

China's New Leadership

*And the China watchers who
will try to make sense of it all.*

BY CHRIS NELSON

The esteemed founder of *The International Economy*, David Smick, back on October 16, published an op-ed in the *Washington Post* calling attention to cracks appearing in “globalization” (“What will replace the globalization model?”) which began, provocatively, with this:
“Here’s a prediction: The political party that controls the White House after January could, four years later, be out of power for a generation. The economic challenges are that daunting.”

Mordant, to be sure, and of course designed to get us all thinking. But what really struck us is that Smick could just as easily be talking about China.

“Excuse me!?” we can hear some readers asking. Do we expect them to believe that not only does China now have “politics” in a legitimate, useful sense, but that the domestic social and economic problems of the PRC are so vast, and often so conflicting and contradictory, that if mismanaged, it’s genuinely conceivable the Communist Party could lose its political legitimacy over the next generation?

Yes, we do mean exactly that. Reinforcing the point: on the November 8 official opening of the Eighteenth Party Congress, departing President Hu Jintao made a specific reference to dealing with corruption, or risking the eventual loss of not just the Communist Party, but the cohesion of the nation.

Pending discussion further on, let’s list the apparent top handful of Chinese leaders with the note that having to use “apparent” so close to the official November 8 start of the Eighteenth National People’s Congress is stunning proof of an emerging politics, Chinese style.

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For well over a year, the coming presidency of Xi Jinping, 59, succeeding Hu Jintao, has been as certain as human events can be, although Xi's September health scare and two week "disappearance" deeply shook international confidence, and fed a social media speculation frenzy within the PRC, apparently to the bemusement of China's still transparency-shy leaders.

It now seems clear that after months of uncertainty, punctuated by the Bo Xilai scandal which brought down a previously "can't miss" Politburo member, consensus on the top jobs has apparently been hammered out by President-to-be Xi, Hu, and the aged but still involved former President Jiang Zemin, 86, who led China's World Trade Organization accession as a domestic reform stimulus.

Xi's U.S. visit at the start of this year was seen as a basically encouraging official "audition," as he made a point of saying a lot of welcome things about the need for reform, and demonstrated his determination to continue successful management of the bilateral relationship. And as with nearly the entire top echelon of Chinese leaders, Xi has a child currently enrolled in an American university.

Hu is seen as holding back support for genuine reformers—despite the ardent rhetorical support, if often from safely overseas speeches—by Premier Wen Jiabao.

Overall, Hu's presidency has been a deep disappointment to U.S. and other key trading partners for his administration's serious backsliding on social and economic reforms, and an increasingly dysfunctional continued emphasis on massive "state-owned enterprises" that suck up development capital needed to reset the domestic economy in order to meet rising domestic dissatisfaction with economic inequality and still-rampant corruption at all levels of government.

This matters, as who gets what jobs is increasingly important for China's consensus-driven leadership. As in the United States, a successful leader has to have both the will and the way to get things done.

So who will it be? There seems no question that the next two top names will be Wang Qishan and Li Keqiang, but here's where it gets "interesting." For more than a year, it was thought that Wang, 64, a trained economist

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The Lineup

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It was thought that Wang Qishan, 64, a trained economist and seen by most as an advocate of serious economic reform, would be the next premier and senior economic official—to the delight of the international business and finance community. More recently it's been predicted that Li Keqiang, 57, a "professorial" economist, will be premier instead, although both Wang and Li will be on the critically powerful Standing Committee of the Politburo.

—C. Nelson



Xi Jinping



Wang Qishan



Li Keqiang

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Brookings' Cheng Li, Washington's "go-to" watcher of choice for the ins and outs of China's leadership, notes that Wang "always wants to do something, to take the initiative," and as Li of Brookings and many colleagues agree, Li Keqiang lacks both Wang's senior-level experience, and network of supporters needed to exert leverage on difficult decisions.

