By Invitation

Insightperspectives.eu regularly invites experts to write about “special” issues of importance to the financial market. In this context, Joergen Delman, professor, PhD, China Studies, Department of Cross-Cultural and Regional Studies, University of Copenhagen, has been invited to make his thoughts about the just closed 19th National Congress of the Communist Party of China.

Joergen Delman works on China’s political economy, politics, civil society, climate policies and environmental issues. He is a frequent public speaker and media commentator on these topics and has lived in China for ten years, working as a consultant for international development organisations, as well as Danish and international businesses. He has worked extensively with and within Chinese government organisations at central and local level. Joergen Delman is Co-coordinator of ThinkChina.dk.

Through a tightly orchestrated process that followed Party rules as we know them, and supported by profuse propaganda in the media that shone almost all the spotlight on Xi Jinping, his results, and his new theory for China, Xi task-managed the 19th Party congress to an A+. He came across as the ultimate master of Chinese
Communist politics and rituals and as China’s real strongman at the height of Communist rule over China.

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In his speech to the Congress, Xi presented a new account of China’s development. Following his logic, and using the traditional arithmetic principles Chinese Communist Party, the 100 years history of the People’s Republic from 1949-2049 can be divided into three phases. The first phase was the socialist revolution and construction phase from 1949-1978 which was guided by Mao Zedong Thought. The second phase, from 1978 until 2020, was guided by Deng Xiaoping’s thinking. It heralded China’s rapid industrialization, the opening to the world, and the move towards a so-called “relatively well-off” (xiaokang) society. In his report, Xi scripted China’s new development roadmap until 2049. The roadmap and its underlying development philosophy is called “Xi Jinping Thought” which has now been enshrined by the top decision body of the Communist Party on a par with not only Mao and Deng’s thinking, but also the Marxist Classics, including Lenin. It is Socialist China, v 3.0, and it is meant to guide the development of China v. 3.0 as the European Council of Foreign Relations called it in 2012.

Xi Jinping’s analysis and roadmap

Xi Jinping’s fundamental belief (see the report here) is that the Communist Party is a Marxist party in power that must exert resolute and complete leadership over all aspects of development to achieve so-called national rejuvenation. i.e. the China Dream, in 2049. Said Xi: “East and west, south and north, the Party leads all.” He repeated what he said five years ago at his inauguration: “The Party must manage the Party.” Effectively, nobody else can check the Party. Therefore, the so-called “rule-of-law”, a principle much cherished by Xi in the report, may continue to be difficult to implement, since the Party is outside the law, and since the legal system is not independent of the Party. To address this dilemma, Xi said that rule by law had to be combined with the “rule of virtue”, i.e. guiding moral principles for social relations that will be defined by the Party.

While China’s development has been highly successful, there are still challenges such as inadequate and unbalanced development, argued Xi. There are disparities between urban and rural areas, between regions, and in relation to incomes. Broad sections of the Chinese population still face severe difficulties with regard to employment, education, healthcare, housing and elderly care. On the basis of this diagnosis, Xi
argued, in Marxist fashion, that the contradiction between unbalanced and inadequate development and the “people’s ever growing needs for a better life” is the new basic contradiction in the current era. Until now the basic contradiction was between the people’s constantly growing material and cultural needs and a backward production system. Therefore, the goal for 2049, said Xi, is to achieve common prosperity, including consultative [not electoral – J.D.] democracy, rule of law, fairness, justice, security, and a better environment. Xi also promised to win the battle against poverty.

Still, despite the tremendous successes in development until now, Xi noted that: “We need to recognize that even though the basic social contradiction in our country has changed, our assessment about the stage of socialism that our country is in has not changed; the fact that we are in the initial phase of socialism and will be there for a long time has not changed [Mao and Deng held the same position – J.D.], and our international position as the world’s largest developing country has not changed” [translated from the Chinese original].

With China’s fast economic progress, with an annual per capita GDP nearing 10,000 USD, with China becoming a major donor in relation to developing countries around the world, it is surprising that Xi is so timid about China’s position and that he does not want to redefine the official Chinese self-understanding since, as he argues, China has already reached a new phase of its development. One reason could be that many conservatives in China’s top echelons, more conservative than Xi himself, would oppose such a change, as a change in definition in Marxist terms of China’s development stage could challenge the basic argument for upholding the one-party rule, officially called the people’s democratic dictatorship. Giving up the idea of this dictatorship for consultative democracy at this stage would not go down well with these Party conservatives. It might also provoke popular demands for more democracy.

But it is doubtful whether China will be able to maintain international legitimacy from being defined as a
developing country. China does not receive poverty based development assistance any more, and will soon not be able to receive any other kind of assistance according to OECD rules. At the same time, China is a major donor itself, now the biggest non-traditional donor. China can either join other donors to align strategies and approaches, or China will be seen as a major power that uses its resources to exert undue selective influence on certain regimes in the developing world. While Chinese assistance may be welcomed there, few would recognize China as a developing country.

Furthermore, China has benefited from its developing country status within the international climate change regime under the Kyoto Protocol, but it is doubtful that this can or will continue under the new regime that is being negotiated now. In fact, China does not seem to want to receive such assistance. Rather, it wants to be a donor to the poorest countries itself.

Xi’s ideas about the new era and the development path towards mid-century have now been enshrined as “Xi Jinping Thought” in the amended Party Constitution. Xi is the third Chinese leader – alongside with Mao Zedong and Deng Xiaoping - to be canonized in this way. But he is the only one since Mao to make it so far while still alive. This supports the impression that Xi is the most powerful leader since Deng, on a par with Mao Zedong.

