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## More of the Same from China

China's next generation of leaders was recently unveiled at the Communist Party's 18th National Congress. Appointing hardliners to a slimmed down Politburo Standing Committee confirms that dramatic political changes will not be forthcoming, or so writes Axel Berkofsky.

By Axel Berkofsky for ISN

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It was always highly unlikely that the leadership changes announced at the 18<sup>th</sup> National Congress of the Communist Party of China (CPC) would lead to a new and reforming era in Chinese politics. Instead, China's new and slimmed-down Politburo Standing Committee (PSC) and the appointment of Xi Jinping as the Communist Party's Secretary-General sent one message only: (hardline) business as usual on the home front and abroad.

### The Usual Top-Down

For starters, Xi's appointment was as top-down as ever, with the participation of party organs outside the Politburo and PSC reduced to rubber-stamping the approval of what the country's top leaders had already decided years ago. While the PSC members are officially appointed by the party's central committee, who are in turn appointed by the 2200 congress delegates, in reality, they are chosen by the Politburo and Politburo Standing Committee incumbents.

What China's leaders like to refer to as 'socialist democracy', 'people's democracy' or 'democracy with Chinese characteristics' remains a top-down authoritarian reality, writes Andrew Nathan - China expert at Columbia University in New York - in the Financial Times.

The new PSC is made up of hardline-conservatives with a decisively anti-reform track record. New members include Zhang Dejiang, a North Korea-trained economist; Shanghai Communist party chief Yu Zhengsheng; Liu Yunshan - previously in charge of strengthening censorship of China's media and internet - as head of the party's Propaganda Department; and Wang Qishan, the new head of anti-corruption. The PSC's membership was reduced from nine to seven - a decision aimed at streamlining top decision-making processes. Xi was not only chosen to be the new party's secretary-general but also took over from his predecessor Hu Jintao the position of chairman of the Central Military Commission therefore becoming commander-in-chief of China's armed forces.

### Political Reforms? Maybe later

While there is agreement amongst scholars and analysts that Xi's domestic policy agenda must be bold and reformist, there is also a near consensus that this will not be the case.

"I would characterize the last five years as a period of authoritarian stagnation in which all political, social and economic reforms were stillborn," David Shambaugh, Director of the China Policy Program at George Washington University, says in the Financial Times. "I'm afraid we're going to get more of that under Xi. Even if they really want to reform they will find themselves blocked by four groups of very powerful institutional interests – the state enterprises themselves, the military, the apparatchiks and the state security apparatus."

Outgoing Chinese president Hu showed the way forward in his opening speech to the Congress by urging the new leadership to "never take the evil road of changing flags and banners" – code for not challenging the 'monopoly of power of the Communist Party.' While Xi is very unlikely to take that 'evil road' it is too early to judge whether he will [embark on a serious reform program](#), says Bruce Dickson from George Washington University's Elliott School of International Affairs. "Chinese leaders don't rise to the top telegraphing what changes they'll do. They rise to the top showing how loyal they are to the incumbent. What they'll do when they rise to the top – that's the big question."

### **Harmony by Force...If Necessary**

In the meantime, China is still struggling to make its society as 'harmonious' as the outgoing Hu promised it to be countless times over the last decade. To be sure, such ['harmony' would be government-enforced](#), David Zweig, Political Professor at the Hong Kong University of Science and Technology explains. "Post-2007, Hu strengthened the coercive arm of the state. (...) Hu is seen to have been a weak leader, missing opportunities, and putting excessive concern for order, his so-called 'hexie shehui' ('harmonious society'). [Criticisms of Hu's rule](#) have even come from the Central Party School, where [Xi Jinping](#) is president."

