

What to Expect from the 20th Congress of the Chinese Communist Party

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HARVARD Kennedy School

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RAJAWALI FOUNDATION INSTITUTE OF ASIA

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About the Author

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On October 16, the Chinese Communist Party (CCP) will convene its 20th Party Congress. Held every five years, the Congress is a critical event. While nothing is seriously debated there, the symbolic function of the Congress is extremely important. It summarizes past achievements and sets out future objectives, all while displaying an outward power and unity. The Congress brings together just over 3,000 delegates from the provinces, the People's Liberation Army (PLA), and some central agencies for about a week to approve the report of the General Secretary, amendments to the party statutes, and any other documents placed before them. In theory, this sets in motion the appointment of a new leadership by electing candidates to the Central Committee (around 200 members and 150 alternates). In reality, the Congress approves the slate proposed by the outgoing Political Bureau (Politburo) and senior leadership. In turn, the Central Committee elects members of the Politburo, its Standing Committee, and the Secretariat, again based on lists provided after the Party leadership has finished haggling.

This Congress will be special, as General Secretary Xi Jinping seeks a third term as political leader (either as general secretary or party chairman), confirms his place and ideas even more concretely within the party statutes, and seeks to appoint a leadership cohort drawn from his associates. Below, I provide my best guesstimates on his chances of reappointment, the leadership structure, and indications for future policy trends.

What About the Chairman of Everything?

The December 2021 Central Economic Work Conference announced that 2022 would be a year of stability; indeed, the word was mentioned almost 25 times in its documents. This was intended to ensure Xi Jinping's smooth ascendance to a third term as general secretary. However, the year has proven to be anything but stable, with a number of unanticipated challenges. First, to the surprise of most observers, in March, the National People's Congress set a growth target of 5.5%. We thought that China had abandoned specific targets, and this target was much higher than most thought feasible. That proved to be the case, and the target was abandoned quickly as COVID outbreaks shut down key parts of the economic supply chain and dampened consumer demand. The leadership sought a higher economic growth to find jobs for some 11 million new entrants and counter an unemployment rate of 18.5% for those between 18-24 years of age.

Second, the "zero-COVID" policy has caused some 70 full or partial shutdowns since mid-August, not including the dramatic lockdown of Shanghai. The Shanghai lockdown was stunning and may have impacted party secretary and Xi favorite Li Qiang from advancing further in his political career. Additionally, the lockdown in Chengdu, which overlapped with the earthquake, caused considerable grumbling and outrage online. The question arises as to whether these actions are all necessary or whether local officials are acting swiftly to display their fealty to the general secretary.

Third, it is not only the COVID shutdowns that impacted growth potential. The party hoped to engineer a reduction in debt levels to stabilize the financial sector without creating a financial crisis. Problems in the real estate sector (accounting for around 30% of economic output; in the U.S., the sector contributes 18-20%) upset these plans and led to a mortgage boycott. Central authorities saw the real estate sector's debt-fueled financing as a threat and moved to cool down the sector. As a result, construction stalled and citizens withheld mortgages for purchased dwellings that were not completed. Xi Jinping's mantra is "houses are for living, not for speculation." The problem is that much of this debt will be borne by local governments, which are heavily dependent on land sales for their revenue.

Fourth, of course, there was the Russian invasion of Ukraine, shortly after Xi and Putin announced their renewed relationship that would be bound by "no limits." This was on top of an already significantly deteriorated relationship with the United States.

In addition to these factors, there is occasional sniping about the buildup of a personality cult around Xi, reminiscent of that around Mao Zedong, and the breakdown of collective leadership. Coupled with a major drought (always a bad sign for the end of dynasties), one would think that Xi would face some significant hurdles to his reappointment at the Congress.

However, nothing could be further from the truth. It appears that these events have not diminished his chances of reappointment. While it is extremely likely that Xi will remain in power, we do not know if he will retain the title of general secretary, the most likely outcome, or resurrect the position of chairman, which is less likely. There are three main reasons for this assessment: the state of the CCP when Xi took power in 2012, his shrewd political maneuvers to consolidate power, and party elite support for his policy approach.

In 2012 and 2013, when Xi took power, many fellow party leaders agreed that the problems facing China were so severe that drastic measures were necessary; politics had to take priority over economics. Perhaps they were not prepared for the severity of his approach, but they could agree that things had to change for the party to survive and thrive. There was the aftermath of the purge of Bo Xilai, corruption was pervasive at all levels of the administrative system, society was slipping out of control, local governments were pursuing their own interests with little regard for the national interest and Beijing's wishes, and inequality was a concern. Fellow leaders bought into Xi's conclusion that a disciplined, unified party was critical to ensure stability and hold things together. As a "princeling," a child of one of the influential party leaders, other leaders would trust him to push ahead with difficult reforms and keep the party and its interests intact. Thus, the first years of his rule witnessed a much tougher political atmosphere, a crackdown on corruption, and a significant centralization of power.

