members of Xi's faction, those who came out of Tsinghua University or northwestern China, share many fewer ties with Xi, who never worked a single day at Tsinghua or in northwestern China. Although officials from northwestern China are currently loyal to Xi due to his historical ties to the region (Li 2016), will they remain

loyal to him during a crisis when they have large, autonomous factions? Among current PSC members, a number of them, including Li Zhanshu, Zhao Leji, Wang Yang, and Li Keqiang, continue to have factions that do not substantially overlap with Xi's. Although Li Zhanshu most likely will retire due to age, continuing PSC tenures of Zhao Leji, Wang Yang, and Li Keqiang will ensure a relatively high degree of elite autonomy at the top level.

Among potential PSC members, the majority of them are highly dependent on Xi due to career overlaps with Xi through Fujian, Zhejiang, and Shanghai. The exceptions are Li Xi, Hu Chunhua, and Li Hongzhong. If one or more of them are elevated to the PSC, it also will elevate the overall dependence of the PSC elite vis-à-vis Xi.

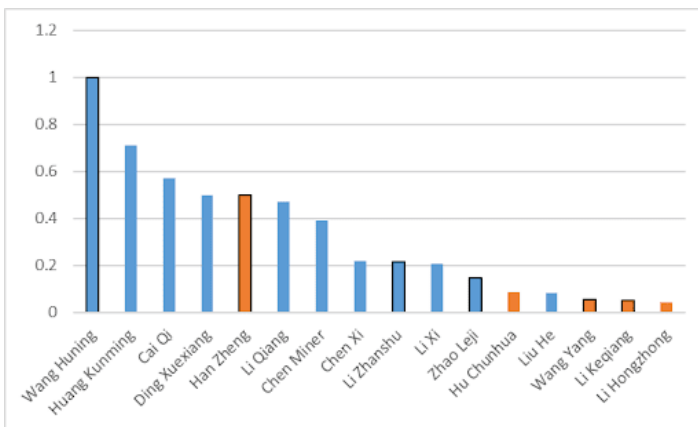


Figure 2: The Share of Current and Potential PSC Members' Factions Shared with Xi Jinping in 2022, Xi Faction Members (Blue Bars) and Non-Faction Members (Orange Bars)

TWO SCENARIOS AND OVERALL ELITE DEPENDENCE

The preceding analysis presents two measurements of elite balance of power at the PSC level: relative size of elite factions and autonomy of elite factions. How will these factors play out at the 20th Party Congress and beyond? First, it is of course all but impossible

to predict the exact outcome, since last-minute backroom dealings and last-minute changes in the size of the PSC can dramatically alter outcomes. I present two plausible, although by no means exhaustive, scenarios and further calculate the overall dependence on Xi of the PSC elite under these two scenarios. In either scenario, autonomy at the PSC level likely will decline compared to the status quo, although having both Li Keqiang and Wang Yang remain in the PSC and promoting either Hu Chunhua or Li Xi (or both) would uphold elite level autonomy compared to most other plausible scenarios.

Past observations of promotions into the PSC suggest that age and factional affiliations play important roles in the outcomes (Li 2016; Shih and Lee 2018). The moderate Xi dominance scenario on Table 1 simply assumes that the age rule of "7 up, 8 down" would still be maintained, giving Li Keqiang, Wang Yang, and Wang Huning, all of whom are 67, another five-year term in the PSC. Li Zhanshu and Han Zheng would retire, leaving two open slots for Xi's followers to fill. For now, the two most likely beneficiaries include Xi's private secretary Ding Xuexiang and Shanghai party secretary Li Qiang, who was Xi's former private secretary in Zhejiang.

In an alternative scenario, Xi would exert his power to change the retirement norm of "7 up, 8 down" into a sort of "6 up, 7 down" rule, forcing out all PSC members at age 67 including Li Keqiang, Wang Yang, and Wang Huning. In this scenario, two members with sizable, autonomous factions, Li and Wang, would be replaced by Xi followers. Instead of just Li Qiang and Ding Xuexiang, Li Xi and Chen Min'er also would gain entry into the PSC. Interestingly, even in this scenario, Xi likely would not dominate politics at the top because Hu Chunhua, a member of Hu Jintao's faction, as well as Li Xi, a Xi loyalist with a large independent faction, would gain entry into the PSC.

Moderate Xi Dominance			Strong Xi Dominance		
	Xi-Affiliated	Potential Position		Xi-Affiliated	Potential Position
Xi Jinping (69)	Yes	Secretary General	Xi Jinping (69)	Yes	Secretary General
Li Keqiang/ Hu Chunhua (67/59)	No	NPC Chairman/ Premier	Zhao Leji (65)	Yes	CDIC Secretary
Wang Yang (67)	No	Premier/CPPCC Chairman	Ding Xuexiang (60)	Yes	NPC Chair
Wang Huning (67)	No	Propaganda Tsar/ CPPCC Chair	Li Qiang (63)	Yes	Premier
Zhao Leji (65)	Yes	CDIC Secretary	Hu Chunhua (59)	No	Executive Vice Premier
Ding Xuexiang (60)	Yes	CPPCC Chair/ Propaganda	Li Xi (66)	Yes	CPPCC Chair
Li Qiang (63)	Yes	Executive Vice Premier/ Premier	Chen Min'er (62)	Yes	Propaganda Tsar

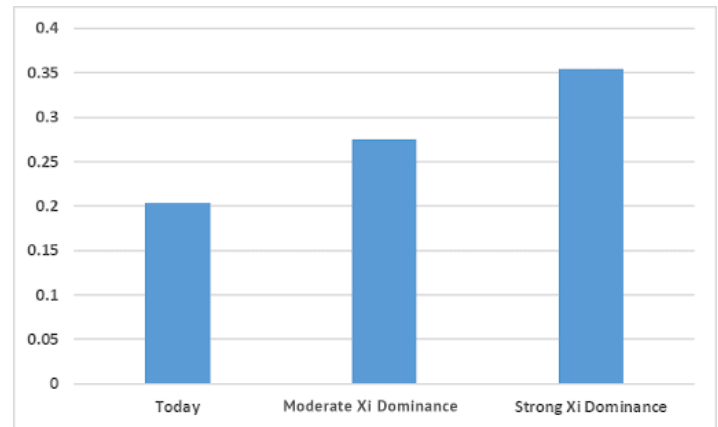


Figure 3: PSC Level Elite Overlap with Xi Today, Under Moderate Xi Dominance and Strong Xi Dominance

Table 1: Two Scenarios for PSC Appointments at the 20th Party Congress: Moderate versus Strong Dominance for Xi

I examine PSC level elite autonomy more systematically in Figure 3 by calculating the share of all PSC members' ties with the rest of the elite which are shared with Xi himself in 2022. This metric essentially combines both the size of elite factions and their autonomy into one measurement. For example, although Wang Huning's faction overlaps with Xi's own completely, because his faction is so small, his continuation in or retirement from the PSC would not substantially affect overall elite autonomy. Prior to the 20th Party Congress, some 20% of PSC members' ties with active elites are shared with Xi. This means that 80% of PSC members' elite ties are not shared with Xi, suggesting some degree of elite autonomy. In the moderate Xi dominance scenario, because both Li Keqiang and Wang Yang would remain in the PSC, elite autonomy would slip slightly. In this scenario, some 26% of PSC members' ties with the elite would be shared with Xi. Finally, in the strong Xi dominance scenario, which sees both Wang Yang and Li Keqiang retire, Xi's dominance over all ties in the PSC rises visibly to 35%. Still, because former Zhejiang and Fujian officials typically share only 50% of their ties with Xi and Li Xi has a highly autonomous faction, even dominance by Xi followers in the PSC does not result in complete elite dependence on Xi.

Judging from the size and autonomy of the various factions, the fate of Wang Yang, Li Xi, and Hu Chunhua likely will have the greatest impact in terms of upholding elite autonomy in the PSC. Second to that, another PSC term for Zhao Leji and Li Keqiang also would uphold elite autonomy modestly. Although Li Hongzhong also has a sizable, autonomous faction, his chance of promotion is relatively slim. Meanwhile, the promotion of Ding Xuexiang, Cai Qi, Li Qiang, Chen Min'er, and Huang Kunming into the PSC would all decrease elite autonomy.

CONCLUSION

In the preceding analysis, I have presented two measures of elite balance of power, faction size and faction overlap with Xi for current and aspiring PSC members. Under most plausible scenarios, elite dependence on Xi will increase after the 20th Party Congress. If Xi were to revise norms to force both Li Keqiang and Wang Yang

"If Xi were to revise norms to force both Li Keqiang and Wang Yang from the PSC, elite dependence on Xi would rise even more substantially, although the elevation of Hu Chunhua and Li Xi would prevent complete elite dependence on Xi from arising."

from the PSC, elite dependence on Xi would rise even more substantially, although the elevation of Hu Chunhua and Li Xi would prevent complete elite dependence on Xi from arising. The resulting equilibrium may well determine patterns of policymaking for years to come.

References

- » Jia, Ruixue, Masayuki Kudamatsu, and David Seim. 2014. "Complementary roles of connections and performance in the political selection in China." *Journal of European Economic Association* 13 (4):631-68.
- » Li, Cheng. 2016. "Chinese politics in the Xi Jinping era reassessing collective leadership." Washington, D.C.: Brookings Institution Press.
- » Meyer, David, Victor C. Shih, and Jonghyuk Lee. 2016. "Factions of different stripes: gauging the recruitment logics of factions in the reform period " *Journal of East Asian Studies* 16 (Special Issue 01):43-60.
- » Shih, Victor, Christopher Adolph, and Liu Mingxing. 2012. "Getting ahead in the Communist Party: explaining the advancement of Central Committee members in China." *American Political Science Review* 106 (1):166-87.
- » Shih, Victor, and Jonghyuk Lee. 2018. "Locking in fair weather friends: Assessing the fate of Chinese communist elite when their patrons fall from power " *Party Politics* 26 (5).
- » Shih, Victor, Jonghyuk Lee, and David Meyer. 2020. "The Database of CCP Elite." San Diego: Institute of Global Conflict and Cooperation.
- » Shih, Victor, Wei Shan, and Mingxing Liu. 2008. "Biographical Data of Central Committee Members: First to Sixteenth Party Congress."
- » ——. 2010. "Gauging the Elite Political Equilibrium in the CCP: A Quantitative Approach Using Biographical Data." *China Quarterly* (201):79-102.
- » Wei, Lingling. 2022. "China's Forgotten Premier Steps Out of Xi's Shadow as Economic Fixer." *The Wall Street Journal*, 5/11/2022, 2.

THE MUZZLED CENTRAL COMMITTEE SELECTORATE

Susan L. Shirk

Stability at the top of the Chinese political system depends on some form of power-sharing that commits the leaders to respect the interests of other politicians in the Communist Party. That's why Party institutions are so important: regular meetings of the Central Committee, Politburo, and Standing Committee reveal the leader's intentions; retirement rules create opportunities for younger politicians to advance their careers; and the expectation of an orderly leadership succession process builds confidence between the leader and other Party politicians. But Xi Jinping has revealed himself to be a risk-taker in intra-Party politics by flaunting precedent and pushing through a revision of the state constitution eliminating the two-term limit for the presidency, which constituted the only written limitation on his serving as preeminent leader for life. So far, he has not identified a successor-in-training. Instead of sharing power, he has tightly grasped it in his own hands.

