

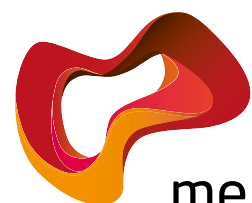


## CHINA'S CORE EXECUTIVE

Leadership styles, structures  
and processes under Xi Jinping

Edited by  
Sebastian Heilmann and Matthias Stepan

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# Introduction to China's core executive: Leadership styles, structures and processes under Xi Jinping

**Sebastian Heilmann**

The dynamics of Chinese politics have changed considerably since the installation of the new party and state leadership under Xi Jinping in 2012 and 2013. Decision-making power has shifted to newly created central party organs. Political discipline has been enforced through unusually intense and sustained campaigns, especially in organisational sectors that are deemed indispensable pillars of Communist Party rule: government bureaucracies, the military, the security organs, state-owned enterprises and the media. Military command structures have been thoroughly overhauled, unified and centralised. Economic policies have come to appear less sure-footed than under previous administrations. China's foreign policy, however, is driven by a multitude of novel diplomatic initiatives and more assertive behaviour that has contributed to tense relations with many neighbouring countries and the United States.

## WHAT THIS ESSAY COLLECTION IS ABOUT

This essay collection aims at a well-founded and balanced understanding of the rationale and the mechanisms that guide top-level decision-making and leadership in today's China. The agenda of this conference is concentrated on China's national *core executive* which implies the shifting functions, interactions and resources of top-level (supra-ministerial) policy-makers and their supporting organisations that are charged with integrating and finalising central government policies and at the same time act as "final arbiters within the executive of conflicts between different elements of the government machine" (Dunleavy/Rhodes 1990).

Core executive leadership can potentially pose a much-needed counterweight against the bureaucratic bargaining, particularistic interests and centrifugal forces inherent in every political system and also in China's vast bureaucratic polity. Core executive authority at the same time poses risks of personalised autocratic leadership if collective binding rules of political accommodation and decision-making are rejected and abrogated by powerful individual leaders.

This essay collection aims to assess the goals, structures, initiatives, interactions and conflicts that characterise China's core executive leadership under Xi Jinping. The contributors address five central issues:

- *Goals and visions*: What have China's leaders set out to do? What is their vision for the country's future?
- *Initiatives and instruments*: What steps does China's leadership take to implement its goals and to what effect?
- *Decision-making and political conflict*: How do conflicts over power, ideology and policies play out and how do we identify political actors and groups that are capable of collective action and pressure politics towards or within the core executive?
- *Systemic assessment*: What do these developments mean for our understanding of China's political system?
- *Future perspective*: How durable are the initiatives and arrangements pursued by the Xi Jinping leadership?

## THE THREAT OF ORGANISATIONAL DISINTEGRATION

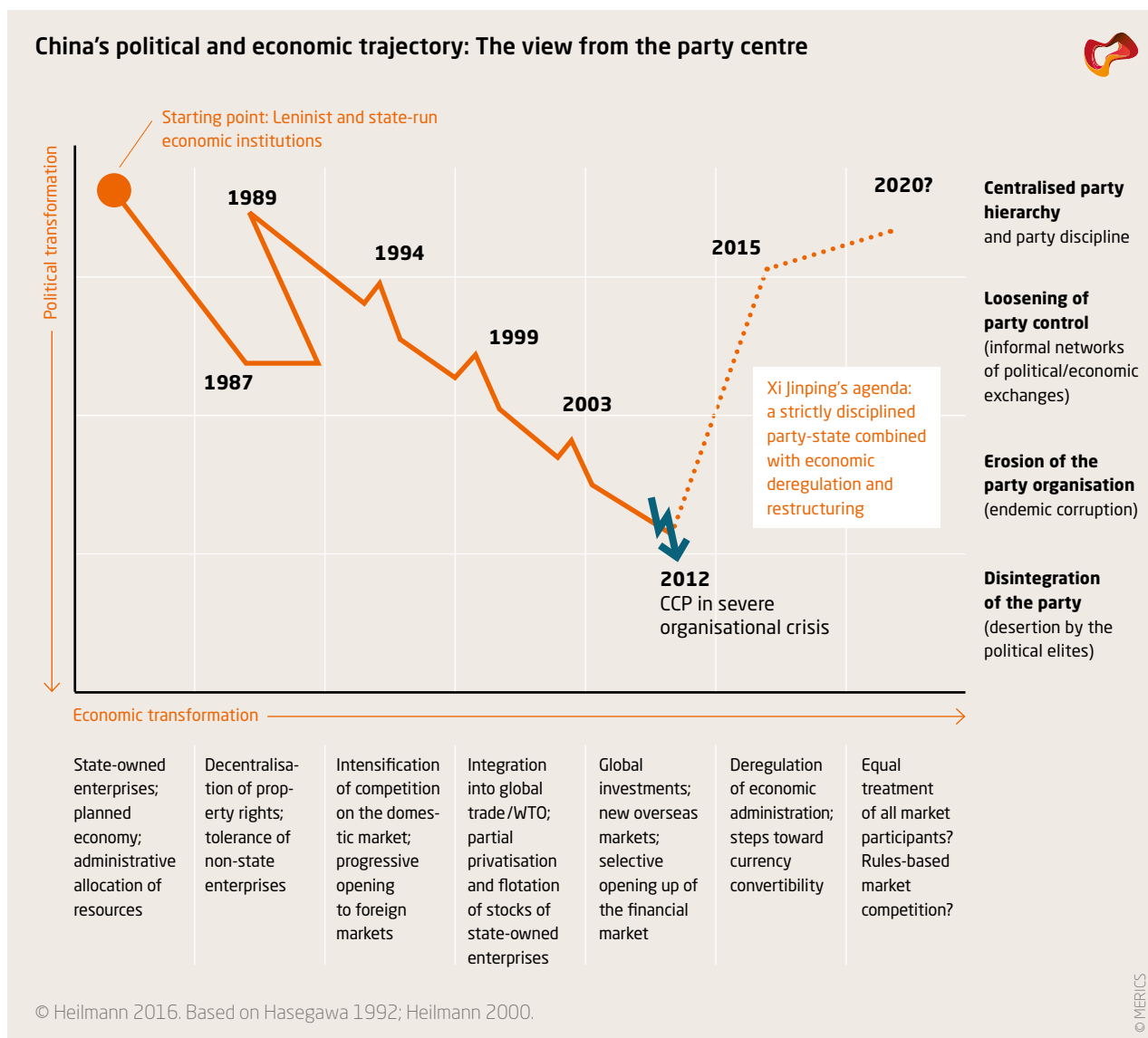
Western assessments of China's political development have traditionally tended to focus on a progressive transition to a more liberal political order and the conflicts that arise between state authority and an emerging civil society in this process. From the perspective of the Chinese par-

ty-state, however, it is the progressive deterioration of the organisational hold and internal discipline of the Chinese Communist Party since the 1980s that must be seen as the decisive change and catalyst for transformation in the political system of the PRC. While economic transformation followed a continued, though selective and restricted, process of opening, deregulation and liberalisation, efforts by the central party leadership at reasserting organisational and political discipline have been short-lived and piecemeal at best in the period of high-speed economic transformation and growth between 1992 and 2012 (see Figure 1).

During this period of rapid change, decision-making powers in many economic and administrative realms were delegated to lower levels of government. In addition, informal modes of exchange between political and economic players undermined the formal CCP command structure, resulting in the emergence of a shadow system of endemic corruption that eluded control by party headquarters. China's political order showed many features of a "fragmented authoritarianism" (Lieberthal/Lampton 1992) in which authoritative intervention from the party centre only took place during exceptional periods of crisis governance, for instance, in the wake of natural catastrophes (e.g. the 2008 Sichuan earthquake), public health epidemics (e.g. SARS 2003) or exogenous economic challenges (e.g. the global financial and economic crisis 2007-2009).

Toward the end of the Hu-Wen administration (2002-12), China appeared to be entering a "post-socialist" political system - one in which changes in the official political institutions lagged far behind the rapid developments in the economy, society, technology, and, indeed, the global environment.

Figure 1



## REASSERTING CENTRAL PARTY CONTROL AND TOP-DOWN LEADERSHIP

The Xi-Li administration (since 2012) initiated a pronounced change of direction in terms of China's political development: the party leadership revealed an extraordinary determination to combat the previously unstoppable erosion of the party's internal organisation by launching an extensive anti-corruption and discipline campaign. The newly installed leadership began to reinforce the Leninist hierarchies of the party-state by concentrating decision-making powers at party headquarters – even in those policy areas that had previously been delegated to government organs or subnational authorities. General Secretary Xi Jinping made it clear that only the CCP was capable of steering the country through the twenty-first century and that the party would fight vehemently against any attempt to undermine its leadership or to drive the country in the direction of a Western-style democratic system.

During the first several years of Xi Jinping's tenure, political objectives took precedence over economic restructuring.

In order to rapidly increase "comprehensive national strength", there was a need to create the right political and economic conditions. Hence, in 2013 the party leadership launched a structural reform programme that was designed to avoid the much-feared "middle-income trap" and to transform China into one of the world's most advanced and innovative economic and technological powers. The programme promised to allow market forces to play a "decisive role" in the future development of the economy, meaning liberalisation of the private sector and the financial system, legal security and equal treatment for all types of businesses, reorganisation and partial privatisation of state-owned enterprises, and a drastic reduction in state interference in the economy as a whole. Rigorous application of this reform agenda would indeed have drastic political consequences: a comprehensive programme of economic liberalisation would greatly curtail the party-state's capacity to intervene and would come into direct conflict with the interests of the established party- and government-backed economic elite.

As it turned out, by 2016 the 2013 economic liberalisation measures were being implemented inconsistently and selectively. Only piecemeal or marginal restructuring was undertaken in crucial yet politically sensitive areas such as deregulation of state-sector oligopolies, more transparency in debt management of the fiscal and banking systems, establishment of a level playing field for non-state market participants, and improved market access for foreign investors.

The strengthening of centralised party control over the political and economic system clearly was the prerogative of Xi Jinping, who was situated at the helm of power. There was a chance for a boost in economic liberalisation only if the party leadership felt it was politically safe to loosen controls or if a decline in economic growth posed an immediate threat to CCP rule. During the first several years of Xi Jinping's tenure, political objectives, such as enforcing domestic discipline and pursuing great power diplomacy in combination with military modernisation, took precedence over economic restructuring.

## XI JINPING'S FORMATIVE EXPERIENCE: HOW HE ATTAINED POWER IN 2012

The manoeuvres, negotiations, and conflicts that occurred in the run-up to naming Xi Jinping as general secretary cannot be reconstructed in detail due to the lack of reliable sources. Contradictory rumours and dramatised conspiracy theories are woven around the 2012 personnel decision-making processes. In any case, there were severe clashes within the party leadership regarding the Bo Xilai case (previously serving as party secretary of Chongqing), whose removal from power and subsequent prosecution jeopardised the future of other members of the leadership. Delays in decision-making occurred immediately before the 2012 party congress also because Xi Jinping insisted on becoming not only party leader and head of state but from the very outset becoming chairman of the Central Military Commission as well. Xi Jinping aimed to achieve comprehensive authorisation by the former party leadership to halt the CCP's organisational crisis by means of reorganisation and concentration of power in the party leadership system. In any event, the change of leadership in 2012 was characterised by lengthy and conflict-ridden intra-party negotiations. However, Xi Jinping's demand for a clear mandate and a concentration of power was ultimately realised between 2012 and 2014.



## “TOP-LEVEL DESIGN” AND AGGRESSIVE LEADERSHIP

The political “top-level design” (顶层设计) introduced with great fanfare under Xi Jinping involves a substantial hardening and narrowing of previously much more flexible and exploratory policy processes. Xi Jinping prefers centralised decision-making by a small circle of top leaders and trusted advisory staff. Such a decision-making style (top-down “decisionism”) contrasts strikingly with the type of policy-making (bottom-up “implementationism”) promoted by Deng Xiaoping and later continued by Jiang Zemin. For decades, China’s reform policy had been the result of exploratory leadership based on decentralised reform experiments and the specific lessons learned from implementation of such experimentation.

Xi Jinping does not actively curtail or prohibit local experimentation. He speaks in favour of local experimental zones and pilot initiatives in public statements. But under conditions of concentration of power at the top level and in combination with sustained and intense campaigns to enforce intra-party discipline, there are no longer any credible and potent incentives to make local policy-makers embrace the political risks inherent in bottom-up policy experimentation.

As a self-assured political leader with the mission of achieving a national “China Dream”, Xi relies much less on consultation, exploration and reflection in making decisions than did his predecessors. His leadership style thus appears much more hierarchical and autocratic than the more paternalistic or consultative approaches taken by his predecessors. Xi’s aggressive style of decision-making and leadership has become apparent in China’s foreign and security policies, for example, with respect to the territorial disputes in the South China Sea.

The political “top-level design” introduced with great fanfare under Xi Jinping involves a substantial hardening and narrowing of previously much more flexible and exploratory policy processes.

## LEADERSHIP AND PUBLIC COMMUNICATIONS

In addition to an exceptional concentration of power, a new communication style has also emerged under Xi Jinping. Not only did Xi make sure to provide memorable photo opportunities that chimed with people’s lives (eating in a simple noodle kitchen, etc.), he also endeavoured to use a more lively way of speaking. Xi was the first Chinese party leader and head of state to initiate a New Year’s speech on television, similar in style to the speeches given by Western leaders and heads of state or even Russia’s President Putin. Furthermore, he regularly appeared, especially on foreign trips, with his photogenic wife, a well-known army folk singer who is a popular figure in China. Overall, Xi Jinping introduced a presidential presentation style that was new to Chinese politics, aimed not only at reinforcing his own preeminent political position but also at eliciting broader emotional support from among the general population.

## POLICY UNCERTAINTY AT THE LOCAL LEVEL

The extent to which the concentration of power at CCP headquarters can be an effective remedy for enforcing a nationwide institutional reorganisation over a period of up to ten years under Xi Jinping’s leadership remains uncertain. From 2013 to 2016 widespread uncertainty was felt in many party and government bodies below the party centre (in the ministries, regional/local administrations, and companies) regarding whether decentralised initiatives were desirable and could be pursued without political risk. This wait-and-see attitude put the brakes on implementation of many reforms that had been announced by party headquarters. As a consequence, party leadership organs have resolutely criticised such inactivity by local governments and officials.

From 1978 to 2012 decentralised initiatives were crucial in creating an agile and adaptable political and economic system. Since 2013, however, the drastic measures undertaken by the party centre to enforce hierarchical discipline and centralised authority have restricted policy initiative and reform agility at the lower levels of China’s state administration.

In times of political or economic stress, decentralised policy-making by effective local authorities helps to compensate for blockades, political errors, or failed reforms on the part of the central government. Yet Xi Jinping’s centralisation of policy initiative is weakening this all-important buffer against crises and limiting the Chinese government’s adaptive and innovative capacities. In

effect, overcentralised decision-making abolishes the advantages of a system of distributed intelligence and local initiative that Deng Xiaoping had purposefully crafted in the 1980s and 1990s.

### PROSPECTS OF XI'S TOP-DOWN LEADERSHIP

Whether or not the PRC's decision-making system can continue to be characterised as "fragmented authoritarianism" (a characterisation widely used by China scholars) will depend on the durability of the changes that Xi Jinping's rule has brought to leadership styles, structures and processes. In case of serial policy failures and deepening economic problems, it may well turn out to be only a temporary centralisation and rigidity. A return to a more exploratory, flexible and deconcentrated leadership may become urgently necessary should implementation of the 2013-2020 structural reform programme reach a deadlock. If, however, as the essays in this volume suggest, China moves further in the direction of top-down autocratic policy-making, the fragility of the political system will most likely increase and the ability to learn from and to correct policy mistakes will decrease, rendering the system inflexible and susceptible to sudden disruptions.

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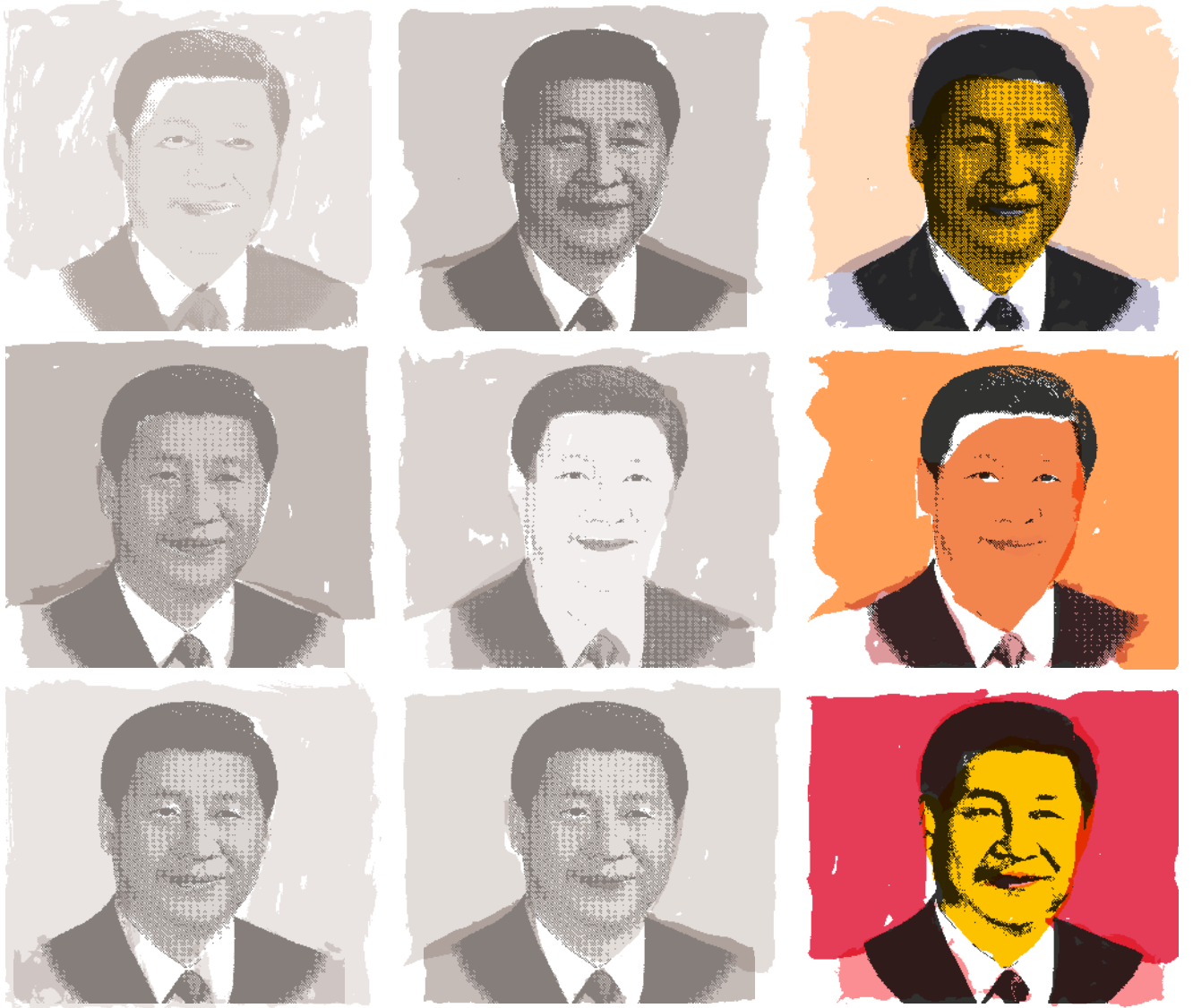
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## Part 1: Leadership Styles

# Leadership Styles at the Party centre: From Mao Zedong to Xi Jinping

**Roderick MacFarquhar**

## KEY FINDINGS

- The leadership styles of the PRC's top leaders can be divided into two categories: chairmen of the board and CEOs.
- Mao and Deng, as "chairmen," put their stamp on China, while Jiang and Hu, as "CEOs," kept the country running.
- Xi Jinping appears to be combining both roles, a development that history suggests may be problematic in terms of keeping China on an even keel.

Since 1949, China's top leaders have fallen into two categories: chairmen of the board and CEOs. Only the chairmen of the board have put their stamp on China; the CEOs, as their title implies, have "simply" kept the country running. Only one leader has attempted to combine both jobs.

## THE CHAIRMEN: MAO ZEDONG AND DENG XIAOPING

It is obvious who the chairmen were: Mao Zedong and Deng Xiaoping in the reform era. In Mao's case, the board was, until the Cultural Revolution (CR), the Politburo Standing Committee; thereafter it was the radicals of the Cultural Revolution Group. Until the CR, Liu Shaoqi was a board vice-chairman, with the widespread expectation that he was destined for the top job. Mao's CEO was consistently Zhou Enlai till he died, and thereafter Deng till he was purged for the second time. One of the most attractive aspects of Zhou to Mao was his loyalty; perhaps Zhou had realised early on that, despite being a brilliant CEO, he did not have the vision for a chairman. On the other hand, Mao early on recognised that Deng was a potential chairman, which is why, I assume, to the end of his days he refused Jiang Qing's pleas that Deng be expelled from the CCP.

The picture is complicated because, during and after the Great Leap Forward (GLF), Deng and the party secretariat replaced Zhou and the State Council as Mao's base of operations for increasingly ideological ventures like the Socialist Education Movement. In a sense, at that point Deng became the chief operating officer (COO).

## MAO: CHAIRMAN AS VISIONARY

Mao's great strength as chairman was that he knew that he, and not the CEO or the board, had most influence over the "shareholders," i.e. the members of the CCP, high and low. He first demonstrated this by his speech of July 31, 1955, on collectivisation. Though the great majority of the board wanted to take the collectivisation process gradually to avoid the disaster that befell Soviet agriculture, when Mao told cadres in the countryside to stop tottering along like old women with bound feet, they sprang into action. He continued to demonstrate this dominance throughout his tenure of office with the rectification campaign, the GLF, the Socialist Education Movement, and finally the CR.

As that list demonstrates, the key quality for a Chinese chairman was vision, a sense of the direction where he thought the country should go, and the personality and charisma to convince the board and the country at large to follow him. Mao was essentially a big picture man; unlike Stalin, he would never have secluded himself in the offices of the central committee, plotting his

**The five faces of power:**

China's leaders from past to present



Figure 2

moves in careful detail. Having outlasted and outwitted other aspirants to the leadership of the CCP, and then presided over the transformation of the beaten remnant that made it to the end of the Long March into the disciplined party and army that defeated the superior numbers of the KMT and took over China, Mao had the advantage of an almost impregnable position. After years in the wilderness, the cadres had food, jobs and prestige running China. Mao had envisioned victory and he had been right. Why could his subsequent visions not be right too?

But they weren't. Moreover Mao's visions were in conflict with the party. He wanted a hundred flowers to bloom, but the cadres did not, rightly fearing the criticism that would be unleashed against them. He saw GLF success through unleashing the peasant masses, but the cadres ensured that they were always in command. He wanted a socialist education movement to re-convince the peasants of the advantages of collectivism, but his colleagues turned it into an attack on corrupt rural cadres. Mao understood the need for organisation, but hated bureaucracy.

Almost certainly it was his discomfort at having to work through the layers of officialdom which Liu Shaoqi and Zhou Enlai had created in party and state, as much as his vision of establishing a redder China, that led him to upend the whole enterprise in 1966. Only in the CR was he able to unleash the masses against the party and state bureaucracies which he abhorred. Throughout his years in power, Mao was looking for an alter ego, a successor whom he could trust more than Liu to implement his vision, but in different ways Gao Gang, Lin Biao and Deng let him down. In desperation and on his death bed, he chose Hua Guofeng as his successor, but he surely realised that Hua had neither the ability nor the standing with his colleagues to survive, even with Ye Jianying and Li Xiannian as his mentors. Mao knew that only Deng had the requisite revolutionary credentials and personal self-confidence to succeed him.

**The key quality for a Chinese chairman was vision, a sense of the direction where he thought the country should go, and the personality and charisma to convince the board and the country at large to follow him.**

Despite his roles as CEO and COO, Deng like Mao was a big picture man.

## DENG: CHAIRMAN AS MODERNISER

Though Hua combined the posts of party chairman, prime minister, and head of the party's military affairs commission, once he had indicated that his vision replicated Mao's – there would have to be future cultural revolutions – his fate was sealed. Deng and his colleagues gradually stripped him of his posts. Deng was not prepared even to allow him to be his CEO.

Despite his roles as CEO and COO, Deng like Mao was a big picture man. As general secretary from 1956–1966, he was a member of the CCP leadership rather than the administrative facilitator which the Soviet elite thought they were getting when Stalin was appointed to that role. Much of the legwork associated with the party secretariat, he left to his No. 2, Peng Zhen, or more junior colleagues. When he finally emerged from Mao's shadow to become China's "paramount" leader in 1978, he too had a vision: the transformation of the poverty-stricken and backward country Mao had bequeathed into a modern, prosperous nation, emulating the economic miracles that had sprouted all over East Asia while China was subjected to Mao's disastrous visions. Fortunately, Deng's "board," senior gerontocrats like Chen Yun who had also survived the Cultural Revolution, largely agreed with him, albeit they advocated greater caution in the implementation of reform and opening up.

At 74, Deng too needed a CEO, and he chose two: Hu Yaobang to run the party and Zhao Ziyang to craft the implementation of reform. Having laid out his vision in very broad terms, Deng seems to have seen his role as charting particularly bold new ideas like opening up special economic zones, affirming reversals of Maoist policies like decollectivisation, adjuring officials to seek truth from facts not doctrine, and removing the stigma from striving for wealth. He also ran interference for his two CEOs with "board" members. However, it turned out that Hu had emerged from the CR too liberal, and Deng sacrificed him to the "board" in 1987. And when in the Tiananmen events of 1989, the "board" proved prescient to have worried about the pace of reform, Deng had to sacrifice Zhao when he refused to preside over the imposition of martial law.

## THE CEOS: JIANG ZEMIN AND HU JINTAO

As Deng and other leaders died, Jiang seemed to become his own man, but was still not a "paramount" leader nor a chairman.

If the *Tiananmen Papers* are to be credited, Jiang Zemin was the choice of Chen Yun and Li Xian-nian to succeed Zhao as Deng's CEO; perhaps Deng felt in a weak position to insist on his preference for Li Ruihuan. And he felt sufficient confidence in Jiang to cede to him the chairmanship of the party's central military affairs commission. Like his predecessors, Jiang benefited from some protection from the chairman of the "board," Deng, doubtless as a result of the support of board members, the more conservative Chen and Li. Indeed in his early years as general secretary, Jiang displayed a conservative attitude towards reform, and it was rumoured that Deng might seek to replace him. But after the shock of the collapse of the Soviet Union at the end of 1991, Deng made his southern tour to re-emphasise the importance of pressing ahead with reform and Jiang fell into line.

In 1993, Jiang became the first CCP leader since Mao to run the party and be state president. Increasingly, as Deng and other leaders died, he seemed to become his own man, but was still not a "paramount" leader nor a chairman. Indeed, in the run-up to the 1997 party congress, his right to continue in office was challenged by Qiao Shi on age grounds. Under Deng's rules, both men were scheduled for retirement. Deng had died earlier in 1997, but fortunately for Jiang, the last of the gerontocratic "board," the 89-year-old Bo Yibo, intervened to assert that Jiang could not resign since he had been described by Deng as the "core" of the successor leadership. Jiang was now a leader in his own right, a CEO without a chairman of the board.

Unsurprisingly, Jiang thought that he could now become chairman of the board. He was fortunate in that he had a ready-made CEO in Premier Zhu Rongji who was running the economy. But to fill the role, Jiang had to reveal the vision that chairmen normally put before their people. Towards the end of his period in office, Jiang unveiled the "three represents," basically an expansive view of the party's constituency which permitted even businessmen to become members, thus letting the foxes into the chicken coop. Jiang further attempted to assert his role by emulating Deng and retaining the chairmanship of the MAC after he had handed over the office of general



secretary to his Deng-picked successor, Hu Jintao. After a couple of years, Jiang was persuaded that this arrangement could not work as it had done in Deng's time and he relinquished the post to Hu. By the end of his time in office, Jiang had acquired the self-confidence to act as a chairman, but the senior members of the party and the PLA were not prepared to acknowledge him as such.

It is doubtful that Hu Jintao, a man truly grey in his eminence, ever contemplated morphing into the role of chairman. Rather, he gave the impression that he was surprised that Deng had even assigned him the role of CEO. Nevertheless, with the assistance of Wen Jiabao, he tried to deal with major problems facing the country and managed to keep the economy going when recession hit much of the rest of the world in 2008. He handed over to Xi Jinping a country in fair running order.

It is doubtful that Hu Jintao, a man truly grey in his eminence, ever contemplated morphing into the role of chairman.

### XI JINPING: CHAIRMAN AND CEO?

Xi came to office with certain advantages: he was the first leader of China since Mao to have been picked by his peers and not by a previous leader; he was a princeling, an inheritance which gave him a status and a self-confidence his two predecessors lacked; having weathered the Cultural Revolution, he presumably had developed survival skills which should serve him well in the cutthroat world of Chinese politics; and his putative rival for the top job, Bo Xilai, had been purged before he took office. But nobody at home or abroad expected Xi to move so swiftly to abandon the role of CEO and move towards that of chairman. His steps along the way are by now well-known. The creation of new committees on the economy and national security, chaired by himself, downgrading the role of the premier and putting himself in charge of all security matters, domestic and foreign; the swearing of allegiance of 18 generals in the pages of the *People's Daily*; a fast developing cult of personality for "dada" Xi and his wife; the publication of his writings in book form and their distribution at home and abroad; and most recently, his acquisition of a truly military title, seemingly transforming him into the supreme general in operational command of the armed forces.

Clearly Xi has a vision, the "China dream" or the renaissance of the Chinese nation, which he revealed early on. Concrete manifestations and first steps are to be found in the campaign against corruption, the concept of the road and the belt, the new international infrastructure bank, the assertion of China's right to most of the South China Sea. But it is unclear if he trusts anyone other than himself to oversee the achievement of these objectives.

While Wang Qishan seems firmly established as anti-corruption czar, there is so far nobody who has emerged as Xi's CEO.

Could it be that Xi doesn't trust anybody other than himself to carry out his policies? If so, history suggests there will be problems ahead. The Maoist period showed that the country could be rescued from even the most disastrous visions of a chairman if there were a competent CEO in place. The reform era demonstrated that a confident chairman could purge a CEO who was not satisfactory without massive disruption. The Jiang and Hu eras showed that CEOs could run the country without a chairman if they were reasonably competent. But are there enough hours in a day for somebody to combine the roles of chairman and CEO, Mao and Zhou, or Deng and Zhao Ziyang? Or perhaps more importantly, will Xi's colleagues allow him to play the role that combining the two jobs would mean? Or has Xi already achieved a position so powerful that no colleague would dare move against him?