But to show what makes China-watching a sport often conducted at one's peril, Heritage Foundation's Derek Scissors says, "There isn't the slightest bit of evidence that Wang Qishan is an economic reformer. We have a bunch of people semi-charmed by Wang, others wanting it to be true, and his career saying nothing of the



Stapleton Roy,
*Woodrow Wilson
Center*



Elizabeth Economy,
*Council on Foreign
Relations*



Nicholas Lardy,
*Peterson Institute
for International
Economics*



Bonnie Glaser,
*Center for Strategic
and International
Studies*



Chris Johnson,
*Center for Strategic
and International
Studies*

The A Team

Here are Washington's leading China experts, a cross-section of the men and women who enjoy the confidence of administration decision-makers regardless of party. This is by no means a complete list, and in random order:



Alan Romberg,
Stimson Center



Douglas H. Paal,
*Carnegie
Endowment*



Michael Swaine,
*Carnegie
Endowment*



Susan Lawrence,
*Congressional
Research Service*



Dan Blumenthal,
*American
Enterprise Institute*



**David M.
Finkelstein,** *Center
for Naval Analyses*



Derek Scissors,
*Heritage
Foundation*



Dean Cheng,
*Heritage
Foundation*

sort. There's actually more evidence that Zhang is a reformer, though some see him mainly as a profit-centered opportunist."

In any event, more recently it's been predicted that Li, 57, a "professorial" economist, will be premier instead, although both Wang and Li will be on the critically powerful Standing Committee of the Politburo. But here's where that gets interesting: many experts predict the Standing Committee may be cut from its present nine members back down to seven.

What does this mean? A former U.S. State Department official in Beijing, now a private consultant in Hong Kong,

notes, "I'd be cautious about saying that cutting the standing committee to seven from nine has implications for the policy direction. Historically, the size has varied. And if the purpose is to downgrade those responsible for security and propaganda, could that be a bad thing?"

In preparation for writing this article, we circulated for comment a Chinese media report on the deals allegedly handed out, which said: "The report cited unnamed sources as saying that there will be seven members in the next Politburo Standing Committee and twenty-five in the full Politburo. The seven members will reportedly be Vice President Xi Jinping, vice premiers Li Keqiang, Zhang



Robert Goldberg,
*Scowcroft
Associates*



Kevin Nealer,
*Scowcroft
Associates*



**David "Mike"
Lampton, Johns
Hopkins SAIS**

The Brookings "Gang of Five"



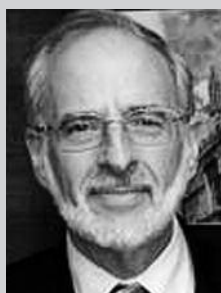
Richard Bush



Ken Lieberthal



Jeff Bader



Jonathan Pollack



Cheng Li

Dejiang and Wang Qishan, and Politburo members Liu Yunshan, Zhang Gaoli, and Yu Zhengsheng."

Except for Xi Jinping and Li Keqiang, who will serve as China's president and premier, the remaining five names have yet to be finalized, and their relative ranks could still be adjusted, the report said. (The situation will likely be clarified shortly after *TIE* goes to press.) Incumbent Politburo members Li Yuanchao and Liu Yandong, who were widely expected to make it into China's supreme seat of power, have been left out, according to the website. Liu will seek the post of vice premier, the report said.

On whether reform changes hurt or helped—the "Hu factor" in play—as a former senior State Department China watcher who prefers anonymity notes: "The third in the top three—is that Wang Qishan or [Communist Party Organization Chief] Li Yuanchao who in the view of most observers are actually the top four, and Zhang would have been in the next cohort of three to three, depending on the number of Politburo members. The flaw in so much of this analysis—and here I expect a big drum roll—is that it all depends on whom you talk with!"

