



# XI JINPING IN CHARGE: KEY TAKEAWAYS FROM CHINA'S 19TH COMMUNIST PARTY CONGRESS

OCTOBER 27, 2017

## OVERVIEW

- Xi Jinping has solidified his grip on power over the past week in at least three fundamental ways: by being named in the Party constitution, by promoting a sizeable number of allies to senior leadership positions on the Politburo and its Standing Committee, and by retaining control over the anointment of a successor.
- Throughout the recently-concluded Party Congress meetings, Xi articulated, and appears to be positioned to implement, his authoritarian vision for strengthening China by revitalizing the Party in ways his recent predecessors had not managed to accomplish.
- Top leaders' notion of a durable Chinese economic model involves clear Party control over the economy with a limited role for the market in addressing certain resource efficiencies and a major, enduring role for the state sector.
- The Party will tolerate slower growth over the long term to tackle pollution, deleveraging, housing, poverty, access to healthcare, education, and socio-economic disparity — all priorities Xi articulated during the Party Congress.
- China will continue to pursue a more assertive foreign policy, as expected, presenting itself as a role model and alternative to the West and as a shaper of the global order. Xi and other senior leaders also stressed that China welcomes foreign investment and will not discriminate against foreign firms.

## KEY TAKEAWAYS

On October 25, following the close of the week-long Chinese Communist Party's 19th Party Congress, the members of the Party's newly-selected Central Committee convened in Beijing to "re-elect" Xi Jinping as its General Secretary and to select the members of the Politburo and the Politburo Standing Committee (PSC) — the Party's highest body. China's leadership and policy landscape will remain in a period of transition until the National People's Congress (China's national legislature) meets in March 2018, with further significant changes in senior positions at the State Council, in ministries, and at local levels, and new policies and initiatives yet to be formulated and implemented. The following, however, are key takeaways based on what we know from the last week.

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**Xi has solidified his grip on power in ways unlike his recent predecessors through this Party Congress meeting.**

1. **“Xi Jinping Thought” has been written into the Party’s charter** — both as “Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era” and “Xi Jinping Thought on a Strong Military.” This elevates Xi to the status of Mao and Deng and could allow Xi to exert some measure of control over China’s political apparatus for an indeterminate period, including from whatever official or symbolic position he takes following his second term.
2. **Xi consolidated his control over the new Politburo and PSC membership.** Nearly two-thirds of the Politburo’s new members either worked under Xi at some point in their careers or have other ties to him. Whereas Xi’s predecessors had a hand in selecting the previous PSC, this PSC has been handpicked by Xi. This means that Xi has secured absolute control over the PSC, ensuring that all members of the top leadership follow him as the “core” leader, and that all decisions coming out of the PSC will follow the Party line as he has laid it out for the coming years.
3. **Somewhat breaking with precedent for a Party Congress after a first term, no obvious successor was elevated to the PSC.** This has enhanced speculation that Xi may not be ready for succession at the end of his second term in five years.

The larger implication of these three factors is that China has entered a “new era” under one political strong man and, for the foreseeable future, no other official will be in a position to challenge Xi’s authority — political, military, policy, or ideological.

**Xi seems to have solidified his vision of a durable Chinese economic model — a limited role for the market in addressing certain resource efficiencies — but clear control of the overall economy by the Party and a major enduring role for the state sector.**

1. **China will continue to use foreign investment as an external force to help drive its domestic agenda.** In his report to the Party Congress, Xi promised to lower barriers for foreign investors, saying China “would not close its doors to the world but only open it wider and wider.” He also reiterated a 2013 pledge to allow the “market a decisive role in the allocation of resources” and said the Party would “inspire and protect the spirit of entrepreneurship.”
2. **However, the Party will reassert its role, control, and presence in the economy.** During the Party Congress, Xi emphasized the need for efficiency in SOEs but also the need to make them stronger and, in some cases, larger. Xi said the Party would “promote strengthening, improvement and expansion of state capital, (and) effectively prevent loss of state assets, deepen reform of state-owned enterprises, develop a mixed-ownership economy, and cultivate globally competitive world-class firms.” He vowed that it would be the Party that would make China a “country of innovators,” including in cyberspace, transportation, and aerospace, among other areas. Xi’s report at several points dwelled on the Party’s responsibility for resolving social tensions brought about by decades of rapid yet unbalanced growth, confirming that we should not expect the Party to let market forces pick winners and losers, especially if social and economic inequality could increase as a result.