Party leaders don't have to stand for popular election, of course, but they do have to win the support of the "selectorate," the group of people within the Party authorized to choose the leaders. According to the Party charter, that group consists of the approximately 200 full members of the CCP Central Committee that is in turn elected by the 2,000-member Party Congress. The new Central Committee that will meet right after the Party Congress will decide whether to grant Xi Jinping his third term as number one leader — presumably as General Secretary, but possibly as Chairman if he should resuscitate the title Mao once held. Because he has packed the body with loyal officials and eliminated potential rivals through a

massive purge ostensibly aimed at corruption, almost no one expects the Central Committee to deny Xi his third term.

The Central Committee is supposed to elect the top leaders by secret ballot. The slate of nominees — with the same number of names as positions — is decided by a handful of leaders whose names are kept secret. According to one Party official, the list of nominees is further vetted by the current Politburo, Secretariat, and retired Politburo Standing Committee members. Together, these leaders constitute the Standing Committee of the Presidium of the Party Congress. In 2012, this group consisted of 41 people in total. In the past, the slate of nominees was then ratified by the entire 237-member Presidium, which includes Politburo members, retired Party veterans, leading ministry and provincial officials, military officers, and grassroots Party members. Xi Jinping may opt to eliminate this veto-gate as another sign of change.

The lines of authority between the top leaders and the Central Committee are what I call "reciprocal accountability." The officials who are members of the Central Committee are accountable to the Party leaders who appointed them to their day jobs. At the same time, the topmost Party leaders are accountable to the officials in the Central Committee who elected them. Although top-down power is stronger than bottom-up power, power undeniably flows in both directions, in an arrangement that is much like the relationship between the pope and the College of Cardinals in the Catholic Church. The key difference is that the cardinals have tenure and serve until they

reach retirement age, whereas the officials in the Central Committee serve at the pleasure of the top leadership.

Normally, the central committees of communist regimes have rubber-stamped the list of nominees handed down to them from on high. There have been some exceptions, however. In the Soviet Union, the Central Committee rejected the official slate twice, in 1957 and 1964. The Central Committee of the Communist Party of Vietnam holds a multicandidate competitive election for the top leadership jobs: the top vote-getter becomes general secretary, the first runner-up becomes premier, and the second runner-up becomes president. Well aware that one day the Central Committee members may just say no to the nominations they are handed, Chinese top leaders have to craft a slate of nominees that anticipates the preferences of the selectorate.

Holding straw-poll primary elections was one way to prevent nasty surprises when the Central Committee made its formal choice. It also was a baby step in the direction of the “intraparty democracy” that Party reformers had sought. This system of gauging the popularity of candidates among the selectorate was tried out in 1956 at the 8th Party Congress, and then revived during the Hu Jintao administration at the 17th (2007) and 18th (2012) CCP Congresses. One party official told me that he believed the primary election enhanced the legitimacy of the elected leader among the party elite.

However, fearing a loss of actual control, the leaders kept the primary vote totals secret and nonbinding. Because of that, rumors circulated about the process and the outcome. In both 2007 and 2012, the Xinhua News Agency openly reported accounts of the primaries, which took place before the Party Congress, only after the Congress ended. In the 2007 primary more than 400 electors picked the proposed members of the new Politburo from a list of almost 200

candidates. A Party official contrasted the 2007 and 2012 straw polls. The 2007 primary “was the first time it happened rather suddenly and was conducted in a clear-cut, clean way.” But in 2012, “the whole process was tainted because contenders anticipated it and tried to campaign.” According to several interviewees, when Ling Jihua, the head of the CCP Central Office and Hu Jintao’s right-hand man in charge of running the 2012 primary, turned out to be one of the biggest vote-getters, the leaders concluded that he had manipulated the vote count and fired him.

It is widely believed that Xi Jinping became China’s number-one leader in 2012 because he was the top vote-getter in the 2007 primary, defeating Hu Jintao’s first choice and later-premier Li Keqiang. Given his own success in them, it would therefore have been logical to assume that Xi would be a fan of intra-party elections as a method of leadership selection. Instead, after becoming general secretary, he ordered that voting no longer be used to select leaders at the national level or in provinces and cities. He scrapped the primary before the 19th CCP Congress in 2017 and substituted a nomination process that he completely controlled. Xi personally conducted 57 interviews with senior officials, who likely told him what they thought he wanted to hear. Other leaders interviewed 258 ministers and 32 military officers. Xinhua praised the interview process as more democratic, free, and fair than the previous straw polls in which, it said, people voted haphazardly, voted for people with whom they had some personal connection, canvassed for votes, or even bribed voters. All of these behaviors, except bribery, are considered legitimate practices in democratic countries. Xi equates open political competition with loss of control. Now that he’s in charge, Xi has made it clear that elections have no place in leadership selection.

So, what should we expect at the highest echelons of power from the 20th Party Congress? I’d argue that a runaway Central Committee selectorate is less

likely than at any time in the past, even though many CCP politicians may be unhappy with Xi's lack of power-sharing and his policy misjudgments. Xi has packed the Central Committee with his loyalists. As Victor Shih's essay shows, his support base will increase even under the less dominant scenario for him in the coming years. Since there was no open pushback to Xi's personal management of the nomination process in 2017, he is likely to repeat it in 2022. He has jailed potential challengers and terrorized those still at liberty. He directly controls internal security and can employ sophisticated surveillance technologies to spy on any illicit coordination by other politicians. The Central Committee selectorate is, it seems, quite thoroughly muzzled as the 20th Party Congress unfolds. With old Party institutions melting away under his watch, Xi may be inaugurating a new period of political uncertainty that is superficially stable but structurally fragile.¹

1. This memo is drawn in part from *Overreach: How China Derailed its Peaceful Rise*, Oxford University Press, to be published on Oct. 18, 2022.

THE PARTY PERSEVERES: SUSTAINING SUPPORT THROUGH CRISES

Lei Guang, Yanchuan Liu, and Yiqing Xu

As Xi and Chinese Communist Party elites prepare to convene the 20th Party Congress, outside observers of Chinese politics are struck by a difficult series of questions about the citizenry of the PRC. What level of support can elites realistically expect from the Chinese public? Do Chinese citizens trust the central government? Will the public stand behind the elites if they take a confrontational approach with the U.S.? Given that the CCP requires some level of support to remain in power, it needs the answer to these questions, and outside observers are just as keen.

Public opinion in China is of course a controversial topic. The most extreme views hold there is no such a thing as “public” opinion in an authoritarian country due to widespread fear of reprisal leading to a lack of honest self-reporting of opinions, and that the public’s revealed opinions therefore tend to parrot opinions put forth in official propaganda. Furthermore, there are real concerns about preference falsification, that is, survey responses may be influenced by participants’ desire to act in line with the regime.

However, it’s clear that China’s political leaders do not subscribe to these views. Although they do not rule on the basis of popular elections, they do watch public opinion carefully. Indeed, the study of “mass opinion” (輿情研究), especially [politics-related opinions](#) (政务輿情), has become an important bureaucratic task at all levels of government. According to [one report](#) by the Beijing News, there were about two million “mass opinion” analysts just focusing on the internet in 2013. That number has likely only grown since then.

We believe that carefully designed and independently run surveys with recurring questions can reveal internally consistent trends in how the Chinese public thinks about politics. Since May 2019, the China Data Lab at the 21st Century China Center has conducted fifteen online surveys in China, each of which targeted about 1,000 urban respondents. We used a quota sampling strategy whereby we recruited respondents according to pre-specified proportions of gender, education, age groups, and geographical locations. We frequently asked the same questions over multiple surveys. Through this approach, we have begun to build a dataset that can show the evolution of Chinese public opinion over time.

Below are three key takeaways for the CCP on the verge of its 20th Party Congress derived from our survey work.

1. Public trust in the central government remains very high, although it softened slightly in the first year of COVID (April 2020 – March 2021).
2. On the whole, respondents are fairly nationalistic and supportive of the regime. The average respondent prefers to live under the current Chinese political system, feels proud of it, considers China on the right path of reform, and expresses faith in its capability to resolve any problems.
3. Public attitudes toward the U.S. remained abysmally low during our survey period. They recovered a bit during Biden’s first year in office, but they took a nosedive in early 2022.

Riding high on the Chinese public's trust in the central government, support for the political system, and general antipathy toward the U.S., Xi can be confident that, barring major shakeups, "mass opinion" will not be an obstacle to his continuing rule for the next five years.

1. HIGH TRUST IN THE CHINESE GOVERNMENT

CFGU has repeatedly asked respondents to rate their level of trust in China's central and local authorities on a feeling thermometer. After rescaling, a value of 0 indicates strong distrust, while a value of 1 indicates strong trust. Figure 1 indicates that overall respondents have a great deal of faith in the Chinese government. Our data also shows that, consistent with the conventional wisdom, public trust in local government generally trails behind trust in the central government, although the local governments seem to have perhaps slightly improved their standing with the Chinese public in recent years.

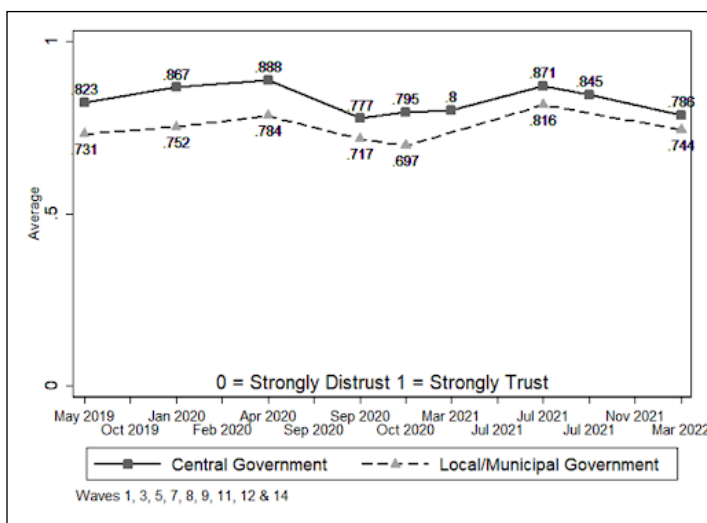


Figure 1: Public Trust in Central and Local Government

Note: The survey question for Figure 1 is "To what extent do you trust the central/local government?" 请问您在多大程度上信任中央/本市政府?

2. ROBUST SUPPORT FOR CHINA'S POLITICAL SYSTEM

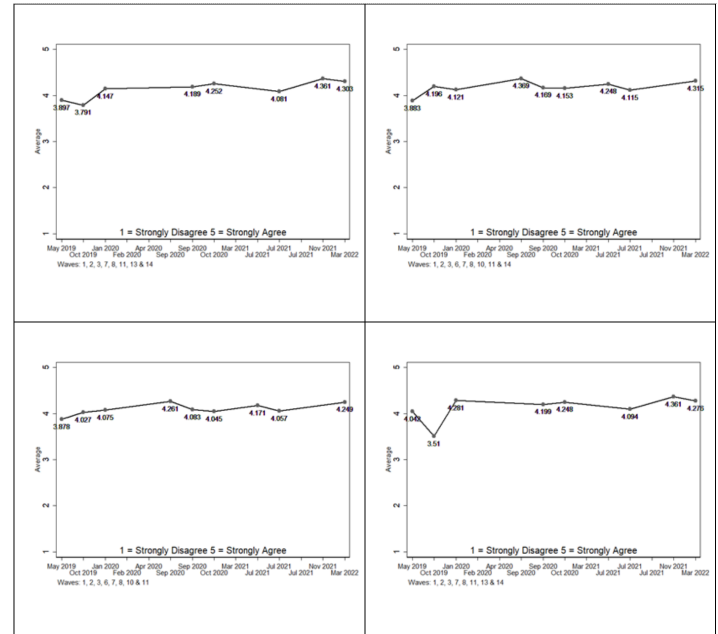


Figure 2.1: Public Support of the Chinese Political System

Note: The four survey statements for Figure 2.1, from upper left to lower right, are:

1. Upper-left: "Relative to other political systems, I'd rather live under our own system" (与其他政治体制相比,我宁愿在我国的政治体制下生活).
2. Upper-right: "Generally speaking, I feel proud of our country's political system" (宽泛地说,我为我国的政治体制感到自豪).
3. Lower-left: "In the long run, our political system can resolve the problems facing our country" (长期来看,我国的政治体制可以解决我们国家面临的问题).
4. Lower-right: "I believe our country is on the right path of reform" (我认为我国目前在正确的改革道路上).