This expert adds: "And there's this on Zhang Dejiang. Sure, you can always joke about his overseas study in North Korea, but what about his party secretary role in Guangdong? And of Zhejiang as well, which is not exactly a province that has been left behind in China's modernization drive! If the view is that Zhang is in charge of the state-owned enterprization of China as industry vice premier, then recall that decision was made before he took the job, that even if he wanted to rethink it, he would have had to persuade others who, in the wake of the 2008–2009 global financial crisis, have been incredibly distrustful of global markets. While usually seen as a party apparatchik, Zhang has been pretty supple in terms of moving among various factions (reinforcing our notion that these guys are able to compromise, no matter what their factions are)."

Foreign and defense policy is another "reform" area clearly needed from the U.S. standpoint, at least, although not as much covered by analysts and the media as the socioeconomic challenges. Only the still-rising crises over maritime resources and sovereignty with Japan, Korea, Vietnam, and the Philippines has been under the microscope recently.

China has shown an increasingly aggressive posture in asserting both territorial and resource claims in offshore areas overlapping with its neighbors. See especially rising tensions over the Senkaku Islands chain and the potential involvement of the U.S.-Japan mutual defense treaty.

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Charting the evolution of political management of the People's Liberation Army is complex at the best of times, and as this magazine goes to press, it's still not known if President Hu will be given a two-year continuation as chairman of the Party's central military commission, as was his predecessor Jiang Zemin.

And influencing both the atmosphere and application of policy is the incalculable impact on the policy of nationalism, and how the leadership "hears" the increasingly free-wheeling commentary and criticism of China's "netizens."

Says Center for Strategic and International Studies strategic analyst Bonnie Glaser,

"There is virtually nothing known about whether Xi Jinping intends to promote anything new in foreign policy, but it is likely he will be under pressure to do so. There is a steady drumbeat of pressure from the public, state-run energy companies, the military, and scholars to adopt a more proactive foreign policy to better defend Chinese interests."

Will Deng Xiaoping's twenty-four-character guideline be abandoned or reinterpreted? It is a safe guess that policy toward Taiwan will remain unchanged, primarily because it is simply working well, even if not at as fast a pace as Beijing would like.

And as you note, I believe that Xi will continue to attach great importance, if not priority, to relations with the United States. He is credited with developing the framework to seek to define a new type of major power relations between the United States and China; he clearly understands how interdependent the two nations have become and how critical it is for both to work together to address various regional and global problems."

On the "deciders," other expert observers note that the apparent "ticket" approved by the three presidents, according to Reuters, "omits one of the party's most outspoken political reformers, Wang Yang, 57, party boss of southern Guangdong province. A contender, he is viewed by many in the west as a beacon of political reform due to his relative tolerance of freer speech and grassroots civil rights. Instead, the ticket includes Liu Yunshan, 65, the party's propaganda minister, who has kept domestic media on a tight leash and sought to control China's increasingly unruly Internet which has more than 500 million users."

Reacting to media speculation, Chris Johnson at the Center for Strategic and International Studies, a leading China watcher here, says, "The idea that Li Yuanhao would not be on the list seems crazy to me. But it's emblematic of the scramble to try to understand what's going on inside the black box, which is why you see the different lists. At the end of the day, handicapping the horse race is a fool's errand.

What will matter is who walks out after the first plenum of the new Central Committee, and what that lineup means for their ability to get out of the leadership funk of the last ten years. I also think there's very little chance at this point that Wang Qishan will succeed Wen Jiabao as premier, especially if Wang Yang is indeed off the Standing Committee list. If true, and Li Keqiang doesn't become premier, Hu Jintao will be totally discredited."

Again, we are not arguing political equivalency, but parallels. China remains an authoritarian state run by a very small, still-self-selected set of elites, and the transparency and rule of law we take for granted both remain in China's future.

Dean Cheng, a defense specialist at the Heritage Foundation, nicely sums it up. "Part of the problem is that there is far more give and take in the American system, precisely because it's designed for "give," that is, flexibility. The Chinese situation, in fact, could be seen as having prevented politics, in some ways, from 1949 to 2012. Under the leadership of a dictator (Mao) or autocrat (Deng Xiaoping), politics occurred within strictly defined channels. Whatever Mao said was right, and he had the final say. Most of what Deng said was right, and while he brooked some opposition, at the end of the day, he defined the acceptable limits."