**While economic growth rates remain robust, the Party will tolerate slower growth over the long term to tackle pollution, deleveraging, housing, poverty, access to healthcare, education, and socio-economic disparity.** Hard growth targets were a notable omission from Xi’s report. He also did not reiterate former



General Secretary Hu Jintao's 2012 pledge to double 2010 per capita income by 2020. Xi committed, rather, to a previously stated goal of achieving a "moderately prosperous society" by 2020, and "socialist modernization" by 2035. This does not mean the Party is backing off earlier growth goals, per se, but rather stressing the need for balanced and sustainable growth and creating room to allow more flexibility. One of Xi's closest economic advisers, Liu He, who has long advocated for curbing debt and mitigating financial risks, has been elevated to the Politburo, and Wang Yang, known as a champion of sustainable growth, has joined the PSC. There is no expectation that the new leadership will take large steps toward market liberalization, but there is intent to build a growth model that is more balanced, sustainable, greener, and more equitable.

**With a new catch phrase, Xi raised the stakes for the Party if it does not bring real estate speculation under control.** "Housing is for living, not for speculation" was one of Xi's biggest applause lines. A vast multitude of Chinese citizens, to whom Xi has now promised "a better life," fear rising home prices. Addressing economic disparity and poverty alleviation have long been core elements of Xi's policy statements, and this catch-phrase will gather momentum over time, and may serve as a commitment device.

**"Ecological civilization" played a prominent role in Xi's articulation of the Party's vision of the future.** This vision is built around resource conservation, environmental protection, green development models, and green lifestyles, with green infrastructure (transport, buildings, schools) integrating conservation into daily life. With Xi vowing that the Party will "meet people's ever-growing demands for a beautiful environment," and that "Chinese people will enjoy greater happiness and well-being," the Party now may be inclined to lean more heavily on industry to cut emissions than on individuals. A vigorous crackdown on polluting factories is underway, potentially increasing domestic demand for clean technology, with implications for reducing over-capacity.

**China will continue to pursue a more assertive foreign policy, as expected, presenting itself as a role model and alternative to the West.** Xi described the present moment as a "strategic opportunity" for China to return to its historical position of "greatness" among nations. He committed the Party to reshaping the global order through "major country diplomacy with Chinese characteristics in the new era." Initiatives to extend China's influence overseas, including island-building in the South China Sea, establishment of a naval base in the Horn of Africa, and especially the Belt and Road Initiative (BRI), exemplify China's efforts to (re)establish its presence on the world stage as a shaper of the international system.

**The Belt and Road Initiative will continue indefinitely, even if or when Xi eventually steps down.** Having been written into the Party's charter, BRI is now a formal component and guiding concept in the Party's approach to foreign and national security affairs. In the Party document announcing BRI's addition to the Party charter, BRI appears in a paragraph devoted heavily to national defense. This underscores BRI's place in the Party's vision for reasserting China's presence and power on the world stage. More local governments, SOEs, and investors will seek to brand existing projects under the BRI label and roll out new BRI initiatives.

**The anti-corruption campaign will continue and not slow down, but may add a focus on prevention and education.** Newly appointed PSC member Zhao Leji, who oversaw all Party personnel decisions as head of the Party's Organization Department, will become head of the Central Commission for Discipline Inspection, the Party organ responsible for the anti-corruption campaign. He replaces top Xi ally and anti-corruption "czar" Wang Qishan, who stepped down in accordance with Party norms for age of retirement.



During his report, Xi vowed that the fight against corruption would continue until “complete victory,” and that “corruption remains the biggest threat to the party.”

**Now until March 2018 will continue to be a period of transition.** Until the Central Economic Work Conference convenes in December and China's national legislature (the National People's Congress) convenes next March, we will see further significant changes in senior positions at the State Council, in ministries, and in provinces. New policies and initiatives, including those that promote economic growth, will continue to be formulated and announced during this period.

## APPENDIX: NEW POLITBURO STANDING COMMITTEE

*Xi Jinping and Li Keqiang (Premier) will retain their seats on the Politburo Standing Committee. The 5 new members include (in rank order): Li Zhanshu, Wang Yang, Wang Huning, Zhao Leji, and Han Zheng. Wang Huning has been named a Member of the Secretariat of the Party Central Committee, and Zhao Leji has been named Secretary of the Central Commission for Discipline Inspection. The other three new Standing Committee members — Li Zhanshu, Wang Yang, and Han Zheng — will be officially assigned roles when the National People's Congress (NPC) and Chinese People's Political Consultative Conference (CPPCC) convene in March 2018. Li Zhanshu is expected to be named Chairman of the Standing Committee of the National People's Congress (NPC), Wang Yang as Chairman of the National Committee of the Chinese People's Political Consultative Conference (CPPCC), and Han Zheng likely as Executive Vice Premier.*