The Chinese public's trust in the central government builds on generally strong support for the existing political system. Our surveys asked respondents to rate their level of agreement with a set of statements related to the Chinese political regime. All of them used a scale of 1 to 5, with 1 indicating "strongly disagree" and 5 indicating "strongly agree."

Chinese respondents show a robust preference for the Chinese political system over other systems. As Figure 2.1 indicates, they are generally proud of their political system, with the average level of pride almost always exceeding 4. On average, Chinese respondents also agree with the statement that “In the long run, our political system can resolve the problems facing our country.” Finally, respondents generally consider the country to be on the right path of reform.

Clearly, responses to the aforementioned set of regime-related statements suggest a high level of support for the PRC political system. However, the average Chinese respondent did acknowledge that China’s political system is not necessarily the best in the world. As Figure 2.2 demonstrates, when asked to assess the statement “There exists a more advanced political system in the world,” the average Chinese respondent tended to select “neither agree nor disagree” or “somewhat agree.”

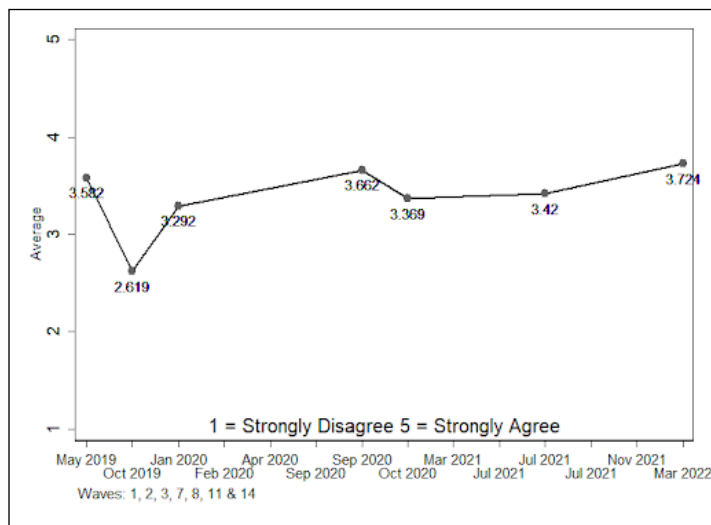


Figure 2.2: Is China’s Political System the Best?

Note: The survey statement for Figure 2.2. is “There exists a more advanced political system in the world” (有比我们国家目前的制度更先进的政治体制).

3. NO LONGER A CITY ON A HILL

Our surveys measured attitudes towards major countries on a scale of 0 to 10 or 1 to 10, with the lowest values indicating strong dislike and 10 a strong affinity. Figure 3.1 clearly shows that ever since we started the survey in 2019, Chinese public feelings toward the U.S. have been consistently low, hovering at or below the neutral line, which suggests that their feelings are mostly in the “dislike” half of the scale, lower by a large margin than their feelings toward Russia. In 2019 and 2020, a significant gap even opened between the Chinese feelings toward the U.S. and toward Japan, China’s historical nemesis since the 19th century. Chinese feelings toward the U.S. recovered quite a bit during Biden’s first year, only to take a nosedive in early 2022.

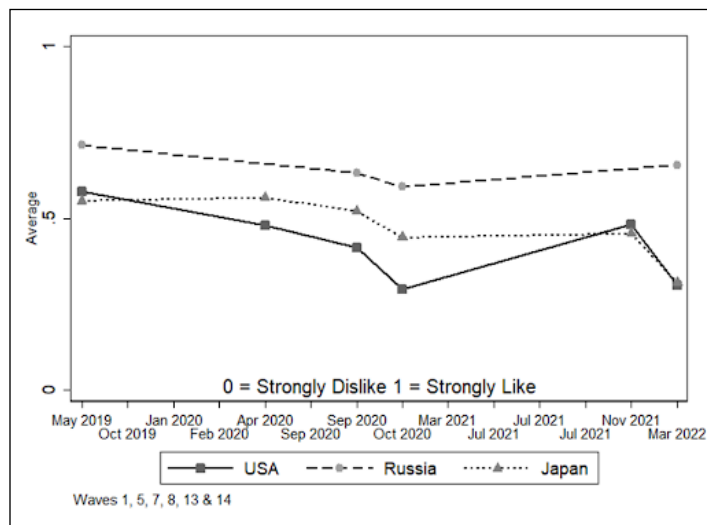


Figure 3.1: Public Feelings toward Japan, Russia, and the U.S.

Note: The survey question for Figure 3.1 is “Please rate your feelings toward major countries in the world – the USA/Russia/Japan” (请您对以下世界主要国家的好感度打分 - 美国/俄罗斯/日本).

Having witnessed how the Chinese and U.S. governments responded to COVID, did the Chinese respondents' impression of the two drastically different political systems change for the better or worse? Consistent with our previous analysis, our data show that public perception of the Chinese political system has become even more positive. During the same period, as shown in Figure 3.2, perception of the U.S. political system has turned more negative, although the degree of negative shift has lessened in Biden's first half-year (July-August 2021) compared with Trump's last year in office (April-May 2020).

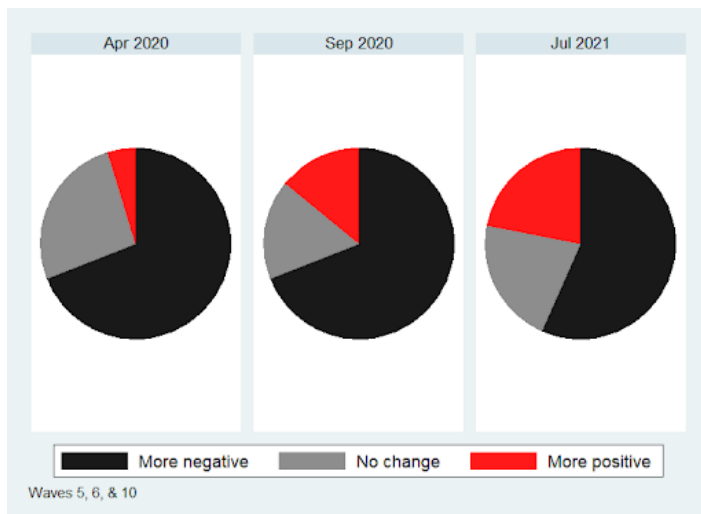


Figure 3.2: Perception of U.S. Political Systems after COVID

Note: The survey question for Figure 3.2 is "Since the onset of the pandemic, has your perception of the American political system changed" (此次新冠疫情发生后, 有没有改变您对中、美两国的政治体制的看法)?

It is clear from our surveys that the Chinese public now display more negativity toward the U.S. than to friends like Russia and even rivals like Japan. Chinese views of the American political system have also turned more negative since the Trump years and over the course of the pandemic. Before 2016, and with the possible exception of the period of global financial crisis, the U.S. had exerted an outsized appeal to the Chinese public because of its prosperous economy, superior technology, unmatched freedom, and democratic politics. According to [Pew Research](#), the proportion of Chinese holding favorable views of the U.S. reached as high as 58% in 2010, and it never dipped below 40% between 2010 and 2016. Those times appear to be behind us. The Chinese public's fluctuating views of the U.S. have reached a nadir under Trump and stayed abysmally low since COVID.

It is worth noting that the results above are based on data up to March 2022. However, much has happened since then, including multiple episodes of large-scale lockdowns and fast deterioration of the economy. Anecdotal evidence suggests that draconian COVID-Zero policies across China have generated discontent in many urban areas, which could negatively affect public trust in the government or belief in the efficacy of an authoritarian political system. While we have a new survey out in the field, we are still awaiting results. Regardless of how Chinese public opinion is formed or if it is a direct result of draconian censorship and information distortion created by the Party propaganda, the Chinese public's antipathy toward the U.S. and its consistent stated support for the regime has removed one more potential constraint on Xi's power as he faces down Party delegates in the 20th Party Congress.

THE STRANGLING OF NEWS MEDIA IN CHINA UNDER XI

Margaret Roberts, Brandon Stewart, Hannah Waight, and Yin Yuan

Over the course of Xi's first two terms, the media landscape in China has changed dramatically. From a technological point of view, the emergence and subsequent ubiquity of WeChat, the explosion of video streaming, and the skyrocketing use of mobile phones have reshaped how people consume information. But perhaps even more strikingly, Xi has initiated and continued an widespread media crackdown. From arrests and extended [criminalization of spreading "rumors"](#) on social media, to the [silencing of investigative journalists](#), to the [requirement that the media should serve the party](#), the amount of leeway afforded to content creators in China has vastly decreased since Xi took office.

While we know from Xi's speeches, new regulations, and journalists' accounts that news media is increasingly constrained, in an NSF-funded project we assess the cumulative impact of these policies by comparing leaked propaganda directives from China Digital Times to 9.8 million newspaper articles in China. In doing so, we identify patterns of scripting in Chinese news media, where the government directs newspapers to print content from a prespecified script. We found that scripted propaganda can often be identified using clusters of newspapers that print very similar articles on the same day. This allows us to detect who was copying central directives. We extrapolate this finding to a decade of newspaper articles from 46 newspapers in China to predict which articles were directed from government scripts.

Over the course of Xi's time in office, these scripts have been followed increasingly closely and frequently,

making clear the extent to which all media has come under an increasingly short leash.

SCRIPTED PROPAGANDA ON THE FRONT PAGE

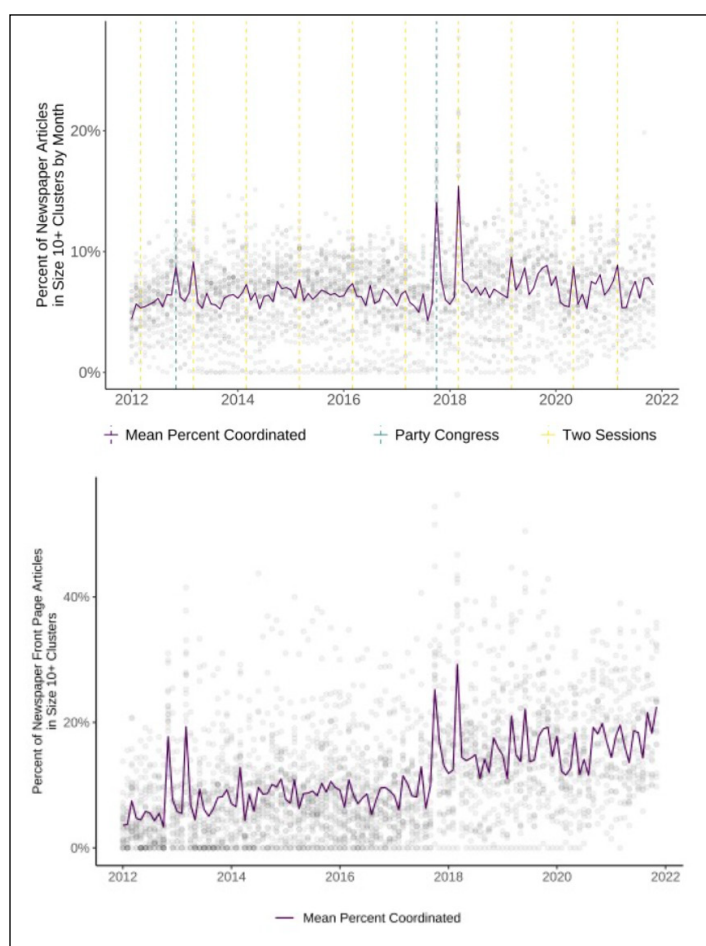


Figure 1: Top – Proportion of newspaper articles in scripted propaganda clusters by month. Bottom – Proportion of newspaper front page articles in scripted propaganda clusters by month.