One of the contributing factors in today's atmosphere of uncertainty about all but the top two jobs soon to be allocated is that Xi Jinping will be China's first paramount leader not hand-picked for future leadership by Deng (himself a designated heir of Mao), with the result of a rise of "politics" within the elite system that neither the Chinese nor outside observers can confidently game in advance.

Or, as Cheng wryly notes, "With no Deng at the helm, the Chinese are much more in a position of having to make it up as they go along—the quintessence of politics. And I'm not sure they know where that is leading!"

Finally, before getting into the political parallels and policy challenges discussion, what about women in senior roles? Says Beijing-based consultant Robert Blohm: "Liu Yandong is in charge of education and technology, but isn't mentioned in media speculation about the three remaining

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for future leadership by Deng.*

likely Standing Committee members, although allowance is being made. Liu has had a lot of media time recently, accompanying Hu whenever he does anything in Guandong and Hong Kong, and anything involving education, technology, and culture in Beijing, the brainy stuff.

Premier Wen Jiabao and Liu co-preside over State Council meetings. She's right up there. She got an honorary doctorate from SUNY Stony Brook a few years back. She set up the Thousand (Returned) Talents program whereby the Party Organization Department pays world-class salaries to bring mainland returnees back who have achieved enough professional standing in the United States, and set them up in the top universities with labs and chairs. She personally visited all the top U.S. schools to arrange this. She has a foot both in the princeling camp and in Hu's Youth League camp."

So what will the rising Chinese and American leaderships be dealing with?

Societal parallels are always risky, especially efforts to compare our rough-and-tumble democratic free enterprise system with China's still-Communist Party dominated, usually behind-the-curtain (if less so, as per the Bo Xilai case), clearly work-in-progress amalgam of those aspects of globalization (and capitalism) assisting the rise to global Great Power status which began under the leadership of Deng Xiaoping more than a generation ago.

First, both countries have just undergone a long, painful, often nasty selection process which is clearly "political" by any definition and, as noted, unlike in some years past, eventual power allocations and decision-making opportunities remain very much to be determined in both.

Second, each country faces a truly daunting set of often contradictory domestic social and economic challenges demanding successful governance, but just as often lacking either a national or a leadership consensus over strategy, tactics, and thus policy.

Third, augmenting the official leadership processes, each has a burgeoning electronic social media operating in cheerfully anarchic but increasingly "democratic" ways which allows the leadership of each to take the public pulse, and so be influenced, or at least put on notice as to rising challenges.

Fourth, both increasingly must face the inherent responsibilities of Great Power status, which are demanded by the world community but which also must be reconciled with the cost and balance of resources increasingly required to meet pressing domestic needs.

Fifth, each is increasingly interdependent on the other for rational, successful management of the bilateral relation-

A Foot in Both Camps

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Liu Yandong

—C. Nelson

ship at every imaginable level, including as a necessary corollary finding ways to cooperate on the multinational level to maintain the peace and stability which has literally underwritten China's "rise" and America's continued success.

No doubt there are other examples or postulates *TIE* readers can supply. Our basic premise is that the leadership and decision-making, policymaking situation in China is far more in flux, and open to genuine debate, than outdated nonsense condemning "the Communist dictators" still so often heard on this side of the Pacific.

But if China isn't a Communist dictatorship anymore, what is it? Back to Poli Sci 100: it's an authoritarian state struggling to adapt to an increasingly demanding, educated, prosperous, and vocal populace...and a leadership which increasingly depends on successful management to keep its legitimacy and stay in power—the point of David Smick's challenge to U.S. leadership noted above.

Spelling out some more of our basic premises: first, that despite much debate over the Obama "pivot," or "rebalancing" toward Asia, and those who insist that China policy is either "engagement or containment," the thrust of the Administration's China policy has been consistent, explicit, and clear.