To strengthen his grip on power, Xi has systematically placed his associates in key positions within the party-state and military bureaucracy. His acolytes now control the top military and intelligence positions. Similarly, his close associates Chen Xi and Huang Kunming oversee the critical departments of organization and propaganda. The former ensures the appointment of those loyal to Xi at the central and provincial level, while the latter ensures that the party's narrative highlights Xi's brilliance and key thoughts to guide the nation forward. Recent publications have stressed that the last 10 years under Xi have been as significant as the party's entire history, the years of reform and opening, and even the development of the Chinese nation. Quite something for a mere 10 years in power.

In the lead-up to the Congress, party leaders have been falling over themselves to express fealty to Xi and praise his thought and outstanding achievements. There is the general recitation of Xi as the "core" of the leadership, of the "liangge weihu," or two establishes, establishing him as the core of the entire party and his thought as the "guiding position" for "socialism with Chinese characteristics in the new era" (*Legal Daily*, November 15, 2021). Recent praise in the *People's Daily* (September 7, 2022, written by a group from the Central Party School) suggests that Xi might be accorded the title of "renmin lingxiu," meaning "the people's leader." This would place him on the same pedestal as Mao Zedong and confirm that his thought will again be enshrined in the party statutes, possibly in the abbreviated form of Xi Jinping Thought.

Among the party elite, there seems to be strong support for Xi's policies. For example, despite the severity of the Shanghai lockdown, the *People's Daily* (June 2, 2022) praised the approach of "zero-COVID" for its success in controlling the outbreak in Shanghai. Xi's approach of putting people's lives over the economy and profits seems to be accepted, especially when accompanied by reports and pictures of the way the outbreak has been dealt with in the West, and particularly in the U.S., where profits are portrayed as taking precedence over the health of citizens. In the real estate sector, there is a general consensus that the red-hot growth and associated debt were potential sparks that could have destabilized the economy. The sector will continue to be reined in, but the party will be careful

to ensure that those holding mortgages for unfinished properties do not lose out. Similarly, there is a consensus that the big tech companies had become too dominant, held too much personal information, and were not sufficiently under the watchful eye of the party. Finally, it is widely believed that the U.S. seeks to contain China's development no matter what, so China needs to assert its influence more forcefully in global affairs. "Wolf warrior" diplomacy is not going away.

What About the Others?

It is premature to predict the lineup of the Politburo and its Standing Committee, but the makeup will reveal much about future policy direction. Based on informal age limits, we can assume that two or three of the members of the Standing Committee will be replaced as well as an additional eight members of the Politburo. However, in the past, such informal norms have been easily waived when there is political necessity. If Xi can promote a significant number of supporters, not only will it consolidate his position far into the future, but it will also ensure policy continuity rather than change. This would appear to be the most likely outcome. Acolytes of Xi, such as Chen Min'er (currently Chongqing party secretary), Chen Xi (head of the Organization Department), Ding Xuexiang (head of the General Office), and Huang Kunming (head of the Propaganda Department) are all people to watch for possible promotion. Xiao Jie (currently secretary general of the State Council), seen as close to Li Keqiang, is an outside possibility for promotion.

With rumors swirling that Li Keqiang will not continue for a second term as premier, it will be important to see who replaces him. Hu Chunhua, who is not seen as an original member of Xi's entourage, seems a possibility. Hu is one of the few senior leaders, perhaps along with Wang Yang, who has relevant experience for the premiership. However, given that Xi has stripped much of the authority from the post of premier, Hu's appointment could be seen as a bone thrown to others with little cost to Xi himself. In any case, they are all Xi's people now. If Wang Yi replaces Yang Jiechi in the Politburo as the most senior official overseeing foreign policy, one would expect the tougher foreign policy to continue.

To date, in addition to those who worked with Xi in Fujian or Zhejiang, a number of those promoted have been technocrats drawn from the defense industry, especially aerospace. Xi's preference for appointment is loyalty over professional suitability or technical fit. Many of those Xi would appear to favor for promotion are apparatchiks rather than policy specialists. This does not bode well for navigating the policy challenges that China will face post-Congress.

Where Is Policy Headed?