“Over the course of Xi’s time in office, these scripts have been followed increasingly closely and frequently, making clear the extent to which all media has come under an increasingly short leash.”

Over the past 10 years propaganda scripting, or instructions for papers to follow specific party-approved scripts, has become both more constrained and more pronounced in the Chinese news media. As shown in Figure 1, while the overall proportion of articles that we estimate to be scripted propaganda has increased only slightly, we found that scripted propaganda has increased in the prominence of its placement, increasing from on average 6.2% of articles on the front page in 2012 to 15.2% in 2020. The curation of China’s front pages has become increasingly constrained under Xi.

Furthermore, journalists are less likely than before to deviate from scripts. We measure the average proportion of content in a cluster of articles copying from the same script over time. As shown in Figure 2, while on average 8.8% of scripted articles contained original sentences in 2012, by 2020, this number had decreased to a meager 3.7%, an indication that journalists are less willing than 10 years ago to deviate

from propaganda scripts and instead reprint them verbatim.

In addition to the increasing prevalence and intensity of scripted propaganda, we see a topical shift in the focus of scripted propaganda in the Chinese news media. Scripted propaganda targets highly sensitive areas, such as high-level diplomacy, international affairs, macroeconomic policies, politics, law, national defense, and disasters. Under Xi, however, we found that scripted propaganda shifted toward more nakedly ideological content. Now, there is a greater focus on spreading ideological campaigns and the most recent political sloganeering instead of mostly ensuring politically correct coverage of sensitive events. This suggests that the increased focus on “hard propaganda,” especially new ideological lines, may be crowding out front-page reporting on topics that are more relevant to the public.

As shown in Figure 1, one interesting phenomenon we observed is that the amount of scripted propaganda spikes during certain time periods. In particular, spikes in scripting coincides with political meetings and other key political dates. The most dramatic spike in scripting occurred five years ago, during the 2017 Party Congress and the 2018 Two Meetings, also the dates when Xi altered the Party Constitution to include his name and extended term limits to allow him to continue to hold onto power. In this upcoming 2022 Party Congress, which should be equally sensitive, we expect scripting may also reach this level or higher. To the extent that scripted propaganda is often associated with new ideological terminology, the level of its use after the 20th Party

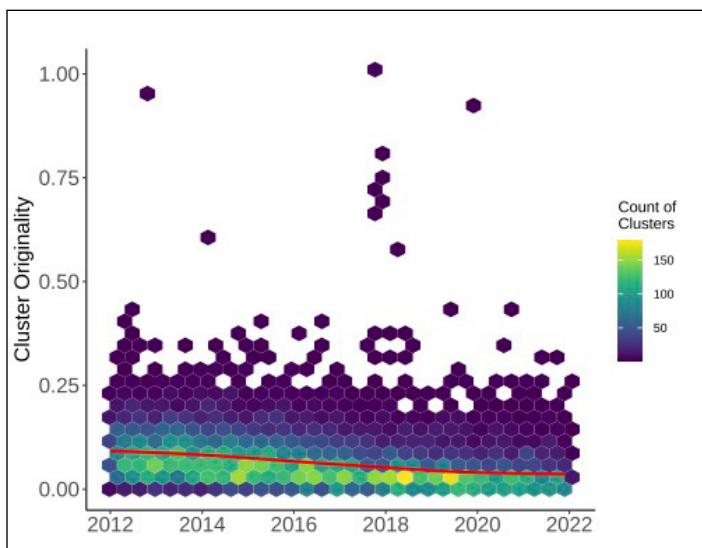


Figure 2: Originality of articles in scripted propaganda clusters over time

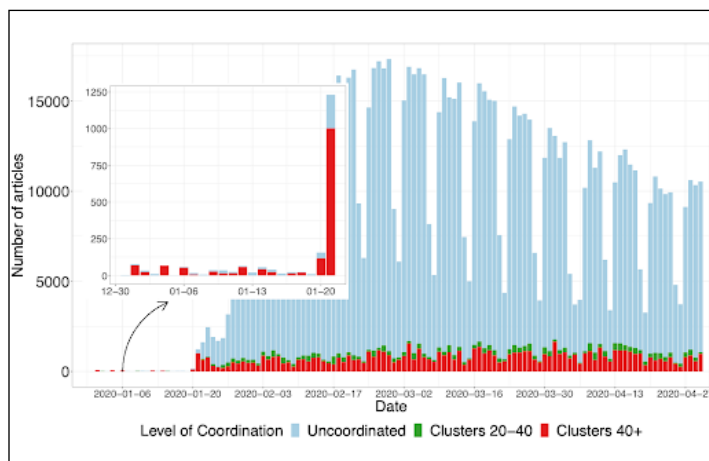


Figure 3: Number of coordinated and uncoordinated articles about COVID-19 from January to April 2020. High levels of scripting at the beginning of this time period is associated with very low levels of reporting on the disease.

Congress may also indicate significant change or continuity in the Party's ideological direction.

We also show how scripting can be used to control information related to disasters and crises. Analyzing a sample of 707 newspapers that contain keywords related to COVID-19, we show consistently high scripting (in red) before the Wuhan lockdown in late January 2020, where almost without exception newspapers followed official scripts. This coincided with a time period of extremely low reporting on COVID-19 before the lockdown, despite widespread knowledge about it. Tight control of the media remains an important tool in the CCP's arsenal during disaster relief, when perception management is key to averting further crises.

WHY IS PROPAGANDA BECOMING MORE OBVIOUS?

The overall increase in propaganda scripting in the Chinese news media over the last 10 years is puzzling. As technology has diversified media, many would have expected propaganda to become less obvious in order to better blend in and compete with new types

of media. To some extent, the propaganda system has adapted to new media, producing articles with more "clickbait" headlines and more multimedia content (Lu and Pan 2021). But we also see an increasingly brazen propaganda system, less willing to hide blatant scripting. We know that media consumers notice this kind of interference. Hannah Waight, a 2022 Ph.D. from the sociology department at Princeton University, designed a survey experiment where she shows a scripted and unscripted article on the same event to respondents and demonstrates convincingly that media consumers in China can distinguish between scripted and unscripted content (Waight 2022). Why would the Party want to make their interference in the news media more, not less, obvious?

We speculate there are a few reasons why we have seen a shift toward more obvious propaganda in newspapers. One is that newspapers are a medium through which officials communicate their loyalty to the leader. From their perspective, the more obvious this communication the better. As Xi's power has strengthened, so has the importance of displaying unswerving loyalty. In the Jiang era, social scientists showed that reprinting political slogans in party newspapers was a costly signal of factional allegiance (Shih 2008). Yin Yuan, a Ph.D. student at UC San Diego, shows in her research that the use of political slogans has increased dramatically in Xi's era and that the exact wording of these slogans is extremely consequential for expressing allegiance (Yuan 2022). Thus, the increase in the prominence of and adherence to scripts could be a reflection of local party officials' desire to be sure not to deviate from the official line for fear it could be interpreted as disagreement. In the Xi era, the stakes of ideological disagreement are much higher and any transgression could be extremely costly for journalists and editors.

Furthermore, even if hard propaganda and ideological content may not persuade the public, it could communicate to the public the Party's strength.

"...increased focus on "hard propaganda," especially new ideological lines, may be crowding out front-page reporting on topics that are more relevant to the public."

UC Merced political scientist Haifeng Huang's influential work on propaganda notes that propaganda has a signaling effect, even if it doesn't have a persuasive effect, by showing that the Party has such tight control that it can completely dominate the news cycle (Huang 2015). Seen in this light, the shift toward more ideological propaganda scripting is an effort to signal to the public the Party's absolute dominance and stifle any opposition.

Finally, the shift to more blatant propaganda in newspapers reflects the fact that, in the era of increasing diversity of media outlets, the party leaders see the official media as even more important platforms for setting the agenda for all media, including the Internet. Official accounts are given priority on social media outlets, and their reach is artificially strengthened online. Elsewhere we show that one of the most influential online news portals, Sina.com, also contains a large proportion of articles that are scripted. Official media is thus one of the most critical levers of control over all media, hence the greater importance of scripting the front page on the official newspapers.

CONCLUSION

Despite an era characterized by a shifting technological media landscape, Xi has refused to let the market for media dominate either traditional papers or the online space and instead has doubled down on ideology. Under Xi, propaganda scripting has increased in prominence and shifted toward new and ideological content, affording less discretion to media and more control over sensitive topics. This approach could have serious drawbacks. While tightening

control, it weakens one of the primary mechanisms for government oversight in China — the press. By insisting on uniformity, it severs an information channel that in the past has provided crucial information about policy failures and discontent. Will Xi continue down this path in the future? We will follow the data to continue to monitor scripted propaganda and follow how control over the media progresses in this next era.

References

- » Huang, Haifeng. "Propaganda as signaling." *Comparative Politics* 47.4 (2015): 419-444.
- » Lu, Yingdan, and Jennifer Pan. "Capturing clicks: How the Chinese government uses clickbait to compete for visibility." *Political Communication* 38.1-2 (2021): 23-54.
- » Shih, Victor Chung-Hon. "'Nauseating' displays of loyalty: Monitoring the factional bargain through ideological campaigns in China." *The Journal of Politics* 70.4 (2008): 1177-1192.
- » Waight, Hannah. "A Cage Not a Hammer: Why Disunified Media Control Works in Contemporary China." Ph.D. Diss. Princeton University, 2022.
- » Yuan, Yin. "Hidden in Plain Sight: How Catchphrases Send Important Political Signals that Avert the Public Eye," presented at APSA 2022.

THE CENTER CANNOT HOLD: XI'S SELF-IMPOSED ECONOMIC TRIBULATIONS

Barry Naughton

Xi Jinping has botched the political business cycle. An effective leader — in China or elsewhere — will manipulate economic policy to create good short-term conditions and optimism in the run-up to an election or critical meeting. That was certainly the case back in 2017, as Xi Jinping was able to push through some tough measures in 2016 and then enjoy a smooth recovery and returning confidence in the run up to the 19th Party Congress. Today, the situation is the reverse: as China approaches the 20th Party Congress on Oct. 16, 2022, the Chinese economy is in its worst shape in recent memory. Some problems are caused by exogenous, random shocks, but most of them can be directly or indirectly attributed to Xi himself. Thus, while Xi's lock on power still seems unshakable, he will likely seek to placate that unknown — but large and growing — section of the Chinese population that is uncomfortable with Xi's economic performance. These likely actions will add a level of interpretive difficulty to the Congress: we should anticipate that Xi will engineer a modest strategic retreat, designed to assure his later ability to advance and strengthen his grasp on power.