(Examined in detail, most skepticism about the "pivot" turns out to be legitimate concern about the budget, and whether Congress and the White House will fail to avoid the "fiscal cliff," with all that implies for every conceivable U.S. strategic obligation and commitment, including whether a deal with major funding cuts will severely impede realizing the goals of the "pivot.")

Since Richard Nixon's opening to China back in 1972, the goal of every president has been identical: to positively "engage" China in the process of opening up to the modern

industrialized world, and to work with China as it learns how to participate in that world, including playing by the rules which have both kept the peace and underwritten global prosperity since 1945.

To “socialize” China is meant in the literal, not economic, sense. Needless to say, the Chinese increasingly resent being expected to uphold international norms the PRC didn’t have a hand in developing, whatever they may think of the benefits accrued. But the U.S. goal has been to deflect or contain the inevitable conflict in acceptable international channels, such as the World Trade Organization for economic disputes that arise between the United States and China just as between the United States and the European Union.

To accomplish this, “engagement” is the strategy refined and developed by every U.S. leader since Nixon, and it will continue to be the challenge and the responsibility of every U.S. leader for the rest of this century. Things such as likely empty promises to crack down on Chinese currency manipulation “on day one” still refer to tactics, not strategy.

Of course, there’s always a “shake-down” period when new leaderships test each other, and get to know each other. In China’s case, the new president won’t take office until March, two months after the U.S. presidential inauguration, and for each government, shaking out the new senior administrators and decision-makers will likely take much longer.

But the overall pattern has been nearly identical for the past forty years. And with President Obama now safely embarked on a another four years, this will not change: Once a new leadership is up and running, its task is rational, peaceful management of U.S.-China relations despite any bumps in the road. And that necessarily implies working to minimize the bumps, or to resolve them through existing, accepted channels.

Some of these “bumps” are potentially very risky, of course, especially finding a way to secure genuine Chinese cooperation in dealing with the North Korean nuclear, missile, and proliferation threat; and how to support U.S. allies yet also work with China to secure a peaceful, sensible resolution of the high-profile, increasingly nationalistic squab-

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bles with Japan, Korea, the Philippines, and Vietnam over maritime energy and fish resources.

In this context, a perceptual disconnect over the meaning and purpose of “containment” needs clarification. Containment is a “hedge strategy.” It’s a necessary part of any overall strategy toward China, but it’s a subsidiary part. Strictly speaking it’s a tactic, but in its broader applications it can approach strategy, and can lead to confused discussion on both sides of the Pacific.

As a recent Pew Global Attitudes Project poll in China shows, many in the PRC as elsewhere seem to have trouble grasping the distinction between strategic engagement with a tactical hedge of containment where needed. A near-majority of Chinese hear “containment” and think the United States means it wants to degrade PRC power in the same ways the United States actively opposed the Soviet Union during the Cold War. So both ordinary and elite Chinese seem prepared to assume a dishonest, even cynical U.S. intention to “keep China down” despite all objective evidence to the contrary.

This is a dilemma requiring continued and sophisticated management as China’s rise to great power status necessarily implies challenges to U.S. regional military and economic dominance in place since 1945, notes the dean of Washington’s senior adult supervisors on all things China, Ambassador Stapleton Roy, now at the Woodrow Wilson International Center for Scholars.

The Pew poll also reinforces the well-known socioeconomic challenges and popular resentments, from the elite classes down to peasants still working the fields, about systemic corruption, indifference or outright refusal to implement the rule of law, environmental catastrophe looming at every turn, and the ever-increasing economic inequalities both regionally and personally. (The latter, in short, resembles the current U.S. debate over income distribution, fairness, and concern that the middle class is increasingly squeezed while the super-rich just get richer.)

In fact, the United States doesn’t necessarily face a binary choice between engagement and containment, and if “engagement” is successful it never will. But that can’t be taken for granted. That’s the management task facing both the United States and China and the new leadership teams about to assume office. ◆