Could it be that Xi doesn't trust anybody other than himself to carry out his policies? If so, history suggests there will be problems ahead.

# Efforts at exterminating factionalism under Xi Jinping: Will Xi Jinping dominate Chinese politics after the 19th Party Congress?

**Victor Shih**

## KEY FINDINGS

- Xi has used the anti-corruption campaign to strengthen his own power, and is poised to dominate politics at the highest level after the 19th Party Congress.
- Based on an analysis of factional ties, Xi lacks absolute dominance in the Politburo Standing Committee (PBSC) and the Central Committee (CC). In order to retain his unchallenged role in decision making he will continue empowering leading small groups at the expense of the PBSC and CC.
- Such a realignment of power structures will have negative effects on political incentives for leaders outside Xi's network, including reducing motivation to improve performance or to share information.
- AND it also encourages sycophantic behaviour towards Xi, thereby diminishing his awareness of others' actual political loyalty and causing political deadlocks.

After the 2012 18th Party Congress, Xi Jinping and his ally Wang Qishan carried out the largest purge of the senior party leadership since the end of the Cultural Revolution. Retired Politburo member Xu Caihou and retired Politburo Standing Committee member Zhou Yongkang became targets of anti-corruption investigations by the Central Commission for Discipline Inspection (CCDI) (Wu and Li 2013). At a lower level, a large scale reshuffling also occurred. Between the late 2012 18th Party Congress and November 2015, some 59 current provincial/ministerial officials, as well as scores of retired ministerial level officials, have been charged with corruption (Chen 2015).

Given this unusual turnover, a key question for international observers of China is whether Xi Jinping will be able to completely dominate politics in China at the 19th Party Congress, which is scheduled to take place in 2017. The short answer is that while Xi can dominate the Politburo Standing Committee if he shrank the size to five members, it is highly unlikely that he can staff the Central Committee with close followers. The vast majority of officials in the Central Committee likely will still be those with little past history with Xi. One consequence of Xi's inability to dominate the Central Committee may be his continual reliance on the leading small group system to make policy, thus permanently reversing power sharing arrangements in the CCP.

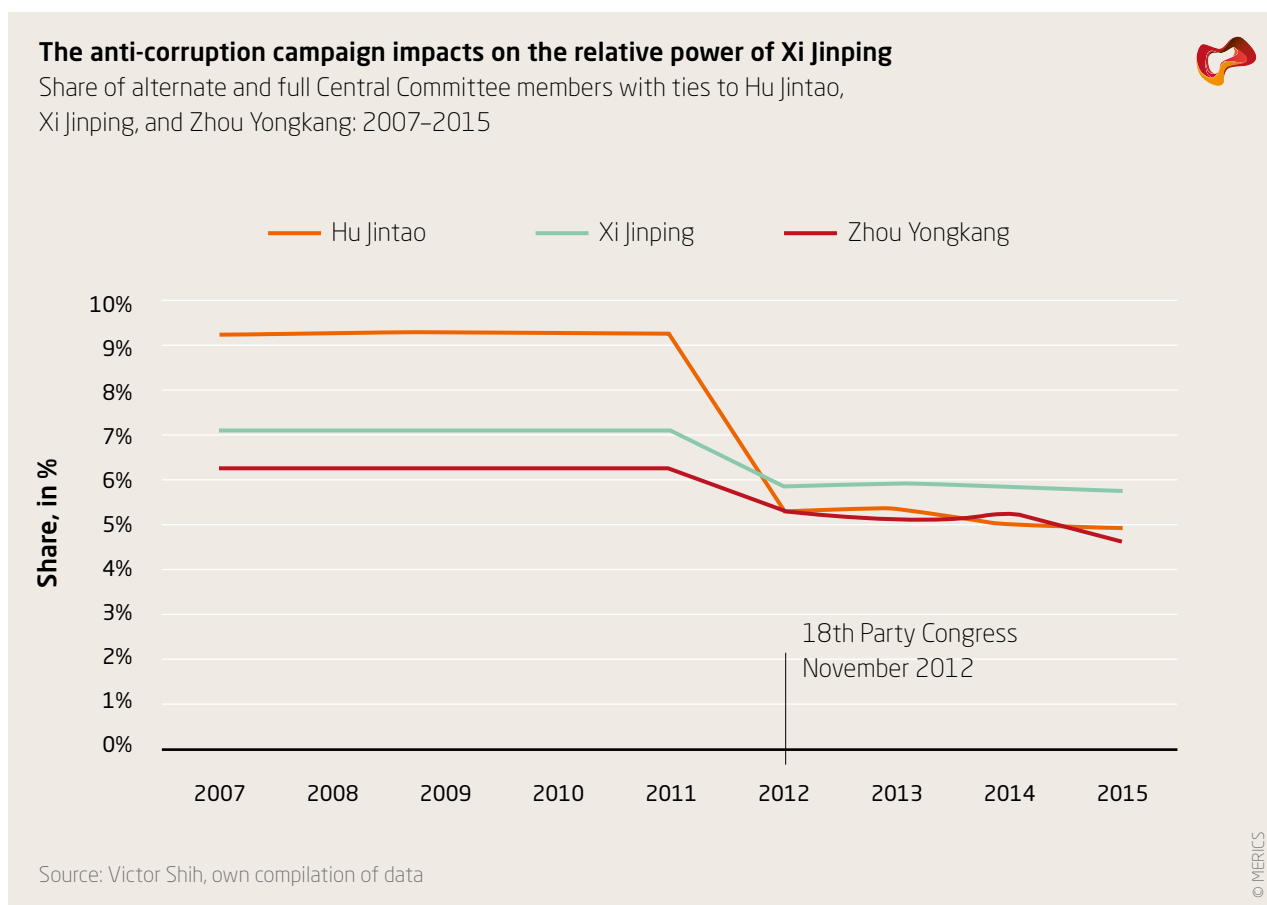
The data presented below come from an updated data base on the Chinese elite, which is based on an original data set compiled by Shih, Liu, Shan (Shih et al. 2008; Meyer et al. 2015). This database contains all available biographical information on full and alternate members of the Central Committee (CC) member, as well as provincial standing committee members since 1978. For each significant position in the government, a unique code is assigned to it. In this manner, the data base can trace all positions held by every political elite in the data base, as well as the start and end years of them holding these positions (Shih et al. 2010). This allows me to identify factional affiliation by observing coincidences in work units between a patron and his clients. I assume a factional tie to exist if a patron worked in the same ministerial organ as a client at the same time within two administrative steps of the client prior to the patron's entry into the Politburo.

## XI GAINS MORE POWER THROUGH THE ANTI-CORRUPTION CAMPAIGN

Clearly, the anti-corruption campaign had a noticeable impact on the relative power of Xi Jinping. In Figure 3, I calculate the share of alternate and full Central Committee members who have ties with various senior leaders in the party over time. As Figure 3 shows, between the 2007 17th Party Congress and the 2012 18th Party Congress, the relative power of Hu Jintao, the incumbent, Xi Jinping, the successor, and Zhou Yongkang, the potential challenger, did not change because Hu Jintao did not launch any anti-corruption campaign to remove high level officials between party congresses. However, since the 18th PC, several full and alternate CC members were removed, thus changing the power balance.

To be sure, the largest change in power balance came from regular retirement and promotion which took place at the 18th Party Congress, which saw 14 Hu Jintao followers retiring from the Central Committee due to age, thus dramatically lowering the share of his followers in the Central Committee from 9% to just 5.5%. The retirement process even affected the younger Xi Jinping, who saw the share of his followers reduced from 7% to 6% of all full and alternate CC members. Zhou Yongkang, which always had a smaller faction as the security Tsar of China, saw his faction shrink by 1% of the full and alternate CC elite.

Figure 3



The impact of the anti-corruption campaign is seen after the 2012 18th Party Congress. Unlike in the 2007 and 2012 period, the post-2012 period saw fluctuations in CC memberships. For Xi Jinping's faction, it was not affected as only one person in his faction was removed. Hu Jintao's faction, in contrast, lost two people and saw its influence in the CC reduced by 0.5%. Zhou Yongkang's faction lost four individuals to the anti-corruption campaign, reducing its representation in the CC by nearly 1% as of June 2015. Moreover, Zhou's faction lost dozens more members at a lower level, which meant those who had worked with Zhou could never obtain a sizable presence in the CC in the future (Caixin 2014). Relative to his predecessor Hu Jintao and Zhou Yongkang,

anti-corruption has bolstered Xi Jinping's power in the main selectorate body, the Central Committee. Most likely, the continuation of the anti-corruption campaign before the 2017 19th Party Congress and the Congress itself will see the bolstering of Xi's power in the Central Committee relative to the other leaders, past or present.

### **XI'S FACTION MAY DOMINATE, BUT NOT THROUGH THE CENTRAL COMMITTEE**

Short of a massive elevation of Xi cronies from below the CC level into the CC, Xi's faction members likely will remain a small minority of the CC elite.

However, does it mean that his faction will dominate politics at the upper echelon? At the highest level, the answer may well be positive, especially if Xi reduces the number of Politburo Standing Committee (PBSC) seats from seven to five. In a five-people PBSC, Xi can promote trusted followers Zhao Leji and Li Zhanshu to replace retiring PBSC members. Even if Li Keqiang stayed in power and was able to promote a China Youth League cadre to the PBSC, Xi will have a majority in the PBSC.

Unlike the populous Youth League faction, which occupied almost 10% of the Central Committee prior to the 17th Party Congress, Xi's faction is still only less than 6% of the CC. Thus, short of a massive elevation of Xi cronies from below the CC level into the CC, Xi's faction members, defined as those who built ties with Xi prior to his elevation into the Politburo, likely will remain a small minority of the CC elite. To be sure, plenty of senior officials with no historical ties with Xi doubtless have pledged their loyalty to the powerful secretary general. However, is their loyalty credible?

In addition, Xi's faction is aging, and only 6 CC members affiliated to Xi will be able to stay in the Central Committee at the 19th Party Congress, if age rules are adhered. Among alternate members of CC, Xi's faction has 7 current members, and they all can continue in office at the 19th Party Congress. Thus, even if all 6 Xi-affiliated alternate CC members are promoted to full CC membership at the 19th Party Congress, Xi's faction will only be 6% of the Central Committee, assuming that the size of the CC remains the same. Even if Xi doubled his faction's representation in the CC by promoting 13 non-CC officials into full CC membership, a feat only Mao accomplished at the 9th Party Congress, Xi's representation in the CC would still be 12%. If the Central Committee continues to play a meaningful role in policy formulation and approval at the highest level, Xi may continue to run into some constraints, even after consolidating power further at the 19th Party Congress. Of course, the above facts likely were well known to Xi and his advisors. Therefore, in addition to reshuffling top leaders, Xi also enacted important institutional changes to top-level policy making. Instead of discussing and deciding important issues at the Central Committee, Politburo, or even the Politburo Standing Committee meetings, Xi has formed a large number of new leading groups which took over some decision making from the Politburo Standing Committee (PBSC) (Huang 2014). After ascending to power in 2012, Xi formed new leading groups on economic reform, national security, internet security, and reform of the military, all of which chaired by Xi himself (Keck 2014; Huang 2014). The only new leading group not chaired by Xi was the leading group on soccer reform, chaired by Liu Yandong. Many decisions which had been discussed and voted on in the PBSC now were decided by the leading groups, where Xi could personally drive the agenda (Huang 2014; Johnson and Kennedy 2015). To be sure, these leading groups were typically "temporary" organisations which ceased to exist once certain policy objectives had been reached.

### **IMPLICATIONS FOR A LEADERSHIP SYSTEM BUILT ON "TEMPORARY" INSTITUTIONS AND ONE-SIDED FAVOURITISM**

The relative low CC representation of Xi followers even after the 19th Party Congress, however, likely will mean that if Xi wanted to continue to control policy agenda, he will continue to rely heavily on "temporary" institutions such as the leading groups for policy making instead of on more established forums such as the Central Committee and the Politburo. This likely would be the case even if Xi obtained a majority at the PBSC level. The institutionalisation of the leading group system potentially has profound effects on political incentives within the party.

First and foremost, officials without historical ties to Xi may find themselves with largely honorary positions with little power. Even a full CC or even Politburo member may have little actual power in policy jurisdiction they nominally control. They thus have few incentives and authorities to improve performance, especially in the absence of any apparent systemic threats. No matter what they do, their chance of promotion or rent-seeking may lag behind close followers of Xi and Xi himself. They may not even channel information effectively to those in charge, i.e. the leading groups. Overall, the information flows and motivation in policy making may become weaker.

Second, although institutionalising a true dictatorship gives the top leader executive power over a wide range of policies, it provides less information on the relative loyalty of officials and the relative balance of power at the elite level. That is, more officials will engage in sycophancy toward Xi himself, given the concentration of power. In the absence of sycophantic behaviour toward other PBSC members, Xi actually has less information of who is loyal to him. Also, policy conflicts between various top leaders constituted a major channel through which top leaders tested each others' power without violence or other regime endangering behaviour. The end of top-level policy debates will also shut off this avenue of political information for Xi. In the meantime, lower level policy debates and lobbying will continue, which means that policy deadlocks may continue.

In sum, although Xi likely will be able to dominate politics at the highest level after the 19th Party Congress, he still will have limited representation in the Central Committee. His relatively weak representation in the CC provides incentive for him to make the leading group system a permanent decision-making mechanism through his tenure, and maybe even beyond the 20th Party Congress if he continues as party secretary general. A true test of the diminution of Central Committee, Politburo, and PBSC power will be their role in personnel promotion at the 19th and 20th Party Congress.

**Xi's relatively weak representation in the CC provides incentive for him to make the leading group system a permanent decision-making mechanism through his tenure.**

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# Controlling political communication and civil society under Xi Jinping

**Tony Saich**

## KEY FINDINGS

**With respect to relations with society, the Xi Jinping leadership has:**

- continued their predecessors paternalistic approach to limiting citizens' access to information and exerting monopoly control over such information as they are able to see;
- BUT has been harsher than many expected in terms of controlling discourse not just within the Chinese Communist Party (CCP) but also within society;
- has moved to contain what it sees as undue Western influence in the intellectual sphere;
- allowed the Third Sector to expand in order to deliver better social services for China's citizens;
- BUT will ensure that civil society as a realm of association and discussion shrinks.

The Xi leadership has continued the CCP's paternalistic view of its role with respect to society and the infantilisation of its citizens, treating them as children who cannot be trusted to evaluate conflicting or dissenting information. The leadership reserves the right to decide what information should be available to society and what should be censored. However, what was not expected was the extent to which the new leadership would pursue this objective of control over discourse and crack down on dissenting views.

Whether these stronger efforts at control can be considered a sign of weakness or are born out of a sense of fear, it is difficult to say. In reality, it might be both. The repeated references to Western influences and the need to eradicate them would attest to the prevalence of ideas such as constitutionalism, universal values and civil society among China's intellectual elites. The charitable view has been that Xi needs to exert tighter control over party, state and society in order to push through difficult reforms against vested interests. Certainly, on consolidating power, Xi concluded that "it's the politics stupid" and that unless the party was drilled into a tight body to regain societal trust and promote reforms, its legacy was in danger. However, the severity and duration of not only the anti-corruption campaign but also the attacks on unorthodox ideas, societal organisation and negative portrayals of CCP history have been the toughest since the attempts to rein in society after the 1989 student-led demonstrations.

## RESTRAINING FOREIGN INFLUENCES

The strongest expression is to be found in the April 22, 2013 Document Number 9, which outlined seven topics that should not be discussed. This is one of the most conservative documents that has been disseminated through official channels during the reform period. Among the seven nos are criticism of those who promote "universal values" as such views shake the party's ideological and theoretical foundations. The promotion of "civil society" is said to undermine the social basis of the ruling party, while "western constitutional democracy" negates the key features of the Chinese socialist system. Finally, "press freedom" challenges the principle of party control over the press and publications. To reinforce this last point, in February 2016, Xi visited the three key party-run media outlets to inform staff that they must pledge complete loyalty to the CCP. As Xi

commented “All the work by the party’s media must reflect the party’s will, safeguard the party’s authority, and safeguard the party’s unity...They must love the party, protect the party and closely align themselves with the party leadership in thought, politics and action.”

The document criticises manipulation by western embassies, consulates and non-governmental organisations for supporting anti-government forces and spreading western values. Thus, Western influences are blamed for a number of ills and in February 2015, China’s Minister of Education called for banning textbooks that promote western values, claiming that “Young teachers and students are key targets of infiltration by enemy forces.” (Seeking Truth 2016). Foreign NGOs have been singled out as a source of particular concern, as China’s leaders absorb what they think are the lessons of the causes of unrest in the former Eastern and Central Europe, the Arab Spring and the Umbrella Movement in Hong Kong.

Following the National Security Law that was passed on July 1, 2015, a tough draft to govern the activities of foreign NGOs was floated for reaction. The draft calls for the NGOs to register with the public security bureau at the relevant level rather than with the Ministry of Civil Affairs, which has greater experience in working with foreign NGOs. Officials at the Ministry claimed that they were not consulted about this significant change. This centralisation of control under the Ministry of Public Security, while retaining the need for the sponsoring agency, will make the operations of foreign NGOs more difficult.

### WELCOMING (DOMESTIC, NON-THREATENING) NGOS

At the same time, however, for certain domestic groups registration has been made easier and the new Charity Law, passed in March 2016, is intended to encourage domestic giving to causes that the CCP prioritises. The leadership clearly understands that its government agencies do not have the capacity to deal with all the challenges that society faces and thus wants to encourage more structured citizen engagement. Currently, social organisations, to use the Chinese terminology, working in the areas of social service provision or are public benefit and charitable organisations, scientific and educational organisations, or are economic and trade associations, may register directly with the Ministry of Civil Affairs, not the Ministry of Public Security, and no longer need a sponsoring agency.

However, any organisation engaged in work in the realms of religion, political or religious activity is not accorded this new possibility. Indeed most organisations that fall in these categories will be closed down or repressed. This is especially the case for those that fall in the category of what Jude Howell refers to as “organizing around marginalized interests.” This has been noticeable with the crackdown on labour organizing, especially in the South of China and the rolling up of the “New Citizens’ Movement” whose leader, Xu Zhiyong, was arrested in July 2013. The crackdown on quasi-independent labour organisations, often referred to as labour centres, has been accelerating since the second half of 2015. Groups such as the Haige Workers’ Centre or the Panyu Dagongzu Service Centre, have not been involved in anti-party activity but rather in advocacy on behalf of workers (often migrant workers) and carrying out actions such as trying to help claim unpaid back wages, promoting collective bargaining, and mediating workplace conflicts. The same fate has befallen to some other groups working within the law to protect citizens’ rights guaranteed by relevant laws and the constitution. In 2015, the authorities moved against lawyers who were engaged in rights-based activities. According to an article in the New York Times (Jacobs and Buckley 2015) some 200 lawyers and associates had been detained with 20 still in custody. The CCP has moved to delegitimise what it saw as a movement by accusing participants of hooliganism, embezzlement, self-aggrandisement, and sexual offences. The Beijing Fengrui Law Firm became a particular target with its director arrested in January 2016.

Last but not least is the example of women’s rights. Several women’s rights activists were arrested in March 2015 in the run up to International Women’s Day. While released, the actions were clearly part of a concerted movement by the party to deter the increasing number of people and organisations that are involved in rights’ defence. That this is policy intent was reinforced in January 2016, by the forced closing of the Beijing Zhongze Women’s Legal Counselling and Service Centre. This followed Beijing University, which had been its original sponsor, withdrawing

The leadership clearly understands that its government agencies do not have the capacity to deal with all the social challenges that society faces and thus wants to encourage more structured citizen engagement.

support in 2010. The Centre, like the workers' centres, had been engaged in advocacy to help women suffering from domestic violence, in employment disputes and those over child custody. Closing such potential "safety valves" dealing constructively with backfire on the authorities. With restricted legal recourse, tensions will simmer and may boil over more readily into social unrest.

The difference in attitude towards civic association from encouragement to control is shown by the different treatment in the Twelfth and Thirteenth Five-Year Programmes (2011–15 and 2016–2020 respectively). The Twelfth Programme devoted a whole section to social management innovation. It called for more public participation to improve public services and policies using the phrase the "party leads, government takes responsibility, society coordinates, and the public participates." This progress seemed to be maintained in the resolution of the 18th Central Committee's 3rd plenum (December 2013) where "social management innovation" was replaced by "social governance", encouraging social actors to have a role in governance alongside government and business. Subsequently, the actions outlined above reveal that the CCP has pulled back from this stance, presumably fearing the kind of activism that it seemed to be encouraging. By contrast, the Thirteenth Five-Year Programme emphasises control and monitoring. The section on innovation in social governance calls for a "law-based social governance system under the leadership of party committees." Further, the document notes "We (i.e. the Party)...guide people in exercising their rights, expressing their demands, and resolving their disputes in accordance with the law." One further thing the section calls for is building a "national database covering basic information on the population."

### FIGHTING ON THE INTERNET BATTLEFIELD

Xi Jinping stated that the Internet is now the "major battlefield of public opinion" and it was important to "construct a powerful internet army to gain control of it."

The rise of new social media is the most important new element in the relationship between the party and society. It provides a potential platform for unregulated exchanges but also one for the party to express its own views. Thus, the extension of control over society has also incorporated social media. Control over information has been crucial to CCP rule and it has sought continually to ensure that news flows vertically up and down the system through the party's filters. New social media challenges this control with its horizontal linkages and speed with which it can disseminate information. Already in August 2013, Xi Jinping stated that the Internet is now the "major battlefield of public opinion" and it was important to "construct a powerful internet army to gain control of it." Social media was to be "managed and used to promote the party's views."

While President Clinton had stated that trying to control the Internet would be like trying to nail jello to the wall, the CCP has been doing its best to do just that. The Internet has been a venue for poking fun at official language, yet it also has become a venue for exposing official corruption and venality, which seemed to support Xi's campaign against corruption. However, the party has made it clear that it will not accept this kind of unguided exposure of official abuse. In addition to paying people to post supportive comments online (the "Fifty Cents Party"), the party has introduced a series of measures to improve control. Institutionally, in February 2014, the new Central Leading Group for Internet Security and Information was established with Xi as its head. Earlier in September 2013, it was announced that social media users who posted comments that were considered slanderous could face prison terms if the posts attracted 5,000 hits or were reposted over 500 times. In January 2015, the use of VPNs was declared illegal.

Last but not least, the party moved to blunt the effect of Weibo and caused a number of high profile bloggers to close their accounts. The most recent being Ren Zhiqiang (February 2016), a property developer with 38 million followers who had his account cancelled and was accused with exerting a "vile" influence by spreading illegal information. His "vile" act had been to criticise Xi's call for the media to support the party. Such actions have caused more users to move to WeChat, a private friending system that makes it more difficult for postings to go viral so quickly. Our 2014 survey<sup>1</sup> shows that the party media still dominates where people find their information on breaking news, with 50.2 percent of respondents stating that they looked to television for this information and only 29.2 percent relying on the internet. In terms of trust, we used a 10-point scale and television received the highest rating for trust (8.15), followed by official government websites (7.49) with unofficial websites receiving a trust rating of 7.06.



## THE GOAL: SERVICE PROVISION WITHOUT CRITICISM

Looking forward, the new leadership has sought to strengthen control over society and will favour organisations that enjoy a close relationship to government (Government-organised NGOs or Party-organised NGOs). One feature has been the push to establish or re-establish party committees in the new organisations such as private businesses, social organisations and foundations. Service providers will be favoured and those organisations or individuals acting on behalf of “marginalised groups” will be closely monitored and closed down if they are seen to extend their influence into society at large. Rural-based community organisations (clans and temples) will continue to flourish but farmers’ unions will not be allowed and neither will independent organisations supporting workers’ rights in the cities. Double registration and tight oversight will persist for foreign organisations seeking to work in China. The advent of the information revolution is recognised as a potential threat to CCP control and attempts will continue to control discourse. The end result will be a situation where the Third Sector will expand to fill deficiencies in state provision but Civil Society as a realm for critical reflection and discussion will shrink.

Looking forward, the new leadership has sought to strengthen control over society and will favour organisations that enjoy a close relationship to government.

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1 | The survey covered 3,500 participants drawn from a representative sample of seven major cities (Beijing, Shanghai, Guangzhou, Wuhan, Chengdu, Shenyang and Xi’an); seven towns and townships and 28 administrative villages under them. All respondents were 18 years or older. Because of the urban bias, weightings were used to compensate. Sites were chosen on the basis of geographic location, average per capita income, and population. The sites varied in all three variables, representing lower-income, middle income, and upper income individuals, as well as western, eastern, northern and southern populations of China.

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# Expanding China's global reach: Strategic priorities under Xi Jinping – The link between the outside and within, and the story of the three zones

**Kerry Brown**

## KEY FINDINGS

The Xi approach to the outside world can be typified as follows:

- The CCP leadership has an increasingly global perspective on the future of the country. China is open to the world, and going into the world, but on its own terms.
- Its leaders know better than ever before what they want and with whom to cooperate. They define the world in terms of three zones. China's most important partners, aside from the United States, are predominantly countries geographically close to it, followed by more distant "civilisational partners", such as the EU.
- The Chinese leadership continues to avoid onerous responsibilities and obligations even as it seeks to develop deeper ties in the region and create benign sounding frameworks within which to work with the rest of the world.
- Foreign involvement in civil society and non-government organisation is fiercely circumscribed. Businesses in China and foreign governments find the environment and interaction with the Chinese government to become tougher.

Xi has wrapped the world in a series of "grand narratives" which stand as the equivalents of the ambitious stories through which his leadership has promoted domestic issues.

While we speculate about the amount of real power Xi Jinping has accrued within China, there is one issue where he is unique amongst top elite leaders in history the People's Republic. Even in the era of presidential jet set travel, Xi has roamed further, to more places and to more continents than any other top figure in China's history. From the time in which he took up the presidency in spring 2013 to the start of 2016, he has visited almost 40 countries. Only India's Modi competes with him for number of international locations visited by a major head of state. But what is the narrative that we can divine behind these frequent flyer habits? We have to assume that President Xi has a very tightly packed schedule around domestic matters. How is it that visits to Fiji (population 400,000) which he visited in late 2014, and New Zealand (4 million) justify significant parts of his time?

The Xi Jinping leadership has been highly activist in terms of domestic policy. But as the travels of President Xi have made clear, this has been reflected in a similarly expansive international dimension. At the time in which Chinese behaviour in the South and East China Sea has aroused suspicion and claims of assertiveness and pushiness, to the wider world President Xi has been solicitous and communicative. He has wrapped the world in a series of "grand narratives" which stand as the equivalents of the ambitious stories through which his leadership has promoted domestic issues, reaching its peak in the "China Dream" and the "Four Comprehensives".

## DEFINING THE WORLD IN TERMS OF ZONES

At the very start of his period as President, he asked that fellow leaders "told the China story." Perhaps this was partly a response to the fact that, under his predecessor, Hu Jintao, there had been mounting criticisms that the leadership had been too reticent on these issues of its global role. For Xi, this has been rectified. There has been plenty of language from him and his colleagues

about the wider world, and about China's role in it. From all this travel, and the language associated with it or used during it, there is clearly a big role that China's foreign affairs plays in the minds of its current leaders in addressing its current challenges as it moves towards a middle income status country by 2021 and tries to achieve the first of its centennial goals. The question, at least for those outside China, is what this story is, and, more importantly, what it means to them. One way of getting to grips with this is to think of China under Xi clearly being divided up into zones of strategic interest.

Xi Jinping has mapped out in his words since 2013 during his travels a world of broadly three zones. In the centre of China's world is the United States, its most important bilateral relationship and the one it expends most energy on. In the second zone there is the "One Belt, One Road" initiative, a vast idea that encompasses over 60 countries, many of them in China's immediate region. Finally, there is the "civilisational partnership" idea, applied to the European Union, which retains its immense economic importance to China even as its political identity remains more vexed. These "zones" are guided by a number of different imperatives. They link security, political, geographical, economic and resource interests for China. In a sense, they "describe" or "narrate" a contemporary Chinese-centric view of the world, and give the outlines of the China story. Through Xi's visits, this story has been unpacked. In his visits to the Middle East, to the Central Asian Region, to Australasia, and Latin America, as well as the three broad areas covered by the regions described above, the outlines of this story have now become clear. The message is that China is a self-conscious global actor, a country with aspirations under Xi to truly become a "rich, strong" country, one which enjoys its restoration moment when its pre-modern status and importance are returned to it. They give an indication of the scope of Chinese contemporary ambition, and its tactics and content.

**China is a self-conscious global actor, a country with aspirations under Xi to truly become a "rich, strong" country.**

### **ZONE ONE: NEW MODEL OF MAJOR POWER RELATIONS**

The U.S. remains China's principal partner, and the one it has to undertake the most delicate and careful diplomacy with. It is the most nonexpendable partner, through the volume of goods sold into the U.S. market but, more sharply, through its huge security role in the Asian region. Xi Jinping visited the U.S. very soon after taking up office as president in 2013, spending two days in a retreat with President Obama in Sunnylands. While there he made two important statements. The first was that he regarded the Pacific as "big enough" for both the U.S. and China. The second was that he located the relationship within a "new model of major power relations."

This articulation achieved two things. First it mapped out clear strategic space, in which China claimed some form of parity with the U.S., at least in the region (the statement about the Pacific is germane here, with its clear assertion that both powers have equal rights to influence and operate here). And secondly, it made clear that China did not seek a competitive, and ultimately potentially combative, relationship with the U.S., but something new, where it avoided the template of great power conflict of the past, and drove more towards parity.

It is clear under Xi, as with his predecessors, that the ambiguity about the U.S. role in the Asian region has not disappeared. What has become stronger is a desire for clear space around China where it has greater freedom of movement and influence. The South and East China Sea disputes are a major part of this – theatres of symbolic rather than actual clashes (China has not added to its island territory in the last quarter of a century, just built on already claimed islands or sea features). Through proxy agents (fisherman, lifeguards, Chinese citizens) the Chinese state has sought to test the strength of resolve of its immediate neighbours who are involved in the dispute. Of these, several (Japan, Philippines, Brunei, and, in a unique way Taiwan) are allies of the U.S. Chinese behaviour has sought to create doubt and hesitancy about what the contesting powers in the maritime disputes might do to protect their claimed interests. In that sense, at the moment at least, the tensions in the region are best described as "phantom" or "shadow" clashes. They pit intent and ambition with each other, rather than military assets. But of course a miscalculation could cause that to change.

