



## China's New Leadership Internal and External Implications of a Fresh Agenda



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With the conclusion of the 18th Party Congress (8-14 November 2012) and 12th National People's Congress (5-17 March 2013), the Chinese Communist Party (CCP) successfully completed an important transfer of power to new leaders who will guide it through the present decade. The conferences popularly referred to as the 'Big Two', additionally approved senior level Party and Government appointments which clearly outline the new Chinese leadership's agenda.

These personnel appointments viewed along with the first speeches after their appointment of Chinese President Xi Jinping and Premier Li Keqiang on 17 March 2013, reveal that the economy, domestic security and modernisation of the armed forces will be a priority. China will persist with its foreign policy objective of trying to establish dominance in the Asia-Pacific, while insulating and preserving its relationship with the US and strengthening ties with Russia.

What is likely to be the agenda of the new Chinese leadership? What are the likely implications of this new agenda, especially on China's reforms process, military modernization and foreign policy?

### I THE NEW TEAM & A FRESH AGENDA

Though Premier Li Keqiang referred to 'reform' twenty nine times in his speech in contrast to the

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outgoing Premier Wen Jiabao who mentioned it in his Work Report in one brief paragraph, he ensured that there was pronounced emphasis on the rural sector and "common prosperity". This especially includes improving wages and living standards of farmers, peasants and workers and expanding coverage of education, medical, health and social security benefits. Steps to alleviate the plight of migrant workers were touched upon. Document No.1/2013, issued by China's State Council, as in the past ten years, was on Agriculture and rural policies.

### Reforms: The Divide between the Bureaucracy and Civil Society

Important in China's domestic debate regarding 'reform' is the article by Xi Jinping's Doctoral Advisor and Tsinghua University Professor, Sun Liping, in the Economic Observer on 04 March 2013. It appears indicative of the Chinese leadership's thinking. He assesses that there is 'deep division' between government officials and civil society in how they view 'reform'. While the former interprets reform as making systemic changes, civil society judges it on the basis of efficiency. Observing that vested interests opposed to reform remain sizeable but presently dormant, he cautioned that they would re-emerge stronger after some years. Asserting that reforms are only a means to an end, Sun Liping suggested that "building a society that is just and fair" could be the basis of a new approach.

### The New Cabinet with an Economic Focus

The new 25-member Cabinet has eight individuals with a background in economics and the new Finance Minister, 61-year old Lou Jiwei, has



particularly strong credentials as a reformer and in economic structural reforms. He was hand-picked by veteran CCP leader Zhu Rongji, who earned the nickname 'One-Chop Zhu' because he streamlined and drastically reduced business approval procedures. While he was Mayor of Shanghai, Zhu Rongji selected Lou Jiwei as Deputy Director of the city's Economic Structural Reform Office. Later as Vice Premier in 1993, he appointed Lou Jiwei to head the Macroeconomic Department of the National Economic Structural Reform Commission.

The other key appointment is that of Xiao Jie as one of two Deputy Secretaries General of the State Council. Selected by Premier Li Keqiang with whom he has a long association, Xiao Jie received a Doctorate from the Research Institute of Fiscal Science of the Ministry of Finance and later served for two decades in the Ministry of Finance including as Vice Minister before being appointed Director of the State Administration of Taxation.

There are other reformers in China's new team of managers of the national economy. Well regarded central banker Zhou Xiaochuan, despite his 63 years of age, has not only been retained as Governor of the People's Bank of China but promoted to the prestigious national position of Vice Chairman of the Chinese People's Political Consultative Conference (CPPCC). Similarly, 68-year old Chen Yuan continues as Chairman of the China Development Bank, which he has headed since 1998 and been elevated as CPPCC Vice Chairman. Both are reputed for their forward looking outlook and expanding their banks reserves and operations. CPPCC Vice Chairmen are, incidentally, permitted to continue in office till 70 years of age while Ministers and Provincial Governors retire at 65.

The powerful National Development and Reform Commission (NDRC) has been strengthened with its Minister Xu Shaoshi, Executive Vice Minister Jie Zhenhua and two Vice Ministers Liu He and Wu Xinxiong all members of the CCP's 18th Central

Committee. Liu He is additionally a member of Xi Jinping's 'brains-trust' and his speech-writer on economic subjects. Between 1991-95, Liu He studied in Seton Hall University, New Jersey and later obtained a Masters in Public Administration from the Kennedy School of Government, Harvard University, US. Vice Minister Wu Xinxiong, who headed the State Electricity Regulatory Commission since 2011, now heads the new National Energy Administration and expectations are that the coming months will see a reduction in energy subsidies.

