Xi Jinping’s first year in power has been all about signalling the challenges to the party’s grip on power and indicating how these challenges might be met. Despite a change in emphasis, these challenges have long been established and identifying them is not the same thing as solving them.

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Introduction

When Xi Jinping (or his advisors) chose Shenzhen as the site for his first trip away from Beijing as party leader in December 2012, the symbolism seemed to be clear. Two decades earlier Deng Xiaoping’s own trip to Shenzhen as part of the so-called Southern Tour – the nanxun 南巡 – was taken as a sign of his support for proto-capitalist economic strategies and reinvigorated the reform momentum after three years of stagnation and retreat. Xi the reformer seemed to be being unveiled. Yet just over half a year later, Xi followed in Hu Jintao’s footsteps to visit Xibaipo – the place that the CCP left to march on Beijing and assume national power in 1949. Here Xi referred to China’s revolutionary past as a “nutrient” that should reinvigorate the party, and guide party members in their future actions1.

In September, Xi personally oversaw a set of widely publicised so-called self-criticism sessions amongst the Hebei Provincial Party Committee, echoing political practices of earlier more revolutionary eras of CPC rule.2 This seemed to be a signal of Xi the political reformer and even lead to some suggestions that he was searching for a “Maoist restoration”3.

If the idea of Xi as economic reformer and simultaneously political conservative seems like a contradiction, we should remember that Deng himself was no fan of political reform that might lead to democratization. Economic reform was never about loosening the party’s grip on power. It was about strengthening it: about finding new ways of legitimising one party rule and establishing the idea that future prosperity was dependent on the CPCs longevity. But an already complicated task in 1992 has become even harder as economic changes have led to both societal transitions and also shifts in power constellations within the political elite. And it is this context that shapes the way that Xi has approached his first year in power, and has resulted in a focus on three key issues which, I suggest, he has identified as the key to maintaining China’s economic momentum whilst reducing the possibility for social problems to derail this momentum (and perhaps even undermine the party’s grip on power).

First Among Equals

The first refers back to the idea of signalling a new start. The visit to Shenzhen was “a message that he too intends to strive for economic

reform” after a period of policy inertia in the latter years of the Hu-Wen leadership. A line had been drawn between the new leadership and the old, with the old portrayed as “a ‘lost decade’ in which reform stalled and corruption grew out of control”5. To overcome this lost decade, it’s not just a matter of developing new policies, but about having a new type of leader and leadership to push them through. It took Hu Jintao the best part of three years to break free from the shadow of Jiang Zemin’s authority and assert himself and his ideas on Chinese politics – indeed, more than just a shadow as Jiang held on to the chairmanship of the Central Military Commission until September 2004. It was not long before political manoeuvrings began to ensure that the right people were in the right places at the 17th Party Congress in 2007 to ensure that they could assume power in 2012. And despite an apparent commitment to push through with economic (and perhaps even moderate political) reform during the second term, Hu and Wen seemed unable to persuade powerful interest groups within the system to place national interests above their own narrow “vested interests”6.

Thus, it is important to establish Xi’s leadership credentials. This might not equate to establishing a cult of personality, but and there has been a concerted effort to manage his public profile and establish the idea of Xi as in charge, in control, and in tune with the ideas and aspirations of the ordinary Chinese people. While Xi’s predecessors Jiang and Hu both moved to identify their leadership with a new ideological turn (and term) – the Three Represents and the Scientific Concept of Development respectively – Xi has moved to do the same much earlier in his term in power than his predecessors. In the words of China’s highest ranking diplomat, Yang Jiechi, Xi Jinping has developed a “comprehensive, profound and exquisite description of the Chinese dream”.7 In reality, however, The China Dream is perhaps not as comprehensively defined as Yang suggests, and still waits to become fully fleshed out to mean more than just aspiring to national rejuvenation, increased prosperity and a stable society. But in some respects the content of the dream is less important than the message that Xi is in charge and has a vision, and that “we” (the leadership) want the same as “you” (the people).

6 This is from a report by Sun Liping on “Research Report Series on Social Progress”, produced by Tsinghua University on 9 January 2012. The report, and newspaper reports citing it, were subsequently removed from the web. For details see D. BANDURSKY, Critical report pulled from China’s web, «China Media Project», 12 January 2012, http://cmp.hku.hk/2012/01/12/17967/.
Reconnecting with the People

Which brings us to the second key challenge. In developing a functional theory of revolution, Chalmers Johnson pointed to the dangers that arise for a government when the “social environment of production” (the material basis of economic activity) diverges from the values and belief systems of society. If ideas on the one hand and practices on the other are not in equilibrium, it is the government’s task to do something about it. And if they don’t, then ‘power deflation’ sets in as the people lose faith in the government’s ability to be effective, and the potential for revolution increases.8 Xi might not see it exactly this way and there is probably a good chance that he has never read Johnson, but the idea of a potentially dangerous (for the regime) gap between society and economy does seem to inform the leadership’s thinking.