**What has become stronger is a desire for clear space around China where it has greater freedom of movement and influence.**

The "new model of major power relations" only concerns China and the U.S., and consists of a double-pronged approach. For non-regional issues, China's ambition is not to be lulled into the

responsibilities of a G2 kind of power. It does not want to be seen as an alternative to the U.S., taking on onerous security responsibilities not linked to its own tangible core national interests in what it regards as remote parts of the world. In the Middle East, Africa, and Latin America, therefore, it does not wish to be positioned as a successor to the U.S., setting up military assets and being pulled as a potential deal broker into complex and long standing political disputes. It prefers to work through the UN, in concert with others, rather than taking the lead on issues like this. But once we come to China's own immediate region, the simple fact that can be seen more intensively under Xi is that China regards the U.S. as oppressing its own ambition to be the major regional actor. Within "major power relations" there is this clear tension, therefore, and a less benign message: we are not active right up to your sovereign space, so can you please do the same and get out of our own space.

## ZONE TWO: COUNTRIES ALONG THE BELT AND ROAD

Chinese officials and business people talk a very similar language to their counterparts in the wider capitalist world. But over security issues, and in the political realm, China's domestic system creates distrust and suspicion.

As one of the last five countries in the world where a Communist Party still has a monopoly on power (the others are the DPRK, Laos, Vietnam and Cuba), China is an increasingly exceptional power. Its political model is alienating for many outside the country. The rest of the world displays plenty of mixed feelings about how they view China. In the economic realm, it is clear that Chinese officials and business people talk a very similar language to their counterparts in the wider capitalist world. But over security issues, and in the political realm, China's domestic system creates distrust and suspicion.

This is particularly intense around China's immediate borders, where misunderstandings and distaste for its one-party model, and the imperatives within its domestic polity of ensuring that everything is geared towards preserving the one party-state create a sense that even for investment or purely economic activities there is a larger political agenda motivating the Chinese state.

From 2013 during a visit to Central Asia, Xi Jinping started to refer to the idea of the One Belt, One Road, though this was originally through ideas around the historic (and somewhat nebulous) silk roads. Capitalising on the romance of these putatively ancient trade links, Xi's advisors developed ideas contained in the work of academic Wang Jisi to extend China's influence landwards, and westwards, rather than focusing on its maritime aspirations to the east. In 2014, the idea became encapsulated in the One Belt, One Road initiative, something that embraced South Asia, ASEAN, Central Asia, Russia, parts of the Middle East, Australia, and even reached into parts of Eastern Europe.

One Belt One Road has at core a unifying message: that for all those countries embraced by the idea, there is an invitation to focus on economic and trade links with China, developing and deepening them. Part of this is a movement for simplification, stripping aside the more complex geopolitical and diplomatic issues, ignoring complex differences over security, and instead appealing to countries around it to consider ways they can make more money and get more benefit from their extant economic links with China. Operating like a vast common trade zone, the most tangible spin-off since 2015 has been the Asia Infrastructure Investment Bank. A White Paper issued by the State Council on the whole initiative in 2015 was bereft of specifics, simply stating that the One Belt, One Road operated more as an invitation for countries to propose co-operative projects with China. Spawning vast numbers of conferences, seminars and activities, it has been embraced on the level of rhetoric – but as yet there have been few solid investment outcomes.

What One Belt One Road does achieve, however, is more in the symbolic realm – creating a zone of China-centric interest, but one focused on benign issues of trade. This avoids arousing the antipathy of the U.S. and its allies. It also carves out an area of legitimate hegemony for China, one that does not involve direct discussion of security, but more the creation of trade dependencies and a discourse of mutual benefit rather than lofty appeals to international humanitarian responsibilities and norms. In 2016, One Belt One Road has become the epitome of the Xi era style of high sounding rhetoric. The question is now whether such an ambitious idea will translate into something more tangible, and whether that will not eventually look like an attempt to create greater political leverage on the top of economic dependency.

### ZONE THREE: CIVILISATIONAL PARTNERS

The European Union is China's largest intellectual partner. Through technology transfers, its governments and companies have helped create prosperity, and entrepreneurialism within China since the start of the Reform Era. Germany and the UK in particular have been at the forefront of this. And yet the EU's division into 28 member states, and the fractious and sometimes contradictory policy positions these states take on China, on issues ranging from human rights to the arms embargo imposed in 1989, to the ongoing disputes about granting China market economy status, all serve to underline just how complex, and sometimes for Chinese at least, unreliable a partner the EU is. The era in which it has been beset by crisis ranging from the Eurozone turmoil from 2009 onwards have only deepened Chinese frustration at the Union's capriciousness, its desire to often adopt a moralizing and superior tone towards China, and yet very clear evidence of its own internal fragility.

Xi Jinping's visit to Brussels in 2014 coincided with a new State Council White Paper on Chinese EU relations, reinforcing the positions taken in the first in 2003, but showing a clear hardening of lines over issues like human rights, Tibet, and recognition of Taiwan. The 2014 paper was harshly prescriptive, perhaps a sign of how much the Chinese have moved beyond their earlier aspirations towards the EU as a useful counterweight to the U.S. and now view it as a more complex, and sometimes more contentious partner, but still one they need to operate within a constructive framework. Civilisational partners was the term that Xi used when speaking in Bruges in late March 2014. This managed to achieve the same kind of parity with the EU as "major power relations" did as a descriptor of China and the U.S. But it also recognised that the EU was simply not a significant, unified security and military actor on the same level as the U.S., and that it has a bewildering internal political complexity. "Civilisation" captures some of the things Chinese do admire about the EU – cultural assets, diversity, history, creativity, and intellectual prowess. But it also makes clear that the EU is no unified nation state.

### THE THREE ZONES AND THE XI VIEW OF THE WORLD: CHINA OPENS, BUT ON ITS OWN TERMS

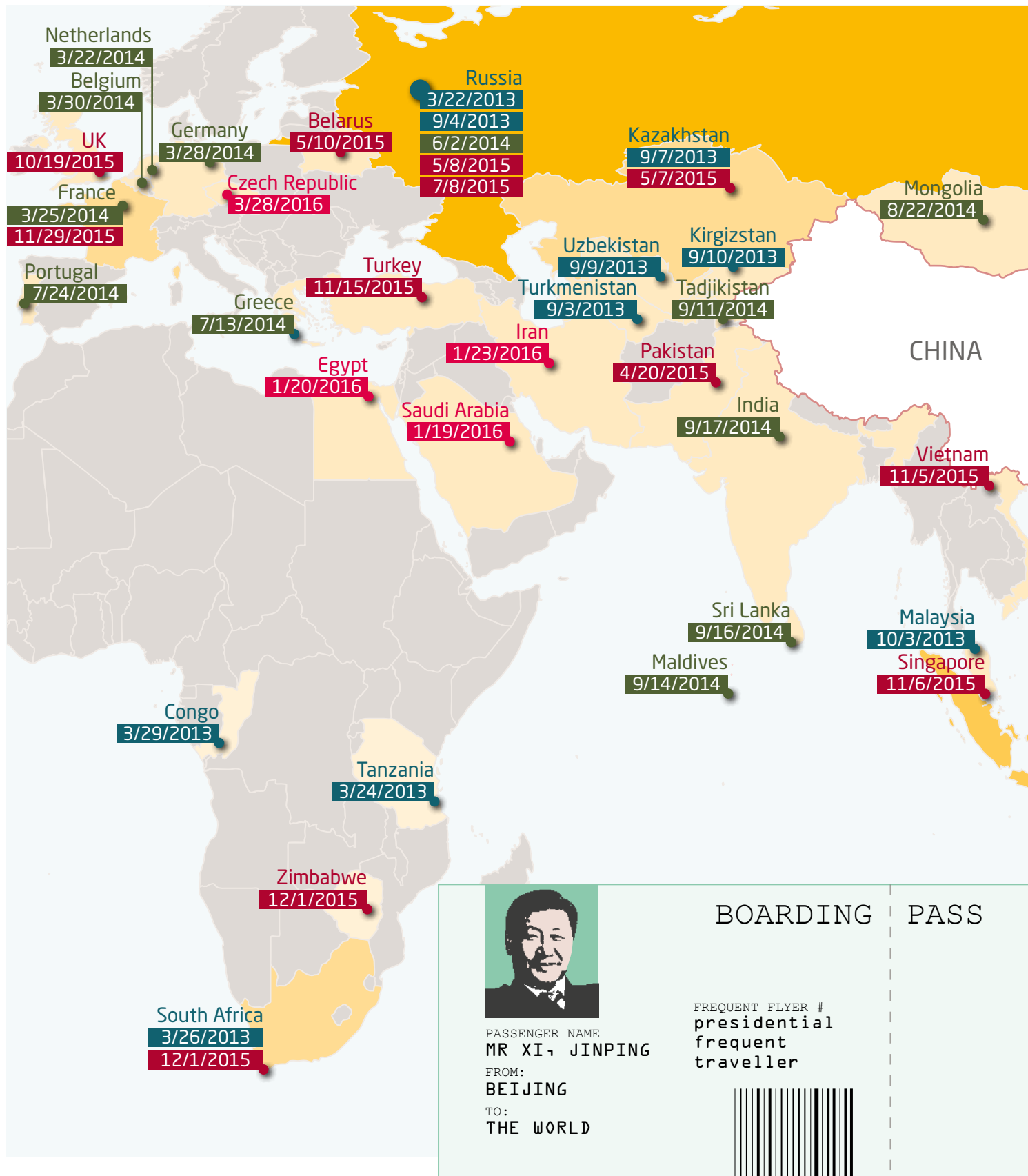
The three grand narrative descriptors that Xi has used over the last three years, during his busy international schedule, typify a contemporary official mind-set in Beijing. In the current era of reform, where there are so many complex domestic issues to attend to, benign and stable relations with the outside world remain important. Despite this, the need in an era of falling GDP growth and slowing economic achievements to seek legitimacy in other realms means that the Party beefing up its nationalist credentials, and toughening its stance in the region while playing a largely symbolic international role should not be surprising. This lies at the heart of the tension within China's posture regarding the outside world.

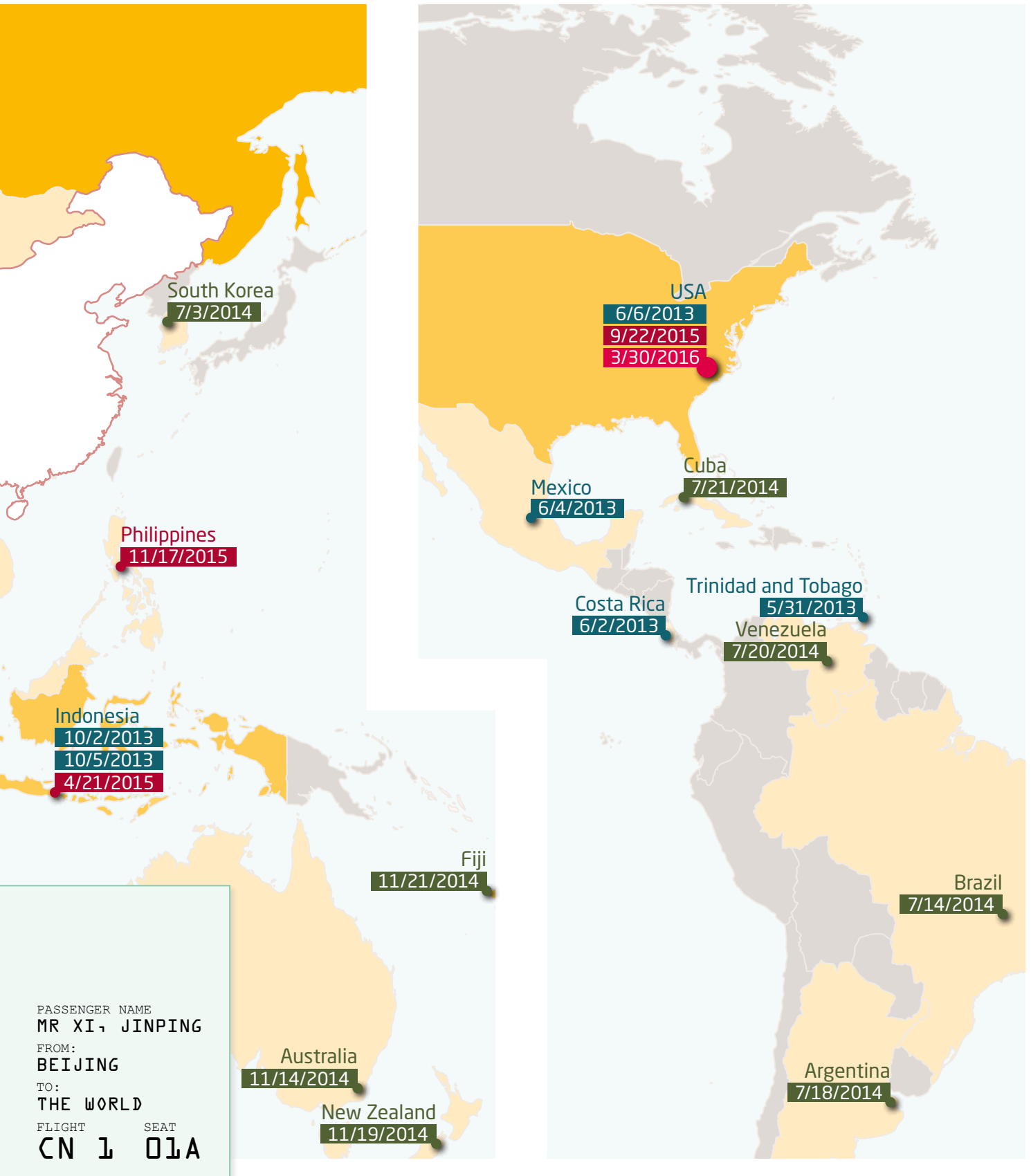
Where there has been clear evolution is that under Xi there has been at least a greater willingness to speak to the wider world about what role China wishes to play in it, and a tactical understanding of where, and how, China needs the outside world involved in it. Foreign involvement in civil society and non-government organisation, and through political influence, has been fiercely circumscribed. Businesses in China have found the environment has become tougher. With GlaxoSmithKline, China served warning that it would take on any multinational, no matter how large or important its sector, where it felt it was being exploited, and where it knew the company could not walk away from the possible future profits the country's emerging middle class society offers.

The Xi approach to the outside world can be typified in a simple concluding sentence: China open to the world, and going into the world, but increasingly on its own terms. China knows better than ever before what it wants (status, intellectual partnership, economic links), how it wants to achieve these (through concentrating on its strategic region, creating benign sounding frameworks within which to work with the rest of the world beyond this region, and avoiding onerous responsibilities and obligations), and who it wants to achieve these with (predominantly countries geographically close to it, countries it needs resources from, or has major export markets in, or wants intellectual property from). In the era of global China, this in essence is the global perspective of its leadership.

The Xi approach to the outside world can be typified in a simple concluding sentence: China open to the world, and going into the world, but increasingly on its own terms.

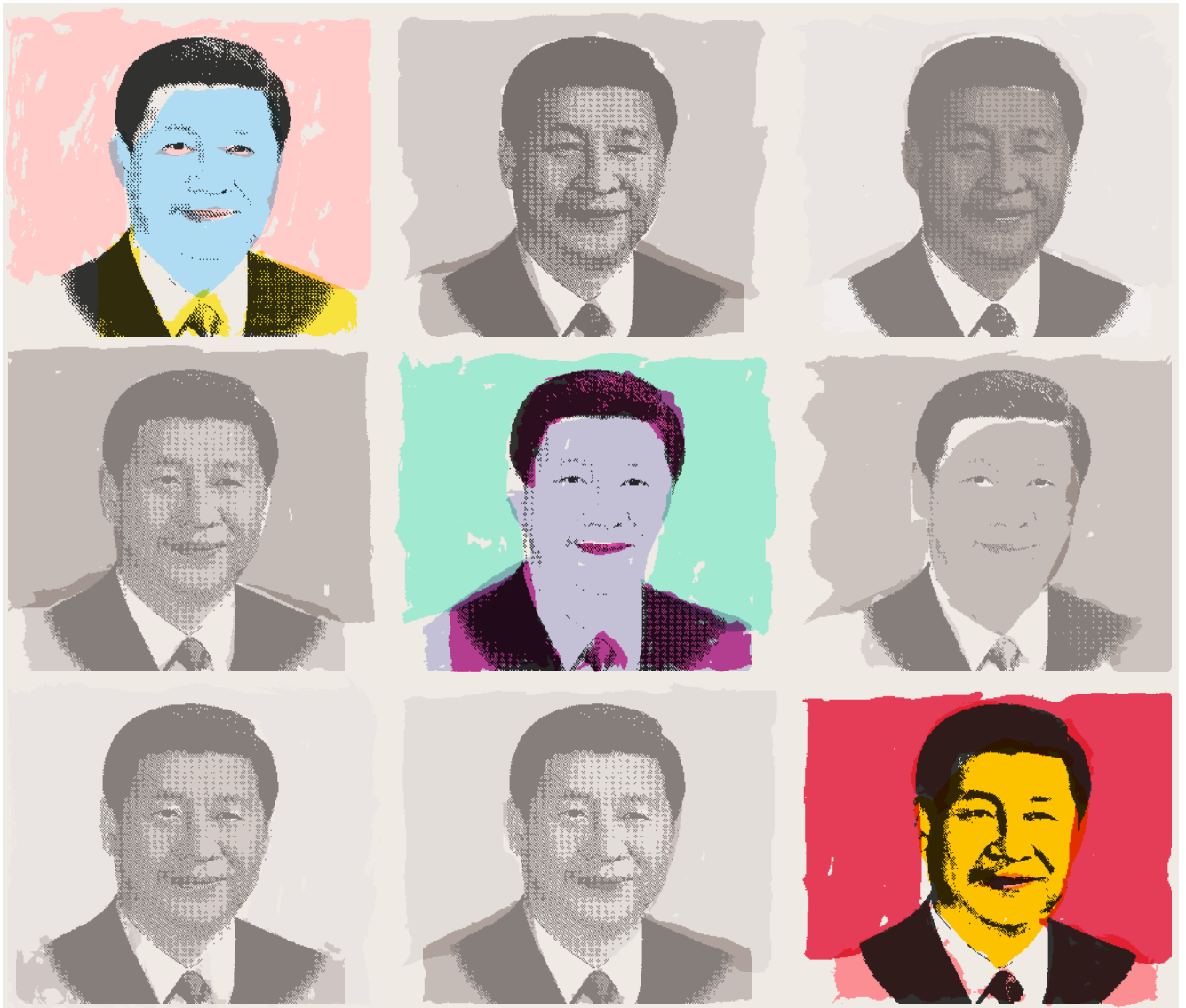
# Carrying the China Dream out into the world: Xi Jinping's travels as President of the PRC, 2013-2016











## Part 2: Leadership Structures and Processes

## Top-level design and local-level paralysis: Local politics in times of political centralisation

**Anna L. Ahlers and Matthias Stepan**

### KEY FINDINGS

- China's leadership under Xi has reinforced the party's hierarchical command structures, demonstrated through its top-down campaigns, focusing on austerity, anti-corruption efforts and party discipline. It has reinvigorated sanctioning and incentive mechanisms for local cadres, with unknown effects on their long-term performance and loyalty to the CCP.
- Re-centralising the intergovernmental financial system strengthens the overall steering capacity of the central government temporarily, but does not alleviate the fiscal stress on local governments. The central government is pushing for greater market orientation at the local level, resulting, thus far, in short-sighted solutions that will end up reducing transparency concerning local debt.
- Local leaders are abstaining from bold policy moves out of fear of demotion, exclusion from the party, or legal repercussions. Consequently, subnational governments have ceased to act as independent actors of policy initiative and innovation. Policy piloting and experimentation will remain an important component of the policy process, but will be employed only very selectively and under the auspices of the central government.
- These reconfigurations of central-local relations give the central leadership more tools to enforce local compliance, and they appear to be effective in the short term. But they will suffocate subnational policy initiative, ultimately undermining the adaptive capacity of the Chinese state.

### POWER MAY BE CENTRALISED, BUT THE CENTRE'S DEPENDENCE ON SUBNATIONAL GOVERNMENTS FOR IMPLEMENTATION REMAINS

The leadership transition in 2012/13 did not just mark a clear handover of power to a new generation of top leaders: it also redirected the Chinese political system in some rather radical ways. Starting a major (and still ongoing) anti-corruption campaign was but one signal from the leadership showing its political determination to bring about change. The new leadership also put forward an ambitious catalogue of new goals and mechanisms for policymaking, embodied by the CCP's "decision on major issues concerning comprehensively deepening reforms" unveiled at the 18th Central Committee's 3rd plenum in November 2013. Containing a strong mandate to push forward major reforms, the decision gives top priority to policies that call for increased market orientation. It simultaneously provides for an enhanced top-down, centralised governance mode that leaves no doubt that the CCP has ultimate control (Ahlers et al. 2013). In 2016, most of the policy-related decisions were further elaborated upon in the 13th Five-year plan of the PRC (2016–2020).

Progress towards these goals, and the ultimate success of the CCP's reform plans, critically depends on subnational governments, especially at the provincial, municipal and county levels. In the past, the central leadership often faced local circumvention or covert non-compliance in response to new initiatives. Therefore, one of the biggest challenges the current core executive inherited was enforcing compliance and guaranteeing effective and sustainable policy implementation.

Increasingly concerned about rampant corruption in China's far-flung administrative system and unable to tolerate inefficient policy implementation in a slowing economy, the CCP leadership was left with little choice but to reorganise central-local relations. In this essay, we consider the most prominent measures taken thus far and posit that these measures have indeed significantly reconfigured central-local relations. Our essay includes initial assessments of the impact of individual reconfigurations. We conclude with a general outlook on potential short- and long-term developments.

## THE CCP LEADERSHIP UNDER XI REINVIGORATES HIERARCHICAL COMMAND STRUCTURES

Several central-level structural changes have concentrated power in the hands of the top leadership, but the extent to which this has affected central-local relations differs by issue area. The Leading Small Group for Comprehensively Deepening Reform (CDRLSG), established shortly after the 3rd Plenum and under the direct leadership of Xi Jinping, has had by far the most immediate impact on central-local relations and on local operations. The group is meant to supervise reform progress in the key policy areas identified in the 2013 decision and it took over part of the decision-making powers that originally were vested in other LSGs and the State Council (for details, see: Miller 2014). This new centralised steering body is furthermore mirrored at almost every level of the governmental hierarchy, as subnational governments established equivalent LSGs on comprehensively deepening reform in order to answer to the new extensive central calls.

CCP has reduced subnational governments' overall discretionary power. This diminishes both zeal for experimentation and room for innovation.

### Clarification of responsibilities and increased transparency

In March 2013, Li Keqiang announced a major programme for transforming the role of the government, including deregulation and streamlining of competencies. As a result, the responsibilities and portfolios of various government units are more specific than ever before. Publicly available "power lists" (权力清单) provide an overview of competencies of individual government units. They act as a service-oriented reform, intended to accommodate the demands of "clients" (mainly citizens and entrepreneurs) for accessibility and procedural transparency (Stepan 2015). Arguably, however, their real purpose is to increase procedural efficiency, as they signal which organisational units have the necessary competencies (and mandate) to make certain decisions. While the CCP likely still considers local experimentation important for policy innovation, it has actually reduced subnational governments' overall discretionary power. This diminishes both zeal for experimentation and room for innovation.

### Cadre evaluation: demotion has turned into a real threat

Similarly, the central government has introduced more sophisticated policy performance targets as part of the reform of the cadre evaluation system. Firstly, compared to previous administrations, the most recent programmes with performance targets contain strikingly few binding targets. This smaller number of goals – even though the goals themselves may be comparatively difficult to achieve – should mean that they are more attainable for local leadership, and the central government has clearly enunciated the absolute necessity of their implementation. At the same time, the centre has adjusted the criteria of target contracts and the cadre evaluation system, which stretches across all governmental levels. Underscoring the top leadership's decree that economic growth can no longer offset underperformance in other policy areas. Enhanced monitoring of cadres' performance on priority issues, such as public service provision and environmental protection, now accompanies what used to be an almost exclusive focus on GDP growth.

This all means increased complexity and even heavier burdens for local administrators. If they deliver, they can expect to rise. If they fail to do so, the government has a new sanctioning mechanism at hand: demotion. Whereas in the past, demotion was rarely used except as a tool in party discipline inspection, central guidelines issued in 2015 by the central government and transposed by most subnational governments in the meantime, make demotion a real threat (SCMP 2015). The recent adaptations may have been necessary to strengthen control over local implementation, but they could end up causing opposition among local cadres.

### RESTRUCTURING LOCAL FINANCES: TAPPING NEW SOURCES AS OLD ONES RUN DRY

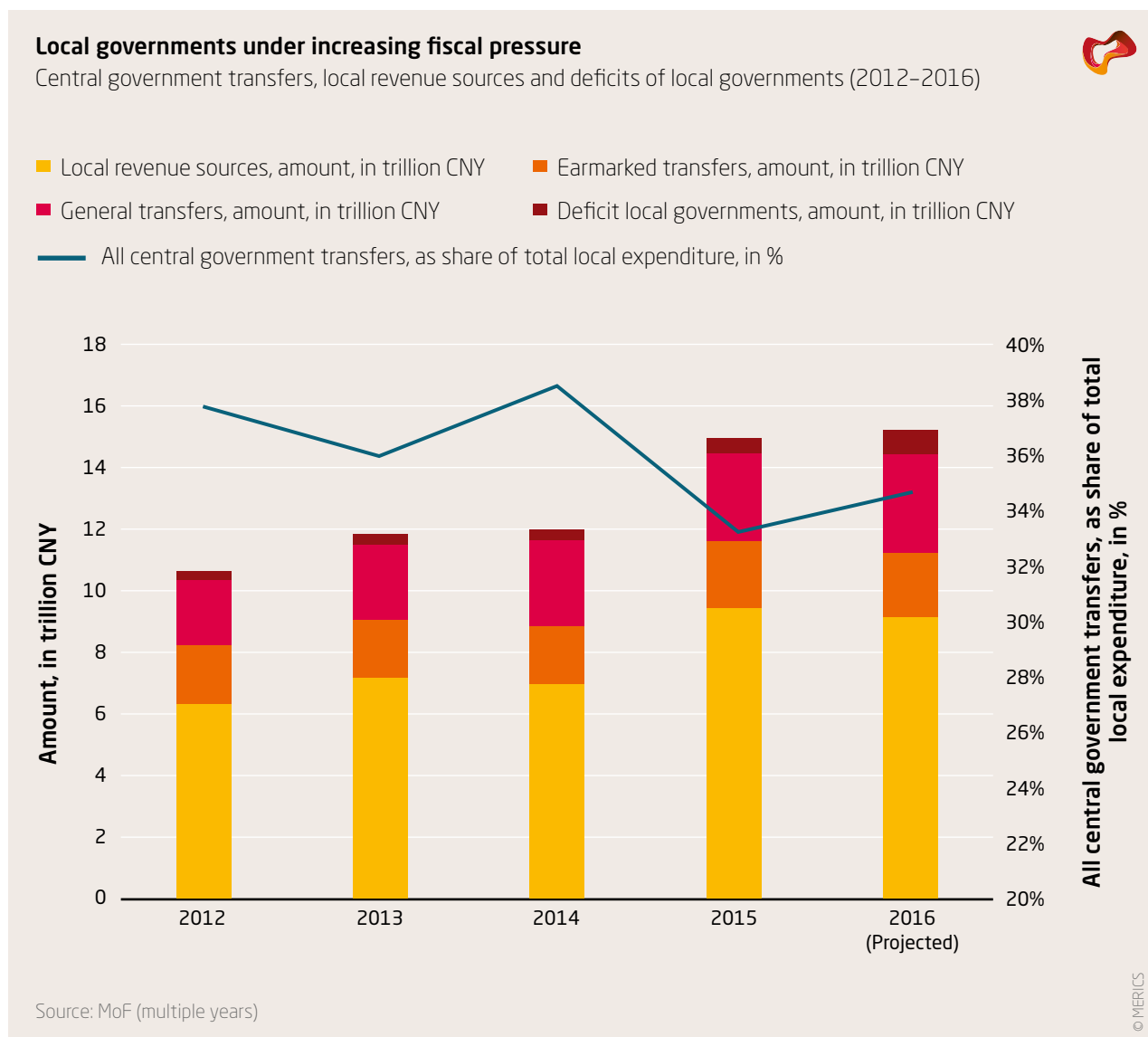
For more than two decades, subnational governments in China have faced increasing fiscal pressure. Unfunded mandates have driven them to search for new sources of income to finance public services and infrastructure projects. The new leadership has enumerated even more deliverables expected of subnational governments, while simultaneously reducing their sources of income through stricter regulation of land sales, real estate deals, and local financing platforms. Thus the question arises: how can the solvency of local governments be guaranteed as they are tasked to provide more services with less money?

#### Local and central government are searching for new financial sources

The central government has done little with respect to increasing local governments' fiscal base. Instead, it is expanding upon previous adjustments to the intergovernmental transfer system. Since 2012 the central government has been increasing the share of general transfers. This marks the end of a project-based approach that is built around earmarks for particular projects, transferred to subnational levels (Ahlers 2014).

While the new system apparently allows subnational governments more flexibility in allocating the funds they receive from the centre, "managing scarcity" still rules the day, as the amount of funding continues to be insufficient.

Figure 5



As a solution to this problem, the central government has prescribed a “market-orientation”. It is stridently calling on local governments to invoke “social capital”, essentially meaning private commitments. This involves donations or corporate social responsibility (CSR) measures from local state and private enterprises as well as increased reliance on contractors or “non-governmental organisations” to provide services, especially in the health and care sector.

#### “Decentralising” market orientation still happening under extreme hierarchy

The strongest symbols of this new market orientation are the new “investment companies” (基金公司), which act as industry policy vehicles for subsidy allocation, local favourable industry schemes, and business project funding and loans at the local level. Former government officials flock to become chairmen of these new institutions. They can be described as “semi-capitalist” local agencies, but their priorities are largely set behind the scenes by the enormous top-down steering in the background.

#### Local finances still unsustainable in the long term as implicit debt continues to rise

Local debts are on the rise. The last official release of data on local debt dates to mid-2013. According to the National Audit office, debt amounted to CNY 17.9 trillion. The implementation of a debt-for-bonds swap programme, allowing local governments to refinance a portion of their maturing debts via bond issuances in 2015, is another sign of the dire state of local finances. According to a report by the Economist Intelligence Unit, provinces issued around CNY 600 billion in new bonds and converted debts worth CNY 3.2 trillion in 2015 alone (cf. EIU 2016).

