China’s Leadership Transition: Will It Go Deep Enough?  
By David Shambaugh

After two years of preparations and secret maneuvering, China has now ushered in its new leadership — the ‘fifth generation’ to rule the nation since 1949.

We now know who will rule China in the years to come, but what characterizes the new elite, how are they likely to rule, when might we begin to see new policy initiatives and is the new party-state stable? David Shambaugh explores these and other questions surrounding China’s leadership transition.

TRUE TO CHINESE communist tradition, the recent leadership reshuffle was orchestrated behind closed doors with no small amount of factional maneuvering and manipulation by retired party elders. The Bo Xilai scandal, which erupted in the midst of the transition, added further drama and uncertainty to the process. While the Chinese Communist Party (CCP) has now institutionalized a regular turnover of the elite at 10-year intervals and fixed retirement ages, the continued opacity of the selection and appointment process and the intense bargaining among competing patron-client networks highlights the lack of real institutionalization. In this regard, China’s political system remains immature and unaccountable, but the very fact that there are now regular transitions reflects progress from China’s Maoist past. This is one of Deng Xiaoping’s lasting legacies, but it is also one of the key lessons the CCP learned from its intensive study of the former Soviet Union’s collapse.

The transition was unveiled in three phases. The new CCP leadership was rolled out at the 18th Party Congress in November 2012, followed immediately by the appointment of the new Central Military Commission, and then in March 2013, the new government (State Council, National People’s Congress Standing Committee, President and Vice-President) was announced at the 12th National People’s Congress.

The Party Congress produced a sweeping turnover of leading personnel (see tables). A new seven-member Standing Committee of the Politburo was elected, with the full Politburo of 25 members drawn from the 205-member Central Committee (which also has 171 alternates). A seven-member Secretariat was also drawn from the Politburo. This represents approximately a 70 percent turnover in the Central Committee and the Politburo, with five of the seven Standing Committee members being replaced (see Tables).

The new Standing Committee appears to be filled with strongly conservative individuals while the Politburo contains more reformist elements. This would suggest a continuation of current conservative policies — most likely for five years until five of the seven must retire at the 19th Party Congress in 2017. At that point, the more reformist members of the Politburo would be set to step up to the Standing Committee and a more progressive and more reformist second Xi Jinping term might be anticipated. Given the disposition and orientation of the current Standing Committee, however, I would anticipate a general continuation of the very conservative policies associated with Hu Jintao’s second term, albeit with some marginal policy adjustments.

OVERCOMING POLICY SCLEROSIS

The Hu Jintao-Wen Jiabao leadership that just stepped down is widely viewed as having been
quite ineffective in a number of policy areas — to the point where some Chinese commentators characterize their rule as “ten lost years.” Certainly the past few years have witnessed policy sclerosis in the party and government. The looming leadership transition was one contributing factor, but genuine fear of undertaking reforms was a deeper one. That is, many in the party and government are well aware of the pressing need for bold and far-reaching reforms — political, economic, financial, social, ethnic, civic, legal, media, educational, technological — but two factors limited these reforms from being undertaken. First, there was deep disagreement between conservatives and liberals over what reforms were needed, and second, there was a shared fear that any real reforms (particularly political and social ones) could quickly cascade out of control of the party-state and could wind up undermining the party’s grip on power. The CCP is highly aware of the negative example of Mikhail Gorbachev’s Soviet Union and genuinely fears a similar scenario in China if serious reforms are undertaken. As a result of this policy sclerosis, the various problems in society festered and deepened during the Hu-Wen era — leaving the Xi Jinping-Li Keqiang leadership facing heightened and sharper frictions in society, the economy and politics.

The likely continuation of conservatism is not to say that there will be no new policy initiatives. For his part, Xi already seems a bit bolder than Hu, and also displays a more relaxed demeanor and warmer personality. Xi’s background is different from the apparatchik-technocrat Hu; Xi is more a “managerial princeling” with a greater personal flair and feel for common people.

In the four short months he has been in power, Xi has already struck several new themes. First, he signaled a tougher attitude towards tackling corruption, which is a cancer riddling the entire society and party-state. Appointing the tough-minded Wang Qishan to head the Central Discipline Inspection Commission is another indication that the leadership may mean business this time — although the pervasiveness of the problem suggests that it can never be effectively curbed and certainly not without real institutional checks and balances, an open media and real rule of law. In addition, Xi issued an eight-point directive to curb expenditures on official banquets, cars, motorcades and other extravagances. He also has indicated his distaste for official “formalism” and sloganeering.

The centerpiece of Xi’s new program seems to be his call to realize the “Chinese Dream” (中国梦). Although he has not elaborated on the concept in any great detail, he has indicated that the Chinese Dream includes two core elements. The first is a more equitable and communitarian society, which offers a contrasting vision to the reality of a country with the world’s highest Gini coefficient — a measure of income inequality — and a pervasive mentality of Hobbesian hedonism. The second element is the “great renaissance of the Chinese nation” (中华民族伟大复兴), the notion that China will regain its central place in the global order and all Chinese will have dignity and live a comfortable life.