Others in the team of pro-reform economists are Xiao Gang, who has been transferred from being Chairman of the Bank of China to head the China Securities Regulatory Commission where he is expected to push the pro-market policies introduced by his predecessor. The elevation of Vice Commerce Minister Gao Hucheng in the same Ministry indicates a preference for expertise and continuity in this important position. Gao Hucheng has 36 years of experience in foreign trade issues and was a commercial officer in the Chinese Embassy in the Congo in 1977. As Commerce Minister he will be part of the Party's 'Leading Small Group on Foreign Affairs'.

The country's security apparatus, at the apex of which is the Central Politics and Law Commission now headed by Meng Jianzhu, a member of the Politburo (PB), will report directly to President Xi Jinping. Former Minister of Public Security (MPS) Meng Jianzhu was elevated to the Politburo at the 18th Party Congress. He has worked closely with Politburo Standing Committee (PBSC) member Liu Yunshun.

State Councillor Guo Shengkun is the new MPS Minister, but lacks a background in security, investigative or police work. This will facilitate control by Xi Jinping. Two new MPS Vice Ministers, Yang Huanning (55 yrs) and Li Dongsheng (57 yrs) however, have the right credentials and will strengthen the Ministry. All three are members of the 18th Central Committee, indicating the importance accorded to the MPS. The NPC session this March further increased the budget for domestic security to US\$ 123.5 billion, which makes it higher than the national defence budget for the third consecutive year. The security apparatus is simultaneously being strengthened across the country as evident from the number of cadres with experience in police and security work who have been promoted at the recent NPC to senior positions in at least ten provinces.

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attention. The 'Golden Shield' programme, on which over US\$1.6 billion has already been spent, will be upgraded. This will accompany tightened controls on the media imposed by the Party's Central Propaganda Department under the supervision of PBSC member Liu Yunshun. The suspension in March of Deng Yuwen, Deputy Editor of Xuexi Shidao, the Central Party School's theoretical magazine, is an example. He wrote an Op-Ed this February that China should abandon North Korea. Liu Yunshun is also President of the Central Party School.

## II MODERNIZING THE PLA

The modernization of China's People's Liberation Army (PLA) remains a priority with continued double digit increases in the national defence budget. In addition to the emphasis on 'winning local wars under conditions of informatisation' and 'Integrated Joint Operations', indications are that there will be a noticeable push in the acquisition of advanced hi-technology weaponry and development of the indigenous defence industry. China will continue to design and develop new missiles, nuclear submarines, stealth fighters and bombers, and jet engines. The appointments of General Chang Wanquan former Director of the PLA's General Armaments Department (GAD) as Defence Minister and General Zhang Youxia, the sole battle-experienced member of the Central Military Commission and supporter of acquiring advanced military technology, as the new Director of the PLA's GAD, strongly suggests that an increased share of the defence budget will now go to arms procurements and indigenous development of advanced weapons.

The appointment of General Ma Xiaotian as PLA Air Force (PLAAF) Commander means that modernization and upgradation of the PLAAF will continue. There also appears to be increased discussion in Chinese military literature of the role of the PLA Navy (PLAN) and 'Military Operations other than War' (MOOTW), confirming that planning is underway for increasing the PLAN's operational range and reach.

The effort to acquire modern defence technology and weapons will see increased cooperation with Russia which remains the largest supplier of defence materials to China. This was an important agenda item for Xi Jinping during his recent visit to Russia and meeting with Russian President Putin. China is understood to have offered to invest billions of US dollars in down payments in Russia's

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defence industry for upgraded weaponry. Agreements for the purchase of advanced defence equipment were also signed.

Efforts to further strengthen Party control over the PLA will simultaneously continue. Chinese President and CMC Chairman Xi Jinping has repeatedly emphasized the importance of the PLA being "absolutely loyal and obedient" to the Party and, in his first speech to a meeting of the enlarged CMC after taking over as Chairman in November 2012, declared that political reliability will be the determining criteria for officers' promotions.

## III A FORCEFUL FOREIGN POLICY?

China's foreign policy will become more vigorous as Beijing tries to counter what it perceives are US-led efforts to contain its rise. Its relations with the US will remain the most important bilateral relationship and Beijing will try and insulate it from damage. As recent developments and personnel appointments show, Beijing will at the same time try to safeguard its influence and interests especially in the Asia-Pacific. The PLA will be used to reinforce Chinese diplomacy. China will not yield on its maritime territorial claims in the region, which it perceives not only as a territorial issue but the recognition of which by world powers would mean acknowledgement of China's pre-eminent position in the region.