In addition, the centre has endorsed Public Private Partnerships (PPP) as a panacea for fiscal gap problems. PPPs might provide local governments with a new source of income to realise certain projects, but their use in China and elsewhere has shown that they also create problems of their own. Overuse of PPPs carries with it the danger that short-term financial considerations outweigh longer-term ones as the main drivers of PPP establishment. As of now, local government priorities and their power over the involved companies are still the more critical factors in the setting up of PPPs, overriding the involved companies’ economic considerations.

Reinvigorated ideological training alienates local administrators from top-level leadership.

### RIGOROUS PARTY DISCIPLINE INSPECTION PARALYSES LOCAL GOVERNMENT ACTIONS

The CCP leadership fears disintegration and has called “decentralism” a major evil. Through the several key steps outlined above, the CCP is pushing for increased effectiveness and standardisation in local-level policy implementation. Apparently aware that intensified pressure on local governments could “over-stretch” the system, the central leadership has employed a set of seemingly anachronistic tools in an attempt to enforce compliance: a nationwide anti-corruption campaign, enhanced discipline inspection, and ideological training.

#### More frequent and stricter forms of discipline enforcement

At the local level, the pervasiveness of the anti-corruption campaign and its attendant disciplinary measures is striking. Over 90 per cent of ousted officials were cadres at the county level or below. High staff turnover levels and recruitment efforts are consuming substantial proportions of the remaining experienced officials’ available time. Furthermore, thorough disciplinary inspections at these lower levels also means that the actual business of governance often slows for weeks at a time, and exchanges with other departments, stakeholders and external advisors essentially stops.

Aside from the ever-increasing inspection tours by higher-level organs, discipline supervision is also manifesting itself in a more permanent form on the local government level. Nearly all local departments now host at least one “disciplinary agent” (纪委的) who oversees and screens all activities, meetings, inspection tours, publications, etc.

### Using ideology as a means to enforce policy compliance and effectiveness

The CCP no longer values policy effectiveness or pragmatic policy solutions on their own. It now requires ideological obedience and ultimate loyalty to the Party's core values and developmental priorities.

This is reflected in reinvigorated ideological training. Leading cadres spend weeks or months reciting "core" works in Party school courses and are responsible for holding frequent "study sessions" with their staff. This alienates local administrators from top-level leadership, as they see these training sessions as wasting both time and resources. Thus, such ideological measures are unlikely to enhance policy effectiveness and implementation in the long run and may in fact produce the opposite result: an increasing number of experienced local officials will probably leave the civil service, stripping the party-state nexus of its most valuable resource for managing the mounting challenges for governing the country.

### OUTLOOK: SHORT TERM GAIN, LONG TERM PAIN

Drawing from the initial assessment of these reconfigurations, we conclude that the short- and long-term prospects of policy effectiveness are quite different:

- In the *short term*, reduced local discretionary power breaks down local circumvention to central policies and benefits programme implementation.
- In the *long term*, unless the centre eases up somewhat on subnational actors and improves the fiscal basis of local governments, local policy initiative will be completely suffocated. This would have significant negative implications for the adaptive capacity of the Chinese state and its recently improved record in providing public goods.

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## Shifting structures and processes in economic policy-making at the centre

**Barry Naughton**

### KEY FINDINGS

- Xi Jinping has dramatically shifted the locus of economic policy-making away from the government and towards the Communist Party. This means Xi Jinping himself ultimately makes crucial decisions about economic policy.
- The decision-making process itself is broken. The shift in policy process has resulted in policies that are not adequately specified or implemented and in erratic and inconsistent policy commitment. One plausible consequence of this is a pattern of excess caution among lower-level officials with policy responsibilities.
- It is unclear what criteria decision-makers will use to evaluate policy choices. It is generally believed that economic policy is being held hostage to an insistence that GDP growth must not fall below a 6.5% annual rate, because this is crucial to the goal of doubling GDP by 2020. This completely arbitrary criterion undermines the quality of economic policy.

### THE PARTY AS THE NEW LOCUS OF ECONOMIC DECISION-MAKING

Xi Jinping has shifted the locus of economic policy-making sharply, away from the government and towards the Communist Party. The groundwork for this shift was laid early in the Xi administration by the creation of new Leadership Small Groups (LSGs) with expanded executive authority. The two most important economic LSGs meet every month or two and pass on ten or more important policy documents at each meeting. The fact that these Party processes are actually in authoritative use has been confirmed by process-tracing of numerous important policy decisions. The shift in economic policy process represents a clear break with post-1980 Deng-ist norms, which had consistently placed the Premier in charge of economic policy.

This change in the policy process has caused a sharp deterioration in the quality of economic policy. There are three main reasons for this deterioration:

1. The connection between policy-making and policy implementation has been weakened. There is no longer a “natural” implementation pathway available for a given policy decision. After a policy decision is made, specification of the policy must be handed off to another agency, and the choice of agency is often not obvious. Even then, a further hand-off must usually be made to the agency charged with implementation. Moreover, without a single, authoritative policy-maker focused on specific priority policies, there is no “hammer” to push changes through the system. State-owned enterprise (SOE) reform exemplifies these problems.
2. There is uncertainty about who will make specific decisions. To be sure, the shift in economic policy decision-making to “the Party” means that Xi Jinping himself ultimately makes crucial decisions about economic policy. Current Premier Li Keqiang still oversees day-to-day operation of the government. As a result, Li has tremendous influence on the interpretation of policy and the priority given to policies that compete for resources and attention. Who will actually be the key decision-maker in a given case? Will the top leader care enough about a specific policy to push for it? Nobody knows.



3. It is unclear what criteria decision-makers will use to evaluate policy choices. As a result, policy-making has become more erratic. It is generally believed that economic policy is being held hostage to an insistence that GDP growth must not fall below a 6.5% annual rate, because this is crucial to the goal of doubling GDP by 2020, which has been embraced by Xi Jinping. This is a completely arbitrary criterion that inevitably undermines the quality of economic policy.

In short, the shift in policy process has resulted in policies that are not effectively specified or implemented, and a pattern of erratic and inconsistent policy commitment. One plausible consequence is a pattern of excess caution among lower-level officials with policy responsibilities.

## MANIFESTATIONS OF A BROKEN POLICY PROCESS

When Xi Jinping initially came to power, many outside observers welcomed the advent of a strong leader who could push through necessary economic reforms over the resistance of entrenched interest groups. Xi encouraged this perception by (a) talking early and often about the need for reform; (b) appointing talented and committed reformers to key positions; and (c) promoting an extremely broad and ambitious reform agenda at the Third Plenum in November 2013. Considering this early commitment, it is quite striking that two and a half years after the Third Plenum, not one of its economic reforms has been an obvious success. The disappointment of these early hopes calls out for an explanation. The three features described above – lack of implementation channels; uncertainty about decision nodes; and uncertainty about criteria and leadership attention – can contribute to such an explanation. It may also be that the agenda was simply too broad, without sufficient prioritisation.

### Absence of implementation pathway

The absence of clear implementation channels is an obvious problem for all elements of the Third Plenum reform package. In theory, the Third Plenum passed a “top-level design” reform programme, which was then disaggregated into 336 “initiatives” farmed out to different organisations. Parcelling out responsibilities to many agencies left economic reforms without a strong champion or guide. For example, the discussion of State-owned enterprise (SOE) reform raised expectations, with intriguing references to mixed ownership, changes in the way national wealth was to be managed, and separation of monopoly and public goods firms from those in competitive markets. In practice, the Leadership Small Group on Deepening Reform farmed out the drafting of SOE reform programmes to three separate agencies: the Ministry of Finance for public wealth management; the State Council for corporate governance; and the CCP Organisation Department for managerial practices. The Ministry of Finance reported back promptly, but their plan was judged too radical to get the green light; while the Organisation Department developed a programme to limit managerial compensation to norms created by bureaucratic rank and simply enacted it on their own. Meanwhile, various interests in the State Council were unable to agree and it was clear that the three drafting agencies were heading in very different directions. In response, an SOE Reform Leadership Drafting Group was eventually set up under the State Council, headed by State Councillor Ma Kai, and staffed by Wang Yong, the former head of the state asset management agency (SASAC). We do not know exactly who made all these decisions, but they must have been approved by Xi Jinping. In essence, state enterprise reforms were delegated to a drafting group dominated by insider interest groups, and the fate of reforms was sealed. It was no surprise to anyone when, in September 2015, a fragmentary, disappointing, and in some respects incoherent state enterprise reform plan was promulgated.

What happened to the ambitious but amorphous suggestions about state enterprise reform in the 2013 Third Plenum Resolution? They were lost because of a procedural decision (when the drafting of the detailed programme was delegated to Ma Kai’s group). However, this reflected a broader problem. Once control over a specific programme has passed from the Leadership Small Group on Deepening Reform to an implementing agency, there is no real champion for more disruptive and effective reforms. Nor is there any “enforcer” who can make sure that reforms are taken seriously and entrenched interests are overcome.

The absence of clear implementation channels is an obvious problem for all elements of the Third Plenum reform package.

In January 2016 a front page article in the People's Daily by "Authoritative Personage" announced the big push in favour of "supply-side structural reforms." These policies had been approved by the (Party-organised) economic work conference in December, and clearly represented a break away from both the 2013 Third Plenum reform agenda and the business-as-usual approach of State Council policy-making. The press has also numerous "clues" that the authoritative personage is Liu He, office director of two of Xi Jinping's key Leadership Small Groups (and, really, there is nobody else that it could be anyway). Thus, the article represents an extraordinary intervention by the economic policy adviser closest to Xi Jinping to seize the policy initiative and push for faster structural changes. The arguments in the pieces are solid – as are those in a follow-up piece on May 6, 2016 – and the policies advanced make sense. However, the intervention is probably better seen as evidence of a broken policy process. There is a yawning gap between the intent of the policies and the identity of the agencies prepared to implement them. Who is to carry out supply-side structural reform? The most urgent element of this programme is closing down excess industrial capacity while protecting the interests of laid-off workers. Only local governments can plausibly achieve this, but local governments don't have the resources or motivation to carry out such a demanding task. In practice, local governments are being nudged into implementation through a combination of political pressures, incentive payments from the central government, and deal-making with large firms that allows firms to form restructuring cartels and absorb small-scale producers. This exemplifies the implementation disconnect that has come to characterise Chinese economic policy-making.

**Nobody knows when Xi will choose to exercise his discretionary control over decision-making. Interventions are hard to predict in advance, and not even clearly known in retrospect.**

#### **Uncertainty about key decision-making**

Economist advisers now regularly report uncertainty and frustration about where decisions are actually made. This is an inescapable feature of the current decision-making setup. While Xi Jinping has successfully asserted his position as the ultimate decision-maker, he cannot possibly pronounce on every important economic policy. In the meantime, Premier Li Keqiang maintains a full schedule presiding over daily operation of the government, including many discretionary decisions that regularly achieve "policy" status. Who decides whether a policy is decided by Li, as part of ordinary economic management, or by Xi, as part of his supreme powers? Xi Jinping does not appear to practice "management by exception," in which he allows Li to manage decisions unless something goes wrong, and in any case, the economic challenges facing China are likely too complex and deep for this kind of approach to succeed. The result is simply that nobody knows when Xi will choose to exercise his discretionary control over decision-making. Interventions are hard to predict in advance, and not even clearly known in retrospect. For example, we do not really know who was responsible for the bailout of the stock market with more than a trillion CNY of public funds.

There are a number of cases where Xi has directly intervened to accelerate or limit the reform process, but these are known only through rumour and inference. Pronouncements by Xi on farmer land rights, hukou liberalisation, and state enterprise privatisation are said to have put limits on the economic reform drafting process. Conversely, Xi is said to have signalled the importance of completing Free Trade Agreements (FTAs) with South Korea and Australia in time for the November 2014 APEC meetings in Beijing. This message inspired negotiators to push both agreements over the finish line in time, accepting several provisions that made the agreements more significant (especially the Australia agreement). However, no similar signal was forthcoming with the China-U.S. bilateral investment treaty, with the result that few serious concessions were made before Xi's trip to the U.S. in 2015, and no agreement was reached. More broadly, we cannot identify any case since November 2014 where Xi has intervened to push specific market-oriented reforms forward or remove roadblocks to the reform process.

### Uncertainty over policy criteria

Closely related to the preceding point is the fact that actors are now unsure what the predominant criteria are for judging effective economic policy. Under Premier Zhu Rongji, it was clear that market-oriented reform was the dominant, if not the only, goal of economic policy. Premier Wen Jiabao dialled back the commitment to market reforms, but consistently sought to make the government a more effective provider of social services while championing aggressive techno-industrial policies. Today, broadly speaking, three different policy agendas jostle for dominance. First, market-oriented economic reforms were promised in the 2013 Third Plenum, with a decisive role for markets in resource allocation and to “as far as possible eliminate government intervention in microeconomic matters.” Second, the structural changes envisaged in the 13th Five Year Plan, and particularly the promotion of high technology industry, are seen as the key to creating a sustainable growth model after the end of the miracle growth phase. Third, Xi Jinping’s distinctive political agenda incorporates anti-corruption but also a revived and re-invigorated role for the Communist Party and its practices and beliefs. These three agendas are not absolutely contradictory, but they reflect very different underlying value systems and lead to very different and sometimes conflicting short-run policy priorities.

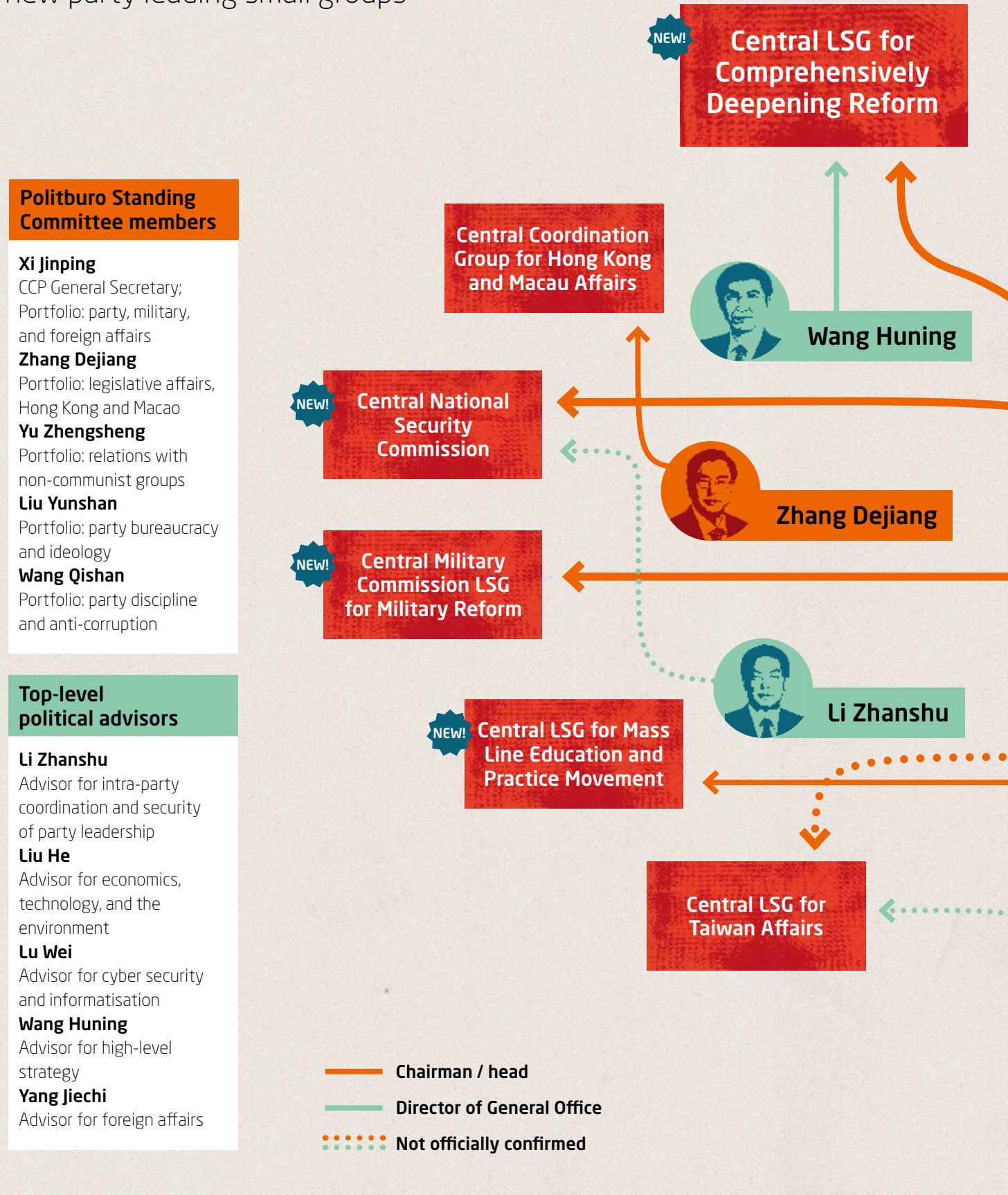
Once again, SOE reform can illustrate. The 2013 Third Plenum document praised employee ownership and accelerated stock market listing. Employees of many large central SOEs excitedly began preparations for distributing stock options. But in late 2015 these programmes were cancelled as being inconsistent with the public-spirited Party members Xi has sought to promote. The CCP Organisation Department reduced the salaries of large SOE CEOs and board chairmen in both industrial and financial corporations, in pursuit of fairness and a kind of egalitarian principle. Meanwhile, powerful Inspection Teams sent from the Central Commission for Discipline Inspection are currently resident at SASAC and the China Securities Regulatory Commission, and they are quite insistent on the high priority managers should accord to their work. This highly politicised agenda diverts effort from other difficult tasks. Similarly, the effort to foster new kinds of high tech actors is often in tension with the reformist ideal of having government withdraw from microeconomic affairs.

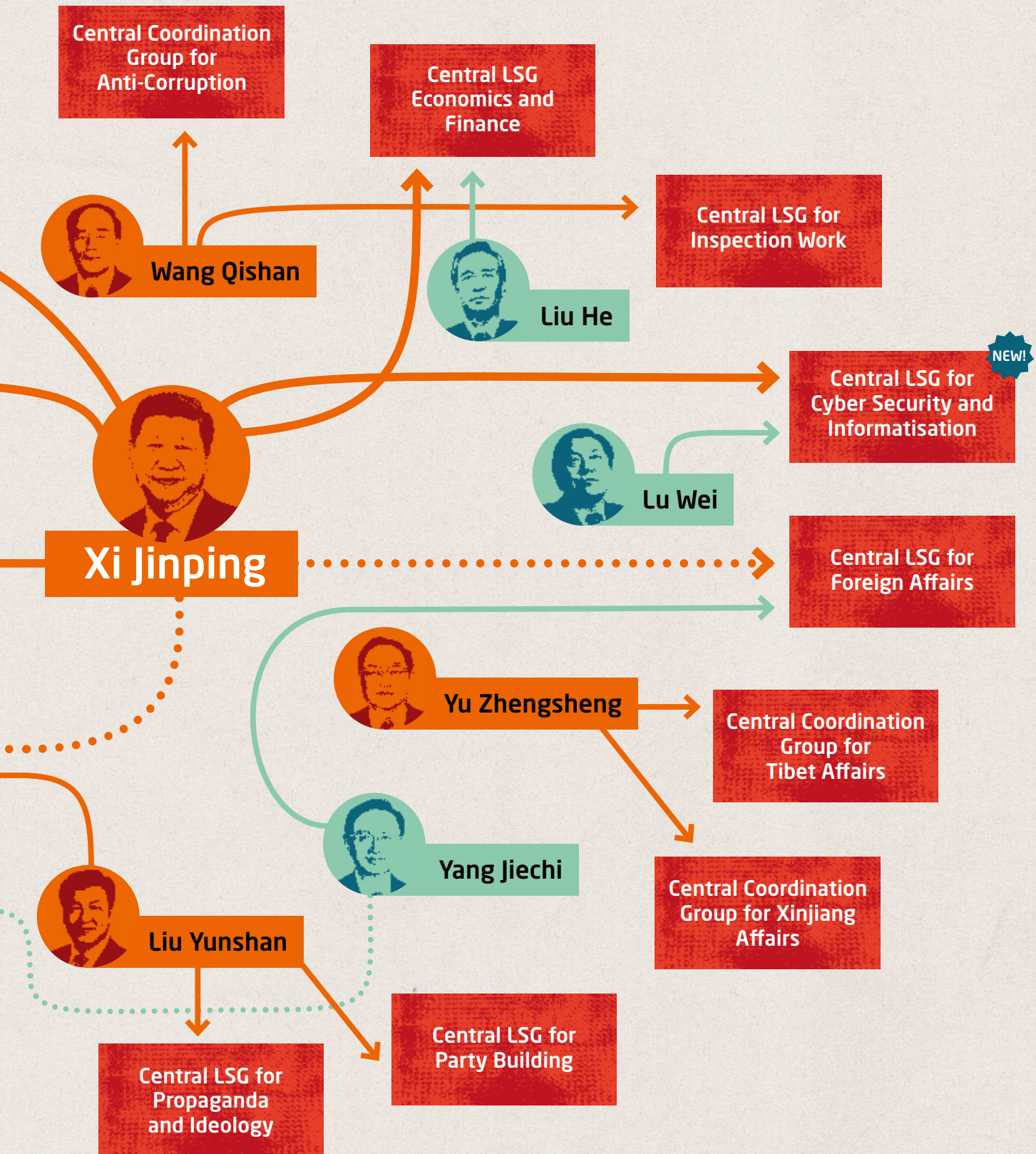
The second and third points are closely related. There do not appear to be competing agendas that divide, say, Xi Jinping and Li Keqiang. Xi’s main economic adviser Liu He appears to be committed to market-oriented reforms and structural change, and so does Li Keqiang. However, the decision-making process implies that neither one is able to make qualitative progress on these agendas, and it is unlikely that either is satisfied. There may be many specific issues that separate economic policy-makers, but not a philosophical divide. Ministers who nominally report to the Premier in fact have no choice but to look to the Party, to the top leader and to his key advisers, for signals about policy decisions. Further down the bureaucratic chain of command, officials must be cautious. Who is making policy? What are the broader objectives which policy is trying to achieve? Since these questions do not have immediate answers, subordinates cannot know how they are being evaluated, and they must be cautious. There is abundant evidence that policy-makers feel that grass-roots officials are too cautious, and unwilling to take risks for reform. But who can blame them? The problem is not the grass-roots officials, but rather the fact that the decision-making process itself is broken. Economic policy today is made inconsistently and is frequently not implemented. These features help explain an apparent sharp decline in the quality of policy outcomes.

**Economic policy today is made inconsistently and is frequently not implemented. These features help explain an apparent sharp decline in the quality of policy outcomes.**

# The party's nerve centre

Xi's inner circle of political advisors and new party leading small groups





# Military reform: The politics of PLA reorganisation under Xi Jinping

**You Ji**

## KEY FINDINGS

- The emphasis on CMC chair one-man rule, along the lines of a Maoist Politburo/CMC divide, will further fragment civilian oversight of People's Liberation Army (PLA) activities.
- Xi's hands-on approach rebalances commander-in-chief intervention and PLA autonomy in daily management. PLA professionalisation may be affected as a result.
- Xi's personnel management may induce factional imbalances among different officer groupings with the potential for long-term consequences.
- Xi's political leadership is reflected by his willingness to solicit CMC support to foster Politburo consensus on strategic issues. This may open the door for CMC intervention in Party (factional) affairs and thereby politicise the PLA, with profound effects on overall elite politics.

In November 2015, Xi Jinping initiated a new five-year PLA reform plan. When fully realised in 2020, the PLA will have a completely new look. This paper explores the politics of this reform in the context of Xi's political leadership.

## WHAT IS NEW?

The latest round of PLA reform is comprehensive but is centred on five major changes:

- Overhauling the PLA's chain of command and control, especially at the apex of power – the Central Military Commission – with creation of a supreme joint command headed by Xi himself
- Swapping the military region system with a warzone system
- Reshaping the PLA force structure by creating an Army headquarters, improving the status of the Rocket Force and establishing a new Strategic Support Service
- Placing the PLA's legal/discipline institutions under direct CMC control
- Separating military operational and administrative systems in the command chains from the warzone level downwards

The overall guidance for the reform is to highlight the need for the preparation of war, aligning it with Xi's shift in emphasis from his predecessor's focus on *preparation* to his own focus on *war*. The new CMC system, new Army headquarters and new warzone commandants have been institutionalised, with a new personnel line-up, managerial structure and command procedures in place to implement Xi's orders. Six concomitant reform schemes have been announced, including the reduction of 300,000 troops, the elimination of all PLA commercial interests, the placing of PLA legal/discipline organs under direct CMC control, and the further integration of national defence and civilian industries.

The People's Armed Police (PAP) will also undergo sweeping changes to assume more state security missions so as to relieve the standing army of that duty. This marks a major change in civil-military relations, reorienting the combat forces more towards external threats. The central thrust is to place PAP command more tightly under CMC rather than State Council control. As a result, the PLA's political influence, embedded in its special relations with the commander-in-chief (General Secretary of the CCP), will be boosted amidst intensified external security challenges.

### Politics in command of CMC reforms

The newly established CMC supreme joint command follows Xi's conceptual guidance for reform: the CMC will take overall charge of national defence, unifying the PLA's operational and administrative command at the top level, while the two systems will be relatively separate at lower levels. Thus CMC authority in the daily management of PLA affairs has been enhanced to an unprecedented level, as has Xi's.

On the surface, this is meant to enhance military efficiency in preparations for war. Behind it, however, is Xi's strategic move to centralise CMC control over the entire armed forces. This move was very much politically motivated. Until recently, the PLA had used a combined CMC/headquarters command system. Although the CMC was ultimately responsible for decisions, the headquarters were also entrusted with major decision-making power in running PLA affairs. They routinely issued policies and orders to PLA units in the CMC's name and on the CMC's behalf.

In the previous CMC/headquarters command system the former's control over policy initiatives and processes could be circumvented by the latter, especially when the CMC chair was weak. Now, the role of headquarters is to implement CMC orders. This kills two birds with one stone. First, PLA headquarters, e.g. the Joint Staff Department, and warzone commands, are stripped of the authority to make strategic decisions. Second, the CMC chair's control is more direct and detailed, as it is easier for him to control a small body like the CMC both institutionally and personally than to control four giant PLA headquarters.

The key to realising effective control is reiterating the ultimate authority of the CMC chair. Institutionally this is about reinforcing the CMC chair responsibility system in running PLA affairs, guaranteed by the PRC Constitution and CCP/PLA norms and traditions. This authority was visibly eroded by Hu Jintao's style of chairmanship – reign without rule (统而不治) – that allowed the top brass to abuse power without fear. Since the 18th CCP Party Congress, the Politburo has issued a number of directives stressing the inviolability of the CMC Chair responsibility system and equating it with the Party's absolute control of the PLA. Senior officers currently emphasise the importance of following and protecting Xi's authority as CMC chair, as reflected by deputy commander-in-chief Fan Changlong's speech at the PLA panel of the 2016 NPC Session: "Firmly safeguarding and implementing the CMC chair one-man responsibility system is the crux and primary mission of the PLA reforms. It is the concrete criteria by which to measure PLA loyalty to the Party and embodiment of the PLA's iron discipline" (March 8).

Enhancing the CMC chair's responsibility system is always a political act, and it was highlighted each time Mao and Deng perceived an internal challenge to their rule. Clearly, Xi's reiteration of it is more political than military/managerial in that such an endeavour is meant to ensure enormous personal power for the CMC chair. This in turn can be extended to Xi's control of the Party agenda and factional activities, especially when there is major elite disagreement on CCP political lines, personnel arrangements (i.e. choice of the successor) and strategic policies.

One specific move to personalise Xi's exclusive power has been to provide him with practical control of PLA operational command – the highest personal authority that a leader can attain. With his personal signature, the CMC chair declares war, deploys troops and presses the nuclear button. Mao's unchallengeable power could be traced to his direct command of soldiers and campaigns in wartime. In peacetime, CMC chairs normally delegate the operational aspects of PLA management to their trusted deputies, as they spend more time on other top political issues. Xi made himself chief of the supreme CMC joint command. He paid his first inspection visit to the command on 20 April. By doing so, his commander-in-chief position has been further substantiated.

Interestingly, despite claims that this new reform has tightened Party control of the gun, the long-standing fragmentation of CCP organisational leadership over the PLA has remained unimproved as Xi continues to uphold Mao's formula of "The Politburo run[ning] political affairs and the CMC military affairs". No other civilian Politburo member is authorised to handle PLA affairs and no party organs are allowed to intrude into PLA management, i.e. personnel appointments and legal/disciplinary affairs. The CMC continues to handle the anti-corruption campaign autonomously. There is no doubt that Xi's personal control over the PLA has been substantially enhanced, but this does not necessarily extend to enhanced Party control. There were no PBSC members present at any of the big events where Xi announced the reforms. Official reportage of these occasions did not bother to mention the Politburo, begging the question of whether the

**There is no doubt that Xi's personal control over the PLA has been substantially enhanced, but this does not necessarily extend to enhanced Party control.**

decisions were the Politburo's or the CMC's alone (though the PBSC had to rubber-stamp them as part of Party procedure.) Thus, the CMC's autonomous operational and administrative authority evades civilian oversight.

### PLA reform and Xi Jinping's political leadership

The ongoing CMC reform has further testified to Xi's strong political leadership in running China, facilitated by an assertive personal style and proving the saying that "leadership matters". Xi's political leadership is in stark contrast to his predecessor's technocratic obsession that placed greater value on bureaucratic consensus and collegiality (not rocking the boat 不折腾) than strategic innovation and necessary/inevitable elite debate. This CMC reform provides an excellent case for an analysis of Xi's distinctive dialectics in wielding power by striking a subtle balance between initiating bold/controversial reforms with resolve and managing negativity/constraints with available means, which is a rational way of prioritising major policies within a limited range of options.