### *Brief Bios*

**LI ZHANSHU:** Appointed director of the Party's General Office and a member of the 18th Central Committee Politburo in 2012. Li maintains a three-decade-long relationship with Xi having served in a role similar to chief of staff. Immediately prior to his appointment as Director of the General Office, which coordinates administrative affairs for senior party officials, Li served as Secretary of the CPC Guizhou Provincial Committee (2010-2012), Governor of Heilongjiang province (2008-2010), and Deputy Secretary of the CPC Heilongjiang Provincial Committee (2003-2010) and vice-governor of Heilongjiang province (2004—2007). Li spent much of his career in Party leadership roles at the county and provincial levels in Hebei province, serving as member of the Hebei Province Standing Committee (1993-1998) and secretary-general of the Hebei Province Provincial Committee (1993-1997) until he was transferred to Heilongjiang province in 2004.

**WANG YANG:** Appointed vice-premier of the State Council in 2013. Wang has been a member of the Politburo since 2012, the Central Committee since 2007, and has served as head of the State Council Leading Group for Poverty Alleviation since 2013. Wang is known for his enforcement of Xi's anti-corruption campaign and has been credited with advancing sustainable economic growth policies in southeast China during his tenure as Guangdong party secretary (2007-2012). Immediately prior to his appointment in Guangdong, Wang served as secretary of the Chongqing Municipal CPC Committee (2005-2007), deputy secretary-general of the State Council (2003-2005), and vice-minister of the National Development and Reform Commission (1999-2003). Prior tenure includes roles in Anhui province, including service on the Anhui Province Communist Party Standing Committee, deputy secretary of the Anhui Province Communist Party Provincial Committee, and various provincial-level posts in Anhui. Wang holds a Master's degree in Engineering from the Party School of the CPC Central Committee, and completed his undergraduate studies at the University of Science and Technology.



**WANG HUNING:** Appointed director of the Party's Central Policy Research Office in 2002 and Politburo member in 2012. An ideological advisor who worked for Jiang Zemin on his theoretical concept of "Three Represents" and advisor to Hu Jintao, Wang has been described as a "party theoretician" removed from Beijing politics. Wang served as a member of the secretariat of the 17th CPC Central Committee (2007-2012) and as a member of the 17th CPC Central Committee (2007-2012). Immediately prior to his appointment as director of the Party's Central Policy Research Office, Wang served as deputy director of the Party's Central Policy Research Office (1998-2002), director of the Policy Division at the Central Policy Research Office (1995-1998), and professor positions at Fudan University's Law School and Department of International Politics. Wang holds a Master's degree in Law from Fudan University where he also completed his undergraduate studies.

**ZHAO LEJI:** Appointed director of the Central Organization Department of the CCP Central Committee and Politburo member in 2012. Zhao reportedly is a close confidant of President Xi and is one of a group of rising officials from Shaanxi province (home of President Xi) where he served as party secretary (2007-2012) and as member of the Shaanxi Province Standing Committee (2007-2012). Immediately prior to his appointment as party secretary, Zhao served as chairman of the Provincial People's Congress Standing Committee in Qinghai Province (2004-2007), and as CPC secretary of the Provincial Committee in Qinghai Province (2003-2007). His prior tenure in Qinghai included service as Qinghai governor (2002-2003), acting Qinghai governor (1999-2002), and deputy secretary of the CPC Provincial Committee in Qinghai. Prior to that, Zhao served in various province-level leadership posts. Zhao holds a degree in Philosophy from Peking University.

**HAN ZHENG:** Appointed secretary of the CPC Shanghai Municipal Committee in May 2017. Han has served as Shanghai party secretary and has been a member of the Politburo since 2012. Han is among the group of Shanghai officials who rose to prominence when Jiang Zemin was party secretary, with over four decades of experience in Shanghai government roles. Immediately prior to his appointment as Shanghai party secretary, Han served as mayor of Shanghai (2003-2012), the youngest person to hold the post in 50 years, and as acting secretary of the CPC Shanghai Municipal Committee (2006-2007). Han Zheng was a delegate to the 14th and 15th CPC National Congresses, and was a member of the 16th and 17th CPC Central Committees. His prior tenure in Shanghai included service as Shanghai vice-mayor (1998-2002), deputy secretary general of the Shanghai Municipal People's Government, and as acting head of Shanghai's Luwan District. Prior to that, Han held various Shanghai municipality-level posts. Han holds a Master's degree in economics and completed undergraduate studies at the Institute of International Studies at East China Normal University.

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