China's stance is underscored with the symbolic visit at the end of March 2013, by a 4-vessel PLAN flotilla to James Shoal - claimed also by Malaysia, Brunei, the Philippines, Taiwan and Vietnam -- about 80 kilometers off Malaysia's coast. Most recently on 03 April 2013, the Vice President of the Chinese Institute of International Studies (CIIS), a think-tank under the Chinese Ministry of Foreign Affairs, warned Manila to prepare for a rough four years for seeking international arbitration to sort

out contested territorial claims. Earlier in March 2012, the Director of China's State Oceanic Administration, Liu Cigui, renewed China's claim to South Korea's leodo, a submerged rock south of Jeju Island and followed it up within months with cartographic aggression. China's actions occur despite the escalating tension with Vietnam, the Philippines and Japan and appear intended to stake out the extent of China's maritime claims.

The contours of China's foreign policy under the new leadership are discernible in recent senior appointments. The promotion of erstwhile Foreign Minister 62-year old Yang Jiechi as State Councillor replacing Dai Bingguo is important. Dai Bingguo has been China's points-man for negotiations with important countries especially the US, Russia and UK, and is China's nominee to the Special Representative-level talks with India on the border issue. Viewed by foreign diplomats as less hard-line than Dai Bingguo, Yang Jiechi is an expert on American affairs, a fluent English speaker and graduate of the London School of Economics. His effort to keep Sino-US relations in good repair will be supported on the ground by the new Chinese Ambassador to USA, Cui Tiankai. Cui Tiankai, who has also been Ambassador to Japan, is a postgraduate from the School of Advanced International Studies, Johns Hopkins University, USA. The Minister of State Security (MOSS), Geng Huicheng, who continues in his job since 2007 is also, interestingly, an America expert. Before his promotion as Minister he headed the Chinese Institute of Contemporary International Relations (CICIR), which is a think-tank of the Ministry of State Security (MOSS).

Wang Yi, a fluent Japanese speaker and former Ambassador to Japan and Head of China's Taiwan Affairs Office, is China's new Foreign Minister. A consummate diplomat and skilled negotiator, he is credited with conducting the secret talks with then Chief Cabinet Secretary Shinzo Abe, which helped break the impasse in Sino-Japanese ties in 2001-2006 and facilitated Shinzo Abe's visit as Prime Minister to Beijing in October 2006. The Taiwanese, who have welcomed his elevation, credit him with giving Taiwan diplomatic space by allowing it to join the WHO. Wang Yi's appointment would be intended to not only reduce tensions with Japan, but nudge Tokyo towards accepting China's claims. It is expected that Wang Yi and Shinzo Abe, who have interacted in the past, have kept up contact. The appointments reflect the

importance Beijing attaches to its relations with the US and this region, especially in the present context.

### China, Myanmar and Nepal

China's apprehension, that the US will undermine its influence in countries where it has strategic investments, is indicated in the unusual appointment of a Special Envoy for Myanmar, and new Ambassadors to Myanmar and Nepal. 71-year old Wang Yifan, a former Vice Foreign Minister in charge of Asian Affairs was recently appointed Special Envoy for Myanmar. He brings additional heft to his assignment as a close relative of Qiao Shi. Qiao Shi was a PBSC member, Chairman of the Central Politics and Law Commission, head of the CCP CC's International Liaison Department (ILD) and a supporter of the popular deceased Party General Secretary Hu Yaobang. The efforts of Yang Houlan, who was transferred at the end of February 2013, from Kathmandu to Myanmar in recognition of good work done, will be reinforced by Wang Yifan. Yang Houlan has been succeeded in Nepal by Wu Chuntai who was Deputy Director General in the Department of External Security Affairs in the Ministry of Foreign Affairs. His main task is to curb and control the activities of Tibetans in Nepal and inside India. Beijing's concern is that at some stage the US may use Tibetans to destabilise China.

In an attempt to prevent any sudden chill in India-China relations which could push India closer to the US, there has been a noticeable suspension in the past many months of anti-India rhetoric by Chinese officials, analysts and China's controlled media. China is also believed to have for the first time posted an Ambassador of the rank of Vice Minister to India.

This agenda of the new leadership reflects the policies and programmes of Xi Jinping and his Premier, Li Keqiang. They are influenced by the growing dissatisfaction and increasing incidence of popular protests, as well as the determination of the leaders to preserve the CCP's legitimacy and supremacy. The maintenance of social stability and ensuring 'China's rise' are essential prerequisites.