Specifically, Xi's political leadership is reflected by the features listed below:

- Calculated risk-taking. To the surprise and amazement of PLA watchers, there has been no open debate (the internal debate period being rather short), no experimental trials and no transitional steps/phases for such a sweeping reform that would overhaul China's defence system. This "big-bang" approach is typical of Xi and is unprecedented in the history of CCP reforms. Xi may well recognise the risks of reform failure but still went ahead in a big way.
- Political resolve. Every reform entails taking on vested interests, a source of zero-sum competition within the CCP, and thus requires tremendous personal resolve to carry it through. This is particularly true of the conservative PLA. In fact, a number of these reforms have been proposed, but not implemented, several times before. For instance, the substitution of the military region system for the regional field army system was tabled during the PLA's 1983/4 restructuring but was aborted as even Deng had to yield to pressure from PLA elders and commanders who would lose out in such a change. Creation of a CMC supreme joint command was suggested to Hu, who simply opted for stability instead of change. Xi's assertive leadership style reflects his confidence to override resistance from within affected PLA interests, i.e. losses of at least 120 general positions.
- Strong sense of responsibility and urgency for PLA transformation. Related to political resolve is a sense of responsibility and a personal urge for change. Official propaganda reports claim that without Xi's reforms, the PLA's survival would be at risk. However, the fact is that the PLA would have grown stronger with or without this reform. Regardless of whether or not such exaggerations are part of a media campaign to promote Xi's personal image, Xi's bold move to bite the bullet is admirable and reflects his personal concern about the PLA's future at a time of global military transformation.
- Battlefield discipline applied to the control of the gun (a common phrase in the field of Chinese civil-military relations). The ongoing reforms are driven by the need to heighten war preparation and combat readiness as the PLA moves into a sub-war state of affairs. Politically applying combat discipline in running the PLA can be a lot more effective in tightening officer obedience, soldier morale and troop cohesion than peacetime persuasion. Xi's style of command is heavily influenced by the First Field Army tradition, whose commander Marshal Peng Dehuai and Political Commissar Xi Zhongxun (Xi's father) adopted the "three-kill" practice to extract officer-corps' compliance. When this is applied in an anti-corruption campaign, it is particularly forceful.



## PLA REFORM AND XI JINPING'S SUCCESSION DESIGN

All of these elements expose a distinctive style of leadership, embedded in an assertive personality, that makes Xi a different commander-in-chief than his predecessors. This is part and parcel of his political leadership. One additional feature that may inform the nature of Xi's political leadership more clearly and at a strategic level is Xi's inclination to leverage the newly-reorganised PLA in CCP/PLA personnel/factional politics.

The latest PLA reforms open a big window for a leadership reshuffle that would allow Xi to further increase his support in the PLA. Establishing a personal core in the top brass has been a major feature of Xi's political leadership, driven by both an institutional and a personal imperative, as well as by the lesson he quickly learned from Hu's loss of control over succession arrangements in 2012. Politburo member selection is ultimately done through the PBSC collective leadership's votes. Such Party norms have created the institutional imperative to forge groups. Without a solid grouping of his own, Hu did not have the votes to realise his personnel preferences. Ultimately, Xi's power play will be safeguarded by his control of the voting process at the apex of power, through factional backing. Xi's factional support is fundamental to realising his desire to be a transfactional leader and prevents elite resistance to his personnel and policy initiatives. Xi's structured personal following (班底) in the CMC is the precondition for him to initiate bold PLA reforms. On this basis, a CMC consensus on the personnel line-up of the 19th CMC can be easily attained. This in turn will strengthen Xi's hand in choosing his successor or ensuring a third term if necessary.

And time is pressing for Xi to do so. The 6th CCP Plenum in October 2016 will formally mark the 19th Congress, a moment of political succession. A supportive military leadership has to be erected prior to this moment. This is the personnel context of the PLA reform in a political sense. In a way, PLA support is essential for Xi to translate his historical ambition into reality: Mao influenced China for the first 30 years of the PRC, Deng the next 30 years, and Xi the 30 years after. Now Xi is free to construct his team of PLA leadership. Specifically, a reshuffle has been made possible in the following areas:

- The 18th CMC is a transitional team, with nearly half the membership stepping down in two years. Xi's reform has laid down a stepping stone for their replacement. This is particularly true of deputy commander-in-chief Fan, not originally Xi's man. His replacement is emerging in the person of Xu Qiliang, who has been put in charge of this round of reform on Xi's behalf.
- The appointment of the Army chief, commanders of five warzones, the Strategic Support Service and the new legal/discipline commissioner serve as likely candidate pools for the next CMC membership. Xi exercised final say in their selection and structured the appointments into the formation of the next CMC.
- The reshuffle of officers at the corps level has been extensive. Some appointees have entered the CMC cadre reserve list. This allows Xi to have his men in the CMC well beyond his retirement in 2022.

## MEANS, ENDS AND CONSEQUENCES

The PLA reorganisation has accelerated the tempo of Xi's power consolidation, centralisation and personalisation. Xi's political leadership benefits the CCP by compensating for the inadequacies of post-Deng power institutionalisation, which cannot prevent zero-sum power struggles at the top levels. Xi's resolute style makes it extremely difficult for any challengers to emerge in the Politburo. Politburo and CMC unity are maintained by whatever means can be translated into relatively smooth policy-making, handling of corrupt officials, tackling of vested interest groups and so on. Granting Xi a level of unprecedented power has been the CCP's and PLA's method for dealing with the structural problems accumulated during Hu's weak leadership. Yet this consensus is only a means, not an end. In the CCP system, however, means easily turn into ends. It is inevitable when a top leader accumulates a huge amount of personal authority. The means-ends switch will reverse the post-Deng CCP effort on power institutionalisation. The ongoing PLA reforms may further this tendency.

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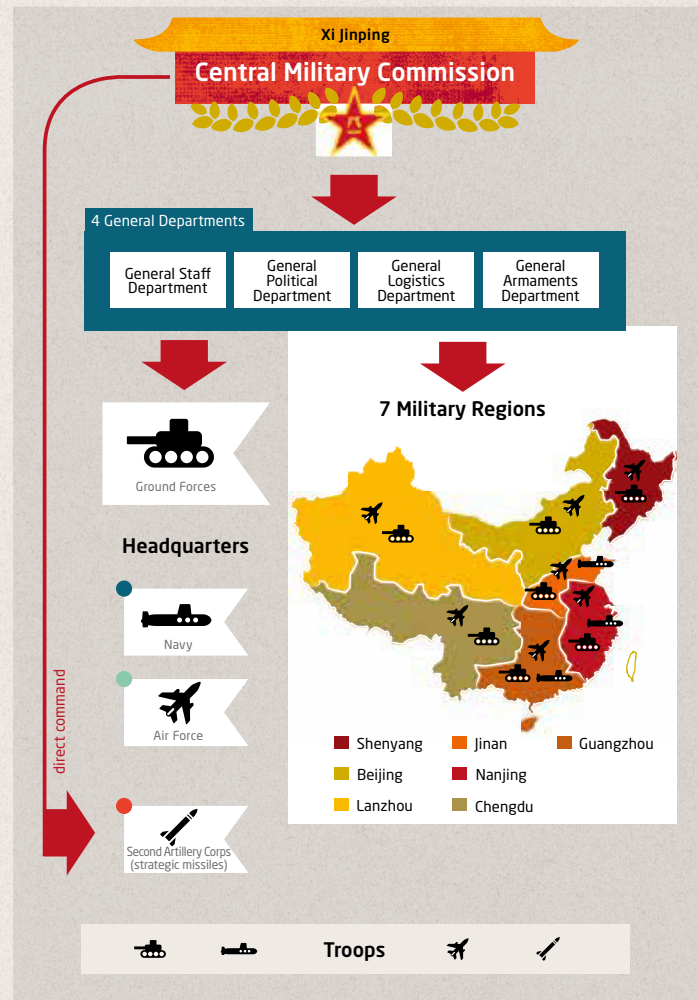
- The emphasis on CMC chair one-man rule, along the lines of a Maoist Politburo/CMC divide, will further fragment civilian oversight of PLA activities.
- Xi's PLA reform has further narrowed State Council functions in military affairs, i.e. national mobilisation and PAP administration.
- Xi's hands-on approach, as opposed to Hu's hands-off style, reorients the commander-in-chief's routine intervention and PLA autonomy in daily management. Thus, PLA professionalisation may be affected.
- Xi's personnel management may induce factional imbalances among different officer groupings, with the potential for long-term destabilisation.
- Xi's political strength is based on CMC support, which is helpful for him in generating Politburo consensus over strategic issues. This may open the door for CMC intervention in Party (factional) affairs and may politicise the PLA, with profound effects on overall elite politics.

This list of challenges derived from Xi's particular leadership style is not exhaustive, but rather touches on only a subset of issues that Xi watchers should concentrate on at present. It is still too early to conclude that Xi will repeat Mao's strong man-style leadership, given that he is still firmly subject to a two-term restriction. What is certain, however, is that uncertainty lies ahead as an inherent component of Xi's political leadership.

# Xi Jinping carrying out total overhaul of the military (2015-2020)

Possessing advanced weapon systems is not enough to win modern wars

## Pre-Reform



## Post-Reform



## Three most important reforms

### Joint Operations (Jointness)

*Pre-reform:* existed only as a theoretical concept.

*Post-reform:* implementation through the three-tier command system of CMC-Theater Commands-Troops.

### Making All Service Branches Equal

*Pre-reform:* in addition to their own duties, the four General Departments functioned also as ground force HQ.

*Post-reform:* the ground forces have been moved down to their own headquarters.

### Responsibility for Informatization

*Pre-reform:* housed in the General Staff Department.

*Post-reform:* moved up to the Strategic Support Forces.

# IT-backed authoritarianism: Information technology enhances central authority and control capacity under Xi Jinping

**Mirjam Meissner and Jost Wübbecke**

## KEY FINDINGS

- China's leadership under Xi Jinping sees information technologies as providing an opportunity for ubiquitous mass surveillance. It will increasingly use information technology as a political instrument of automatic and real-time control to perfectly enforce laws and regulation and to make human behaviour conform to the social norms laid down by the Chinese Communist Party. The ultimate aim is to create a "civilised" society.
- China is on its way to developing an IT-backed authoritarianism. The increasing utilisation of IT systems strengthens the central authority and control capacity of the Chinese leadership.
- China is a global pioneer of ubiquitous mass surveillance including the underlying IT systems linking and analysing multiple data sets and various channels of mass surveillance at the same time. China's IT-backed authoritarianism will become an attractive role model and technology provider for other authoritarian countries.

## HEADING TOWARDS UBIQUITOUS MASS SURVEILLANCE

China is about to become a forerunner and innovator in IT-based ubiquitous mass surveillance. Information technology and the internet are fundamentally disrupting traditional economic and social structures in China, as in many other countries worldwide. China is reaping massive economic benefits from this development. At the same time, the Chinese Communist Party (CCP) employs these technologies as tools for the surveillance and regulation of society. Pervasive censorship and control of the internet are an omnipresent reality in China, with the state putting much effort into improving its ability to control content and social interaction on- and offline. After coming into power, the Xi Jinping leadership tightened online control tremendously, creating the most effective and rigid system of control yet. Western hopes over the liberalisation of China through the internet have ultimately vanished.

China is no exception when it comes to the control of the internet and the use of IT-based surveillance techniques. Even democracies such as the U.S. and European countries censor specific online content or detect crimes by analysing the data of citizens' online activities. Yet China's leadership is heading towards something larger: an all-encompassing system of penetrating, controlling and shaping society.

## AMBITIOUS GOAL: CIVILISING CHINA WITH INFORMATION TECHNOLOGIES

To China's leaders, information technologies appear to be a solution for a whole set of problems: they regard information technologies as presenting a unique opportunity to increase the level of compliance with laws, regulations and social norms by individuals and companies, to lower the risk of social and economic instability and, ultimately, to maintain political control and authority. Ubiquitous mass surveillance (Schneier 2015) with the help of cutting-edge information technologies is to be the basis for this.

Surveillance by the Chinese state is not a new phenomenon, nor is surveillance of the internet. But the Chinese plans go much further: the Chinese leadership makes efforts to increasingly link surveillance systems, making them as all-encompassing and real-time as possible. This will turn the formerly separated surveillance mechanisms into an internet of surveillance, with the merger of former data islands into one single platform at the centre. The internet of surveillance will link surveillance systems built up by the government like traffic monitoring, or financial credit rating, as well as existing databases from the education system, the judicial system or the health sector. At the same time, the system will integrate data from company surveillance systems that were originally used for advertisement or other commercial reasons like online shopping data, data on social media activities, or positioning and mobility data gathered via apps or smartphones. Companies like Alibaba, Tencent or Baidu develop these systems and will provide the data for the state (Wang et al. 2015).

This will ultimately build an all-encompassing data set encompassing every individual, company and organisation based in or closely related to China. In order to link identities across data sets, every individual and company will have a unique number to identify, analyse and score relevant data.

This is not yet reality. Setting up data sets of such massive scale and constructing related IT infrastructure is a highly ambitious and challenging endeavour. But the Chinese leadership under Xi Jinping has made it a political priority: it has released a whole set of political programmes and measures to this end since 2014. A number of pilot projects on both province and company levels test relevant systems and technologies. Related regulations and technical standards have been formulated or are about to be released.

These activities show the ultimate goal behind the CCP's agenda: to "civilise" Chinese society. The government's plans go far beyond surveillance, data mining and building up all-encompassing data sets. China's leaders not only want to see what people do at any given time, they also want to influence their behaviour. In order to do so, they massively invest in algorithms analysing mass data (Big Data). A deeper look into China's agenda and implementation activities for the "Social Credit System" (SCS), which is currently being built up, reveals how this is supposed to function.

## INFLUENCING BEHAVIOUR WITH SOCIAL CREDIT SCORING

The SCS is conceptualised as a system that will mainly utilise data on two types of entities: companies and individuals. For both, companies and individuals, the SCS is intended to ensure that only those who respect the rules and norms of the CCP, who contribute to China's political goals and who behave in a socially, ecologically and economically responsible manner can fully participate in the Chinese market and be an equal member of Chinese society. In case of severe violation, companies or individuals will be put on blacklists and excluded from activities on the Chinese market or have their access to public services restricted. With the SCS for companies already fairly advanced in some sectors, it has become clear that Corporate Social Responsibility in China might soon no longer be a matter of voluntary action. For individuals, the pilot schemes of the SCS suggest that the system will pervade the realm of personal freedom, linking data from social platforms, online content, judgement on norm-conforming behaviour by employers, education background and consumer preferences, among others.

The SCS builds on and reinforces the basic principle of surveillance: its pure existence already influences behaviour. If people assume they are being observed, they behave differently – conforming to existing rules or whatever they deem "right". China's SCS creates a system of incentives for good behaviour ("nudging") and disadvantages for non-compliance.

This goes far beyond financial credit scoring systems in Western countries. The basic idea, though, is similar. In addition to much broader collection of data from government and business sources, the Chinese SCS differs in one key aspect: it links the evaluation of economic and financial activities with an assessment of rule compliance and "socially responsible" behaviour as defined by the Chinese leadership. The SCS will serve as an additional mechanism to the judicial system, striking where it seems to hurt people and companies most: at their economic and individual freedom. In contrast to traditional means of governance such as violence and coercion, this system

The government's plans go far beyond surveillance, data mining and building up all-encompassing data sets. China's leaders not only want to see what people do at any given time, they also want to influence their behaviour.

**In contrast to traditional means of governance such as violence and coercion, this system will be much subtler and almost invisible. It embeds political goals within algorithms and within a digital environment.**

will be much subtler and almost invisible. It embeds political goals within algorithms and within a digital environment which seems natural to the user. To them, it appears as if they were just using another valuable online service, not recognising any of the political goals behind the system.

This will have a significant impact on everyone's daily life in China: under the SCS your driving habits, based on real-time monitoring of your car, might, for example, influence your personal credit scoring, and if you are a professional driver it might even influence the credit scoring of your company. Your company might not be able to participate in the next round of public tender because you drove too fast or because emission targets were missed – evaluated by real-time emission monitoring. Your neighbour, at the same time, with an excellent credit profile not only gets a visa faster than you but can also apply for attractive jobs you could never apply for. And he might consider not being friends with you anymore, because this lowers his credit score and he does not want to run the risk of losing his attractive job.

Many Chinese find the idea of a Social Credit System very appealing. They accept the Chinese leadership's approach because they feel there is a high level of distrust and antisocial behaviour within Chinese society. Critical voices on the SCS are rare. Many people seem especially to appreciate the idea of impeding the activities of companies that are not complying with rules and not fulfilling social standards, for example with regards to emissions of pollutants or work safety.

In some aspects, the plans of the Chinese leadership for influencing human behaviour with the help of ubiquitous mass surveillance might indeed have positive effects on China's economic and social development. The most problematic part of the plans, however, is that the CCP alone determines what is "good" and "bad" behaviour. The plans, for example, explicitly include the profiling and scoring of lawyers, teachers, journalists and non-governmental organisations based on their conformity to norms as defined by the party. Nevertheless, it remains vague what norm conformity will mean for a lawyer or a journalist under the SCS. Past directives for such groups would strongly suggest that ideological loyalty will be a decisive factor. In one way or another, the SCS will further restrain the individual and economic freedom of those who do not fully share the goals and opinions of the CCP.

### **CHINA'S IT-BACKED AUTHORITARIANISM STRENGTHENS CENTRAL AUTHORITY AND CONTROL CAPACITY**

It is nothing new that the CCP prosecutes opponents of the party or people who might endanger the stability of the country. If, however, the linking of data sets and surveillance systems is fully implemented, as the Chinese leadership's plans propose, it will catapult the control capacity of the Chinese leadership into a whole new sphere of efficiency, closing the last niches for any behaviour and opinion deviating from the CCP's norms. China is on its way to developing an IT-backed authoritarianism strengthening the Chinese state with information technologies, leaving little or no room for disobedient activities by companies or individuals.

This is due to the fact that algorithms minimise the influence of the most important factor of uncertainty: human decisions. Algorithms can evaluate people's behaviour 24 hours a day based on principles decided upon by the CCP. This reduces the role of human biases, case-to-case decisions and the danger of corruption. In addition, it strengthens the direct control of the CCP without depending on intermediaries like public officials, courts or the police. Finally, the utilisation of real-time surveillance systems provides the possibility for immediate or even automatic response and control measures.

Simultaneously, the linking of data sets enhances the authority of the central state vis-à-vis subnational governments and companies. Under China's IT-based surveillance system the distribution of power will be decided by the ownership of data, and the only owner of a complete set of data will be the central state. All data collected, analysed and used in China will be sent to or exchanged with central government databases. The central state puts itself in a position to see the whole picture of how people, companies and other organisations act, what they currently do or might plan to do in the future. At the same time, it will leave provinces as well as companies in a position to share their information with the government and receive – as a reward and to develop new business models with the help of government data – additional information back in return,

while still not getting a grasp of the complete picture. The central government will be the only entity to have full and regular access to all available data without needing to hack into company systems or to have secret backdoor agreements.

China's IT-backed authoritarianism will, however, impede political and social progress and could even hinder technological innovation, since deviation from the norm is sometimes indispensable for the development of new political, social, technological or economic approaches. Norm conformity might engender trust and good behaviour within Chinese society, but perfect security systems and law enforcement would lead to stagnation in the long term since people would never dare to act in contravention of the established normative framework.

### REALITY CHECK: IMPLEMENTATION REMAINS CHALLENGING BUT POSSIBLE

How rigid and effective China's IT-backed authoritarianism will become strongly depends on the implementation of the planned IT and scoring systems. Up to now, implementation has been rapid, especially compared to progress in other policy areas, but technological and political challenges are still significant: linking existing data sets and surveillance systems is as much of a technical challenge as the introduction of new IT systems and the analysis of such massive amounts of data. Despite rapid technological progress, it remains questionable whether China has the necessary technological capabilities. Political challenges are substantial as well, since the integration of provincial- or ministerial-level data into a consistent central government database is not only a matter of technology but also a matter of power distribution.

China's central leadership can, however, build upon the support of private Chinese companies like Baidu, Alibaba and Tencent – and many other less well-known enterprises. They are willing and able to provide their cutting-edge IT systems and data analytics for political purposes. In return they benefit from new business opportunities related to the commercial use of parts of the governmental databases. This win-win situation leaves China in an excellent starting position for its ambitious plans for IT-based ubiquitous mass surveillance. If no severe external shock or economic crisis occurs, effective implementation of China's plans is realistic. It will, however, also strengthen the economic power and political influence of IT companies in China.

### CHINA WILL BECOME AN ATTRACTIVE ROLE MODEL FOR AUTHORITARIAN COUNTRIES

China is a global pioneer for IT-based ubiquitous mass surveillance. Although many countries collect massive amounts of data on their citizens, no other country has such comprehensive and ambitious plans for the linking of databases or for nudging people towards changing their behaviour.

Individual IT-based surveillance systems in other countries usually focus on single areas of people's lives or companies' activities without institutionalised exchange of data and with data ownership typically highly fragmented: Google having data on activities on Google platforms, Facebook data on activities on its social platform; a pay-as-you-go car insurance company having data on its customers, and another insurance company having a similar set of data; but all these data sets are not linked with one another or even shared with government agencies.

The only exceptions are, of course, intelligence and security services, which gather all information and presumably have a complete overview of all data – but which usually do not use this to influence ordinary people's behaviour as long as they are not suspected of a crime, although they would have the technological ability and data to misuse the power they have. In democratic countries, however, the judicial system – at least theoretically – stands above intelligence and security agencies and has the power to balance and control their activities. In China, the CCP is the only authority defining what is "wrong" and deciding on how to use the data it collects.

In contrast to Western intelligence services like the NSA, China's leadership openly claims ownership and usage rights for all data in China. While, for example, data on a company level will continue to be separate between companies, many already exchange their data with the central state on an institutionalised, non-secretive basis. The central state, at the same time, will have

The central government will be the only entity to have full and regular access to all available data without needing to hack into company systems or to have secret backdoor agreements.

an enormous database and a comprehensive overview of the activities of citizens and companies which many intelligence services worldwide would dream of.

This massive database, together with the ambition of China's leaders to influence human behaviour, will lead to the development of unique IT systems and Big Data tools profiling and scoring people and institutions. From a technological as well as from a political perspective, these systems will be highly attractive for other authoritarian countries since they enable the strengthening of authority in a subtle but highly efficient way. This especially refers to authoritarian countries in Asia and the Arab World. Under the catchphrase "digital silk road" China's political strategy already envisions closer cooperation in both regions. If China successfully implements its strategy for IT-based ubiquitous mass surveillance, it might become the hub and starting point for the digitisation of authoritarian rule in other authoritarian countries.

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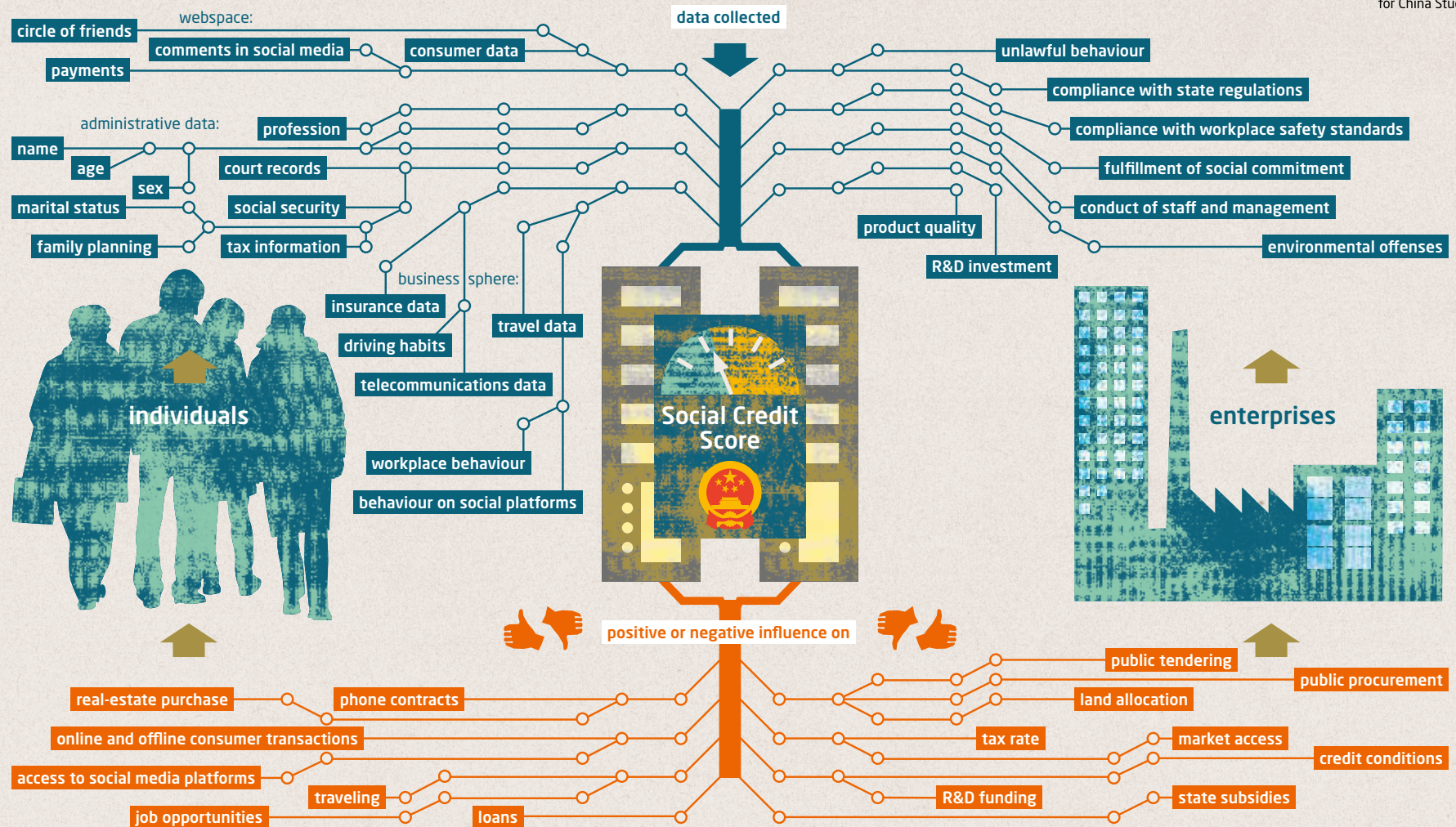
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# The all-seeing state: China's plans for total data control



# Reshaping China's "Deep State": Xi and the security organs

## President Xi's assault on China's security services: Grasping tightly the key levers of power

**Christopher K. Johnson**

### KEY FINDINGS

- Xi Jinping's relentless purge of the regime's security services is not simply a crass political power play. It likely reflects his deeply-held convictions about the nature of power within the CCP and the security services' status as a tool – and occasionally a weapon – to be wielded by the Party.
- Though many details remain unclear, several major anti-corruption cases against security officials generally suggest that the conduct of the security organs had become a liability to the CCP and to Xi. It seems that, at minimum, these organs were suffering from an organisational fragmentation that could damage the integrity of a Leninist authoritarian system like China's. At worst, they may have been conducting a substantial, if not coordinated, effort to at least constrain Xi's rapid consolidation of power.
- Given the potential implications of such challenges, Xi's response has been decidedly measured and calculating, and not whimsical or tyrannical as is so often suggested by foreign observers.
- A troubling side effect of the crackdown is the increasing assertiveness among security services keen to prove their loyalty and effectiveness to President Xi. Extraterritorial renditions of regime critics or corrupt officials now seem par for the course, but overenthusiastic security organs may prove too prone to miscalculation at a time when China is entering a period of sustained political and economic volatility.

### INTRODUCTION

In late February 2014, local Beijing media outlets carried a brief article noting the detention of a municipal official, Liang Ke, on graft charges. Against the backdrop of the substantial wave of arrests occurring at that time in conjunction with President and Chinese Communist Party (CCP) General Secretary Xi Jinping's withering anti-corruption effort, Liang's arrest hardly seemed notable. But it turned out that Liang was much more unique than the thousands of "tigers and flies" – CCP code for high- and low-ranking cadres, respectively, netted in the anti-graft crackdown – that were being felled on what seemed like a daily basis. Since 2008, Liang had served as the head of the Beijing State Security Bureau, the crown jewel in the Ministry of State Security's (MSS) network of local offices in each of China's provincial level and municipal jurisdictions. Judging from public records, at least, Liang's arrest marked the first time such a senior sitting official in China's shadowy internal security apparatus had been removed from office since the formal creation of the MSS in 1983.

But, it turned out, President Xi was just getting started. Just short of a year later, Ma Jian, a MSS vice minister and its long-serving head of counterintelligence, was detained on suspicion of graft in January 2015. Speculation concerning the reason for Ma's arrest ran the gamut from his alleged association with the grandest "tiger" bagged by Xi thus far – former Politburo Standing Committee (PBSC) member and internal security czar Zhou Yongkang – to his links to a corrupt businessman. Regardless of the motivation, Ma's fall sent a shockwave through China's vast security apparatus by putting the guardians of the CCP regime on notice that no one was beyond the reach of Xi's anti-corruption crusade.

Many China-watchers have posited that Xi's assault on the security services was simply a manifestation of his effort to consolidate power by destroying a key political fiefdom of his senior party baron rivals. While the method, the sweeping anti-corruption purge, may have been somewhat novel, the motive was an old one – pure power politics, if carried out by other means. Others have suggested that Xi has taken a substantial political risk, both personally and systemically, by taking on such a powerful regime constituency. They note that this is especially true in light of Xi's parallel attack on another pillar of the regime's security establishment, the People's Liberation Army (PLA). If Xi pushes too hard, according to this line of reasoning, he risks a fierce backlash from institutions that, under the "fragmented authoritarianism" that has defined China's party-state over the last several decades, are too influential, and too entrenched, to sit idly by while Xi neuters their power. Implicit in such analyses, therefore, is the notion that Xi's actions are those of a potentially reckless leader whose lust for power could cause the CCP to break apart.

By contrast, this paper will argue that Xi's sweeping assault on the regime's security services and its broader control machinery was entirely logical and necessary. Xi perceived that these institutions – having run amok under the flaccid leadership of his predecessor, former President Hu Jintao – posed an existential threat to the cohesion of the CCP's Leninist authoritarian system. This paper will also demonstrate that, rather than simple political gamesmanship or impishness, Xi's behaviour was informed by his personal assessment of what it takes to run the CCP effectively and may have been rooted in his perception of a stalking threat to the long-term stability of his succession to the apex of CCP power. Thus, Xi's actions, rather than reflecting the whimsy of a power-mad megalomaniac, were methodical and taken in a controlled, stepwise fashion, limiting the likelihood of miscalculation that could spark broader leadership instability. Finally, the paper will discuss the implications of Xi's crackdown on the security services and what it may mean for how this critical regime *xitong* may behave and be governed going forward.