But Xi’s vision also has a harder and more nationalistic edge to it. Within a week of gaining power, he led the Politburo Standing Committee on a tour of the “Road to Rejuvenation” exhibition at the National Museum in Tiananmen Square. This exhibition is all about China’s “Hundred Years of Shame and Humiliation” at the hands of the West and Japan, and how the CCP put an end to this imperialist exploitation and delivered unity and dignity to China. In this gesture and in speeches, Xi has explicitly tied himself to this negative nationalist narrative and taken other steps to signal a tougher stance on foreign and national security policy. He has toured and inspected numerous military units (army, air force, naval and missile commands) and has given a series of tough speeches urging the People’s Liberation Army to “prepare to fight and win wars.” He has coupled this tough rhetoric with the vision of a “strong nation and strong military” (强国强军). Xi also personally directs the party’s leadership over the military? Because that is the lesson from the collapse of the Soviet Union. In the USSR, where the military was depoliticized, separated from the party and nationalized, the party was disarmed.”

For his part, incoming Premier Li has echoed Xi’s emphasis on combating corruption and curtailing official extravagance. He also has signaled a reduction in bureaucratic red tape, arguing that the central government is overly involved in trying to administer too many sectors and he has outlined plans to reduce the government approval process by one-third.

**POLICY CHALLENGES**

These are still early days in the Xi era, and even earlier days for Li and those who will run the Chinese government. To be certain, the new leadership faces a formidable mountain of serious policy challenges in virtually every sector. They need to reorient the country’s economic growth model away from a reliance on domestic infrastructure investment and low-tech exports to one that is driven by domestic consumer spending and higher value-added, knowledge-intensive exports. The latter requires not only massive reorientation...
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of the educational and R&D sectors to spur indigenous innovation, it also requires breaking the monopolistic chokehold that the 145,000 huge state-owned enterprises have over key sectors of the economy: banking, energy, finance, defense, heavy industry, aerospace, telecommunications, and much of the transportation sector. In addition, China needs to adequately fund and address pressing social welfare issues: healthcare, environmental protection, education, pensions, old age care and other needs of a rapidly aging society. Constraints on the media need to be relaxed, and real rule of law developed. Ethnic unrest in Tibet and Xinjiang is also a festering challenge. Finally, the new leadership faces a plethora of problems on the foreign policy front: managing strategic competition with the United States; reassuring Asian neighbors rattled by Chinese territorial claims, military modernization, and assertive diplomacy; and repairing a deteriorating image across the developing world of a China only interested in resource extraction and the dumping of goods on their markets.

Tackling these multifaceted, complex and deep-rooted problems will not be easy. Assuming they truly try, the new leadership can be expected to encounter enormous forces of inertia and deeply embedded, powerful interest groups. Those who possess wealth, privilege and power in the Chinese system are not about to voluntarily divest themselves of it. Moreover, these vested interests are deeply embedded inside the Party itself. This raises a final issue of importance, but one that is not often addressed: the overall stability of the CCP party-state and the system over which it presides.

THE CCP’S FIN DE SIÈCLE?
The CCP has now been in power for 63 years. While possessing many instruments of strength, and having overseen the most remarkable national development in the history of the world, various cracks in the façade are visible. History never exactly repeats itself, but lessons can be drawn from it. In the case of China, Sinologists have witnessed repeated patterns of dynastic decline over the centuries — and there seem to be many elements present in today’s China that were apparent in the declining years of several of these dynasties and also during the Republican period (1911-1949). These elements include:

• A hollow state ideology that society does not believe in, yet ritualistically feigns compliance with;
• Elite factionalism and scheming;
• Intensified corruption and self-serving officials;
• Pronounced inequality between the haves and the have-nots;
• A pervasive sense of uncertainty and frustration among the populace;
• Failure to provide the public with adequate social welfare;
• Increasingly widespread social and ethnic unrest;
• A declining respect for central authority and increased localism;
• No real rule of law and capriciousness of the state;
• Over-taxation, but proceeds siphoned off into officials’ pockets;
• A hollow state ideology that society does not believe in, yet ritualistically feigns compliance with;

In addition to these, there is one other pertinent feature worth noting and another one to keep an eye on. The first is the number of wealthy Chinese elites who have “one foot out the door” in the form of foreign bank accounts, foreign property and assets, foreign residency status (China does not permit dual nationality), children in foreign universities and relatives abroad. These individuals are ready to bolt at a moment’s notice, as soon as the political system is in its endgame — but they will remain in China in order to extract every last renminbi possible until that time. Their hedging behavior speaks volumes about the fragile stability of the party-state in China today.

The second feature — the one to keep an eye on — is the institutions and professions responsible for enforcing one-party rule and maintaining the façade of legitimacy. The history of the former Soviet Union, East Germany and other former communist states in eastern Europe, as well as a range of Asian and Latin American authoritarian regimes, all indicate that when the “guardians” of the party-state (the censors and propaganda authorities, internal security services, the military, keepers of state secrets and intellectuals) become lax in enforcing the party-state’s control over society, the façade begins to crack and it becomes clear the “emperor has no clothes.” This has not yet begun to occur in today’s China — which is why Xi warned of the importance of maintaining strict party control of the military — but observers and analysts should be alert to this prospect. Once the party-state stops enforcing its own hegemony over society, the endgame has begun.

Thus, we must not “miss the forest for the trees” in our analysis of China’s leadership today. It does matter who the new leaders are and what policies they will pursue, but many of the challenges they face and that confront China today are systemic in nature, and thus bigger than individual leaders. Analysts of China would do well to be alert to, and monitor, these deeper features of the Chinese system and society.

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