In this short note, I will first take a quick look at the Chinese economy today and then address the question of Xi Jinping's responsibility for economic under-performance. I then turn to the change in leadership personnel likely to occur at the Congress and make a few tentative predictions.

The Chinese economy right now is in bad shape. To be sure, the biggest and most immediate threat to the economy is the COVID-Zero policy, which is to some extent out of Xi's hands. COVID-Zero has the potential to at any moment create mass lockdowns and plunge the economy into recession. But COVID-Zero is far from the only sign of economic distress. One unmistakable sign is that consumer confidence has dropped to unprecedented lows. According to National Bureau of Statistics monthly surveys, confidence plunged in April 2022 and has stayed low at every successive monthly reading. A separate quarterly survey by the People's Bank of China found income and employment expectations in the second quarter of 2022 fell to new lows, and the proportion of households saying they intended to increase saving reached an unprecedented high, accounting for almost 60% of respondents. This is as good an indicator of worry about the future as we are ever likely to have.

Households have plenty to worry about beyond COVID lockdowns. Employment prospects have soured rapidly, with youth unemployment increasing to an unprecedented 19.9% in July 2022.¹ Young college graduates face genuine challenges in finding work for the first time in decades. The housing market is a further huge source of concern. While high housing prices constantly threaten to price young people out of the market, housing is by far the biggest asset Chinese households hold. Prices have stopped rising and, according to published numbers, are falling in about half of China's cities (although not in Beijing,

1. Unemployment indicators for other age groups reached a low point in April, and have improved slightly since then.

Shanghai, or Shenzhen). Large numbers of borrowers have gone on mortgage strikes, refusing to repay bank loans taken out to purchase apartments that have gone undelivered. Partly as a consequence of these woes, money is leaving China. China, despite having a supposedly closed capital account, is losing well over \$100 billion per quarter (net), according to official Chinese balance of payments data. China is certainly a gigantic economy, but those outflows are still around 3% of total GDP, not a small sum by any means.

Finally, there is risk. A new large-scale COVID lockdown could tip the economy into a major recession. The housing crisis could spill over from bankrupt real estate firms into a more generalized financial crisis. Cash-strapped local governments could generate local crises as they try to squeeze resources from their local economies to substitute for evaporating housing revenues. Extraordinary weather

and provides an enormous contrast with the U.S.'s chaotic handling of the epidemic and one million lives lost. Capital outflows can be partly explained by the extraordinary strength of the U.S. dollar, which provides rising interest rates and returns, and also appears to be the only haven in a world beset by economic uncertainty. You can't really blame Xi Jinping for droughts or for the severe earthquake that struck Sichuan province on Sept. 5, killing almost 100, although these catastrophes bear eerie resemblance to the natural disasters in history that were viewed as signs of the end of a dynasty.

Yet to a large extent, the overall economic program that is causing so much trouble today is indeed the responsibility of Xi. For the first years of his administration, Xi's economic policies were reasonable and had clear goals that were easy to understand. He was pushing China toward technological supremacy

"In short, Xi has bashed capitalists instead of rolling out effective policies. No wonder households, especially wealthy households, are worried and money is flowing out of China."

events hitting power generation and water supply in the Yangtze could intensify: by some measures, this is the driest rainy season since modern record-keeping began in 1951.² One can easily imagine another series of COVID lockdowns touching off a recession, thus intensifying financial difficulties already obvious in the housing sector and causing them to spiral out of control into a financial and fiscal crisis. The mood is glum because people realize the economy is just as likely to get worse as it is to recover.

Is all this Xi Jinping's fault? It is easy to criticize the COVID-Zero policy but hard to devise ways to give it up. Thus far, it has minimized COVID deaths in China

but in ways that were compatible with economic development. His advocacy of "economic reform" was inconsistent and often failed, but it did not interfere with other economic goals. However, especially since the summer of 2021, Xi has introduced a broad spectrum of new goals that are vague and sometimes contradictory. While the high-tech drive is still preeminent, Xi is now also pushing for "common prosperity," for a higher birth rate, for a more disciplined housing sector, and for national data security, among a host of other objectives. Worse, in pursuit of these goals, Xi has not hesitated to adopt clumsy and inappropriate instruments. For example, to advance common prosperity, instead of pushing

2. <https://science.caixin.com/2022-09-06/101936538.html>

tax reforms (which work), Xi has commanded big businesses to contribute money to his favorite causes such as poverty alleviation. In short, Xi has bashed capitalists instead of rolling out effective policies. No wonder households, especially wealthy households, are worried and money is flowing out of China.

Already, for about a year, policymakers have had to modestly roll back the policies Xi introduced in 2021. Premier Li Keqiang has struck a very different policy note, and Xi's key economic adviser, Liu He, has stepped up to say that internet and data regulatory policy should be clear and transparent and have "green lights as well as red lights." Macroeconomic policy has become less tight, and money has been made available to shore up the finances of some real estate

will inevitably lead to a large-scale turnover of economic personnel. The single most important economic adviser, 70-year-old Liu He, will almost certainly step down from his position as Vice-Premier, held since 2018. Liu He has long been close to Xi and provided advice to Xi from the very beginning of his administration. Liu He is a highly intelligent market-oriented economist with ample international exposure and understanding, but his most important qualification has been his access to Xi himself. Xi has often adopted Liu's opinion as his own while Liu wisely slipped into the background. In fact, Liu has been over-extended for years since Xi has used him as a jack-of-all-economic-trades: from czar overseeing the financial system, to chief negotiator with Donald Trump, to architect of state enterprise reforms, to

"Nobody is completely sure they can say what the direction of Chinese economic policy is right now. People are too busy putting out fires to set a clear vision."

firms. But it is striking that these policy adjustments are widely regarded as inadequate and insufficiently credible. While Xi Jinping has obviously approved these interventions, it is striking that he himself has not taken a prominent role in changing course, instead stepping back and letting his subordinates take the lead. Nobody is completely sure they can say what the direction of Chinese economic policy is right now. People are too busy putting out fires to set a clear vision.

This pattern is likely to continue at the 20th Party Congress, but of course the Congress is as much about personnel as it is about policy. The Congress

overall designer of science and technology reforms.³ Today, Liu's influence is still substantial but has obviously declined, both because of Liu's perceived failure to deal with Trump and due to Xi's increasing willingness to stand by his own personal views. To be sure, nothing will prevent Liu from informally advising Xi in the future, but he is hardly likely to be the positive and buffering influence he has been for the last decade.

Liu He's retirement will be part of a broader generational change of enormous significance. An extraordinary group of economic technocrats was formed during the early years of the reform era, and

3. Often, Liu He's role has been through staffing the Party leadership organizations that Xi put together to enhance his own authority. For example, Liu He has led the office of the Finance and Economics Leadership Small Group (chaired by Xi) since 2013, and been head of the Science and Technology and Innovation Construction Leadership Small Group since 2018. While Liu serves to amplify Xi's power in these roles, he also serves to discipline Xi's policy and methods.

that group has wielded substantial influence over policy from the 1990s through the present. These economists often passed the very first round of open college entrance exams in 1977-78, when 10 years of backlogged demand was suddenly released and almost 6 million people took the exam. Selected by this intense competition from the beginning, many members of this group went abroad and got full exposure to Western economics at an early age, and some played a role in the extraordinary discussions about China's reform strategy during the 1980s. This group was then called on by Zhu Rongji to carry through the reform of China's economy in the 1990s. Two leading members of this group, Zhou Xiaochuan, head of the People's Bank of China from 2002 until 2018, and Lou Jiwei, Minister of Finance from 2013 to 2018, have already been forced to step down by age limits.

Now, an even larger group is facing the end of their career. Current People's Bank of China head Yi Gang, Minister of Finance Liu Kun, and top financial regulator Guo Shuqing all fit into this category and all are likely to step down. There is also a large group of minister-

abruptly placed under investigation at the end of July 2022 as part of the spectacular corruption scandal that swept through the semiconductor industry. This was particularly surprising because Xiao was an extraordinarily successful highflier, having moved apparently seamlessly from a career running a giant state-owned enterprise into top governmental posts. Xiao seemed to have perfectly mastered the dual requirement of being a team player while also being innovative and bold. We will probably never find out what triggered his fall, but we can see one less (potentially) independent figure on the scene.

Advisers close to Xi Jinping like Liu He will not lose 100% of their influence overnight, and it is possible that some kind of special arrangement will be made for 66-year-old Guo Shuqing (as was done for Zhou Xiaochuan in 2013), who is seen to be loyal to Xi. Whatever the specific outcomes, the overall reality is that the economics professionals who will be stepping down will be replaced by others with much less diverse experience, with much less international renown, and with much less collective voice in the making of economic policy. Of course, there are plenty

"The lights are going out all over Beijing, and combined with Xi Jinping's increasingly personalized and abrupt decision-making, it does not bode well for the future of China's economic policies."

level officials of the same generation who passed the 1977-78 exams but who then followed a more traditional "within-the-system" career path. These include the current head of the National Reform and Development Commission He Lifeng, Minister of Science and Technology Wang Zhigang, and head of the Statistical Bureau Ning Jizhe. They are all likely to step down as well. This group includes another Minister who passed the college entrance examination in 1977, Xiao Yaqing, who was Minister of Industry and Information Technology from July 2020 until he was

of smart people in China ready to take over, but this reduction in independent voices cannot be a good thing: the lights are going out all over Beijing, and combined with Xi Jinping's increasingly personalized and abrupt decision-making, it does not bode well for the future of China's economic policies.

In this situation, Xi will most likely continue his behavior of the last year, adjusting policy without making big commitments either way. He will likely take a few steps at the Twentieth Party Congress to

provide a certain amount of “balance” in the leadership configuration and perhaps provide some continuity to reassure people in the face of widespread economic leadership turnover. We should watch the People’s Bank of China leadership position especially closely. But these steps, designed to placate opponents and reduce worry, should not be mistaken for a fundamental relaxation of Xi’s grasp on the levers of power or a major change in policy or the orientation of key personnel. In a sense, the economic leadership situation is similar to the situation Victor Shih identifies in his piece on the autonomy of top leadership factions: there are built-in systemic features that will limit the influence of technocrats in the coming administration. Xi will likely take one step back, in part because he doesn’t have serious worries about his ability to subsequently take two steps forward.

What will Xi’s policy look like going forward? We already see clear hints. It certainly entails further intensification of the great technological and strategic struggle with the United States. The U.S. has in fact stepped up the degree of technological competition with the recent expansion of export controls, and Xi is under pressure to respond. Xi has chaired a recent meeting calling for further promotion of the “New National Team” (新举国体制), which involves assigning coordinated responsibilities among state and private firms to master key technologies. Inevitably, the response to the American technological challenge also requires “strengthening the centralized leadership of the Party.” This type of national effort might in fact appeal to a fairly broad swathe of Chinese opinion. Xi’s strategy, then, is likely to involve saying to the population: “It’s not the economy, stupid. It’s about national greatness and strategic independence. And only one person, Xi Jinping, has the foresight and experience to lead you through this struggle.”

TALENT FLOW INSIDE CHINA: PARTY AND GOVERNMENT ADVANCE, ECONOMY RETREATS?