**Xi's sweeping assault on the regime's security services and its broader control machinery was entirely logical and necessary.**

## **XI'S TRADITIONALIST APPROACH TO WIELDING PARTY POWER**

In many ways, Xi's ascendancy in the leadership marks the return of a more traditional style of Chinese ruler in the mould of CCP strongmen Mao Zedong and Deng Xiaoping. Several factors have contributed to Xi's mind-set in this regard, but there are a few critical building blocks that merit special attention here. First, Xi's "princeling" status as the offspring of one of the regime's founding fathers imbues him with a supremely confident, "born to rule" political style that telegraphs a unique understanding of the nature of power within the CCP. Xi's critical formative experiences – the headiness of a privileged upbringing after the CCP's successful seizure of power in 1949 combined with the tumult stemming from his family's fall from grace in the chaos of the Cultural Revolution (1966–76) – seem to have left him with the view that he is operating in a highly Hobbesian political environment with very few formal rules, and therefore little predictability or safety. Consequently, Xi's operational style appears to be that of a winner-take-all approach to the rough-and-tumble world of Chinese Politburo politicking.

Against that backdrop, Xi embraces the notion that, in a Leninist political system like China's, the top leader must personally control the key levers of power to effectively wield authority. Xi's aggressive efforts to establish his direct influence over the PLA, the security services, and the party bureaucracy all speak to his appreciation of this central organising principle of the regime. In Xi's worldview, then, there is no room for the consensus-driven, institutional bargaining approach that characterised the administrations of Hu Jintao and his predecessor, former President Jiang Zemin. Instead of powerful, highly autonomous fiefdoms – described variously by different China scholars as "the control cartel" (Shirk 2008) or "the iron quadrangle" (Shambaugh 2012) – Xi views these institutions as instruments to be wielded in an unflinchingly hierarchical world of CCP power and control. In fact, Xi's approach would seem to suggest that the notion that the CCP was on some sort of pathway toward inexorable institutionalisation was a fallacy, and, at least from his vantage, the exception to the rule.

Moreover, if Xi had any doubts with regard to the wisdom of his approach, serving for five years as understudy to Hu Jintao must only have affirmed his convictions. Under Hu, these institutions took advantage of their particular monopolies mainly on expertise and information control.

**Under Hu, the security services took advantage of their particular monopolies (...) they established vast operational grey areas within which they were able to exert substantial autonomy and therefore outside policy influence.**

They established vast operational grey areas within which they were able to exert substantial autonomy and therefore outsize policy influence, even as they were still ultimately subordinate to party control. One need only look to the numerous occasions during Hu's tenure – China's 2007 ASAT test, its 2011 test flight of the PLA's prototype J-20 stealth fighter during a visit of then U.S. Defence Secretary Robert Gates, etc. – wherein it seemed Hu had little control over, and perhaps even less awareness of, what his military was doing. Similarly, Zhou Yongkang, with his iron grip over the regime's vast security and intelligence bureaucracy, seemed to wield power and influence far beyond what his bottom-ranked position on the then nine-member PBSC might have suggested. His apparent decision to initially buck a clear PBSC consensus to purge fallen Politburo member Bo Xilai, for example, highlighted his sense of empowerment. To be fair, Hu's struggles in establishing his authority probably had much more to do with Jiang Zemin's efforts to hamstring that process rather than with a lack of awareness on Hu's part of the importance of doing so. Still, Xi's seeming sense of urgency immediately upon taking power and his willingness to expend great amounts of capital to redress this imbalance highlighted his understanding that Hu's timidity had done substantial damage to the authority of the office of the CCP general secretary and therefore risked undermining the overall stability of the system.

### A LEGITIMATE RESPONSE TO ORGANISATIONAL FRAGMENTATION ...

The ultimate details remain (probably permanently) cloaked behind the veil of official CCP secrecy and opacity. However, a review of what little the regime has revealed about the activities of the main "tigers" detained under Xi's anti-graft campaign, along with some simple deduction relating to the basic mechanics of a Leninist authoritarian system such as China's, strongly suggest that Xi's actions represent an understandable and reasoned response to a pervasive threat rather than a risky political gambit for his own self-aggrandisement. In each case, the "tiger" in question was managing a key element of the CCP's ecosystem of control, but through some combination of corruption and personal vainglory was doing so in ways meant to advance his personal interests at the expense of the authority of the top leader. By way of brief review, Zhou Yongkang, through his seat on the PBSC and his position as secretary of the CCP's Political Science and Law Commission (PSLC), oversaw the regime's sprawling coercive apparatus. This apparatus was the putative guardian of the regime – analogous to KGB's role as the "sword and shield" of the state in the former Soviet Union. While primarily tasked with tracking and subverting perceived enemies of the state – both within China and from abroad – the security bureaucracy also maintains a domestic monitoring function that can even be turned on members of the top leadership when deemed necessary. Therefore, assuring the loyalties of the officials overseeing the portfolios like Liang Ke's and Ma Jian's are critical to the top leader's hold on power.

Similarly, PLA "tigers" Xu Caihou and Guo Boxiong oversaw the military's personnel system and its operational forces, respectively. Both were members of the full Politburo and the top uniformed officers on the CCP's Central Military Commission (CMC), China's ultimate military decision-making body. As such, they made up two points of the triangle – the apex being the party chief and CMC chairman – that constitutes the linkage between CCP and the PLA. This setup is particularly important in China's Leninist system in that the PLA is the armed wing of the CCP rather than the national military of China. As such, the PLA's main function is to serve as the ultimate guarantor of continued Party rule, as demonstrated most dramatically during the 1989 Tiananmen crackdown. The fact that Guo and Xu – through the selling of office and military rank – were effectively creating a private army loyal to them within the Party's army must have seemed intolerable to the party chief.

Finally, Ling Jihua, the former chief lieutenant of Hu Jintao and the director of the CCP General Office, also was running a seemingly independent kingdom. The role of the director of the CCP General Office is highly sensitive, best described as the nerve centre of the Politburo. The General Office and its director oversee critical responsibilities, including setting the calendar and agenda for meetings of the Politburo and the PBSC, managing paper flow within those same bodies, and overseeing the personal security of top leaders as well as the compounds and facilities in which they live and work. In recent years, the position also has taken on responsibilities some-

Xi's actions represent an understandable and reasoned response to a pervasive threat rather than a risky political gambit for his own self-aggrandisement.

what analogous to a chief of staff in western systems. Accordingly, there are few more important functional offices in the CCP hierarchy. It is unclear to what degree, if at all, Hu Jintao was aware of Ling's corrupt activities, which may say more about Hu than it does about Ling.

### ... AND POSSIBLY A MORE PERSONAL CHALLENGE

There has been some speculation that the threat from these individuals may have gone beyond just institutional fragmentation or laxity, and instead could have represented a danger to Xi's very succession. Hong Kong and western media accounts have been rife with stories alleging various conspiracies among these actors, perhaps even amounting to a "new Gang of Four" (or five depending on whether and how one counts Bo Xilai) in a reference to Mao's key henchmen during the Cultural Revolution (Bo Zhiyue 2015). While such notions almost certainly are overblown, it is not outside the realm of possibility that these officials, while not coordinating their efforts, may have been working toward the shared goal of disrupting, or at least constraining, Xi's rise.

The official accounts, of course, largely are silent on such matters, though, in the cases of both Zhou and Ling, there is an intriguing reference to the misuse of state secrets among the list of their various offenses. There is little doubt that Zhou at some point was colluding with Bo Xilai, who, given his fellow princeling pedigree, Xi likely perceived as his only legitimate rival for the top leadership. Zhou was in a position to order the likes of Ma Jian and Liang Ke to gather damaging information on Xi, as some reports have suggested. It is equally clear that Guo and Xu had served as the instruments for Jiang Zemin to retain a strong hand in military affairs, to the detriment of Hu Jintao's ability to consolidate power. It is not inconceivable, then, that the substantial networks of supporters in the PLA that would endure beyond their stepping down from formal office could represent a similar handicap for Xi. With regard to Ling Jihua, he would have had substantial sway in managing key personnel-related processes in his role as General Office chief. This includes the coordination of the lists of candidates for the CCP central committee and the "straw polls" the leadership reportedly conducted to rank candidates for the Politburo in the run-up to the 17th and 18th Party Congresses.

### A MEASURED, CALCULATING APPROACH

Viewed in the light of the possible magnitude of such developments, Xi's approach to managing the challenge seems much more rational than whimsical or tyrannical. The roots of his response can be traced to the decision at the 2012 18th Party Congress – which witnessed his ascension as top leader – to downgrade Zhou Yongkang's security responsibilities from a PBSC-level portfolio to one managed by a member of the full Politburo. Meng Jianzhu succeeded Zhou as the secretary of the PSLC, but did not rise to the PBSC with the contraction of that body from nine members to seven. Though he may have had little choice in the matter, Xi's apparent willingness to accept Meng – a well-known acolyte of Jiang Zemin – in the post also would seem to speak to his pragmatism, and perhaps to a well-honed mastery of political stagecraft by not tipping his hand too early. Then, at the November 2013 Third Plenum of the 18th Central Committee, Xi decided to include in the public "Decision" document the fact that the PLA would undergo a substantial structural reorganization, a prelude to the sweeping changes to the PLA's command system that were rolled out starting in early 2016. These changes serve to enhance Xi's personal control of the PLA, a subject that is discussed in greater depth elsewhere in this volume. Similarly, Xi did not rush to round up the major tigers in a Night-of-the-Long-Knives-like pogrom, but rather dribbled out the cases at a measured pace over the course of nearly two years.

The purpose of reviewing this chronology is to suggest the possibility that Xi's actions may reveal him to be a patient, calculating leader rather than the potentially unsteady risk taker his loudest critics warn of. His apparent approach also hints that he is a leader who understands his limits and, while brooking no challenge to his authority, has no taste for all-out factional warfare. Getting to the bottom of this puzzle has significant implications for evaluating the risks to leadership cohesion entailed in Xi's approach. The success with which he appears to have contained the

**Xi's actions may reveal him to be a patient, calculating leader rather than the potentially unsteady risk taker.**

potential challenges outlined above, and particularly across several powerful bureaucracies nearly simultaneously, would seem to suggest that his detractors may have far less ability to engage in potentially destabilising “pushback” than often is suggested.

### NEXT STEPS UNCLEAR, BUT UNINTENDED CONSEQUENCES MAY SPELL TROUBLE

Xi singled out the corruption and laxity in the Soviet Union’s security services, as well as the nationalisation of the Soviet military, which “left the party disarmed,” as critical enablers of the regime’s collapse.

Given the deep veil of secrecy that enshrouds China’s special services, it is difficult to determine what precise impact, if any, Xi’s attack on the security apparatus is having on its behaviour. What is abundantly clear is that Xi has used the purge to put his own trusted men in key positions. Perhaps the most notable is Fu Zhenghua, who, after being elevated from Beijing police chief to vice minister of public security in 2013, quickly has risen from that ministry’s fifth-ranking deputy slot to its first. Fu seems to be Xi’s go-to man for sensitive investigations, having played a role in the Zhou Yongkang case as well as the investigation into allegations of market manipulation in conjunction with the August 2015 stock market meltdown. Another newly-minted vice minister of public security, Meng Qingfeng, served as Xi’s deputy police chief when the latter was party secretary (2002-07) in Zhejiang Province. Fu Zhenghua also was succeeded as Beijing police chief by another Xi associate, Wang Xiaohong, who served with him during his nearly twenty year run as a provincial official in Fujian. In a parallel development in the MSS, rumoured Xi ally Chen Wenqing is now serving as the ministry’s party secretary and acts as its chief in all but name. A former police officer and member of the CCP’s anti-graft watchdog, the Central Commission for Discipline Inspection (CCDI), Chen has a background in state security work as well, if a somewhat dated one. So, at least this aspect of Xi’s purge of the security services would seem to be little more than an effort to sweep out the old and bring in the new.

What remains obscured at this stage is whether there’s anything more than that when it comes to the crackdown. One issue of note is what Xi intends to do structurally with the security services. For example, while the precise functions of the National Security Commission (NSC) established at the Third Plenum remain unclear, most experts agree that it has more of a domestic security focus than a foreign one. Was Xi’s interest in downgrading the oversight of the security services at the 18th Party Congress a prelude to the stand-up of the NSC? If so, what might that portend for future restructuring of the security apparatus? Is there a parallel between the way in which the corruption dragnet in the PLA has cleared the path for the most sweeping command structural reforms in that institution’s history and what might be in store for the security organs? We likely will have to wait until at least the 19th Party Congress to gain any sense of that.

Another suggestion of a broader agenda by Xi may have come from one of his earliest speeches as CCP general secretary. Touring Shenzhen in Guangdong only a month after taking power, Xi reportedly gave a non-public speech to party cadre where he railed against the fact that “nobody was man enough to stand up and resist” when the Soviet Union collapsed (Beach 2013). In that same speech, Xi singled out the corruption and laxity in the Soviet Union’s security services, as well as the nationalisation of the Soviet military, which “left the party disarmed,” as critical enablers of the regime’s collapse. It is likely that Xi and his senior civilian colleagues may have had similar concerns when the Egyptian military stood idly by while President Hosni Mubarak was deposed without firing a shot in 2011. If another Tiananmen-like crisis emerged, would the PLA be ready to defend the party once more? One other possibility is that Xi’s purge of the security services – and perhaps even the broader pervasive political tightening across the system – is meant to prepare the control apparatus for a particularly tumultuous period ahead, and not merely a retrograde turn toward greater authoritarianism as is so often suggested. While Xi is keeping his cards very close to the vest, and the regime’s recent behaviour certainly is not encouraging, it is still possible that the effort to purify the security services represents a “hardening” of the political system to manage the side effects of moving forward with the reforms hinted at during the Third Plenum.

One deeply troubling aspect of the crackdown is that the security services, after nearly two years of relentless strife, may be unusually keen to demonstrate their loyalty and effectiveness to President Xi. The special services' seeming comfort engaging in extraterritorial renditions – whether nabbing booksellers off Thai beaches and in neighbouring Hong Kong or through efforts to detain corrupt officials abroad as part of the “Fox Hunt” and “Operations Skynet” – certainly seems a hallmark of the Xi era. What remains unclear, however, is whether President Xi personally sanctioned such actions or whether the security services were just eager to please. Likewise, the series of recent laws passed by the National People's Congress, China's legislature, granting sweeping powers to the security services on very broadly-defined national security issues may in part reflect an effort by Xi to offer the guardians of the regime a few carrots to go with the heavy stick. Still, overenthusiastic security organs amid a deepening downturn in China's economy – and the resultant potential for substantial unrest – may prove a particularly volatile and worrisome cocktail going forward.

**Overenthusiastic security organs amid a deepening downturn in China's economy – and the resultant potential for substantial unrest – may prove a particularly volatile and worrisome cocktail going forward.**

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# The function of judicial reforms in Xi Jinping's agenda: Rectifying local governance through reforms of the judicial system

**George G. Chen and Kristin Shi-Kupfer**

## KEY FINDINGS

- The Xi administration is reorganising local judicial organs to achieve more efficient governance in political, economic, and social agendas.
- So far, the Xi administration has managed to disconnect local networks of nepotism and corruption, diminish local obstacles to economic reforms, and mitigate social conflicts at the local level.
- In the long term, Xi Jinping's judicial reforms are unsustainable. Ultimately, any reforms that are counter to the interests of local judicial functionaries will fail and paralyse the functioning of "rule by law" in the party-state.

## THE OVERALL AIM OF JUDICIAL REFORM IS TO ACHIEVE EFFICIENT CONTROL OVER LOCAL GOVERNANCE

By the time Xi Jinping came to power, widespread corruption had eroded the legitimacy of the CCP. Petitions and protests by dissatisfied citizens proliferated in the provinces. The Xi administration resolved to revitalise the general public's trust of the CCP and its court system by enhancing the efficiency of local courts in hearing civil, administrative and criminal cases. Above all, Xi Jinping's plan in initiating a new round of judicial reforms is to empower local judicial organs to help rein in rampant nepotism and corruption, diminish local obstacles to economic reforms, and mitigate social conflicts more effectively and convincingly.

Xi's new blueprint for judicial reforms is different to those of his predecessors in that it neither allows local Party committees to exert overwhelming control over the local court system (as under Jiang Zemin), nor imposes severe punishment on judges for making controversial court decisions that may have widespread social impacts (as under Hu Jintao). In particular, the CCP leadership aims to retool the fragmentary contours of the local judicial system and retrieve efficient control over local governance. However, the success of the judicial reforms depends largely on the loyalty and endurance of local judicial functionaries. Any plan that fails to take this factor into account will exacerbate the problems in the current judicial system. This essay enunciates a trilogy of the goals, measures and risks of Xi's judicial reforms and delivers an assessment of future prospects.

## CURRENT STATUS: SECURING CONTROL OF LOCAL POLITICAL, ECONOMIC AND SOCIAL AFFAIRS

### Restoring a credible court system by curtailing nepotism and corruption

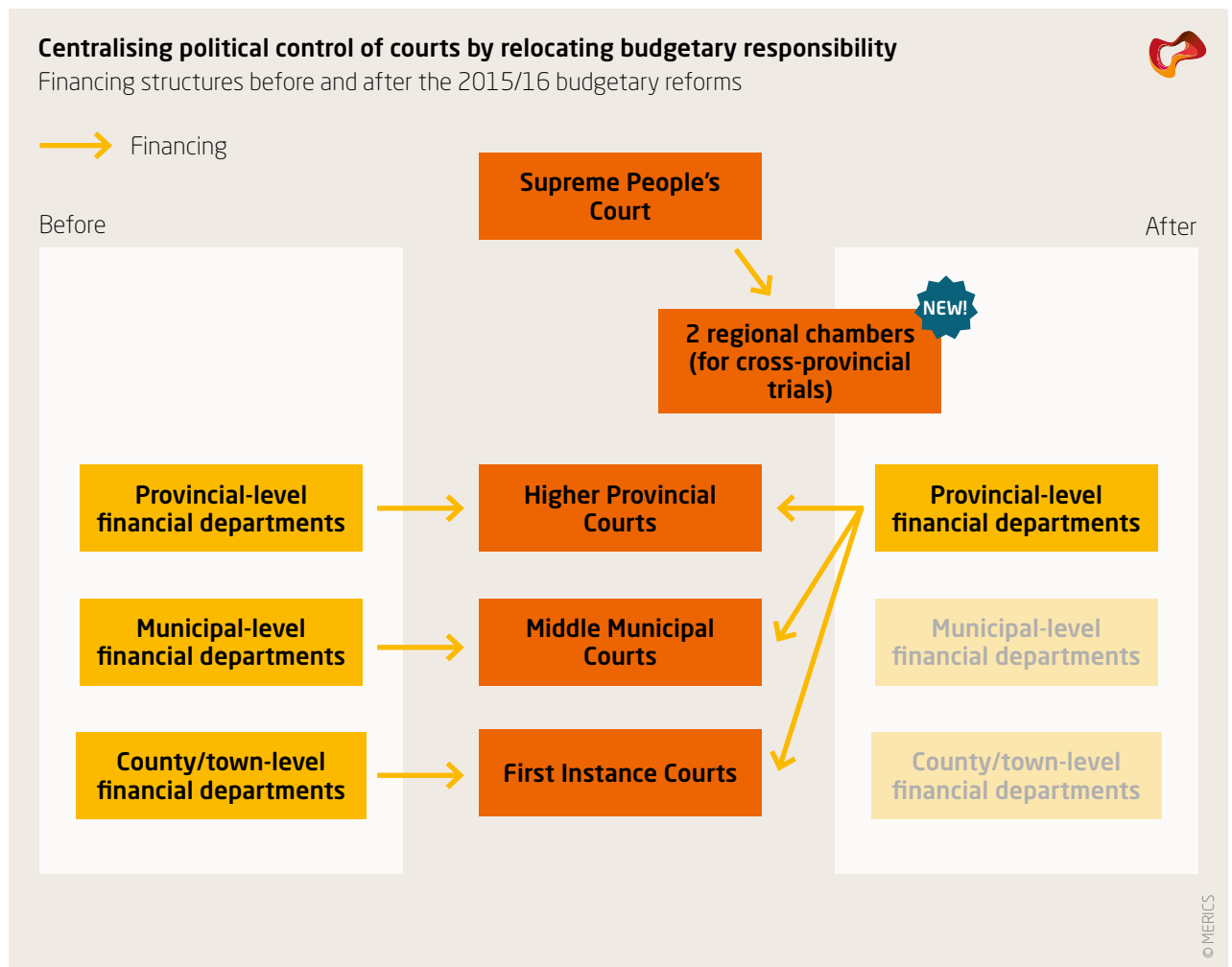
Over the years, one of the most vociferously supported suggestions from Chinese legal scholars and practitioners has been to make courts and procuratorates more independent from local governments so as to preclude interference and enhance working efficiency. Local governments used to be in charge of the budget plans of all the courts and procuratorates in their administrative districts. As a result, it was easy for local government officials to meddle with trials taking place in those courts. This often created obstacles hindering local inhabitants hoping to file meaningful lawsuits within the jurisdiction zone. Inevitably, thus, it was far more difficult for



courts located within a local government's municipal district to hear trials related to that government impartially and effectively.

Starting in 2015, the CCP leadership has transferred the power of local governments over the budget plans of judicial organs in their administrative districts uniformly to financial departments at the provincial level. Moreover, some pilot local courts (e.g. in Shanghai) have been established to hear trials across different jurisdictional zones. These measures mark a progressive reform scheme that permits the convergence of budgetary control of all the judicial organs within a province only at the provincial government level (Figure 9). As the financial nepotism between sub-provincial governments and judicial organs in their municipalities is cut off, the political clout of those local governments with local judicial organs dwindles.

Figure 9



As an experiment and harbinger, regional chambers of the Supreme People's Court/SPC (circuit tribunals) were established in 2015 in south and north-eastern China to resolve inter-provincial legal disputes. In 2015, the number of cases these new independent courts heard and tried in the jurisdictional districts comprised about one third of the total cases heard by the SPC (SPC 2016). To ensure the independence of local courts from sub-provincial governments, even the Central Commission for Discipline Inspection (CCDI) of the CCP declares that neither the disciplinary committees of the CCP nor government officials of higher ranks should meddle with local trials. These developments indicate substantial progress on the efforts to create a more detached role for judicial organs in local trials.

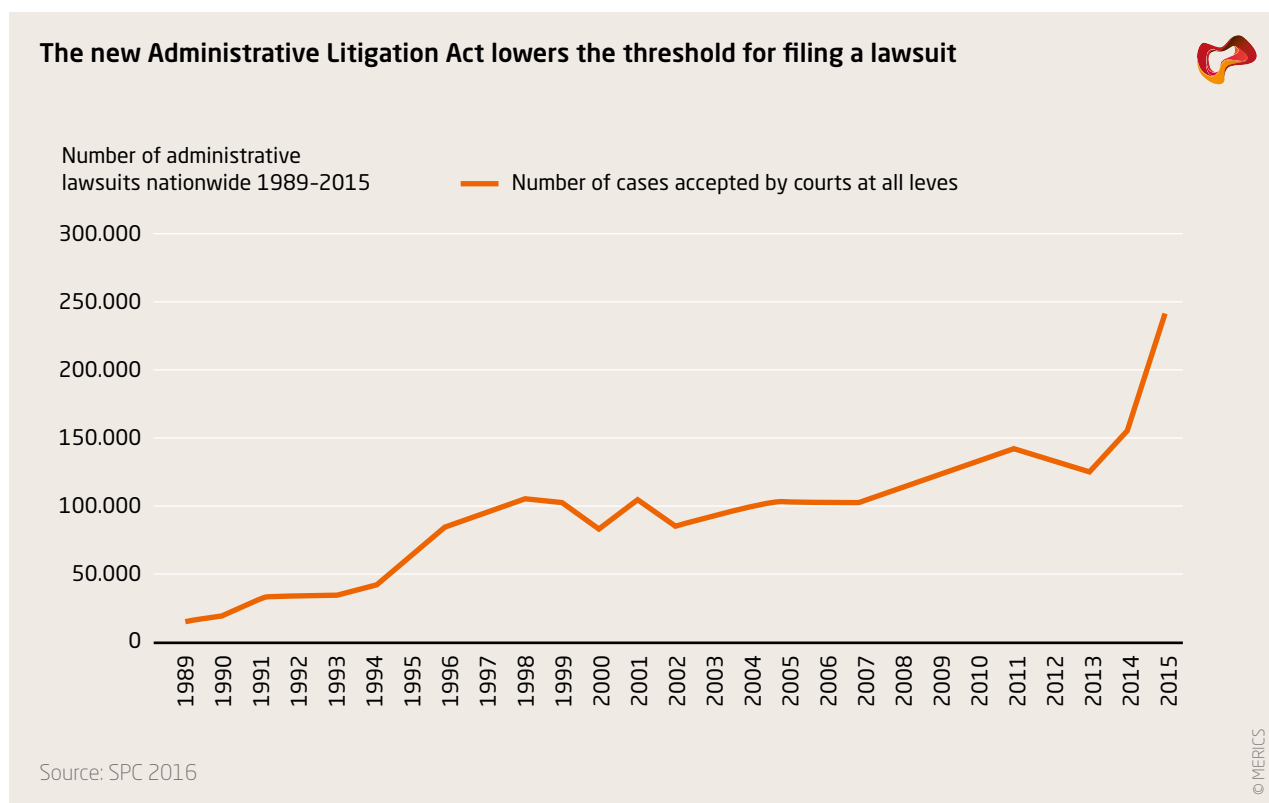
#### Ensuring economic competition and innovation-oriented structural reforms

The Xi administration is aware that the legitimacy of its rule hinges on efficient implementation of its economic reforms. In hope of gaining new momentum for offsetting a further slowdown

of China's economy, the Xi administration advocated more initiatives for creating high-tech enterprises to unleash the creativity of innovative minds and accelerate industrial upgrading. To support technology-centred enterprises that tend to coalesce around China's developed districts, it is essential to provide commensurate legal protection for their core technical know-how and capacity. At the end of 2014, the Xi administration established three local intellectual property (IP) courts in Beijing, Shanghai and Guangzhou respectively. These courts have accomplished stunning feats. For example, the total number of IP cases in Shanghai in 2015 (1,641) was double that of 2014 (Li Xiang 2016). Easier access to justice helps deter potential competitors from usurping the intellectual achievements of high-tech enterprises.

Local governments driven by protectionism pose obstacles to further economic reforms. In particular, administrative decisions made merely in favour of local enterprises will hamper fair competition. An administrative litigation allows citizens and enterprises to file lawsuits against

Figure 10



government departments for unreasonable or arbitrary decisions concerning economic entitlements such as administrative licenses for construction projects. The 1989 Administrative Litigation Act did not provide any mechanisms to deal with disputes arising from local governments' failure to grant administrative permission to license applications concerning the proprietorship of natural resources and confiscation of real property. These disputes manifest the conflict of economic interests between ordinary Chinese and the government. In 2015, the CCP leadership initiated reforms of the administrative litigation system. The revised Administrative Litigation Act encompasses those types of disputes over significant economic agendas and lowers the threshold for launching administrative lawsuits. The soaring numbers of administrative cases filed since then (see Figure 10) indicates a clear change: local governments face more legal pressure for making reasonable decisions than in the past.

**Empowering local judicial organs to grapple with salient social problems**

Apart from economic agendas, the Xi administration seeks to mitigate growing socio-political conflicts at the root of the governance chain. In recent years, Chinese courts have been given the task of appeasing grievances and unrest caused by social injustice to individuals. In

particular, Chinese citizens have expressed grave concerns about regular scandals related to environmental protection and food safety. Towards the end of former party general secretary Hu Jintao's reign, it was regarded as a top priority for judges to take socio-political impacts like rising numbers of petitions or even protests against their judgements into account. Influential media highlighted public events, resulting in more frequent instances of trials that overturned initial decisions made by local courts. Consequently, there were often multitudes of "complaining visits" (上访) in Beijing, which exerted great pressure on the central government. Many judges strived to handle lawsuits through mediation rather than by court decisions.

To alleviate the imminent social pressure emanating from those issues, the revised Environment Protection Act (which entered into force in January 2015) empowers procuratorates to launch public interest lawsuits against predatory enterprises that endanger collective interests. Additionally, the revised Food Safety Act (enacted in April 2015) allows courts to impose prohibitive punitive fines on irresponsible food manufacturers and operators. Since 2015, courts and procuratorates have also instituted reforms that make it easier for citizens to submit petitions by letters and visits at local level. Local judges now share part of the responsibilities that used to fall on the central government: what could have become acrimonious petitions in front of government buildings have turned into neat stacks of legal files in courts.

As a result, the number of petition visits to the SPC in Beijing fell by 12% in 2015 (SPC 2016). In a similar vein, local governments are less encumbered with the task of disentangling complaints: the number of petitions and visits by complainants to the higher courts or procuratorates in Hainan, Hubei and Qinghai fell by 14%–17% (Chen Fei 2016). A recent report even estimates that the number of illegal jails (黑监狱), which detain unpopular visitors and petitioners, has decreased (Wei quanwang 2016).

### **FUTURE PROSPECTS: REFORMS AT THE EXPENSE OF LOCAL JUDICIAL FUNCTIONARIES ARE UNSUSTAINABLE**

The judicial reforms represent the efforts of the Xi administration to stabilise the rule of the CCP. Previously, the CCP harnessed courts and procuratorates to provide vacancies for incompetent political cadres and retired military officers. The judicial reforms removing the self-image and self-identity of judicial functionaries as mere government officials are based on the legacy of the previous reforms that aim to cultivate a more professional team of judges and procurators. However, this logic contains some risky miscalculations that are offsetting the positive outcome of Xi's judicial reforms: while the judicial reforms impose onerous burdens on judicial functionaries, Xi's governance model fails to offer equal legal conditions, significant economic incentives, and nationwide acknowledgment of their professional ethos.

#### **Amplifying the fundamental lack of judicial independence at the central level**

The judicial reforms so far have turned the heat on local judicial and government functionaries. Whereas local judicial organs may be more independent from local governments than before, Xi and his colleagues are well aware that the monopolistic rule of the Party will soon disintegrate if they introduce an exhaustive process of liberalising China's judicial system. The failure to adopt equally efficient measures for inoculating judicial organs against political control at the central level, however, remains a fundamental flaw that enervates the professional ethos of judges even at higher levels. Despite the fiat against meddling with local justice, the central government continues to leverage arbitrary legal measures such as coerced confessions of guilt on China Central Television (CCTV). Besides, Xi's efforts to combine anti-corruption campaigns with judicial reforms can only be branded as *selective*, since the campaign has excluded important members of the coalition of princelings. Consequently, local judicial functionaries will be punished for rent-seeking practices, whereas the egocentric behaviour of the central Party leadership (e.g. Panama Papers) is not subject to legal prosecution.

The judicial reforms represent the efforts of the Xi administration to stabilise the rule of the CCP.