Part of the solution appears to lie in establishing a new set of societal values that legitimates the status quo. This includes a renewed emphasis on promoting morality, social ethics and traditional virtues in individual behavior. The revolutionary hero, Lei Feng, who famously devoted his life to doing small deeds of kindness to help others (and the revolution) with no thought for himself has reappeared (not for the first time) as a model for others to try and emulate. More modern living moral models were gathered together in Beijing in September to receive awards and to act as examples of others to follow to fill a moral void and build a better China9.

But it’s not just the people that need to change. Indeed, the main emphasis has been on the party’s own failings and the increasing distance that seems to separate the party from the people. In Xi’s words, “winning or losing public support is an issue that concerns the CPC’s survival or extinction”10. Fighting corruption is part of the attempt to narrow this distance. Xi has placed a high public profile on his commitment to constrain power in “a cage of regulations” and to “fight every corrupt phenomenon, [and] punish every corrupt official”11. But it is not just

8 C. JOHNSON, Revolutionary Change, Boston, Little, Brown, 1966.
9 YAO YANG, President Xi touts moral models, «China Daily», 27 September 2013.
11 Xinhua, Xi Jinping vows unswerving fight against corruption, Xinhuanet, 22 January 2013, available at http://news.xinhuanet.com/english/china/2013-01/22/c_132119843.htm. How Bo Xilai’s refusal to simply accept the charges (and verdict) pressed (and passed) on him will play out in the popular consciousness remains to be seen.
outright illegal action that serves to undermine popular support for the party. Xi has told the party to “look into a mirror, neaten their dress, take a bath and have the illnesses treated”\(^{12}\).

Extravagance, conspicuous spending, arrogance and snobbery all also reinforce the idea that the party is ruling to benefit itself rather than on behalf of the people, with the generational transmission of privilege often all too evident in the behavior of the sons and daughters of elites. In proposing solutions, Xi has once more explicitly looked back to more revolutionary times and invoked the importance of “the mass line” (群众路线 qunzhong luxian) – the idea that all policy should be “from the masses, to the masses”. Whilst this might send shivers down the spine of those who lived through the Cultural Revolution, the call to ensure that party members acquaint themselves thoroughly with the issues and concerns of the common people (and develop policies to respond to them) is perhaps more pragmatic than revolutionary.

Power To Do What?

The third key challenge is the need for a new round of economic reform. And this takes us full circle back to the importance of establishing Xi’s power as THE leader. The latter years of the Hu-Wen era have become widely associated with a period of frustration and obstruction. From the mid 2000s, a consensus of sorts emerged that the need to move the basis of Chinese growth away from investment and exports more towards domestic consumption was coming ever more urgent. But a combination of a concern of what a rebalance might do to employment (and thus social stability) in the short run and a reluctance of those who benefit from the status quo to lose their privilege meant that the changes necessarily to promote a rebalancing were slow in emerging. And at times when the changes did emerge, they were later dropped as a result of opposition – for example, when attempts were made to dis-incentivise low cost low value added export industries in 2007 were reversed the following year.

Of course, responding to the impact of the financial crisis in the US and Europe added an extra dimension. With Chinese exports falling off a cliff in the winter of 2008, an investment led recovery proved to be highly successful in maintaining growth. But as loans leant in 2009 turned into non-performing loans, attention turned to the sustainability of this pattern of growth. The extent to which the financial system favoured State Owned Enterprises (SOEs) over China’s private companies was also revisited. It was not just that private businesses could find it hard to get credit, but that low interest rates acted as a means of using individual

\(^{12}\) LI JING, Xi Jinping urges party to “toe mass line” to win over public, «South China Morning Post», 20 April 2013.
savers to effectively subsidise the state sector. To get round these problems, investors looking for higher returns and companies looking for capital often went into the more risky shadow banking sector instead. And to add an extra layer of complexity, the way in which local governments increasingly relied on their control over land to raise money combined with the search for non-bank investment projects helped fuel the continuing growth of land and real estate prices in many parts of the country.