**Reforms: Quality of growth versus speed**

The need to continue reforms across the board was a key thread in Xi Jinping’s report. Caixin editor-in-chief, Hu Shuli, argues that Xi’s new vision for China demands more attention to reforms, and she notes that Xi understands the difficulties of reform, and that he appears to be committed to overcoming the vested interests that oppose some of the reforms. Indeed, Xi confirmed the commitment to well-known policies in the current reform program and the need to let the market play a deeper and more comprehensive role in allocating resources. The reforms of the state-owned enterprises will continue, he promised, through consolidation, break-up, and mixed ownership. Negative lists regarding market access will replace local artificial barriers to create a more fair and transparent market.

Xi elaborated a two-stage plan for the grand process to rejuvenate China, for 2020-2035 and from 2035-2050 respectively. The end goal is that China will become a
completely modernized nation with a top-tuned and innovative economy, and a modern system of governance. China will also become a global leader in terms of comprehensive national strength and international influence. Nobody can doubt that China has already embarked on this route. In an interview with James Kynge of the Financial Times, Merriden Varrall, director at the Lowy Institute, an Australian think-tank, said that under Mr Xi there has been a distinct toughening in China’s soft power focus. The former emphasis on reassuring others that China’s rise will be peaceful is giving way to more assertiveness. “There has been a definite shift in emphasis since Xi Jinping took over,” says Ms Varrall. “There is still a sense that reassuring others is important, but there is also a sense that China must dictate how it’s perceived and that the world is biased against China.”

Hu Shuli is – naturally – sympathetic to Xi’s proposed approach to reforms, but she warns that under China’s current system, the government plays a decisive role, while the market is still subordinate. Therefore, Xi’s top-priority supply-side reform needs to accomplish five tasks — “cutting overcapacity, lowering inventory, deleveraging, lowering costs, and improving economic weak spots”. “Government failure”, warns Hu, cannot shy away from being blamed for causing some of these problems. She praises the report for reiterating the importance of transforming government functions, increasing decentralization, making regulatory innovations, and building a service-oriented government that can satisfy the people. She also notes that Xi has a strong focus on continued fiscal system and tax reforms. Apparently, she thinks that it has been too slow until now, and she asks for an urgent consensus between parties with different interests for speeding up the reform process.

Finally, it is important to note that Xi’s report does not set targets for GNP growth. An observer in South China Morning Post speculates that this signifies the ambition to focus on balanced and sustainable development and the quality of growth. Clearly, the new tough regime to environmental management will be continued and strengthened in China, according to Xi.

Xi’s new “Dream Team”

The new Politbureau Standing Committee consists of seven members, just like the last one. They are all men in their sixties, all highly seasoned and well qualified politicians and public officials. In order of rank, the 6 others were: Li Keqiang (current Prime Minister), Li
Zhanshu, Wang Yang, Wang Huning, Zhao Leji (new anti-corruption chief), and Han Zheng. There were not many surprises with regard to the appointments to the Politbureau or its standing Committee. Xi loyally stuck to the Party rules and defied all unfounded speculations in the Western media that he might break them in various ways. The media are still surprised that there is no obvious successor, but there was absolutely no reason that there should be one now.

However, one small surprise was the appointment of the academic Wang Huning, and especially his rank. It is the first time that a qualified academic makes it into the Chinese top leadership. Wang is Xi Jinping’s key ideologue. He is a “neo-authoritarian” and has been instrumental in formulating Xi’s new ideological and political platform with the focus on strengthening the Party and the ideas about China’s new development course and the role of the Party. His inclusion in the Standing Committee will likely heighten the quality of the political-ideological debates about the Party and its guiding ideology in the future.

The majority of the six members are Xi loyalists. If they are not, they had better not say it out loud. Indeed, it is unlikely that any of them will challenge Xi, and they have probably had to give the oath of loyalty to get so far. The official newspaper, The People’s Daily, called them a “Dream Team”, since they are to help Xi in reaching the Chinese Dream. But there is no doubt that that they are also a Dream Team in terms of their experiences, their complementary competencies, their political capital, and their loyalty to Xi.

What did the Congress do for Xi?
The Party Congress made it clear that Xi Jinping is probably the most powerful man in the world at this stage. Indeed, he is the Chairman of Everything (as he has jokingly been called), including the military. No previous Chinese Communist leader has had so much power. His analysis of China’s development and his vision for the future have been canonized, and this ideological ‘patent’ will be difficult to contest. His “Dream Team” will support him like the last one did. There has been no visible opposition from within the top leadership during his first five years in power. There will be no room for political reform, opposition, or dissidence at all. The Party will continue to control its members through ideological education and the anti-corruption campaign. Xi continues to demonstrate that he is not afraid to confront the most ambitious politicians if they do not toe his line. Sun Zhengcai, Party Secretary of Chongqing and contender for a post in the
top leadership, was taken out on suspicion of corruption and other misdemeanor earlier this year and finally expelled from the Party and made subject to criminal proceedings in late September. During the Party congress, Sun was accused by another high-level member that he had plotted against the Party leadership in conjunction with other, already punished top leaders.

In summary, Xi is sitting at the top of a fairly stable power structure with a portfolio of challenging tasks that he has been given the power to handle. The ultimate test will be his ability to implement all the programs he has initiated during the last few years, from SOE reform to Belt and Road Initiative, welfare and housing market reforms, and financial sector and fiscal system reforms. If he succeeds, he will be praised, if he does not succeed, it will be very cold at the pinnacle of power. There will be eventually be contenders around, they are just biding the time.

*Thanks are due to my good colleagues Clemens Stubbe Østergaard and Carsten Boyer Thøgersen for extensive discussions on the proceedings of the Congress along the way.*