

CPC Futures

*The New Era of
Socialism with
Chinese Characteristics*

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1

The CPC under Xi: Ten More Years?

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While the duration of Chinese leader Xi Jinping’s time in office remains—at the time of writing—unknowable and likely undecided, after ten years of his leadership what he intends to do in power is more certain. Indeed, it is one of Xi Jinping’s strong points as a leader that he has clearly articulated his vision for the next phase of China’s modernisation and that he has identified the obstacles the country and the Party need to overcome to achieve these objectives. In the “New Era”, advancing China’s full transformation into a “great modern socialist nation” has been the lodestar of Xi’s tenure in office and will undoubtedly continue to drive Beijing’s choices and decisions for the foreseeable future.

But what does it mean to construct a “great modern socialist nation”? What are the domestic and international dynamics that will shape this agenda over the duration of the 20th Party Congress period (2022–27) and potentially beyond?

Official Party discourse frames the approach and trajectory for socialist modernisation as clear and certain, if also necessitating focus, determination and sacrifice. As articulated across Xi’s speeches and government and party documents such as the 14th Five-Year Plan or the November 2021 “Resolution on the Major Achievements and Historical Experience of the Party over the Past Century” (*Xinhua* 2021), China has entered a “new stage of development” which demands policy and structural upgrades to ensure that future economic growth minimises environmental externalities, supports widespread innovation and meets the qualitative aspirations of an increasingly expectant Chinese citizenry. To support these goals, Beijing has unveiled a host of macro policy frameworks, from “supply side structural reform” to “dual circulation” to “common prosperity”, which are discussed in more detail in the chapters by Bert Hofman and Sarah Tong in this volume.

Taken together, these initiatives signal Xi's elevated comfort level with directly "steering" the allocation of capital, technology and talent compared to previous Party leaders (see Barry Naughton's chapter on "grand steerage" in this volume). This does not equal a return to the central planning of the Mao era, with dictates on prices and quantities for all manner of goods and services. Nevertheless, Xi is attempting to centralise China's previous patchwork approach to national development and replace it with a more "rationalised" policy planning approach.

Regional approaches to development, such as the Greater Bay Area or fiat cities like Xiong'an, and new nationwide regulatory and standards policies, such as the recent Party Centre and State Council guidance on "Accelerating the Construction of the National Unified Market" (*Xinhua* 2022), speak to Xi's deep-seated antagonism towards a decentralised approach to development. Xi's logic for this more hands-on, top-down economic development model is fairly clear: the stakes are too high and the objectives are too complicated to leave resource allocation solely to the market and local governments. Indeed, similar discussions are occurring in the capitals of market economies as well, where calls for industrial policy have sprung to life after years of disfavour.

This updated blueprint for China's modernisation is placing extreme pressures on the CPC to adapt in order to realise Xi's ambitions. Xi has used his first two terms to shape the Party accordingly. This has meant both rewiring the operating procedures of the Party, as well as re-integrating the CPC back into the sinews of social, political and economic life. Both these trends will continue after the 20th Party Congress this fall, reflecting Xi's view that absent a self-imposed understanding of perpetual risk, the Party will slide—inevitably—into indifference and irrelevance, a fate he believes led to the collapse of the Soviet Union. The key to the Party's success and survival, Xi said in a 2021 speech, "lies in us always insisting that the Party manage itself, that it engage in strict, unrelenting Party self-governance in all respects, and that it thoroughly carry out self-revolution while advancing social revolution" (Xi Jinping 2022a).

Finally, socialist modernisation, as it is understood by Xi Jinping, also entails an acute sense of risk and vulnerability, and the need to build comprehensive systems for identifying and stamping out perceived threats to the national security, broadly (and amorphously) defined. Of course, all previous leaders of the CPC had a healthy dose of suspicion about "hostile foreign forces" and the prospects for domestic political unrest, but Xi has channelled such concerns into a comprehensive framework for managing threats to the regime. In a 2014 speech outlining his "holistic national security concept", Xi argued that China's national security faced a "new situation" and "new tasks" that necessitated building a

“centralised, unified, efficient and authoritative national security system” (Xi Jinping 2022b).