Ruixue Jia

China's success in economic development in the past few decades can be largely attributed to reallocation of talent — productive labor moved from the state sector to the private sector. This change is remarkable, as it is unprecedented in the past 2,000 years of Chinese history. Since ancient times, Chinese society could be split into four different classes, or the four occupations (士农工商), and the status of occupations governed talent allocation in the China's imperial history. In fact, traditionally, talented Chinese tended to concentrate in the state sector because of the high status of 士 or the gentry. During China's economic reform since the 1980s, we have observed a rise in the status of the merchant or business class, which had reversed the direction of talent flow from traditional society such that talents had moved en masse from the state sector to entrepreneurial activities.

However, the reform-era reversal seemed to have come to an end. The shifting political winds in the past decade have put the Party and government organizations back in the most favorite category for employment by China's young talents. If the 20th Party Congress continues to emphasize ideological struggle over economic growth, this new trend is likely to continue, with implications for China's economic development for decades to come.

GOOD NEWS FOR THE GOVERNMENT AND PARTY?

Mencius (372-289 BC) famously said: "of the three kinds of unfilialness, leaving no descendant is the

most terrible." Recently, a new version of this saying emerged among Chinese citizens on social media: "of the three kinds of unfilialness, not taking the civil service exam is the most terrible." Sarcastic as the saying is, it reflects a reality in the trend of talent allocation in China: government or Party jobs attract more and more young people at the expense of business, especially those in the private sector. This has consequences for both governance and the economy.

Looking at China's annual civil service exam, over 1.85 million individuals — most of whom have college degrees and even graduate-level degrees — competed for 31,242 positions in the 2022 exam. The implied success ratio at 1.6% is much lower than the admission rate of elite colleges in the U.S. (e.g., around 5% for Harvard and Stanford). This is rather striking, as it implies a tremendous appetite for public sector jobs.

You might think that such fierce competition would vary widely across China — perhaps talented college graduates all want to work in Beijing, but that it would be difficult for regional government or Party offices in western China to lure such talents. This is not true.

As our data shows (Figure 1), the most competitive provinces for civil service jobs include Tibet, Beijing, Yunnan, Guangdong, and Henan. In other words, there are plenty of young talents who want to work for the government or Party offices in Tibet and Yunnan, perhaps because lucrative private sector options are few, or work experiences in the government and Party offices are more important than private-sector jobs

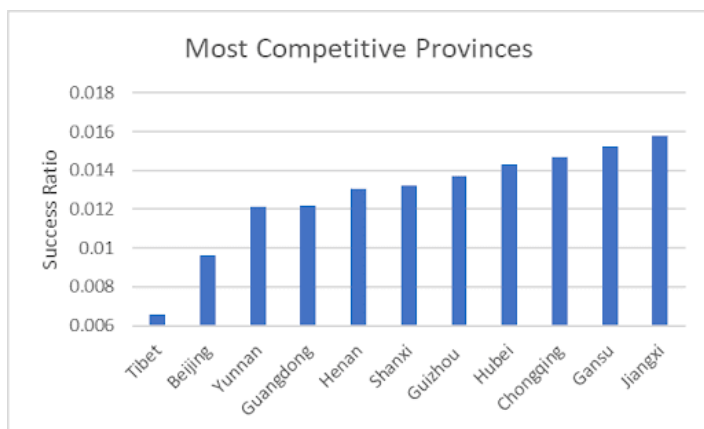


Figure 1: Most Competitive Provinces in the Civil Service Exam

Note: The ratio is calculated as the number of positions divided by the number of exam takers by province.

for their future careers. However, even Guangdong, with its renowned tech sector in Shenzhen, has high competition for government jobs.

Variation over time in demand for the civil service exam is also telling. Despite the anti-corruption campaign that might affect the financial rewards entailed by holding government or Party jobs, we observe consistent enthusiasm for the civil service exams among Chinese citizens. As shown in Figure 2, over 1.4 million chose to take the civil service exam every year. If anything, the number has shot up dramatically since 2019.

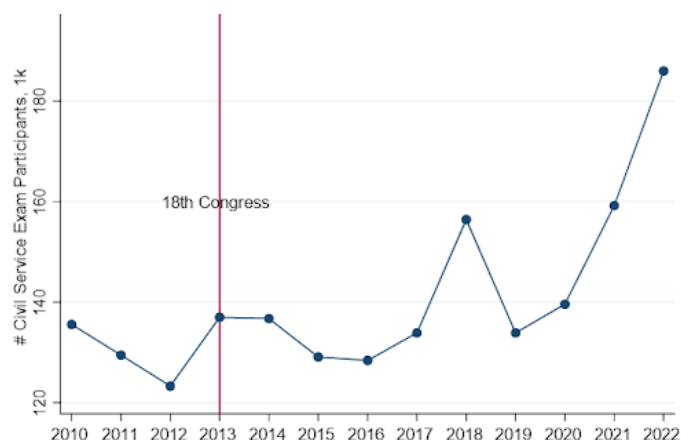


Figure 2: Number of Participants in the Civil Service Exam

Overall, we observe high demand for government and Party jobs, even those in the less developed regions of China. Although the anti-corruption campaign should make government or Party jobs less appealing, we observe no reduction in the demand for them. For the moment, talent allocation in China seems to favor the government and the Party organizations.

IS THE TREND OF CHINA'S TALENT ALLOCATION GOOD NEWS FOR THE ECONOMY?

Like in all other countries, the public sector in China is competing with the private sector for talent. When a large number of talented individuals choose to work for the public, however, the public sector can generate brain drain. Once we take this tradeoff into consideration, it is not clear that the high demand for government or Party jobs is good news for the nation. To put it simply, when more and more young people aim for government or Party jobs, fewer will become entrepreneurs like Jack Ma who can generate economic growth in new sectors.

My coauthors and I recently investigated how individual characteristics affect job-seekers choice between the private and public sectors. Empirically, we linked college admission records in 1999–2003 with the universe of Chinese firms and their owners, and then used a random sample of 20% of the linked data to examine who have become entrepreneurs and how successful their firms are. In total, this yields a sample of 1.8 million college graduates who created approximately 170,000 firms by 2015. We supplement this linked data with a large survey of Chinese college graduates that we conducted during 2010–2015 to study waged jobs. We focus on understanding how students' college entrance exam scores – arguably the most important human capital measure – is associated with firm creation and other occupation

choices. Our findings reveal that higher-score individuals are less likely to create firms because they are attracted away by salaried jobs, especially those in the government or Party organizations.

“...when more and more young people aim for government or Party jobs, fewer will become entrepreneurs like Jack Ma who can generate economic growth in new sectors.”

Should Xi be happy about where Chinese talents are flowing to? While Xi might like the fact that bright young students are flocking to government or Party jobs, he needs to worry about the crowding out effect for the economy. Chinese individuals' choices between sectors will certainly shape the path of China's economic development. Judging by the recent trend of talent flow, China may be entering a period of what I'd call "government and Party advance, economy retreats" (政进经退) as the country approaches the 20th Party Congress. To date, there is no sign that such a trend will reverse. If anything, as Xi re-emphasizes ideological struggle and China's economy faces new headwinds or even recession, more and more talent in China is expected to flow to the "safe havens" of government and Party organizations. That does not augur well for the Chinese economy after the 20th Party Congress.

XI JINPING'S NATIONAL SECURITY AND MILITARY PRIORITIES

Tai Ming Cheung

Xi Jinping has elevated national security and military matters to the very top of his policy agenda since coming to power a decade ago. However, a succession of perceived security challenges in the run-up to the 20th Party Congress will mean that Xi will be even more focused on addressing matters of war and peace in his third term. Chief among them are two priorities for reorganizing defense and economy: accelerating military modernization and securitizing the economy against external threats.

Even before U.S. House Speaker Nancy Pelosi's visit to Taiwan set off a maelstrom of Chinese military saber-rattling, Beijing had already determined that China was facing the "most profound and complex changes" to its national security over the past century.¹ To Xi and other Chinese leaders, the external arena today is more volatile and threatening than even during the dark and isolated Cold War days of bitter Sino-Soviet and Sino-U.S. rivalry in the 1950s and 1960s.

In public and internal speeches over the past two years, Xi has made clear what is the primary threat to China's security and to its emergence as a world power. At the World Economic Forum in January 2021, Xi accused the United States in all but name of being an existential threat to China's rise by igniting

all-out confrontation. In internal remarks, Xi was even more explicit: he pointed out that "the biggest source of chaos in the world today is the United States" and "the United States is the biggest threat to China's development and security."²

Under Xi's third term, the pace of military modernization will increase. In the economic realm, increasing self-sufficiency and economic resiliency are the name of the game.

ACCELERATING DEFENSE MODERNIZATION

At the 19th Party Congress in 2017, Xi provided a timeline for China's defense modernization. The People's Liberation Army (PLA) would accomplish its military modernization drive by 2035 and the country would strive for global military leadership by mid-century. These targets remain in place, but a new timeline was added in 2021 in which the PLA would "improve the strategic ability to defend national sovereignty, national security, and development interests" by 2027 when it will celebrate the centennial of its founding.³

1. "14th Five-Year Plan for National Economic and Social Development of the People's Republic of China (2021–2025) and the Outline of Long-Term Goals for 2035". Xinhua News Agency (新华社), March 12, 2021. http://www.gov.cn/xinwen/2021-03/13/content_5592681.htm. See Section 1, Chapter 1.

2. He, Bin (何斌), "Speech at Special Seminar for County-Level Leading Cadre to Study and Implement the 5th Plenum of 19th Central Committee" (在县级领导干部学习贯彻党的十九届五中全会专题研讨班上的发言), Qilian News (祁连新闻), February 25, 2021, <http://www.qiliannews.com/system/2021/02/25/013341147.shtml>.

3. 14th Five-Year Plan, Section 16, Introduction.

“Under Xi’s third term, the pace of military modernization will increase. In the economic realm, increasing self-sufficiency and economic resiliency are the name of the game.”

The Chinese authorities have been vague about what this 2027 target is specifically about, but the 14th Five Year Plan emphasizes the need to “strengthen strategic forces and new combat forces in new domains as well as creating high-level strategic deterrence and joint combat systems.”⁴ The *People’s Daily* has also said that the 2027 goal is to build a “fully modern” military force that will enable China to securely defend its sovereignty and national security interests in the Asia-Pacific region, especially concerning Taiwan, the South China Sea, and the Western Pacific.⁵

Further afield, the Russia-Ukraine war holds profound implications for China’s military and security calculus. Geo-strategically, China is now firmly in the driving seat in its relations with Russia, who will need China’s support to offset its severed ties with the West. Beijing, however, will have to maintain a careful balancing act. China will not want to be seen directly supporting Russia’s war effort against Ukraine, but Beijing does want closer and deeper military and security ties with Russia for strategic competition with the U.S. What this means is that, in the short term, China will avoid providing military assistance to Russia that contravenes international sanctions but will deepen its ties with Russia outside of Europe, especially in the Indo-Pacific region.

The definitive military lessons of the Ukraine war are still to be learned, but an initial crucial takeaway for

the PLA is that the threshold to win a large-scale war against a determined foe enjoying military support from the U.S. and its allies is considerably higher than expected. What this means for the PLA is that they are far from ready to quickly fight and win against Taiwan. Much more work will need to be done in order for the PLA to be combat ready for complex operations across the Taiwan Strait.

All this means that the already rapid pace of China’s defense modernization and buildup will likely pick up even more momentum during Xi’s third term. That is the only way to meet the 2027 timeline. Xi’s top security priority will be ensuring that the PLA has sufficient war-fighting capabilities to conduct a broad spectrum of military operations, from carrying out a blockade to instigating a large-scale offensive campaign, in and around the Taiwan Strait.