### **Fewer economic incentives than under previous administrations**

While judges are not supposed to work for immoral gains, the situation is different in a party-state where law is still not a tool for restricting power, but a tool for consolidating power. Since the beginning, the success of China's judicial reforms has been largely dependent on distorted economic incentives for judicial functionaries, such as taking bribes from involved parties before a court session. Under former administrations, corruption in the local judicial system was accepted acquiescently as a compensatory bonus for relinquishing judicial independence. For those judicial functionaries who started their careers in the earlier post-Deng era, being a judge or procurator allowed one to reap colossal moonlight income and accumulate wealth as a tacit condition of supporting the rule of the party-state. Under Xi's draconian anti-corruption campaigns, however, the risk of taking such compensatory bonuses has grown considerably. Judges and procurators in China will be confronted with the serious problem of receiving a "meagre" pay in practice without such anticipated profits from corruption. Take Beijing and Shanghai as an example: the average salaries of judges (150,000 CNY per year) are only about one third of the average salaries of lawyers (400,000 – 500,000 CNY per year) (Ye Zhusheng 2015).

### **Heavier workloads and more social pressure**

Judges around the country are overburdened with a radically increasing number of cases. The SPC simplified the rules for local citizens filing lawsuits considerably in 2015. Before 2015, a plaintiff would usually wait for a certain amount of time before the court decided whether or not to accept a case. Since the new rules came into effect, courts have been obliged to register lawsuits immediately, as long as they satisfy existing legal conditions. Judges may face severe sanctions for not accepting the files in such circumstances. Apart from a nationwide total increase of litigations of more than 20%, judges dealt with far more cases on average in 2015: judges in Beijing heard an average of more than 100 cases (around 20% annual increase); judges in Zhejiang province handled a daunting average of 218 (2.2 times the national average); and in the new Beijing IP court, 18 judges attained an incredible average of 370 cases (Li Xiang 2016).

Today, the political stunt of putting judges at the forefront of coping with social crisis and daily petitions may even cost their lives. Despite their hard work and dedication, it is extremely difficult, if not impossible, for local judicial functionaries alone to win wide acknowledgement of their professional values. The proliferation of such clashes between China's judicial system and the grassroots will further discourage prominent young jurists from keeping on their work as local judicial functionaries. In fact, there has been a spate of resignations among even experienced judicial functionaries. This trend will probably continue. As such, Xi's judicial reforms will fail ultimately, if they do not seek to:

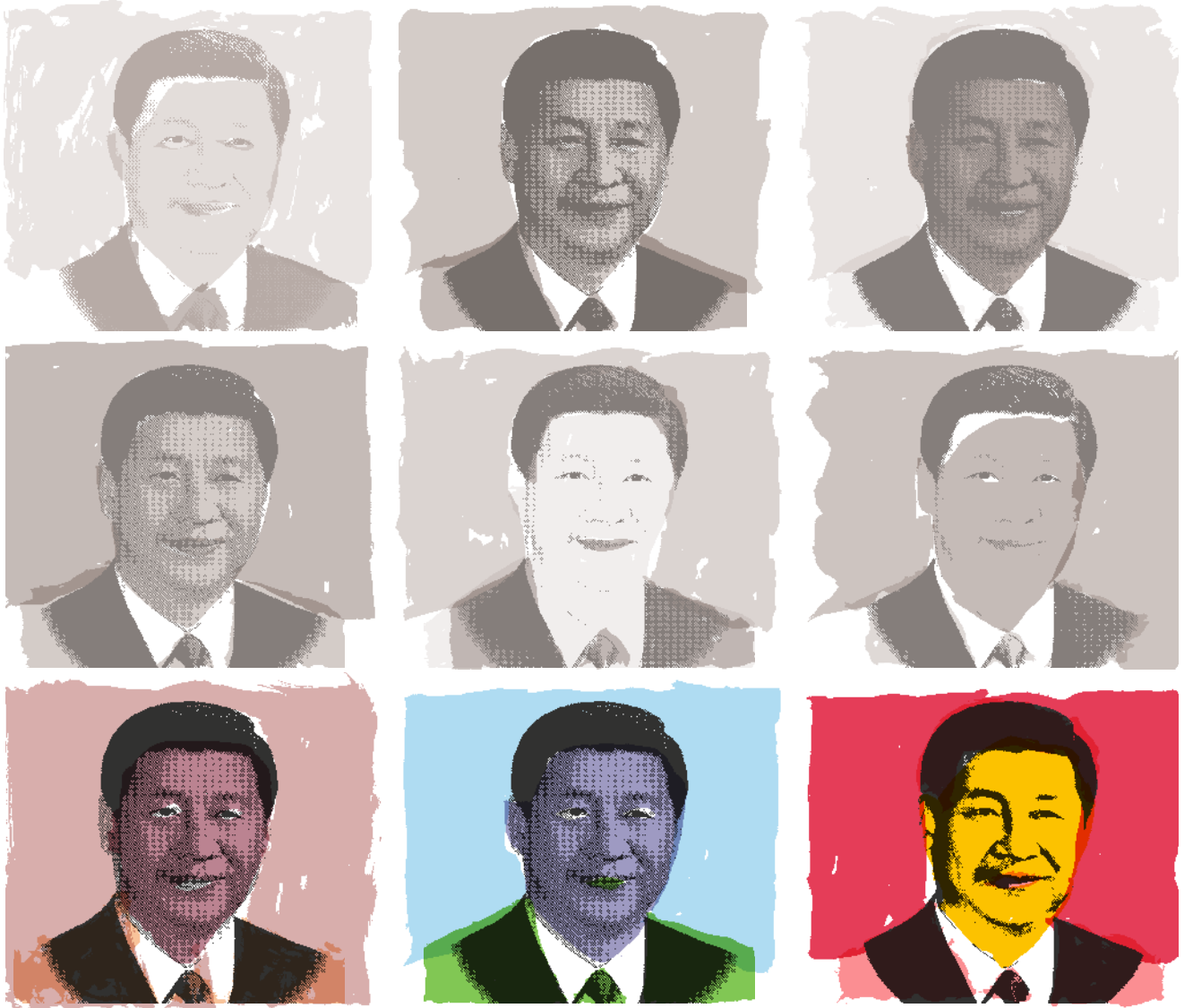
- inoculate the central leadership against nepotism and corruption;
- provide sufficient economic incentives to judicial personnel;
- protect judicial staff from work overload and social pressure.

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## Part 3: Controversies and Scenarios

# Xi Jinping: The man, the myth, the Party

## Some western misunderstandings of Xi Jinping's leadership

**Jessica Batke**

*This article reflects the personal views of the author and not necessarily the views of the U.S. Government or the Department of State.*

### KEY FINDINGS

- Xi Jinping is not the sole or even primary factor causing recent major shifts in the Chinese political landscape. Structural and situational factors also explain many of these changes.
- In fact, the policies Xi is pursuing are largely in line with the Party's previously-articulated agenda. His apparent increase in decision-making power – though far from certain in all cases – is in part the result of collective sense of urgency at the highest levels prior to the leadership turnover.
- Xi's "cult of personality" is a far cry from the fervour of the cult of Mao. Media coverage of Xi Jinping should be viewed in the context of a highly professional and deliberate leadership personality management system that serves the CCP's modern propaganda needs.
- When assessing the future trajectory of the Chinese political system, we would be well-served to focus on the success or failure of the CCP's policy agenda and not just on the man heading it. Indeed, a spectacular failure could threaten the existence of the entire regime.

The last few years have seen dramatic changes in the Chinese political landscape that raise significant questions about where China is headed. The Chinese Communist Party (CCP) has revitalised Leninist party governance mechanisms and forcefully reasserted control over members of the government, military, media, economy, and society. Many observers attribute the Party's dramatic resurgence to the face of this effort: General Secretary Xi Jinping. This assumption is the foundation for several pieces of conventional wisdom, which present Xi himself as the primary driver of change in China and focus on his actions as the best way to analyse China's future.

This narrative may turn out to be the closest to the truth. However, given the opacity of the Chinese system, forcing us to frequently rely on information that is anecdotal or shaped by the PRC propaganda apparatus, this narrative may miss key elements of China's political landscape. Indeed, if Xi is viewed as a creature of his Party and of his times, who assumed his mantle with a mandate for a particular vision of reform and a broad recognition that strong, revitalised central leadership was required to carry it out, alternative narratives may be crucial to understanding decision making within China have important implications for China and foreign observers.

This paper will provide a larger context for Xi's actions and posit that, even as major changes have occurred in China's political landscape, available evidence does not rule out alternative narratives. This paper is not meant to argue for an all-or-nothing interpretation of Xi Jinping's personal power, or to deny that individual leaders can determine a nation's trajectory in crucial ways. However, by reviewing the dominant narrative frameworks and discussing additional structural and situational factors driving Chinese policy, this paper aims to highlight what is missing from much of the conventional wisdom and present a preliminary alternative framework for thinking about the future of Chinese politics.



## CONVENTIONAL WISDOM 1 - XI'S PERSONAL AGENDA HAS DEFINED CHINA'S POLICY STRATEGY

The Xi administration started in on its anti-corruption campaign almost immediately after the leadership turnover, sending shock waves throughout the governance system. Combined with a more tightly-controlled media and social sphere, the resulting alterations to Chinese political life are undeniable. Many observers point to Xi as the sole or primary driver of these alternations. However, Xi benefited from a collective sense of urgency about the challenges facing the Party and a mandate for reform to tackle these challenges.

Years before the most recent leadership transition, the CCP began to systematically analyse the pressures leading to the collapse of the USSR and identifying changes it would have to make to avoid the same fate. By late-2012, the pressures the CCP faced ranged from economic (the deficiencies of an export- and investment-intensive growth model had been exacerbated by the 2008 stimulus in response to the global financial crisis) to social (growing middle-class dissatisfaction with quality-of-life issues such as pollution and food safety), to technological and ideological (the advent of social media amplifying non-Party messages, raising the spectre of popular revolt), and to institutional (the CCP's internal rot threatening to undermine Party functioning and legitimacy). This final issue was dramatically underscored by the 2012 public revelation of Chongqing Party Secretary Bo Xilai's crimes – the most serious of which, if officially unmentioned, was his attempt to circumvent leadership selection processes. The new leadership had little choice but to act quickly and aggressively in order to preserve CCP rule, giving Xi a mandate to tackle these challenges in a manner more decisive than his predecessors.

Xi likely personally shared this sense of crisis and urgency. Certainly, as part of the previous leadership cohort, he had a hand in shaping the current policy agenda aimed at these challenges. Anecdotal tales about Xi's formative years or quotes from recent speeches suggest that he sincerely believes in the Party's historic mission to rejuvenate the nation. But whatever Xi's beliefs, his policy behaviour since taking power remains consistent with the policy strategies outlined by the outgoing leadership. The 18th Party Congress work report, written under Hu's leadership and built upon familiar policy themes from previous Congresses, articulated the Party's consensus goals and policy preferences and presented Xi and his colleagues with a mandate for reform.

This even includes the signature initiative of the Xi administration, the anti-corruption campaign, which is the initiative that appears to diverge most strikingly from leadership precedent. Many observers initially interpreted the campaign as Xi Jinping's attempt to consolidate power and eliminate personal or political enemies. Yet, the campaign itself has proven to be long-lasting, expansive in scope, and increasingly systematic in the sectors it investigates, affecting tens of thousands of officials with no connection to Xi or his associates. When considered alongside other initiatives (such as the State Council's "powers list," which aims to clarify government agencies' powers and prevent arbitrary fees and bribes), the Party's anti-corruption efforts strongly suggest an organisation trying to clean out the worst of its corruption and remove obstructions to further governance reform, in accordance with long-standing Party priorities. This does not preclude personal score-settling or benefits for Xi, but it is very difficult to explain the campaign as driven purely by elite politics.

Thus, given that policy under Xi has not wildly deviated from previously-articulated Party strategies and objectives, the most straightforward assumption holds that the current leadership's policy priorities reflect broader agreement how to address threats to Party rule. Xi himself likely shares these priorities, but available evidence does not prove they are solely his. This also does not rule out the existence of disagreements among top leaders, including personality-driven conflicts. But the contours of these conflicts remain largely hidden to us, and it is difficult to prove how exactly they have shaped the Party's actions. (Miller 2015)

**Whatever Xi's beliefs, his policy behaviour since taking power remains consistent with the policy strategies outlined by the outgoing leadership.**

## CONVENTIONAL WISDOM 2 - XI IS CONCENTRATING POWER TO HIS PERSON AND TO BE WIELDED IN DICTATORIAL FASHION

Many observers assert that Xi has drawn the reins of power tightly to himself through, among other efforts, the creation or expansion of high-level Party policy structures. Xi may indeed have more decision-making leeway than his predecessor. Yet, some of this concentration of authority is due to several key top-level structural changes initiated under the previous leadership to allow for more decisive action, suggesting a mandate for centralisation in service of the aforementioned Party priorities. Additionally, the creation of new structures, in and of itself, is not adequate as diagnostic evidence of Xi's personal power.

At the very highest level, Xi benefits from structural changes enacted or approved by the previous leadership cohort. He heads a slimmed-down Politburo Standing Committee, likely designed for quicker, more focused decision-making after the apparent policy stagnation during Hu Jintao's second term. Xi gained further political space as Hu stepped down from all three top leadership positions (in contrast to Hu's predecessor Jiang Zemin, who retained his position as head of the Central Military Commission for two years after stepping down as General Secretary). Xi also inherited Central Committee staff, responsible chiefly to him, which had been enlarged and empowered under Hu. (Heath 2015)

The creation of new leading small groups (LSGs), several of which Xi heads, is often cited as evidence of Xi seizing power for himself. This claim rests on several assumptions, the first of which is that heading a group definitively confers additional power on the man already holding all top central leadership posts and disregards other bureaucratic players. LSGs, long an influential part of the PRC policy-making process, deliberately include representatives from other relevant Party and state institutions, including other Politburo Standing Committee (PBSC) members. So does the creation of new LSGs represent an end-run around other policy-making institutions, even if those institutions are represented in the new LSGs? Do they equal a zero-sum expansion of Xi's influence, or can they bring additional expert voices into the policy discussion? If the new LSGs also contain relevant PBSC members, does Xi gain additional power from heading a policy discussion in an LSG venue rather than at the PBSC?

Further, what does it mean, on a day-to-day basis, to chair multiple LSGs in addition to running a nation of 1.4 billion? Given the other demands for his time, a significant portion of these groups' work is likely handled by the groups' other members and their supporting bureaucracies. Xi certainly personally influences a group's activities when he is directly involved – and, according to anecdotes, may be inclined to micromanage – but there must be a limit to how much micro-managing one man can do. The new LSGs also have more deputy heads than previously-existing ones, which suggests the complexity of the tasks undertaken as well as the involvement, if not empowerment, of other leaders in the Party's policy endeavours. Even if heading more groups does directly equate to more power, it remains unclear exactly how many groups Xi heads. (Wang Shu 2015) If he heads more leading small groups than Hu Jintao did, it is still a minority of more than 20 publicly-acknowledged LSGs. And while the Xi administration has been more transparent about current LSGs, we still don't know much more about how they operated under Hu.

How much of the recent structural changes are due to the CCP's reform plans and how much of it is due to Xi's personal quest for power? Both structural and personal factors are likely in play here, but at least some centralisation was initiated before Xi took the helm as a prerequisite for the implementation of long-standing Party priorities. It is also unclear how much some more recent structural changes are affecting personal power concentration.

At least some centralisation was initiated before Xi took the helm as a prerequisite for the implementation of long-standing Party priorities.

## CONVENTIONAL WISDOM 3 - XI IS BUILDING A CULT OF PERSONALITY

Chinese media coverage of Xi Jinping shows a bolder, more charismatic leader than did coverage of Hu Jintao. Observers commonly cite this apparently more personalised media treatment as evidence of Xi Jinping's desire to build a cult of personality.

Yet, the change in coverage also aligns with several CCP goals. First among these is to re-establish the faded CCP brand and reinvigorate positive popular sentiment toward the Party. (Ci



**Cult of personality, or cult of personality?**

2015 People's Daily cover showing Xi closely resembles treatment of Hu Jintao in 2008



Source: People's Daily

© MERICS

Figure 11

Jiwei 2014) Modifying leadership media treatment to focus more on the top leader supports this effort, inasmuch as it gives the Party a centre of gravity in the form of a strong, trustworthy, personally-relatable leader. This rebranding effort is also evident in the push for “new official-speak” (initiated in the last years of the Hu administration) and in the frequent release of cartoons and songs that aim to reach a younger audience on digital platforms. From this perspective, the CCP’s glossier treatment of Xi Jinping looks very much like a Leninist propaganda system trying to drag itself into the modern media and social environment. Other changes may be the result of personality, but not necessarily indicative of a personality cult. Certainly in comparison to his “wooden” predecessor, the CCP’s propaganda apparatus has more raw material to work with in General Secretary Xi Jinping.

It is notable that, since taking up China’s top leadership spot, Xi Jinping is not known for going off-script in his public appearances, as Jiang Zemin sometimes memorably did. The near-total adherence to a script raises questions about how much of his public persona is attributable to him and how much is created in concert with his propaganda team. Of course, none of this excludes the possibility that Xi Jinping is seeking personal adulation. Yet it bears remembering that the Party’s propaganda mechanisms are responding to changes other than just Xi’s relative power within the leadership structure. Indeed, media coverage of Xi Jinping should be viewed in the context of a highly professional and deliberate leadership personality management system, reducing our ability to infer too much about the man based on his media image.

The CCP’s glossier treatment of Xi Jinping looks very much like a Leninist propaganda system trying to drag itself into the modern media and social environment.

**A CREATURE OF AN EMBATTLED SYSTEM**

Analysis of Xi Jinping’s personal power is most significant not as an end in itself, but rather as a way for us to gauge where the Chinese political system is headed. And the Chinese political system, as embodied by the CCP and Xi Jinping, is currently fighting for its own survival. Xi inherited the Party’s prescribed course of action for this struggle: a combination of economic and govern-

**The Chinese political system, as embodied by the CCP and Xi Jinping, is currently fighting for its own survival.**

ance reforms that ensure adequate public service provision and transition the economy to a new growth model, alongside political initiatives that enhance Party discipline and stifle extra-Party voices. Whether or not this strategy will work depends partly on the Xi administration's ability to execute it, but more so whether the strategy itself is inherently sufficient to save the regime.

In our quest to understand the future of the Chinese political system, then, we would be well-served to focus on the viability this strategy and not only on the man currently heading it. If the CCP has judged correctly, the public will remain acceptably quiescent, the Party tolerably coherent as an organisation, and the economy strong enough to keep chugging along. In this case, the Party may well deem the current mode of leadership a success and seek to replicate it. Alternatively, the strategy itself might prove to be the wrong solution to the Party's problems, or get executed so poorly that it does not function as intended. Likewise, the CCP might have miscalculated its ability to impose its vision on lower-level cadres, many of whom resent its effects on their interests. Xi, as the face of the agenda, would be a likely target of public ire – though in such a situation, a leadership reshuffle would be the least of Party concerns. Indeed, a spectacular failure could threaten the existence of the entire regime.

Of course, Xi could upend this calculus by overstepping his mandate. Were we to begin to see a series of policy directives that contravene the general policy line, we could infer that they were the result of an individual's personal whim or the makings of a very high-level opposition group within the Party. That would be a dangerous moment for Party unity and survival, and could also portend momentous change for Chinese politics, if not the state.

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# Assuming new roles and titles

## Xi Jinping's positions in party, state and military (May 2016)



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CCP Central Committee

习近平  
XI Jinping

中国共产党中央委员会总书记  
General Secretary

中华人民共和国  
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# What if Xi Jinping succeeds in restructuring the economy and strengthening the CCP?

**Richard McGregor**

## KEY FINDINGS

- Rebalancing the economy, while maintaining steady growth – is more important than strengthening the party in the short run, and also more difficult.
- Xi has the ability to make decisions and force them through the bureaucratic and party apparatus, but he lacks any feel for a vast, complicated and globally-integrated economy. There are no easy victories in economic policy, nor guaranteed outcomes.
- The rebalancing of the Chinese economy is well under way but is not guaranteed. Breaking China's own iron triangle, of the CCP, state owned companies and provincial, city and local governments is the most crucial element in unleashing the growth potential of the Chinese economy.
- It would mark an epochal event, if the economy manages a transition away from traditional heavy industries. An economy which still allows a substantial role for the state would have enhanced credibility elsewhere in the world as an alternative to the U.S.
- If Xi Jinping succeeds, the core mission of the CCP, to recapture China's vaulted place amongst nations, would be invigorated the more it had the means to do so. There is nothing in the party's DNA, nor in the public's that suggests China would be more accommodating if it were more powerful and better armed.

## ACHIEVING ECONOMIC SUCCESS MORE COMPLICATED THAN ASSERTING PARTY CONTROL

What if Xi Jinping succeeds in strengthening party control and re-balancing the economy? The definition of “success” is of course open to interpretation. Equally, so is the question of whether successful economic management is compatible with a strengthened party. I will try to address these potential contradictions in the course of the paper.

My view is that the second part of the equation – rebalancing the economy, while maintaining steady growth – is more important than the first in the short run, and also more difficult. Further, I would argue that the former ultimately depends on the latter, rather than the other way around. To put it another way, the best measure of Xi's success will be his stewardship of the economy, because it makes everything else easier to manage, be it social stability, foreign policy, funding desperately needed government programmes, on the environment and pensions, to name two, and party reform.

Some commentators have argued that Xi has subordinated economic reform to party consolidation. Equally, the argument in favour of party reform and a cleaner CCP is that it lays down the tracks for substantive and credible economic reform. Xi is “turning left to turn right”, in the same way some have suggested he is doing with an anti-graft campaign that will morph into legal reform. But it is not clear to me that party consolidation bodes well for economic reform, whatever the sequencing may be. In fact, if we agree that liberalisation in some form is what China's economy needs, party consolidation instinctively pushes the leadership in a more conservative direction.

The CCP party secretary possesses enormous power, especially when he, or she, grabs its levers with alacrity and uses them, as Xi has. Personnel changes in the military, an enhanced role for the anti-graft body, a reduced role for the premier and the state council – all look from the outside to be tough, difficult and indeed daring decisions, which from a purely political perspective, they are. But whereas Xi has the ability to make such decisions and force them through in the short-term, he cannot snap his fingers in the same fashion with a vast, complicated and globally-integrated economy. An economy does not respond to overnight or even incremental change in the way that a political party might, nor do the interest groups that make up its parts. In short, there are no easy victories in economic policy, nor guaranteed outcomes.

## MAKING STRUCTURAL REFORMS A SUCCESS REQUIRES MORE THAN AN AUTOCRATIC LEADERSHIP STYLE

On top of that is Xi's own autocratic leadership style, according to which he has marginalised the State Council and centralised policy and decision making in his personal office. This does not necessarily dictate bad outcomes. Although this strays into the realm of speculation, there are a number of possible reasons for Xi's administrative set-up. He has a sense of urgency on a number of fronts. On foreign policy, he sees a strategic opportunity in Asia, which he wants to exploit with a cautious president in the White House, and thus needs to move quickly. Secondly, he thinks the consensus, first-amongst-equals-style leadership of Hu and Wen was ineffective and easily parried by powerful interest groups which blossomed under their weak stewardship of the party and the economy. While Hu and Wen frequently diagnosed the economy's problems with great perspicuity, they were not deft in addressing them.

Chinese leaders who have got things done in the past, in good and bad ways – see Deng Xiaoping and Mao Zedong respectively – have been autocratic. So, too, was Zhu Rongji. Xi may be taking his stylistic cues from them – the conviction that only an autocrat can cut through multiple levels of party and government bureaucracies, and entrenched, networked corruption embedded within them, to force change. Finally, there is Xi's sense of manifest destiny, of a genuine princeling who is convinced he knows what's best for his party and his country.

Furthermore, while Xi is steeped in the CCP, in everything from its origins to its internal procedures, he has given no impression that he has any feel for a modern economy, even after years as serving as party secretary in Fujian, Zhejiang and Shanghai, all areas which have some of the most vibrant private and public sector businesses.

The counterpoint to this assertion is the influence of his father, who was a strong supporter of Deng Xiaoping, and spent his final years living in Shenzhen. In other words, Xi hails from the market reform wing of the CCP. Secondly, he also presided over Fujian and Zhejiang without interfering with their wealth-creation models. (He was posted in Shanghai far too briefly to make substantial changes in the way the city was run.)

Finally, Xi must find a way to surmount a looming debt crisis. It is the economy's Achilles heel, a bubble that will burst unless it can be artfully deflated. Although the bursting of the bubble in various forms has been often predicted, the remarks of one of those sages, George Soros, at an Asia Society event in April 2016 in New York is nonetheless germane – [that such bubbles can last a lot longer than many expected, and indeed take on a "parabolic" form towards their denouement](#), when most of the damage occurs. Economist George Magnus estimates that China's debt to GDP ratio will exceed 300 per cent by the turn of the decade. On this scenario, the best China can hope for is a Japan-style muddle through, but at significantly lower levels of wealth per capita than Japan, with larger gaps in incomes between the haves and have-nots, and in a vastly more degraded physical environment and unstable polity.

China's stock market is neither a store of wealth, nor a barometer for the economy's broader health, as it was in Japan in 1990, when its bubble started to deflate. But in other respects, the outlook for the two economies – Japan at the start of the 90s and China today – have much in common. In both countries, deep problems were hidden under the surface, as economist Arthur Kroeber has pointed out. Corporate Japan got caught in a debt trap – as companies deleveraged,

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the government had to increase its own spending and borrowing to fend off economic collapse. In the meantime, the government failed to execute the kinds of market-oriented reforms that could have boosted growth.

China is still fundamentally an economy with lots of growth potential but the Beijing government's instincts are similar to those of the reigning Japanese bureaucrats at the time – to intervene to prop up property prices in China's case, and put off reforms which would be disruptive to China's own iron triangle, of the CCP, state owned companies and provincial, city and local governments. If that is the case, then the economy's growth potential will be diminished.

Aside from the state of the global economy, which has an impact on China, Xi faces other difficult barriers to maintaining healthy growth. By 2020, near the end of Xi's second term (presuming he has one), China will be near its demographic tipping point. The demographic crunch will mean a narrowing of the tax base at a time of rising pension costs, and lower output without substantial productivity gains. The share of the population of the elderly will start to rise rapidly. China currently has more than 185 million citizens over the age of 60. The elderly now account for around 12% of China's population, a figure that is predicted to swell to 34% by 2050.

China's working age population has already started to shrink but at the turn of the decade, it will start to contract rapidly, with concrete impacts to the labour market, consumption and pensions. The demographic dividend from the supply of young, cheap workers into the manufacturing sector has all but gone. Without large structural reform by then, the sorts of issues that Xi is grappling with now will be more intractable.

There are signs that China's economic transition is already happening. Nonetheless, China's old economy based on manufacturing and construction, is weak, so much so that the government has delivered a modest credit stimulus this year to prop it up. In 2015, consumption and services outpaced the old drivers of growth, of manufacturing and investment, for the fourth successive year. For all of Donald Trump's protestations about the influx of Chinese goods into the U.S. and other markets, net exports have not contributed to China's GDP since 2007-08. In short, the rebalancing that China has talked about for more than a decade is well underway.

Although definitions of economic "success" are open to debate, they should not be benchmarked by headline GDP growth rates. Restructuring and rebalancing, along with demographic changes and what one analyst calls the "law of large numbers" (two decades of ten per cent growth) means that nearly every aspect of the economy will slow in coming years. By itself, though, slowing headline numbers give a misleading impression. For starters, the economy is growing off a far higher base. This year's "slow" pace of growth of 6.9 per cent is off a base which is 300 per cent larger than it was a decade ago, when growth was about ten per cent. Six per cent growth in consumption and services can easily produce more jobs than double that rate of growth based on heavy industry.

### **HARD-WON ECONOMIC SUCCESS IS UNLIKELY TO MAKE CHINA A MORE ACCOMMODATING INTERNATIONAL ACTOR**

**Within China and outside of it, Xi's ability to preside over a restructuring of the economy at sustainable levels of growth offers huge propaganda benefits in the best sense of the word.**

Having said so much about the chances of failure, success against these odds would be a triumph, and deliver a massive windfall for the CCP and Xi personally.

First, there is what we might call the psychic upside of success, on top of the obvious political benefits. Within China and outside of it, Xi's ability to preside over a restructuring of the economy at sustainable levels of growth offers huge propaganda benefits in the best sense of the word.

Chinese success would be in contrast with the west's secular stagnation, a contrast that might be more enduring than the short, sharp burst of hubris that China enjoyed after the financial crisis of 2008-09. Although I don't think we can divide the world into two different systems, along the binary lines of a market-driven "Washington Consensus" against a state-anchored "Beijing Consensus", Chinese economic success would have an enormous demonstration effect nonetheless. The world might not be able to be divided into two distinct economic systems, but it would be divided into two power centres, one rising at the other's expense.



The psychic upside is obvious. After years of predictions – some soundly argued, others much less so – that a CCP-led economic system would either collapse or at best drift into a kind of sour stagnation, the successful navigation into a new economy would deliver the kind of confidence boost that has been lacking in China in the last few years. Indeed, for a state-led economy to make the transition away from traditional heavy industries, like steel and construction, which are reliant on physical rather than intellectual input, would be an epochal event. Far from having feet of clay, an economy which still allows a substantial role for the state would have enhanced credibility elsewhere in the world as an example to be followed.

Would a successful, richer, more self-confident China be less prickly with foreigners and more amenable to compromise in its territorial claims? I think the opposite is more likely. The core mission of the CCP, to recapture China's vaulted place amongst nations, would be invigorated the more it had the means to do so. There is nothing in the party's DNA, nor in the public's, as far as one can tell, that suggests China would be more accommodating if it were more powerful and better armed.

Here, we should consider what "success" means in foreign and security policy. I would argue that this has changed under Xi, perhaps inevitably given the country's growing economic and military power. It is striking to compare the mainstream view of how China should rise as a "great power", as articulated by the 12-part CCTV series on the history of great powers broadcast in 2006, and written over the previous three years, with the ambition on the display today.

The CCTV series praised the values of many western democracies and their contribution to different countries' accumulation of power and empire. Although the series did not urge China to emulate democracies, it did warn against conflict of any kind with foreign powers, lest the country's development be thrown off course. In this respect, such cool-headed, open-minded views which were mainstream in the early years of the 21st century mirror the unfashionable and much reviled opinions recently expressed by Wu Jianmin, the retired diplomat, in support of the benefits that China's interactions with the west have brought it. By contrast, Xi seems to be executing the alternative, and increasingly dominant, view – that a stronger China should forcefully take its due – in places like the South China Sea.