As the chapters by Cheung, Lee, Pu and Whutnow in this volume discuss in more detail, Xi’s concept of national security includes institutional changes, such as the formation a “national security commission”, as well as a mobilisational ideology that attempts to have cadres up and down the Leninist hierarchy place emergent and existing threats to the regime at the core of their governance work. More importantly, traditional demarcations between internal security and external security, or traditional and non-traditional threats are all but eradicated. Instead, the “National Security Outlook” articulates a bundled vision that positions security as the foundation of all of China’s other development goals. As one researcher at the Central Party School summarised, “Security is the core interest of the nation and a prerequisite for the state’s orderly development” (Blanchette 2020).

Mentioned at the extreme end of Xi’s national security vision is the campaign to control and “assimilate” ethnic minorities through terror, re-education, cultural eradication and systematic surveillance. But even in China’s major cities, the effects of Xi’s holistic national security concept are evident through the chilled political climate. Furthermore, the increasingly sophisticated tracking capabilities enabled by digital technology add to the presence of the state, as is explained in more detail in John Lee’s chapter in this volume. The vision has also induced a shift in the calculus for Party cadres, who see stability and order as taking prominence over growth and prosperity.

COVID-19, which for much of the world was first and foremost a public health emergency, was in Xi’s China, a national security threat. As one analyst at the state security-linked China Institute of Contemporary International Relations argued just after the outbreak of COVID-19, China’s “war” against the epidemic “is indeed a vivid practice and best example of implementing the overall national security concept” (Chen 2020).

Taken together, what are the consequences of Xi’s vision for achieving socialist modernisation, both for China and for the Party? Will Xi succeed in his efforts to upgrade China’s economic and governance system? And what does this mean for the CPC as an institution? Answers to these questions are difficult to arrive at with any certainty, at least for those who have been watching China navigate its path to modernity over the past four decades. Stretching back to the death of Mao Zedong in 1976, many foresaw the beginning of the end for the CPC. Economic headwinds, social unrest, political volatility—the expectations of collapse by external observers have had a certain rhyme and regularity that has

remained unchanging. Yet, the Party's track record in sailing close to the shoals of disaster but surviving is impressive and undeniable.

However, many outside observers think that this time could be different. As of this writing, in the late spring of 2022, China appears to be entering a period of pronounced economic malaise, a downturn in its international reputation and perhaps even domestic political unrest.¹ Its economy is contracting, its tacit support for Russia is provoking significant international backlash, and increasingly, foreign companies and investors are re-thinking their long-term strategy for engaging with the country. Behind closed doors, senior US and European policymakers and corporate boards openly describe China's current predicament as a crisis. Xi's dominance of the political system is now widely seen as one of the country's greatest vulnerabilities, as this limits the political system's ability to correct away from costly policies, most especially China's severe approach to containing COVID-19. Even long-standing China optimists are now questioning Beijing's management of the economy.²

Crucially, it is Xi Jinping's precise policy and political agenda, and the uncertainty around its duration, that many outside observers now see as an obstacle to China's long-term stability. His vision of "grand steerage", while not as stultifying as the command-and-control policies of the past, is seen to be exacerbating China's current productivity slump by constraining the private sector's access to capital and freedom to innovate. His attempted reinvigoration of the Party, while clearly addressing many of the pathologies that plagued the bloated and corrupt CPC of the past, has trimmed the pragmatism and flexibility of cadres that served growth and innovation. Instead, they must ponder how to address local issues without violating Beijing's mandates. Xi's expansive vision of national security is institutionalising a hostility towards the foreign and the new at precisely the time that China must further embrace both if it is to modernise its economy and governance system. Of course, the Xi administration still views globalisation as a critical component of China's path to modernisation, and thus clearly Beijing sees no contradiction between its national security strategy and remaining integrated with the rest of the world. But this will be an increasingly difficult balance to strike, for an increasing focus on security will almost certainly stoke nationalism and a sense of paranoia within the Party-state bureaucracy.

In light of the above-described dynamics at work under Xi's rule, tensions appear to be building within the system between the imperatives of China's continued social, economic and governance modernisation programme and the very specific types of regime dynamics that Xi's increased power consolidation are often unintentionally unleashing.