The enhanced defense modernization and buildup required to prepare for such actions will be extremely expensive. They come as China’s economic growth is encountering fierce headwinds. This will mean an increasingly heavy defense burden even while the defense establishment can still expect to be well funded. Unwavering top-level political support and the perils of a worsening external security environment will ensure resources continue to flow to national defense, opaque as China’s defense budget process may be.

4. 14th Five-Year Plan, Chapter 56.

5. “China’s Centennial Goal of Building a Modern Military by 2027 in Alignment with National Strength: Experts (中国的百年目标是在2027年之前建设一支与国家实力相符的现代化军队),” Global Times, October 31, 2020, <https://www.globaltimes.cn/content/1205238.shtml>.

SECURITIZING THE ECONOMY

Another top priority in Xi's third term is to securitize the economy. Since the late 2010s, the Chinese authorities have paid heightened attention to safeguarding the domestic economy by ensuring resilience, economic and technological self-reliance, and the ability to prevent severe internal disruptions from external shocks.

Concern that China's economic rise could be thwarted by external forces was triggered in the second half of the 2010s. At that time, the Trump administration undertook an expansive and concerted campaign to impose costly sanctions, tariffs, and other restraints against China and Chinese companies. The Biden administration has continued this policy, and this continuity has only strengthened Beijing's resolve that it must seek greater economic resiliency.

Economic securitization at both the macro- and micro-levels has received prominent attention in the 14th Five Year Plan.⁶ Using a combination of supply- and demand-side policies, Chinese leaders intend to reconfigure and unblock domestic supply chains to shield them from international disruptions. How far, deep, and rigorous China will go with such effort is still unclear, nor do we know the extent to which China will make its economy self-reliant. Much will depend on future Chinese leadership assessments of the international strategic environment and the trajectory of its great power rivalry with the U.S. and its allies.

CONCLUSION

The external security environment has deteriorated to such an extent during Xi's 10 years in power that the once remote possibility of China becoming embroiled in major military conflict is now a real concern to Chinese policymakers. They, and their counterparts in Western countries, have to prepare seriously for a future military showdown, even if the current likelihood remains low. These negative dynamics will likely intensify even more over the next five years as the prospect for war in the Taiwan Strait, on the Sino-Indian border, in the South China Sea, or in some other hotspot inches closer to reality. Xi wants to make every effort to make sure that China is ready and well-prepared for such a contingency, buttressed by a modern and well-funded military and an economy that can withstand shocks from the outside world.

6. 14th Five-Year Plan, Chapter 4.

WITHER BRI AFTER THE 20TH PARTY CONGRESS?

Weiyi Shi

Xi Jinping's first foreign trip since the onset of the COVID-19 pandemic was to attend the Shanghai Cooperation Organization (SCO) security summit and visit Kazakhstan and Uzbekistan. This sends an unambiguous signal that China under Xi's new term will reinvigorate its flagship foreign policy initiatives like the Belt and Road Initiative (BRI) and continue to strengthen its ties with countries that might fall under its sphere of influence, particularly in Central Asia. However, with COVID-Zero policies putting the Chinese economy under duress and uncertain outcomes in Ukraine, BRI faces formidable challenges. First, can China keep up the level of investment, trade, and lending in BRI countries? Second, how will Xi navigate the increasingly complex geopolitics surrounding BRI given increasingly tense confrontation between Russia and the west?

Chinese construction projects and investments in BRI countries have shown signs of slowing in recent years. However, the degree of that slowdown is hotly debated. By some estimates, the slowdown is quite significant (Nedopil, 2022). By other metrics, investment has remained steady and even registered moderate growth during the pandemic, even though COVID restrictions have presented some challenges for project implementation (EIU 2020).¹ These discrepancies are not surprising — China's outward foreign direct investment (OFDI) data have always presented a muddy picture, with different sources sometimes showing dramatically different patterns,

but what we can say with some confidence is that BRI is not undergoing an unfettered growth period at the moment, and slowdown in new construction contracts is more prominent than in investment.

Why has BRI slowed down? There are several contributing factors. First, Chinese OFDI has slowed down overall after a peak in 2015, and BRI countries are no exception. In the years leading up to 2015, Chinese investors went on a global investment spree, triggering alarm both among recipient economies and Chinese regulators. This spurred responses on both ends. On the Chinese side, lending has become somewhat more cautious and capital controls more strict. Second, the sectoral makeup of China's OFDI has been changing. China is gradually moving away from mega projects in resources and infrastructure and is now investing more in manufacturing and technology, where the capital investments required are substantially smaller. The focus of BRI is increasingly shifting toward the development of digital infrastructure, known as the "Digital Silk Road," to accompany physical infrastructure like the now-completed Hambantota Port project in Sri Lanka. Third, the COVID-19 pandemic has caused disruptions, but, unlike the previous longer-term trends, this COVID-specific effect will likely be temporary as much of the world returns to "normal" this year.

For Xi's third term, the continuation of BRI faces two main risks: China's own economic slowdown and the

1. See also Global Construction Review, "Investment slows as China tightens its Belt & Road Initiative." <https://www.globalconstructionreview.com/investment-slows-as-china-tightens-its-belt-road-initiative/>

delicate situation presented by the Russo-Ukraine conflict. The World Bank expects China's economic growth to slow sharply to about 4.3% in 2022, owing in no small part to the government's stringent COVID-Zero policies. Some anticipate the slowing growth to continue through 2023.² This calls into question how China's state coffers can continue to bankroll BRI projects. Compounding the risk of economic slowdown is the issue of debt repayment, or rather the lack thereof, on many BRI loans. As rising interest rates make debt repayment even more challenging than before, China will face greater pressure to discount project costs and delay repayment on a massive scale to provide debt relief initiatives for struggling recipients.

However, doubters of China's commitment to BRI should keep in mind the following: first, since its inception BRI has been an unformed initiative — in spite of repeated government pronouncements to give it a focus — that is constantly evolving and adapting. Initially focused on infrastructure, BRI now encompasses everything from extending China's e-commerce to promoting Chinese medicine overseas. BRI evolves with the Chinese economy itself.

We are already seeing BRI starting to move away from mega infrastructure projects to the new drivers of the Chinese economy. China's slowdown certainly presents risks, but it likely portends a reconfiguration and re-pivot as opposed to full-on abandonment of BRI. Second, BRI is an important personal legacy of Xi's. China's outward investment and lending did not start with Xi, but Xi consolidated and coordinated these economic policies into a strategic thrust. He linked it expressly to foreign policy objectives and had it *written into the party constitution*. He can't let that

go easily. Perhaps it is also for this reason that the usage of the term BRI has persisted despite mounting criticisms and international backlash. Contrast that to the MIC2025 plan, which was abandoned (at least no longer called such) as soon as the plan triggered alarms among industrialized economies. Another indication is how China continues to forgive external debts for BRI countries even as its own economy falters. Just this August, China announced that it was forgiving 23 loans for 17 African countries.

The second main risk facing BRI is geopolitical. The Russian invasion of Ukraine has drastically shifted the power dynamics in a region that is central to BRI, forcing Xi to adjust and recalculate. The most immediate impact of the war is that China lost its primary trade route to the EU.³ In 2021, Russian trains accounted for 68% of westbound cargo traffic and 82% of eastbound traffic between China and the EU (Standish 2022).

Russia's invasion has essentially crippled that route.

Now China must secure an alternate route in the "middle corridor," also known as the Trans-Caspian International Transport Route (TITR), stretching across Kazakhstan, the Caspian Sea, Azerbaijan, Georgia, Turkey, and into Europe. China has already begun this task. The key state on this route is Kazakhstan, due to the positioning of its ports, and China moved swiftly in May to simplify custom procedures at critical locations. According to the TITR Association, cargo shipments across Central Asia and the Caucasus are expected to reach 3.2 million metric tons in 2022, a sixfold increase over the previous year (Standish 2022). Another route being explored is the China-Kyrgyzstan-Uzbekistan railway, bypassing Kazakhstan.

2. Bloomberg, "China's Growth Prospects Weaken as Economists Cut 2023 Forecasts," <https://www.bloomberg.com/news/articles/2022-08-28/china-s-growth-prospects-weaken-as-economists-cut-2023-forecasts?leadSource=uverify%20wall>

3. Standish, Reid, 2022. China's Belt And Road Focuses On New Eurasian Trade Routes Due To Ukraine War. <https://www.rferl.org/a/china-ukraine-war-eurasian-trade-routes-russia-standish/31948987.html>

This railway, proposed 25 years ago but put on hold, is now set to start construction in 2023. It is hardly any surprise that Xi's first foreign visit after the pandemic was to visit Kazakhstan and Uzbekistan because both countries are critical to securing China's new trade routes to Europe.

Yet, despite being a critical component of BRI and receiving billions of Chinese investments, Central Asia is hardly comfortably within China's sphere of influence. The former USSR states pivot between Russia and Europe to secure their own interests, and China remains somewhat of a suspicious outsider. Leading up to Russia's invasion of Ukraine, the majority still considered Russia to be a friendlier and more reliable partner than China, and they were more supportive of developing closer economic ties to Russia than China. In a 2017 survey by the European Development Bank, 81% of the respondents from Kazakhstan, 87% from Kyrgyzstan and 78% from Tajikistan named Russia as the country as "friendly and reliably helpful." The corresponding numbers were 15%, 10%, and 20% who named China as such.

True, Putin's invasion prompted more post-Soviet states to distance themselves from Russia. But they are inching closer to Europe, not China. Xi's refusal to denounce Russia certainly did not help while Uzbek and Kazakh foreign ministers both spoke out openly in support of Ukraine's territorial integrity. Xi faces an extremely delicate balancing act: how not to turn his back on Putin while securing cooperation from states that are moving away from Russia. Arguably, China is simply trying to protect its own economic interest — trading with the West and Russia both benefit China — but in a war that is widely perceived to be morally unjust, a transactionalist approach to foreign policy in the region may well meet its limits.

In a sense, only time can tell how BRI will develop during Xi's third term. But short of a deep economic crisis in China, the initiative is unlikely to meet a steep decline, and it may pivot to respond to the challenges presented by a slowing domestic economy and shifting geopolitics in Central and Western Asia. The fact of the matter is China still is highly dependent on economic engagement with the West, and one part of BRI operates at the center of the China-West relationship (while other parts seek to circumvent it). That Xi's first visit since the pandemic is to states that are critical for repairing trading routes with Europe is just one telltale sign.

References

- » Nedopil, Christoph (July 2022): "China Belt and Road Initiative (BRI) Investment Report H1 2022", Green Finance & Development Center, FISF Fudan University, Shanghai
- » The Economist Intelligence Unit (EIU), Belt and Road Quarterly: Q3 2020
- » Standish, Reid, 2022. China's Belt And Road Focuses On New Eurasian Trade Routes Due To Ukraine War. <https://www.rferl.org/a/china-ukraine-war-eurasian-trade-routes-russia-standish/31948987.html>

CHINA HAS A CLIMATE PLAN, BUT IMPLEMENTATION CHALLENGES WILL REMAIN AFTER THE 20TH PARTY CONGRESS

Michael Davidson

The 20th Party Congress will likely mark the beginning of a third term for Xi Jinping as General Secretary of the CCP — a departure from recent tradition that has been at the center of much of the speculation on the future of China. Astute observers are looking beyond Xi, to the selection of the elite Politburo and its Standing Committee, for indications on Xi's consolidation of power and the degree of institutional constraints on major policy changes. On climate and environmental ambitions, given Xi's prominent and frequent supportive statements, the specific leadership outcomes of the Party Congress do not appear to portend major shifts. But successful policy implementation and the depth of reforms necessary to achieve long-term climate objectives require a number of stars to align beyond Xi's exhortations.