Politically

As noted, all the signs suggest policy continuation rather than any significant shift. Xi has laid out plans for China's development up until 2035 and 2049, and it looks like he intends to remain the dominant figure up until 2035 at least. The August 30 Politburo meeting made Xi's dominance clear, noting that his thought would remain the guiding principle and referring to the "sange jixu" or "three continuations": upholding common prosperity, sustaining party building, and working toward building a community with a "shared future for humankind" (*Xinhua*, August 30, 2022).

Politically, this means that the party will remain key, with Xi Jinping at the pinnacle. The collapse of the Communist Party of the Soviet Union (CPSU) continues to influence Xi's thinking. He has spoken about its tragic fate on a number of occasions, notably stating that, in the end, "no one was man enough" to stand up. In response to the unraveling of the Soviet Union, the CCP has taken two approaches in the past. First, in the mid-1990s, Jiang Zemin and Zeng Qinghong allowed limited

openings for debate and more space for the media—a form of “soft authoritarianism.” They believed that adaptation was necessary to prevent the CCP from suffering like the CPSU. The second is the path taken by Xi, who blamed the political opening by Gorbachev for undermining the CPSU and the whole system. Thus, there should be no opening of the political and social systems, but rather a doubling down on eradicating dissent, with the party striving to extend its influence and control as widely as possible—a “hard authoritarianism.”

Xi’s references to Marxism are not mere lip service, and he believes that the ideology provides a guide for analysis and action domestically and internationally. Thus, coupled with an emphasis on traditional culture, we see a renewed push for the study of Marxism. With the economy slowing, this push for ideological rigor is backed by populist measures to boost social welfare and grapple with inequality under the rubric of common prosperity. To buttress popular support further, nationalism is stimulated to build national cohesion.

Economically

With the economy battered by the lockdowns, problems in the real estate sector, and pressure brought about by the U.S. over questions of trade, a relaxation in economic policy to permit greater use of market forces might seem possible post-Congress. Premier Li Keqiang seemed to argue for this on August 29, when he called for efforts to strengthen the market and related regulations and encourage international engagement (*Xinhua*, August 29, 2022). Clearly, there will be calls for financial support from some business sectors and local governments, and a number of measures introduced in recent months will be retained. One would expect that the leadership will seek to find a way to moderate the impact of COVID lock-downs. However, optimism for a significant shift in economic strategy that might enhance the role of market forces is not justified. Post-Congress, we will see the continued preference for the state sector, internally and externally, even though the non-state sector accounts for around 60% of GDP and provides 85-90% of new employment. Preference for lending to state-owned enterprises (SOEs) will remain as will pushing struggling SOEs to merge with more successful private enterprises.

Attempts to exert stronger control over the private sector will persist, with the state taking stakes in companies and the party committee trying to strengthen its role in enterprises. Unlike the founders of the CCP and the post-1949 leadership, Xi is not opposed to the private sector. Indeed, he cannot afford to be if he wants to deal with youth unemployment, for example. However, the private sector is there to serve, first and foremost, the objectives of the party. The party shares the same attitude with respect to foreign enterprises and foreign direct investment. They have always been seen as a necessary evil, but now they are less necessary than before. As long as they serve the party’s interests and cannot be replaced by Chinese enterprises, they can continue to play a role.

This policy approach and the extra stimulus monies that have been pumped out are loading up post-Congress challenges of indebtedness and an unbalanced economic structure. This will frustrate the oft-stated objective of shifting to a different economic model that relies less on state investment and more on consumption to drive growth, allows resources to be directed to the more productive parts of the economy, and enables China to move up the value-added chain.

All analysts, domestic and international, agree that the days of high growth are over, but they disagree on how far growth might fall and what the consequences might be. The problems go beyond the impact of COVID to structural biases in the economy. Further, Chinese statistics are notoriously unreliable, and it is often unclear how much of the growth is truly productive and how much is “unnecessary” infrastructure investment, designed simply to boost local GDP growth rates. Without significant reforms, it is unlikely that growth can get much above 2–3%. The level of growth will have significant implications for China’s ability to deal with domestic challenges, such as paying off the accrued debt and

fully funding social welfare obligations. Externally, China might have a reduced capability to project its power, and countries relying on trade and investment may have to change their calculations.

Internationally

Two intertwined factors drive China's foreign policy. To address risks from what the CCP sees as a more hostile U.S. and the West, China has undertaken geo-economic and geo-political risk mitigation measures. However, we must look at actual practices in addition to policy pronouncements.