The first and most consequential is the very real risk to China's leadership succession process now that Xi appears to be heading towards a third term as General Secretary and without any clearly identified successor. While Xi, who was born in 1953, is still relatively young, the prospects of his sudden death and incapacitation can no longer be ignored. Sudden leadership transitions are difficult in *any* organisation, even those with fairly robust procedures governing power transitions, be this a democratic nation or a Fortune 500 company. Authoritarian systems, including China's, struggle to achieve a sustainable equilibrium on power sharing, which is why it is not uncommon for an authoritarian leader to either die in office or be forcibly removed (Svolik 2012).

Another unintended consequence of Xi's tight grip on the political arena is the negative effect this has on the information ecosystem in which he must make decisions. The larger Xi's role in shaping China's policy trajectory, the more critical it is that he have the most unvarnished data inputs on which to make effective decisions. Yet anecdotal evidence (and a comparative analysis of other authoritarian systems) indicates that, paradoxically, the more powerful Xi becomes, the more his access to accurate data and information will suffer. Cadres understand that feeding negative information up the chain-of-command might hurt not only their immediate, but also their future career prospects. Advisors to Xi have enormous power to indirectly shape the policy agenda through decisions on what information gets passed up, and what does not. And, of course, Xi's very clear priorities and proven willingness to marginalise or purge political opponents itself send a clear warning to anyone seeking to challenge the affirmed Party line. Similar information ecosystems have been a detriment to China in the best of times, but emerging, as it does, precisely at the moment when China is facing significant economic and foreign policy headwinds, it might well constrain the CPC's ability to adjust or adapt, as it has done so many times before.

Can Xi's control endure as the costs of his governance philosophy mount? If China's economy continues its slide (both structurally, and as a result of COVID and weakening global demand), will this necessitate a pivot to a new path or, more extremely (and less likely), Xi's removal from office? Will near-term challenges force Xi's hand and lead to a possible resumption of a more collective style of leadership? And might some of Xi's more aggressive bets—such as industrial policy to help achieve meaningful and sustainable technological innovation—ultimately pay off? It is, of course, too early to tell, and so much of what will determine the answers to these questions will depend on choices and dynamics that have yet to take form. Prognosticating on China's future has always been an invitation to be proven wrong. But the most sensible starting position is that Xi is not going anywhere, and for all the apparent setbacks China

is now facing—many of which can be directly tied to actions taken by Beijing in recent years—the discrepancy between public frustration and an organised leadership challenge remains significant.

This opens up a third path for Xi somewhere between unchallenged dominance (which he may well lose if problems continue to mount) and full-on leadership change (which he is unlikely to have to confront): Xi as a bruised autocrat with China as a diminished global power. In this scenario, Xi is able to retain his grip on power, but without the élan and appeal that seemed to follow him over the 18th and 19th Party Congresses. His major policy pronouncements would receive a polite reception, and then be ignored summarily or (purposefully) misconstrued. Policy paralysis and policy dislocation would typify the rollout and implantation, or lack thereof, of new government regulatory efforts. Xi would respond with yet further efforts to rectify the Party, unleashing wave after punishing wave of intra-Party inspections and investigations. Propaganda organs would again become a tool for elite contestation and rivalry, and rumours would again become tools of dissent as Xi's star begins to dim and rivals look to close off his exits. China's position in the world remains significant in this scenario, but its more expansionist aspirations for global leadership are curtailed as it confronts rising financial scarcity and consequently needs to retrench its overseas diplomatic, financial and military aspirations.

No scenario is certain yet. Choices made by China's leadership, and Xi in particular, will shape the path China travels in the months and years ahead.

Notes

¹ Recent polling conducted by the ASEAN Studies Centre at the ISEAS-Yusof Ishak Institute in Singapore, for example, shows that more than 75 per cent of respondents in ASEAN are “worried about [China's] growing regional economic influence”. See “The State of Southeast Asia 2022,” ISEAS-Yusof Ishak Institute, 2022. Polling by the Lowy Institute finds that 63 per cent of Australians now view China as more of a security threat than an economic partner, up from 41 per cent just two years ago.

² For example, leaked comments by PAG founder Weijian Shan to the *Financial Times* quote the investor as stating, “We think the Chinese economy at this moment is in the worst shape in the past 30 years”. See “China in ‘deep crisis’, says Hong Kong private equity chief,” *Financial Times*, 28 April 2022.

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