The reality facing Xi as he assumed power was that something needed to be done, and the log-jam created by a mixture of lack of conviction and strong vested interests wedged to the status quo needed to be broken. But what exactly needs to be done and, perhaps more important, can be done (given these vested interests) remains far from clear. As Premier, Li Keqiang is expected to play a dominant role when it comes to economic reform, and the concept of “likenomics” has gained some purchase. At a basic level, this refers to a preference for fundamental structural reform for long-term gains, rather than providing short-term liquidity and stimulus to deal with immediate problems (as was the case after 2008). It is a move from focusing on keeping GDP growth rates high to accepting slower but more sustainable growth that is de-levered from its current addiction to credit (or debt depending on how you see it). But Xi has not wholly left the economic agenda to Li, and Xi is thought to have empowered Liu He to investigate the viability of reform in seven different areas and produce a plan that will act as the blueprint for the new reform agenda. Regardless of who is in charge, however, there appears to be a renewed consensus that muddling through and tinkering at the margins is not a viable option in the long term.

Déjà vu With Chinese Characteristics?

That the meeting when this plan is expected to be announced has been pushed back to November rather than being held in September or October (as is more typically the case) suggests that either finalising the report or getting agreement over what can be done (or most probably, both) has not been an easy task. As already noted, the understanding that the mode of growth promotion that has served China rather well to date needs to change did not emerge after Xi Jinping assumed power. It gained at least

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13 In essence financial institutions and lenders providing private companies with credit at very high and indeed exorbitant interest rates. Interest rates can amount to 20 per cent, potentially creating an enormous amount of non-performing loans. It is estimated that the amount of credit provided by shadow banks already amounts to between 20 and 30 per cent of China’s GDP.

some attention during and after the Asian Financial Crisis of 1997/1998, became all but mainstream in the mid-2000s, and was a core element of Hu Jintao’s understanding of what was wrong with the current system that his so-called scientific concept of development sought to rectify. Despite attempts to draw a clear line between the new leadership and the preceding Hu-Wen era, there is perhaps more of a continuity in basic positions than might appear at first sight. And ironically Hu and Wen themselves had previously tried to draw a line between themselves and their predecessors, Jiang Zemin and Zhu Rongji whilst actually building on some of their initiatives to rebalance growth - for example, Jiang’s desire to shift development to western regions and build a “new socialist countryside”.

And while we are looking for precedents, Jiang Zemin repeatedly argued that fighting corruption was an urgent task that could kill off the party if not properly dealt with, Zhu Rongji tried to build a reputation for clamping down on extravagant spending by officials (particularly when their salary was not enough to support such spending, suggesting other means of income), and Wen Jiabao deliberately tried to establish himself as a man of the people who shared their concerns and interests – “Grandpa Wen”. Lei Feng made his comeback before the 17th Party Congress, with posters exhorting the people to learn from him in Beijing sometimes displayed alongside the local government’s own call to build a Beijing based on “patriotism, innovation, inclusiveness and morality” (aiguo 爱国, chuangxin 创新, baorong 包容 and houde 厚德). And it was on Hu Jintao’s watch that the party produced a rather damning verdict on its own ruling capacity (zhizheng nengli 执政能力) in 2004, drawing comparisons with the now ex-ruling communist parties of the Soviet Union and Eastern Europe, and concluding that “constructing a clean and honest administration and fighting corruption are a matter of life and death for the party”15.

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In short, we have had new starts before – although the starts haven’t been quite as new as we are often led to believe. If this new start isn’t to simply peter out into expectations that can’t be met, then the rhetoric of change will have to be matched by action. And although incrementalism and experimentation might have been the hallmark of Chinese reform to date, perhaps a more fundamental change is now required. The way that local government finances, land prices, the banking system and enterprise funding are all linked together makes successful tinkering with changes in one part of the chain difficult to achieve (without creating problems elsewhere). And when affirming the commitment to deal with corruption, Xi pointed to the need to “constantly eradicate the soil which breeds corruption”\(^{16}\). This suggests that fighting corruption is not just a case of finding bad people and punishing them and their acts, but that there is something about the system itself that allows corruption to flourish. So dealing with the corrupt is not enough – there is a need for more fundamental political reform that removes incentives to act corruptly as well as the ability to do so.

With the cycle of Chinese politics meaning that succession issues will be back on the cards for the 2017 party congress (getting the people in place then to succeed in 2022), the window of opportunity for pushing through with change is not as wide as two five year terms as party leader might imply. Hence the need to act quickly to consolidate his authority and leadership over the last twelve months. Xi’s first year in power can be seen as an exercise in positioning, planning and signaling. He has established an idea of what he will be as leader and what he plans to achieve. Finding the solution to the economic and social/political challenges that have been identified require the commitment and capacity to follow them through. The real test of Xi’s leadership in many ways starts with the Third Plenum in November 2013 where we will begin to see if the positioning and signaling can actually translate into real reform.