To mitigate geo-economic risks, China is expanding its trade and investment regime beyond that of the West, encompassed best with the Belt and Road Initiative (BRI), to exert its influence and pull other countries into its orbit of influence. This approach includes the "dual circulation strategy," "Made in China 2025," and decoupling. When linked with the BRI, these plans aim to strengthen China's capabilities and isolate it, insofar as is possible, from external shocks. China is investing heavily in industries for the future and hoping to use the BRI to export those technologies. The CCP leadership has concluded that great powers set the technical and other standards in the dominant industries. This is the play that China is making.

Dual circulation, announced by Xi Jinping in May 2020, and decoupling provide good examples of where realities limit policy intent. Dual circulation calls for a shift away from global integration (the first circulation) toward increased domestic reliance (the second circulation). This approach is driven by the trade war with the U.S. and political pressure in the West to relocate manufacturing chains, with the intent to guard against economic exposure with security consequences (for example, with respect to semiconductors). The policy is linked with the possibility of decoupling of the Chinese economy. Of course, China has been a major beneficiary of the current global trade and economic order and, consequently, decoupling in many areas is not only difficult but also undesirable.

Different sectors will experience different possibilities for, and levels of, decoupling. In terms of trade with the U.S., we can expect to see a decline over the long term, and China has been diversifying its trading links to account for this. China is less vulnerable than it was to U.S. trade sanctions. There are certain areas where the U.S. consumer is vulnerable. For example, in 2018 China accounted for 82% of mobile phones and 94% of laptop computers. China will continue to push to de-escalate the trade war with the U.S. until that export market is less critical. Foreign direct investment is another sector where there will be a decline after the Party Congress. U.S. Congress is placing stricter controls as is the European Union. However, the China market remains important to global companies, and they remain committed to the China market. In 2019, U.S. companies sold \$250 billion worth of goods in China.

One sector where significant decoupling is extremely difficult is capital markets. They are almost impossible to unwind, and the U.S.-China bilateral financial relationship is north of \$5 trillion. For China, there is no current alternative to the diversity, depth, and liquidity of U.S. capital markets. Moving forward, China is likely to have a net financing requirement and will need continued access to global capital markets.

By contrast, one sector where decoupling is already in motion and will continue apace is artificial intelligence and technology. China wishes to become a dominant player in new technologies and a standard-setter. This creates huge problems for other countries that will be forced to choose between Chinese and Western systems. They will not be able to run two parallel competing systems.

Post-Congress, this leads to two conclusions. First, complete decoupling isn't an option, and so policymakers will have to develop some form of "managed decoupling." Second, the trends will set up competition between Washington, Wall Street, global companies and local governments.

Second, there is geo-political risk mitigation. Here, China has undertaken a two-pronged approach. The first is to strengthen relations with those countries that reject the domination of the U.S. in the

global order. This is why China has tightened its relationship with Russia and reached out to Iran. The second prong is the expansion of China's influence in global institutions, especially in those where it senses that the U.S. is withdrawing or they do not reflect China's values and outlooks, such as the human rights regime. Ever since its founding in 1921, the CCP has had the objective of overthrowing the Western, capitalist economic order. Xi Jinping no longer proposes such a radical break, and the CCP is now one of the most fervent defenders of the Westphalian nation-state.

However, Xi shares the founders' view that what is needed is the construction of a new, more favorable global order. Given that China has been a major beneficiary of the current global order, it doesn't reject it in its entirety; still, the CCP's mission is to restructure the global order to reflect better China's core interests and priorities. To achieve this, Xi Jinping has tools, power, and influence at his disposal that previous generations of leaders could not imagine. These comprise both the carrots of trade and investment as well as the sticks of threats over sovereignty claims in the South China Sea and across the Taiwan Strait, the passage of the national security law, and the rise of a more aggressive public diplomacy. Thus, it is important to understand how Xi sees the world outside.

Current party thinking comprises elements of the inherited Marxist tradition combined with the selective use of the traditional Chinese view of the global order. Xi frequently cites "historical materialism" to justify his perception that a socialist China is on the rise, while the West, and especially the U.S., is inevitably declining. At the same time, CCP leaders' vision resembles the traditional notion of "tianxia," with the nation at the center of a cultural sphere, and now an economic one, which radiates out to draw others into its sphere of influence. While the field of radiation is far more extensive than in the days of empire, the CCP is not directly forcing others to adopt its system wholesale or pushing for other nations to become subordinated states, in the manner of the former Soviet Union. That said, increasingly there is a sense within the Chinese elite that its economic and political model is legitimate and deserves respect, and that others might be wise to follow it. China's economic clout has moved the nation from being a dominant regional player to an important global one. Xi Jinping and Putin's joint statement indicated a greater conviction that the world was on the cusp of a major global realignment, something that China has doubled down on despite the current situation with the Russian invasion.