Durable [policy change requires both mobilization and institutionalization](#). The consolidation of environmental authorities into the Ministry of Ecology and Environment (MEE) in 2018 and the establishment of the leading group on carbon peaking and neutrality in 2021, headed by Executive Vice Premier Han Zheng, signal the beginning of a long path of formal institutionalization. Administrative regulations are following, though the marquee emissions trading scheme has had [a rocky start](#). In Party Congress statements, as at the 19th five years ago, expect renewed commitments by Xi and other leaders to address climate and environmental issues.

At the Party Congress, Han will most certainly retire, leaving a space for a new Vice Premier to take over the reins of coordinating energy and environmental

policies. According to my colleague Victor Shih's analysis, this could be either Li Qiang, a Xi loyalist, or Hu Chunhua, a more autonomous politician with a significant network of his own. Climate and environmental policies on their own are unlikely to lead to extensive debates on autonomy and policy failure in the way that economic or COVID policies have, so it is unclear if whoever holds the reins will make a big difference.

Nevertheless, personnel matter. Major changes in China's climate policy have been augured by Xi Jinping's speeches, but the ideas did not originate with him. There has been — and continues to be even under Xi's ever more assertive leadership — a bottom-up process of putting ideas on the policy agenda. The veteran climate negotiator Xie Zhenhua was [instrumental](#) in pushing for China to make its unexpected commitment in 2020 to reach carbon neutrality by 2060. Despite all the focus on the top seven, Xie has ministerial rank and has been a member only of the larger 205-member CCP Central Committee. Similarly, the pledge to end financing of overseas coal plants — Xi's second unexpected climate commitment in as many years — was the result of [years of bureaucratic processes](#) culminating in a policy decision made at the highest levels.

Much less is certain about the means with which to implement China's ambitious domestic climate agenda, which rests most prominently with reforms to energy sectors. In 2015, a [new round of electricity market reforms](#) was initiated to complete the unfinished promises of the previous 2002

round. At the end of his career, Premier Zhu Rongji together with his protege Zeng Peiyan ushered through a [massive reorganization of the state power monopoly](#) but left office before markets could be stood up. Local protectionism — a feature throughout China's reform period — has [stymied major progress in electricity markets](#). While addressing protectionism has made it into [recent prominent economic planning documents](#), there is nobody waiting in the wings of the Party Congress comparable to Zhu in ability and independence to carry out the difficult work ahead.

Stewards of environmental policy can shape its trajectory both by changing top leadership thinking and by pushing through specific policies, frequently in tension with economic development goals and incumbent actors. The two previous environment ministers have left the environment track and are unlikely to champion environmental priorities as much as Xie. Li Ganjie is now the Provincial Party Secretary for Shandong, a powerful position in a province home to the country's largest coal fleet, and Chen Jining is now the Mayor of Beijing. The current MEE minister Huang Runqiu is a member of the Jiusan Society, an unusual non-CCP member at this level of China's government. Coming up through the ranks, the successor to Xie — now 72 — as climate advocate in chief may be current Vice Minister of MEE [Zhao Yingming](#). At the National Development and Reform Commission (NDRC), which has taken back from MEE some climate coordinating functions, [Lian Weiliang](#) is Vice Chairman (Xie's former position) with responsibility for many economic and energy planning duties. Implementation of climate and energy policies, such as the emissions trading scheme, has long suffered from the constant reshuffling of authorities and personnel.

While plodding along for the last half-decade in the departments of the NDRC and the National Energy Administration, energy market reforms received a high-level boost during the 2021 power blackouts that rocked the country. For the first time, a top-level official, Premier Li Keqiang, made explicit and detailed demands for accelerating the role of market-based pricing, [framed not in abstract terms of market efficiency but rather energy security](#), a matter of central importance to the country and the regime. Li has continued this [role of energy \(and coal\) security minder](#) through this summer as new power crunches began to appear. Perhaps to reassert his own authority on the matter, [Xi also warned against further power cuts and highlighted the central role of coal in China's economy](#) in Qiushi, the Party magazine, though conspicuously left out the role of markets in keeping the lights on.

As I and coauthors have pointed out, the [long-term goal of carbon neutrality will require unprecedented institutional change](#), including an embrace of market mechanisms (alongside traditional target-based tools). Uncertainty in leadership has less impact on China's overall direction on climate, but attention, implementation, and commitment to markets will have a large impact on the measures necessary to get there.

AUTHOR BIOGRAPHIES

Tai Ming Cheung

Tai Ming Cheung is a professor at the UC San Diego School of Global Policy and Strategy and director of the UC Institute on Global Conflict and Cooperation (IGCC). He is a longtime analyst of and leading expert on Chinese and East Asian defense and national security affairs, especially related to economic, industrial, technology, and innovation issues. His latest book, "Innovate to Dominate: The Rise of the Chinese Techno-Security State," explores China's advancements and setbacks at the intersection of military might and technological innovation.

Michael Davidson

Michael Davidson's research focuses on the engineering implications and institutional conflicts inherent in deploying renewable energy at scale. He is particularly interested in systems within emerging electricity markets, including China and India, as well as the western U.S. He is an assistant professor at the UC San Diego School of Global Policy and Strategy and the Mechanical and Aerospace Engineering Department of the Jacobs School of Engineering.

Lei Guang

Lei Guang is the So Family Executive Director of the 21st Century China Center at UC San Diego's School of Global Policy and Strategy. His scholarly research has focused on the Chinese state and society, political economy, and U.S.-China relations.

Ruixue Jia

Co-Director of the China Data Lab at UC San Diego, Jia is an associate professor of economics at the UC San Diego School of Global Policy and Strategy. Jia's research focuses on understanding elite formation and elite influence, in both historical and modern contexts, alongside the ongoing transformation of the manufacturing sector in China and labor and technology issues.

Barry Naughton

Barry Naughton is the So Kwan Lok Chair of Chinese International Affairs at the UC San Diego School of Global Policy and Strategy. He is one of the world's foremost economists working on China, focusing on issues relating to industry, trade, finance, and economic policy.

Margaret Roberts

Co-Director of the China Data Lab at UC San Diego, Roberts is a professor at UC San Diego's Political Science Department and the Halicioğlu Data Science Institute. She is an expert on China's media and censorship systems and is the author of the award winning book "Censored: Distraction and Diversion Inside China's Great Firewall."

Weiyi Shi

Weiyi Shi is an assistant professor of political science at the UC San Diego School of Global Policy and Strategy. Her research focuses on the political economy of China's outward direct investment.

Victor Shih

Victor Shih holds the Ho Miu Lam Chair in China and Pacific Relations at the UC San Diego School of Global Policy and Strategy. He is an expert on the elite politics of China, as well as the politics of China's fiscal and financial policies. He was the first analyst to identify the risk of massive local government debt and most recently came out with a book on factional politics in the PRC from Mao to today, "Coalitions of the Weak."

Susan Shirk

Susan Shirk is one of the most influential experts working on U.S.-China relations and Chinese politics in the U.S. She is a research professor at the UC San Diego School of Global Policy and Strategy and the founding chair of the 21st Century China Center. She is the author of many books, including most notably "China: Fragile Superpower," which helped frame the policy debate on China. Her latest book, to be released in October, is titled "Overreach: How China's Domestic Politics Derailed its Peaceful Rise."

Yiqing Xu

Xu is an assistant professor at Stanford University's Department of Political Science. He works on political methodology and comparative politics, focusing primarily on China. As a non-resident scholar with the 21st Century China Center, he is a collaborator on the center's regular survey series on China, China from the Ground Up, which explores issues of Chinese policy and politics from the perspective of everyday Chinese citizens.

CONTRIBUTOR BIOGRAPHIES

Yanchuan Liu

Yanchuan (Yan) Liu is a Ph.D. student at the UC San Diego Department of Political Science. He studies international relations and comparative politics, with a regional focus on the Asia Pacific. Prior to starting his Ph.D. program, Liu had worked as a China-based political analyst for the British foreign office, a consultant for the World Bank, and a research fellow at the Harvard Kennedy School.

Brandon M. Stewart

Brandon Stewart is associate professor at Princeton University's Department of Sociology and the Office of Population Research. He develops new statistical methods for application across the social sciences with a particular focus on text as data, causal inference, and the intersection of the two.

Hannah Waight

Hannah Waight is a Postdoctoral Research Associate at the Center for Social Media and Politics (CSMaP) at NYU and a recent graduate of Princeton University's Department of Sociology. Waight researches state media coordination and manipulation in non-democratic contexts, especially contemporary China. Her work focuses on the mechanisms that drive the (in)visibility and spread of state propaganda as well as how state propaganda is being adapted for digital platforms.

Yin Yuan

Yin Yuan is a Ph.D. Candidate in the UC San Diego Department of Political Science. She studies how political elite in authoritarian regimes use communicative strategies and informal mechanisms to solve information and commitment problems. Her dissertation uses NLP methods and surveys to show how the Chinese Communist Party (CCP) uses official language, esp. catchphrases, to convey political information to elites whose meaning is not readily accessible to the general public.

ABOUT THE 21ST CENTURY CHINA CENTER

The [21st Century China Center](#) is a leading academic research center and university-based think tank that was founded in 2011 at the UC San Diego School of Global Policy and Strategy. Its mission is to produce and disseminate impactful, evidence-based research about China and to enhance U.S.-China mutual understanding by advancing scholarly collaboration, convening policy discussions, and actively communicating with policymakers and the general public in both countries. Besides academic research, the center organizes frequent policy forums and discussions and regularly releases policy reports on important topics on China and U.S.-China relations.

The center is based at the UC San Diego [School of Global Policy and Strategy \(GPS\)](#), which addresses the crucial societal challenges of the 21st century. The school's pioneering research builds on internationally recognized expertise of the Americas and Asia, integrates analysis of public policy and markets, and explores global issues of conflict and cooperation. Leveraging our West Coast location and UC San Diego's renowned programs in science and technology, GPS develops new analytic tools with real-world applications, while rigorously training the next generation of global leaders. Through collaborations across campus and counterparts around the globe, the school shapes cutting-edge solutions for a transforming world.

CONNECT TO THE CENTER

You can find more information about the 21st Century China Center at: china.ucsd.edu

Explore China Data Lab and its various research projects: chinadatalab.ucsd.edu

Subscribe to our [China 360 mailing list](#) to get the latest publications and events from the 21st Century China Center.

Subscribe to our [podcast](#) featuring expert insight and conversations about China's economy, politics and society, and their implications for international affairs. Available on Stitcher, iTunes, Google Play, and Soundcloud, or search for "China 21" in your favorite podcast app.

China Focus, a student-run blog sponsored by the 21st Century China Center, offers high-quality, original content produced by GPS students. Read the latest articles on chinafocus.ucsd.edu.

Finally, follow us on social media:



facebook.com/21stCenturyChina

twitter.com/21CenturyChina

School of Global Policy and Strategy
University of California San Diego
9500 Gilman Drive #0519
La Jolla, CA 92093-0519

CHINA.UCSD.EDU

UC San Diego

SCHOOL OF GLOBAL POLICY AND STRATEGY
21st Century China Center