### **Rich Country, Poor People**

The 'harmonious society' Hu and his colleagues propagated always had very little in common with reality. Today's China is confronted with rapidly rising inequality and exploding gaps between have and have-nots. The Chinese saying "The nation is becoming richer while the people are becoming poorer ('Guofu, minqiong')"

captures well the developments of recent years, says Zhang Ming, from Beijing's Renmin University. "Although the reform and opening has given the party huge fortune, the distribution of wealth has been extremely uneven", he says in an [interview with CNN](#). "In these 10 years, China is nothing close to harmonious. Conflicts and contradictions have become worse. In fact it is reaching a crisis point."

The Chinese Academy of Social Sciences (CASS), a think tank affiliated with and funded by the government and the Southwestern University of Finance and Economics in China, confirms that Zhang's pessimism could be spot on. While CASS warns that the gap between urban and rural incomes has increased by 68% since 1985, the university concludes in a recent study that China's top 10% of households account for almost 60% of the country's total income and 85% of total assets.

### **Crony Capitalism**

Crony capitalism, US China scholar Minxin Pei argues, is a main cause for the increasing inequality and the many other problems confronting China's economy: macroeconomic imbalances, an under-funded private sector, over-regulation, and lack of innovation. "The economic slowdown now exposes the dark side of statist crony capitalism. A consensus is fast emerging in China: economic reform today requires political reform, explicitly democratic reform first. Without empowering the people, the entrenched groups – local governments, state-owned enterprises, central bureaucracies and families of the ruling elites – will not cede their privileges willingly", Pei writes in the Financial Times.

The dominant position of state-owned enterprises in China's economy also creates challenges to China's future growth. State-owned enterprises produce only half of China's Gross Domestic Product (GDP) but have access to more than 70% of China's bank lending at very low interest rates. Huo Deming, economist at Peking University, [does not expect this to change](#) any time soon: "It is unthinkable for the state-owned sector to be forced to retreat. The state-owned enterprises will expand again, China's political leaders want them to compete with the US and other countries, so further strengthening them is a must."

## **The Neighborhood Bully**

Where does China stand in terms of its foreign relations? Some analysts hope that Xi's status as a 'princeling', the son of a revolutionary commander and founding member of the Communist Party, equips him with the influence and standing to get the military to support less confrontational Chinese foreign and security policies. Others question, however, whether avoiding confrontation with China's neighbors really is in Xi's interest. "Chinese leaders tend to think of the US as a paper tiger and believe if they show they're tough on their neighbors and on Washington then that will force everyone to back down," says Andrew Nathan in the Financial Times. Indeed, China's relations with its neighbors are in pretty bad shape and have been further strained by Beijing's aggressive rhetoric over territory in the South China Sea and East China Sea. Shi Yinhong, director of the Center for American Studies at Renmin University, warns in the Financial Times: "When Hu Jintao took over [in 2002] China didn't need to look to Russia or elsewhere to make friends because relations with its neighbors were quite good but now relations are really terrible.(...) A military conflict is still a very remote possibility but for the past 40 years I've never heard so many people [in China] talking seriously about going to war."

While Xi does not (publicly) speak of solving disputes with military force, he does not want to appear weak on Japan and to compromise on disputed territories in the East China Sea. Xi has more than once in the past proven his hardline foreign policy credentials and his determination to protect and defend what he refers to as China's 'core interests', i.e. protecting China's territorial sovereignty from Tibetan and Taiwanese 'separatists' and nationalist and revisionist policymakers in Tokyo. He will also be very careful not to antagonize the country's Japan hardliners and, most importantly, China's military leaders.

Yet, the incoming leadership cannot afford to see relations with Japan become derailed. According to a [recent Reuters poll](#), 40 per cent of Japanese manufacturers with investments in China warn that the ongoing diplomatic bilateral crisis could oblige them to look to India, Indonesia and Vietnam as alternative countries to manufacture and invest in.

In sum, a (very) full domestic and foreign policy menu for China's new leader. However, much change is not in sight.

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For additional reading on this topic please see:  
[China's Leadership and the Likelihood of Change](#)  
[China's Unfinished Revolution](#)  
[Watching a Dragon's Egg Hatch](#)

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