The CCP has made it clear that it will exert global leadership in those areas where it sees the U.S. withdrawing and in institutions and regulations that will formulate frameworks for new global public goods. In fact, in December 2014, Xi already indicated that China would no longer take a passive role in global economic governance: "We cannot be a bystander but must be a participant, a leader." China views international agencies as a way to assert its values, causing it to take on an increased leadership role. China has led four of the U.N.'s specialized agencies, all of which deal with crucial questions of setting standards in the fields of telecoms, aviation, and agriculture. Further, China has been boosting its influence in other standard-setting organizations, such as the International Organization for Standardization and the International Electrotechnical Commission.

This raises the question of what kind of international order China wants. The answer depends on the challenge and the institution. China is a strong defender of the U.N. Charter but rejects international scrutiny on rulings over the South China Sea. Similarly, it has sought to emasculate the impact of the international human rights regime, an approach supported by other authoritarian regimes and those under China's economic sway. The most recent example has been China's pushback against the U.N. human rights body's report that claimed "crimes against humanity" had been committed in Xinjiang. Clearly, the internationalism of the founding fathers has been replaced by a laser focus on pursuit of the national interest.

Let me conclude with a few comments on the war in Ukraine and its possible relevance to Taiwan. There is no reason to think that China's support for Russia will waver after the Party Congress. Time

and again, China has followed Russia's talking points: They do not use the term "invasion," and the West is at fault, especially the U.S., because of the post-Cold War expansion of NATO and the concerns that this has created for Russia's security. However, there are limits to China's support and it has not gone beyond lip-service to providing military or logistical support that might invoke U.S. sanctions on China. The meeting between Putin and Xi on the sidelines of the Shanghai Cooperation Organization meeting in Central Asia was hardly a ringing endorsement of the war, but Xi greeted Xi as an "old friend" and noted that China was willing to work with Russia. However, any major policy shift is unlikely because there are no rewards for abandoning Russia, and it does nothing to relieve what China sees as its main security threat: containment by the U.S. Generally, China views the situation as a positive as it creates a dilemma for Western nations between their Russia and China policies. A Russia that is weakened by the war and Western sanctions is beneficial to China, as long as it does not create instability along the border. Clearly, Russia is the junior partner, with an increasing economic dependency on China. This, combined with Russia's natural resources, provides an expansive strategic backyard that can support China during the long-term competition with the U.S. At the same time, China cannot afford to undermine its economic relationship with the West right now, especially with the European Union. China was especially disturbed by the financial sanctions and the removal of many Russian financial institutions from the SWIFT system.

From this, China has reached two conclusions relevant to Taiwan. First, with the current balance of power in East Asia, any forced reunification with Taiwan is not possible in the near future. However, I do not think that Xi is in any haste. His priority is to prevent Taiwan from declaring independence, even though no one with influence in Taiwan is proposing this, which would be crippling to his legitimacy. Reunification is not his immediate objective, although it is not off the table as an ultimate goal. Indeed, it is a part of the "rejuvenation of the Chinese nation," scheduled for 2049. In his analysis, time is on Beijing's side. The Chinese leaders need to build up their military capabilities. In this respect, Speaker Pelosi's visit was a gift to the People's Liberation Army, as it allowed their forces to practice full military exercises and prompt and detect Taiwan's defense capabilities. They feel that their position strength-ens as time goes on. While perhaps taken aback by the strength of the West's sanctions on Russia, CCP leaders feel such strong responses will be more difficult in China's case, especially if their actions are short of a full-blown invasion. Second, the war in Ukraine will accelerate the post-Congress policies of reducing dependency on the West's financial systems, technology, and resources.

In addition to the policy challenges already touched upon, I want to highlight two final aspects related to the Congress. First, Xi is surrounding himself with close, trusted supporters. This is a problem in authoritarian regimes, especially when no other sources are allowing critical information to circulate. As with Putin in Russia, will anyone be willing to stand up to criticize errant policy? It is highly unlikely that anyone will be willing to step out of Xi's echo chamber. Most of those he is promoting are loyal servants rather than policy experts. Second, with Xi looking as if he wishes to remain the dominant player until 2035, this pushes the question of succession further down the historical road, which heightens the chance for future instability. Is this heavily centralized, personalized rule what China needs at its current stage of development?

Endnote

1. Willy Wo-Lap Lam, "The 20th Party Congress: Xi Set to Score Big in Composition of Next Leadership Corps," August 12, 2022, *The Jamestown Foundation*.

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