If Chinese confidence, and indeed righteousness, are amplified by economic success, then it is also true that its ambitions would be better funded. China would have more money to spend on its military which in turn would be better equipped in its quest to extend its reach offshore, in particular in the region, around Japan, Taiwan and to the south. China's south-east Asian neighbours, whose current strategy seems to be make the South China Sea a multilateral issue, rather than one negotiated country-by-country with China, might reconsider their options. This will especially be the case if they can see over the horizon with greater certitude that China's military capabilities are catching up and could soon surpass those of a retreating or even static U.S.

A healthy economy will also underwrite Xi's risky, once-in-a-generation restructuring of its military, which aims to shift power to the country's naval, air and missile forces, to bolster regional territorial claims and China's growing economic interest around the world. Beyond the strategic thrust of this reform is the social problem of absorbing into the job market the 300,000 troops who are being cut from the force. They will join a pool of about six million existing veterans who have already protested publicly in recent years about a lack of government support.

The same goes for the funding of many other areas that Beijing believes are essential to bolster comprehensive national strength and the maintenance of party control – education, basic research and internal security, to name a few. This is self-evident, but important nonetheless.

### **STRENGTHENING THE CCP - OPENING-UP WHILE KEEPING CONTROL OVER THE "THREE Ps"**

A successful economy, I would argue, is more easily defined than a strengthened party. Or, to put it another way, how does a strengthened party exist alongside of, and work in tandem with, a healthier economy, which in one form or another is likely to have less (although still significant) state control. Are the two compatible? Does success on economic policy imply failure in party consolidation, at least on terms by which Xi Jinping would define it?

**A healthy economy will also underwrite Xi's risky, once-in-a-generation restructuring of its military to bolster regional territorial claims and China's growing economic interest around the world.**

Economic liberalisation implies a deleveraging to some degree the Leninist state, be it in reducing the direct power over personnel, and thus policy, at say the state banks, thereby reducing party/state control over lending. It may mean revamping the membership of the central committee, removing the ex officio membership of large state enterprises, or diluting their political power by opening up more membership spots to entrepreneurs, which is surely a more preferable way to go. It may mean more non-party ministers in the State Council, rather than the relatively tokenistic appointments in the recent past. It may mean greater experimentation in legal reform, to give the judiciary more genuine independence in deciding commercial cases, perhaps like Singapore.

In other words, keeping the core of the party/state, with control over the “three Ps” – the PLA, personnel and propaganda – while at the same time making the CCP a bigger tent overall. Success, then, could be measured as a more diverse economy and a more open party.



# What if Xi Jinping fails and Party control collapses?

Joseph Fewsmith

## KEY FINDINGS

- Systemic risks to political stability and CCP rule persist despite China's strong international position and influence. These include: uncertainty over leadership succession, pervasive corruption, factional competition, a lack of party discipline, and questions of CCP legitimacy.
- CCP rule may be resilient enough to deal with one of these issues at any given time, but a convergence of related crises could cause a collapse of the political system.
- In case of CCP collapse, democratisation is an unlikely outcome. Rather, China would seem to be ripe for the establishment of an authoritarian system given its weak civil society and legal system.
- As the gap between citizen expectations and the CCP governance style widens, so do the potential consequences of CCP failure.

## FIVE SYSTEMIC PROBLEMS OF CCP RULE

### Succession - Uncertain hierarchy leads to infighting

First, there is the issue of succession. For some years now, it has become the conventional wisdom that China has solved the problem of succession. That was and is not true. Deng Xiaoping named Jiang Zemin to follow him and Hu Jintao to follow Jiang. But only Jiang Zemin consolidated power; Hu Jintao could only be the number two leader (二把手). Xi Jinping is the first leader of the PRC who is not a first generation revolutionary or named by one. So the party hierarchy is less clear than in the past and accordingly the infighting appears to have been considerably greater than in the past. It is genuinely extraordinary that Bo Xilai decided to challenge the decisions made at the 17th Party Congress and apparently conspired with Zhou Yongkang and others. As Xi Jinping put it, "In recent years, we have investigated high-level cadres' serious violation of discipline and law, especially the cases of Zhou Yongkang, Bo Xilai, Xu Caihou, Ling Jihua and Su Rong. Their violation of the party's political discipline and political rules was very serious; it had to be viewed seriously. These people, the greater their power and the more important their position, the more they ignored the party's political discipline and political rules, even to the extent of being completely unscrupulous and reckless (肆无忌惮, 胆大包天)! Some had inflated political ambitions, and violated the party's organisation to engage in political conspiracies (阴谋), to immorally (勾当) violate and split the party!" (CCDI and CCP DRO 2016: 28). It is difficult to level more serious charges. So it is very clear that the problem of succession has not been solved.

### Corruption - Campaigns don't address root causes

Second, there is the problem of rampant corruption. The problem of corruption has been serious for many years, but it seems to have exploded in recent years, perhaps because of the massive financial stimulus injected into the economy in 2008. Whatever the reason, the case of Bo Xilai, which was publicly presented as a corruption problem, highlighted this issue. This case made it apparent that corruption was widespread, of very large scale, and infected the party, even (especially?) at the highest levels. In response, Xi has carried out a massive campaign against corruption, one that is unprecedented in the reform era. To date, some 174 "tigers" (defined as vice-ministerial level and above) have been caught and over 750,000 "flies" have been charged. The ubiquity of corruption was nicely captured by the comment of one charged cadre, who said,

The problem of succession has not been solved.

"To be a section chief without spending money – show me. If somebody really has that ability, I'll call him my daddy" (不花钱当个小科长叫我看，真有那本事，我喊他大爷).

The question going forward is whether any mechanism can be put in place to staunch corruption in the future. The PRC press has yet to specify the causes of such widespread corruption, and it seems difficult to address the issue systematically unless one lays out the causes. To date, we have seen new regulations governing the behaviour of cadres, tighter accounting systems, and a greater role for the Discipline Inspection Commissions at various levels, but it is not clear that such measures can address the systemic reasons that gave rise to corruption in the first place.

### **Factions – Personal allegiances breed corruption and diminish discipline**

Third, closely related to the issue of corruption is the problem of factions. China's cadre system is the legacy of the Leninist system built over the course of the revolution. In the Maoist era, the way to keep cadres in line was to unleash political campaigns in which they could be subjected to criticism. China has moved a long way from the mass campaigns of the Mao era; indeed, the absence of such campaigns appears to have made cadres feel secure enough in their positions that they feel free to indulge in collusive behaviour for the economic and political benefit of the group.

That is not to say that cadres do not feel pressure; on the contrary, the party bureaucracy is built on a mobilisational system that continues to charge lower-level cadres with "tasks" to perform (such as economic development). The pressures of such a system inevitably breed factions as cadres try to reduce uncertainty in their careers. Just how important such human links built on the trellis of the cadre system are, was brought out clearly in the exposure of corruption in Shanxi province (the native province of Ling Jihua). It became clear that individuals based their promotions on deep personal links with superiors (sweetened with gifts of cash), just as they promoted loyal underlings in a chain of corruption and power that reached from specific localities to the provincial party standing committee (and, in the case of Shanxi, all the way into the halls of Zhongnanhai where they connected with Ling Jihua, head of the General Office).

The question for the future is: Can any system without a Weberian-style bureaucracy sustain economic growth over the long term? To date, China has done a remarkably good job of doing so, but the Leninist system has also generated the corruption and factionalism that has been so dysfunctional. It has also undermined the party discipline that is central to the system.

**The Leninist system has also generated the corruption and factionalism that has been so dysfunctional.**

### **Lack of party discipline – Personal enrichment outweighs CCP goals**

Fourth, as just suggested, the other side of the coin of factionalism is the lack of party discipline. Perhaps more than corruption, this is the issue that most vexes Xi Jinping. In his recently published book on party discipline, Xi states bluntly, "Our biggest challenge at present is that the party's leadership has weakened and discipline is lax" (Ibid., p. 9). In his criticism of Bo Xilai and others, Xi says, "Some leading cadres put themselves above the party's organisation; they think they are number one under heaven. Whenever the party sends them someplace to govern they make themselves into an 'independent kingdom.' When they use people or make decisions they don't report to the centre as required by the regulations."

Xi's campaign against corruption is also very much about restoring discipline to the party. But can a Leninist party, however disciplined it may be (or, perhaps, especially if it is disciplined) maintain political control over an increasingly pluralistic and marketised economy? This seems to be a direct contradiction, and Xi seems to be bucking the tides of history.

### **Questions of legitimacy – The CCP seeks a *raison d'être* that is not revolution**

Finally, the big problem that Xi and China (and therefore the world) face is that of legitimacy. Indeed, China is the only great power that worries about its legitimacy on a daily basis. How do we know that the CCP worries about legitimacy? Because it tells us so.

The collapse of the former Soviet Union seems to haunt Xi and those around him. As soon as he became general secretary of the party, Xi went to Guangdong where he gave an internal speech in which he asked, "Why did the Soviet Union disintegrate? Why did the Soviet Communist Party collapse? An important reason was that their ideals and convictions wavered. Finally, all it took was one quiet word from Gorbachev to declare the dissolution of the Soviet Communist

Party, and a great party was gone.” “In the end nobody was a real man, nobody came out to resist.”

Similarly, Li Zhanshu, head of the General Office and an apparent member of Xi’s inner circle, wrote that so-called “reform” in the Soviet Union had led to the “burying of the socialist enterprise.” Li concluded that, “The lesson is extremely deep.”

An important commentary likewise said in *People’s Daily* that, “Today, the Soviet Union, with its history of 74 years, has been gone for 22 years. For more than two decades, China has never stopped reflecting on how the communist party and nation were lost by the Soviet Communists.” (Ren Zhongping 2013)

Such expressions of concern for the lack of legitimacy of the CCP and therefore its fragility can be multiplied. In response to legitimacy concerns, Xi rolled out his campaign about the “two thirty years.” His point was that one should not use the Maoist era to “negate” the reforms of the Deng era and beyond, just as one should not use the reforms of the past thirty years to negate to Maoist era. But the fact of the matter is that these two eras sit uneasily with each other. As the economy develops and personal freedoms expand, the Maoist era increasingly seems like an unnecessary and highly disruptive period that only delayed the modernisation of China. But if the revolution fades as a legitimating device, how can the CCP justify its continued rule? That is why “Document No. 9” – the infamous document that called on people not to discuss seven topics – said that people should not engage in “historical nihilism.” Historical nihilism means writing careful history about how the CCP rose to power and the early years of the PRC. And a new crop of historians is doing precisely that.

### MANY PATHS TO FAILURE, WITH POTENTIALLY PROFOUND CONSEQUENCES

Given this array of problems, the odds of Xi failing, in one sense or another of that word, are fairly high. Xi could fail in a number of ways. First, his campaigns to fight corruption, increase party discipline, and centralise power could be blunted either by opposition or simply by the enormity of the tasks. That type of failure would likely lead to policy drift, not fatal in the short run, but perhaps debilitating over the long run. Second, it is possible, given the number of enemies Xi has seemingly created, that Xi might be removed by his colleagues. In recent years it has become common to speak of the Central Committee as a “selectorate,” and, presumably, the selectorate has the power to “de-select” as well as select. But the CCP has not removed a party leader since the revolutionary days, and only then through elaborate manoeuvres. A meeting of the Central Committee to remove Xi, à la Khrushchev, seems unlikely. And if it were to happen, the fall out in terms of leadership infighting would be enormous – which is one reason it is not likely to happen. That leaves the most extreme possibility, namely that the system would collapse, Xi taking the CCP down with him.

Although it seems unlikely at the moment, one might ask if some combination of succession politics, corruption, and internal discord in the CCP, perhaps converging with economic crisis and/or public discontent could bring about the collapse of CCP rule? Should Xi fail in such a dramatic fashion, the consequences would be enormous. A dramatic failing would, of course, delegitimise the revolution and the CCP as a whole, spreading the consequences throughout the country and making it difficult to reconstitute the political order.

What would be the result of such a dramatic collapse? One can think of two quite opposite possibilities. One is that the decentralising tendencies evident in local factionalism might metastasise, making the restoration of political cohesion difficult. The other is that the military and/or security forces might well retain organisational coherence and become the focal point around which political forces might rally. Of course, both could happen in succession, rather like the relative chaos that occurred in the wake of the collapse of the CPSU, followed by the emergence of a strong man, à la Vladimir Putin. We live in a world in which authoritarian rule seems to be spreading, and China, given its weak civil society and legal system would seem to be ripe for such an authoritarian system, whether elected or not.

We live in a world in which authoritarian rule seems to be spreading, and China, given its weak civil society and legal system would seem to be ripe for such an authoritarian system.

## THE COSTS OF FAILURE CONTINUE TO INCREASE

The topic “What if Xi Jinping fails and Party control collapses?”, focuses on what I hope is an extreme possibility, but it does highlight some important issues. A decade ago, one could speak of modest political reform being experimented with. A gradual deepening of such reforms might have opened up the possibility of a healthier civil society and even “peaceful evolution.” At the same time, Hu Jintao’s calls for building a “harmonious society” suggested an effort to reconcile China’s Confucian heritage with a revolution initially built on “striking down Confucius’ shop.” We now seem far from those efforts and the possibilities they seemed to open up. Today, it seems more difficult to square efforts to tighten party discipline with the needs and desires of a burgeoning middle class and more difficult to align efforts to strengthen ideological appeals with traditional cultural values. If these gaps now seem wider, it suggests that the costs of failure have gone up.

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# Scenarios for political development under Xi Jinping's rule

Sebastian Heilmann, Björn Conrad, Mikko Huotari

## KEY FINDINGS

- Xi Jinping's rule builds on traditional factors of stability (improvement in material living standards, Leninist institutions of control). But powerful sources of fragility undermine the CCP's claim to power (economic downward pressures, lack of political variability and diversity).
- Extrapolating these factors into the future, four scenarios for political development emerge:
  - A centralised and disciplined party and security state (the "Xi system").
  - A decentralised, institutionally fragile, but adaptive party-state (the "Deng system").
  - "Strong man" politics supported by the security organs and nationalism (the "Putin system").
  - Chaotic pluralisation, a façade of democratic institutions, and informal oligarchies (the "Yeltsin system").
- A version of the "Xi system", possibly moderated by some aspects of the "Deng system", appears to be the most likely scenario in the short and medium term. Given the systemic fragilities of China's political system, the more disruptive scenarios of system collapse are a definite possibility should Xi Jinping's agenda visibly fail.

China's core executive has shown an extraordinary determination in combating the erosion of the CCP's internal organisation and fighting vehemently against any attempt to undermine the party's leadership.

A common theme runs through this essay collection: the determined change of course that Xi Jinping has initiated, attempting to define China's political path into the twenty-first century with the Chinese Communist Party firmly at the helm. The catalyst for Xi Jinping's determination to adjust the trajectory of China's political system was the state of erosion the CCP found itself in at the beginning of Xi's tenure in 2012. The party had experienced a progressive deterioration of its organisational hold and internal discipline. Decision-making authority had been diffused and largely delegated to lower levels of power. The formal command structures of the CCP had been undermined by informal modes of exchange resulting in endemic corruption. Political institutions had proved incapable of addressing the challenges brought about by the fast developments in China's economy and society, the disruptive changes in the technological sphere, and rapid shifts in the global context. The CCP was, in the eyes of Xi Jinping, in an unfit state to lead China into the future.

From the start, Xi Jinping's rule has been aimed at correcting this situation. China's core executive has shown an extraordinary determination in combating the erosion of the CCP's internal organisation and fighting vehemently against any attempt to undermine the party's leadership. By launching an extensive anti-corruption and discipline campaign and by reinforcing the Leninist hierarchies and ideological tenets of the party-state, Xi Jinping made unmistakably clear that the CCP would steer China into the future.

## COMMUNIST PARTY RULE: FACTORS OF STABILITY, SOURCES OF FRAGILITY

The scenarios for China's political development presented in this essay are based on the fundamental strengths and weaknesses of the CCP's rule, extrapolating their current trajectory into the future. Xi Jinping's rule relies on a number of factors that provided stability to the CCP leadership in the past. Most importantly, CCP rule still rests on the considerable improvement in material living standards for large sections of the overall population and for the political elite since 1979, bolstering loyalty to the current regime from a large part of the new economic elite and the new



social upper and middle classes. These improvements are complemented by state functions that are accepted by most citizens as essential benefits, particularly the state's provision of material and non-material goods from healthcare to security and national pride, and to careers in the civil service or employment in state-owned enterprises.

A hallmark of CCP strength is the uncompromising defence of the party's monopoly on power through an extensive and proliferating surveillance and police system. China's state institutions still have a veritable arsenal of despotic instruments of power at their disposal, ranging from a comprehensive network of informants and varying forms of informal detention to arbitrary use of violence and highly sophisticated electronic surveillance systems to monitor people's activities.

A challenge to the Chinese party-state, one that the core executive is trying to turn into a strength, is the communicative-discursive component of power in today's digital society. Despite the country's tight rein on what citizens can access on the internet, interactive digital media is a potentially disruptive libertarian force that can challenge state institutions and influence public opinion. However, the government has taken active steps to control the modern media and to exploit the internet to present its own agenda. These strategies expand on the traditional CCP approaches to "create a favourable public opinion" for the goals and actions of the party – only this time with the help of digital media.

One of China's greatest sources of resilience is its diversified economic structure. If drastic contractions occur in some parts of the economy, national social and political stability will not necessarily be disrupted because other parts of the economy that remain dynamic will help to buffer the shocks. In other areas, however, the resilience of China's political economy is increasingly in danger of weakening as a result of structural economic changes and heavy-handed political interventions. This applies in particular to the level of state and corporate debt in relation to GDP and GDP growth and the resultant negative effects on the fiscal and financial systems. The extremely rapid increase in national debt since the massive post-2007 stimulus package will seriously limit the government's ability to act in the event of an acute economic or political crisis.

In times of political or economic stress, decentralised policy-making by effective local authorities helps to compensate for blockades, political errors, or failed reforms on the part of the central government. Yet Xi Jinping's centralisation of policy initiative is weakening this all-important buffer against crises and limiting the Chinese government's adaptive and innovative capacities. In effect, overcentralised decision-making abolishes the *advantages of a system of distributed intelligence and local initiative* that Deng Xiaoping had purposefully crafted in the 1980s and 1990s.

The greatest systemic weakness in terms of the resilience of China's government system is its lack of political variability and diversity. Political competition and a peaceful replacement of the ruling party and government are not possible in the Chinese political system. Open debates on the underlying shortcomings of the political system are only allowed within extremely strict confines, or are suppressed altogether. Critical political views, and those who spell them out, are much less likely to be tolerated in the inner policy-making circle of the Xi-Li administration than they were during previous governments. These restrictions make it more difficult to notice early signs of impending crises and to be able to respond to them in a timely manner, thereby increasing the political system's fragility.

The greatest systemic weakness in terms of the resilience of China's government system is its lack of political variability and diversity.

## LOOKING INTO THE FUTURE: FOUR SCENARIOS FOR CHINA'S POLITICAL DEVELOPMENT

So what does the future hold for the CCP and the political system it dominates given the assortment of both favourable and unfavourable conditions outlined above? The following four scenarios are designed to look at the scope of alternative options for development by extrapolating conflicting current trends and projecting them into the future. The scenarios only apply to the medium term, that is, the next three to ten years.

Figure 13 illustrates the four scenarios, with the vertical axis showing the degree of decentralisation and the flexibility of policy-making in three broad steps: from the return to strictly centralised policy initiative under Xi Jinping's "top-level design" (顶层设计) to central-local interaction typical of Deng Xiaoping and Jiang Zemin's reform methods ("experimentation in the shadow of

the party hierarchy”), all the way down to centrifugal independence – “the mountains are high and the Emperor is far away” (山高皇帝远) and “the higher authorities have policies, the localities have countermeasures” (上有政策，下有对策).

The horizontal axis shows the changing economic conditions for political leadership over time, grouped in three phases: the very favourable political conditions from 1992 to 2007 when economic growth was rapid and there was greater room to manoeuvre in fiscal terms; the government-driven fiscal stimulus and industrial programmes between 2008 and 2012 that created huge levels of debt; and the considerably more difficult conditions faced by the Xi-Li administration. This government is faced with a slowdown in economic growth and a rise in state and corporate debt, coupled with increased spending on external, internal, and social security.

Figure 13



**Scenario 1: A centralised and disciplined party and security state (the “Xi system”)**

In this scenario, the key characteristic of Chinese domestic politics is a permanent concentration of power at party headquarters. Formal governing power is channelled through a network of Xi-headed Leading Small Groups. Effective control of a reorganised PLA and the security apparatus, as well as a tightening of disciplinary control over party members, underpin Xi’s rule. The crackdown on corruption limits local abuses of power.

The “Xi system” increases controllability both in state administration and with regard to its repressive apparatus through the use of new technologies. If comprehensively implemented and under the conditions of continuous political stress, the core executive might even turn the system into an *IT-backed party dictatorship* with certain totalitarian features such as ubiquitous surveillance..

The economy is characterised by aggressive national industrial policies, a new “going global” push combined with selective closure to foreign investment and recurring trade conflicts. Structural reforms help to moderate the overall growth slowdown. They also sustain effective state control in the financial system and in globally competitive industries. New redistributive policies dampen the negative social effects of the rapid economic transition.

The “Xi system” thrives on anti-Westernism and a high degree of ideological conformity in the media and the education system. A ban on independent NGOs and effective information management help to breed a “civilised society” under CCP guidance. An amalgam of nationalism, selective traditionalism, and “socialism with Chinese characteristics” form the ideological anchor for legitimate rule in this centralised party-state.

Externally, Beijing’s claim to regional hegemony in East Asia is uncompromising and implemented with force. Superpower rivalry with the United States leads to intensified cyber conflicts and perhaps military confrontations in the Asia-Pacific region. Ambitious diplomacy together with new investment and financing initiatives expand China’s political influence globally. China’s market and regulatory power forces multilateral institutions to adapt to Chinese policy preferences or face China-centred competition. By employing advanced cyber-military capabilities and leveraging the global presence of Chinese IT companies, the “Xi system” also challenges U.S. dominance in cyberspace.

### **Scenario 2: A decentralised, institutionally fragile, but adaptive and flexible party-state (the “Deng system”)**

In this scenario, the key characteristic of Chinese domestic politics is the return to an exploratory, experiment-based governance and reform process. Ruling power is effected through a relatively decentralised and flexible approach to governance (“soft authoritarianism”). Party leadership, however, is curtailed by powerful, and often corrupt, political, economic and military elite networks. The system undergoes progressive decentralisation. This gives rise to an even stronger differentiation of regional development models.

Fragmentation also characterises the “electronic reach” of the state through surveillance systems and media control. Censorship is unable to block lively debates in sprawling interactive digital media. This in turn allows the proliferation of social self-organisation and a more pluralistic society. As a counterbalancing factor to political and social fragmentation, nationalism becomes the mainstream ideology in the media and the education system.

A vibrant private sector pushes forward economic development while state interventions in the economy become increasingly ineffective. As a result, redistribution policies fail to moderate growing social, regional and ethnic disparities. The social impact of SOE decline and stress in the financial system also keep economic policy-making busy for the next decade. Nevertheless, internationally minded interest groups forcefully push for China’s deeper integration into the global economy. This includes the conclusion of new trade and investment deals and further financial opening which in turn create the conditions for a bumpy but sustained moderate growth path.

China’s approach to international cooperation fluctuates with recurring tensions and setbacks. Overall, the leadership’s willingness to cooperate in the Asia-Pacific region and with the United States prevails. Due to high costs and internal fragmentation, China’s military ambitions remain limited. At the same time, civilian control over the military is contested with increasing risks of accidental military confrontations. China’s global export machine slows and the leadership scales back its ambitious international financing initiatives. China-centred diplomatic initiatives complement existing global multilateral governance, while Chinese contributions as an “international stakeholder” expand in an uneven and inconsistent manner.

### **Scenario 3: “Strong man” politics supported by the security organs and nationalism (the “Putin system”)**

Tensions inside the *core executive* characterise Chinese domestic politics in the “Putin system”. Yet, divisions at party headquarters do not prevent the concentration of power in a single leadership figure whose authority is supported mainly by the security and military apparatuses. The party organisation remains formally in place. The most important deals and decisions, however, are negotiated among informal oligarchies and networks. Regions gain in informal power and co-

ordinate only loosely with party headquarters. Institutionally, the system stagnates or even regresses as the state administration is not modernised and loses its grip. As a consequence, harsh yet selective domestic repression substitutes for effective governing power.

Party authorities constantly attempt to reinforce political and economic order by resorting to nationalism and populism, but also by devoting a substantial share of the government budget to internal security. While political control over society remains patchy, the “strong man” and his supporters fiercely suppress any traces of political opposition and the development of civil society. The intense surveillance of digital media focuses on politically sensitive issues and is limited only due to financial and organisational constraints. Regional, as well as social and ethnic, disparities increase rapidly and lead to recurring unrest. Religious movements benefit greatly from shallow regime legitimacy and a growing ideological void.

Political hardening extends to the economic sphere where the climate for domestic and international investment deteriorates sharply. Capital and entrepreneurship flees the country, resulting in anaemic economic growth. Increased unemployment and a rural exodus also heighten pressures for middle and working classes to emigrate. In the meantime, unreformed SOEs, local cadre-business networks and the financial system persist as rent-seeking pools for oligarchic elites.

In the international arena, the leadership distracts from domestic troubles by pouring oil onto regional conflicts and potentially engaging in military adventurism. All-out strategic rivalry with the United States not only fuels a costly arms race, it also creates a de facto state of war in the form of intensified conflicts in cyberspace. With China pursuing narrowly self-interested and disruptive foreign policies, decision-making in key multilateral institutions is blocked and progress stalls on issues ranging from climate and trade to financial governance.

#### **Scenario 4: Chaotic pluralisation, a façade of democratic institutions, and informal oligarchies (the “Yeltsin system”)**

In the fourth scenario, divisions and a power vacuum emerge at party headquarters. The CCP disintegrates into feuding groups at all organisational levels while ordinary CCP members spontaneously abandon the party. The CCP collapses, leading to a pattern of development similar to that during the first ten years of post-Communist Russia under Yeltsin. Centralised power exists only in a symbolic sense, while strong centrifugal forces challenge state unity. Regional and national elections take place without a run-up period and without democratic, rules-based political competitions.

Social media provide a crucial arena for political mud-slinging and conspiracy theories that catalyse political polarisation and uncertainty. In an extreme case, this polarisation results in major acts of political violence and terror. Remaining authorities in Beijing rush constitutional reforms and broaden the powers granted to the provinces in exchange for their support of the weak central government. Provincial political and military cliques grab power and undermine any sense of democratic legitimacy through regional elections. Informal alliances between these old power elites and the new economic elites not only exclude the majority of the population but also hinder a formally negotiated transition. Endemic corruption and organised crime become firmly ingrained at all levels of society.

Underneath this ruthless oligarchic and mafia-like power struggle, a chaotic political pluralisation, a boom in social self-organisation and revived religious movements transform Chinese society. At the same time, social, regional, and ethnic disparities intensify in an uncontrolled fashion and lead to recurring social and ethnic unrest as well as an exodus to neighbouring countries and elsewhere.

A drastic slump in economic performance is accompanied by capital flight and a withdrawal of foreign investors. The shock waves of domestic turbulences create serious global economic backlash, with extremely negative short- and medium-term consequences for all of China’s economic partners.

The power void at the centre and fierce domestic rivalries inhibit consistent diplomacy and cause unpredictable security policies. A near total loss of centralised government control over the military weakens China’s capabilities for effective force projection. It also creates serious risks of maverick military actions and nuclear proliferation.

The medium-term future of the political system will depend on the extent to which the party leadership under Xi Jinping is able to reverse the internal symptoms of decline within the CCP and to consolidate a continuation of the current polity.

### **“Moderated Xi” or “Full-blown Putin”: attributing likelihood**

In the short term (2016 to 2018) the first scenario (the “Xi system”) appears to be the most likely. However, there are good reasons to believe that in the medium term (2018 to 2025) the “Xi system” will eventually have to grant significant concessions in terms of economic policy to subnational governments as a result of a failure to implement the promised economic structural reforms and/or due to a sustained deceleration in the growth rate.

In this moderated form, the “Xi system” is still likely to retain its centralised character with respect to political control, public security, technical surveillance systems, and foreign, security, and military policies. However, in the field of economic regulation, lessons from the exploratory and flexible reform methods under the “Deng system” from 1978 to 2008 have shown that overly centralised control of economic policy results in a decline in local initiative. Therefore, reform methods of the “Deng system” are likely to once again gain traction in the medium term, moderating the overly rigid “Xi system”.

The more disruptive scenarios 3 and 4, triggered by a clear split occurring within the party leadership or a more complete disintegration of the CCP, appear less likely, but are certainly within the realms of possibility. The fundamental risk of systemic collapse is higher in China’s party-state than it is in systems that are characterised by regularised and democratic government turnover. Authoritarian systems of government that base their legitimacy primarily on economic success are particularly vulnerable to abrupt political disintegration in the event of a slump: economic crises will quickly reveal the fragile foundations on which political legitimacy is based, the unreliable support for the current regime among the political and economic elite and the general public, and especially the lack of regular mechanisms to appoint a new legitimate government.

The medium-term future of the political system will depend on the extent to which the party leadership under Xi Jinping is able to reverse the internal symptoms of decline within the CCP and to consolidate a continuation of the current polity. Attempts to bring about an economic rebalancing must not be allowed to fail if long-term political decay is to be avoided. The Chinese party leadership will need a great deal of skill to implement its economic policy and also a certain amount of luck regarding the international economic environment so that any external shocks that might hit the country will not be too debilitating while it is still in the midst of its restructuring process. Should Xi Jinping’s agenda to revitalise party rule and to restructure the economy by 2020 visibly fail, and social and political tensions become exacerbated, the collapse of the entire system will be a definite possibility.

Whatever scenario ultimately plays out, one path of China’s political development has been quite unambiguously taken off the table for the foreseeable future: the gradual evolution towards the Western model of a democratic constitutional state. The evolutionary perspective of a peaceful, controlled, and negotiated transition from CCP rule to a pluralistic democracy currently enjoys no support. The political leadership under Xi Jinping has consistently shown that it is interested only in strengthening and modernising the party-state. Under no circumstances is it interested in starting down a path toward democratisation in the Western sense of the word. There is no chance of the party-state developing into a liberal competitive democracy under the current political leadership.

**The evolutionary perspective of a peaceful, controlled, and negotiated transition from CCP rule to a pluralistic democracy currently enjoys no support.**

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