



19th Communist Party of China Congress: Internal and External Implications

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This week's 19th Communist Party of China (CPC) Congress confirmed Xi Jinping's central leadership position. Members elected to key party institutions are mostly his loyal associates and his doctrine was added to the party's constitution. However, there likely will be no further liberalisation of the economy, rather the opposite—strengthened control over the private sector is probable. In Chinese foreign policy, expect uncompromising positions, for example, in relation to Taiwan, Hong Kong, and the South China Sea.

The Congress, which ended on 24 October, is held every five years and is the most important party institution. Delegates to the Congress amend the party's constitution and elect the powerful Central Committee (CC), which, during that body's first plenum (25 October) chose the secretary general (Xi) and members of the key Political Bureau (PB) and Standing Committee (SC). The age limit on PB/SC members was preserved, a bit of a surprise, which means all members older than 68 years old are urged to retire. Xi's decision to sustain the existing informal limit came after concerns dropping it may harm party stability. However, because no SC members are less than 60 years old, a potential successor to Xi was not named, a break with a long-lasting tradition.

“Socialism with Chinese Characteristics in a New Era.” In the Congress' opening statement Xi described a long-term plan with both internal and foreign policy aspects in which China will achieve a dominant global position. According to the plan, by 2020, Chinese society will be “moderately wealthy,” by 2035, China will become a modernised state, and by 2050, a great power. Xi's whole concept (including the Belt and Road Initiative, or BRI) was described as “socialism with Chinese characteristics in a new era” and included into the party's constitution as “Xi Jinping Thought.” Any eventual criticism of the secretary general's plans will now also implicate the whole party. In internal policy, China's authorities are to put more attention not only on sustaining economic growth but also on improving people's living conditions, e.g., such as improved environmental protection. Xi believes that an exaggerated focus on economic development was and is one of the reasons behind the social inequalities and corruption in China, which endangers state stability.

In his opening statement, Xi defended CPC nationalistic policy as a condition for “China's rejuvenation”. He recognised as his success the “the defence of the PRC's sovereignty claims” on the South China Sea, which has antagonised relations with the U.S., Philippines, and Vietnam. He assessed that China's military is important and “is there to fight.” At the same time, he pointed out—in a clear remark to U.S. President Donald Trump—that China will still promote globalisation and climate protection. He underlined that China is already playing an important role in the international arena.

Personnel Decisions of the 1st Plenum. Xi and Prime Minister Li Keqiang obviously retained their positions on the SC. Out of the five remaining spots, three were taken by close Xi supporters. In March 2018, some of them will be elected during a parliament session to key state positions. New people on the SC include Li Zhanshu, who until now has been responsible for administering the work of the secretary general and CC

and who will surely become the new National People's Congress chairman, and Zhao Leji, who has been responsible within the CC for state-owned companies and was also elected as the new chief of the Central Discipline and Inspection Commission. Zhao replaces Wang Qishan, who was the face of Xi's first-term anti-corruption campaign. Another SC member and close associate of Xi's is Wang Huning, a scholar and Xi's main ideologist, as well as the director of the CC Bureau for Policy Research. He is now responsible for propaganda and ideology. Representatives of other party circles were also elected to the SC: Hang Zheng, the party chief in Shanghai, perceived as a protégée of former Secretary General Jiang Zemin and possibly the future vice premier in charge of the economy, and Wang Yang, the former CPC secretary of Guangdong province, perceived as a protégée of former Secretary General Hu Jintao. He will in 2018 probably become the chairman of the Chinese People's Political Consultative Conference, an institution without big political influence but whose chairman is third behind the secretary general.

In the new PB, attention should be focused on four names in particular: Chen Min'er, the party secretary in Chongqing and a close Xi associate from the times when he was the party secretary of Zhejiang province; Cai Qi, the recently nominated party secretary in Beijing; Chen Xi, deputy director of the CC Organisation Department; and, Liu He, Xi's main economic advisor. Of them, Chen Min'er is the most trusted by Xi and could become a natural candidate for SC membership in 2022.

Conclusions. The 19th CPC Congress was the culmination of Xi's centralisation of leadership. His strong control over the party is intended to prevent another stage of the "Cultural Revolution," understood by Xi as party apparatus resistance to a loss of influence because of reforms. This control is also supposed to enhance the effectiveness of governance. Xi decided to put representatives of other party circles on the SC because, for him, it is necessary to obtain full party apparatus support to intensify the reforms. Xi's centralisation of power is also an attempt to block oligarchic mechanisms similar to those in Russia and to block any internal party conflict that could result in a collapse of the regime like that of the former USSR.

The SC's composition also gives Xi the opportunity to maintain party control beyond his second term. This would go against the accepted custom of two five-year terms. But with no SC member of an age that would allow him to become secretary general in 2022 and remain for the customary two terms (until 2032) without violating the informal 68-years-old retirement rule, Xi, 64, is well-positioned to continue. Xi's ambition is to complete a wide-ranging set of reforms, and two terms will not be enough. Legally, the problem only matters in the case of the PRC chairman (not the party chief) because the two-term rule is in the state constitution. So, one cannot rule out the possibility that Xi would remain secretary general after 2022 and another person become PRC chairman but having no real influence on policy.

The decisions made at the 19th CPC Congress will not result in China moving toward a more market-oriented economy or opening further to foreign entities. The key here is the "Made in China 2025" programme, which is the first complex, modern industrial strategy in Chinese history and puts the focus on stimulating growth through exports and investment. China's economic advantage over foreign players comes mostly from the state support for Chinese companies. The focus now is on the new technology sector (internet, artificial intelligence, big data). China also will continue to try to gradually raise its position within the value chains still dominated by the EU, U.S., and Japanese companies. One tool in this area is mergers and acquisitions of foreign companies (e.g., KUKA, an industrial robotics firm from Germany). China's economic policy will still be guided by state and private entities, though the latter will be forced to adhere to the country's strategies and will be more strongly supervised by the CPC.

China's uncompromising stance on defending its strategic interests, including in its wider region, is highly probable. Escalation of disputes with the U.S. can be expected, e.g., in the South China Sea, on the status of Taiwan, or policy towards North Korea. Trump's planned visit to China in November will be a real test of China-U.S. relations. Another element in China's rivalry with the U.S. will be the BRI, which is not only a support instrument for strengthening China's economic growth but also a tool to build a network of partners globally. China will retain its comprehensive strategic partnership with Russia, with competition with the U.S. one of its binding elements. Xi's foreign policy could also have a negative impact on relations with the EU. The lack of Chinese market openness together with mistrust of Chinese investment in Member States could solidify the impasse in investment agreement negotiations and in other areas.