

# Strategic Analysis Paper

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## Implications of the Chinese Communist Party's 19<sup>th</sup> Congress: Part One: Xi Consolidates Power

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### Key Points

- President Xi Jinping used the nineteenth Congress of the Chinese Communist Party as the medium to consolidate his power.
- He is, consequently, now the most powerful Chinese leader since Mao Zedong.
- Xi appears to have dispensed with the Deng Xiaoping mantra of “laying low” and has set China on a new, more ambitious path in international affairs.
- This could have serious consequences for China, the region and further afield.

### Summary

The nineteenth Congress of the Chinese Communist Party (CCP) recently concluded in Beijing. The twice-a-decade, week-long event allows the General Secretary to report to the CCP on China's progress under his or her administration and is given permission to continue to rule the country for a further five-year term, for a maximum of two terms or ten years. The current General Secretary of the CCP, who is also the President of China, is Xi Jinping, arguably, the most powerful Chinese leader since Mao Zedong. He appears to have overtaken even Deng Xiaoping, who opened up the Chinese economy to the West in 1972, thus allowing US President Nixon and his Secretary of State and National Security Adviser, Henry Kissinger, to open, in turn, a second front against the USSR. By doing so, Deng set

economic forces in motion that have since seen China become the world's second-largest economy and leading trading nation.

### Analysis

Given his elevated status in the Chinese pantheon, Deng's [maxim](#) has guided Chinese foreign policy: 'Observe calmly, secure our position; cope with affairs calmly; hide our capacities and bide our time; be good at maintaining a low profile; and never claim leadership.' Xi, it would appear, has determined that China is now powerful enough to put that advice aside and take its rightful place in the international community – at its very apex. Or it could be that, as Professor James Holmes of the U.S. Naval War College [puts it](#), 'Boastfulness – the urge to be the biggest, best and most of everything, and to have others acknowledge it – forms a strand in China's cultural DNA', has prevailed. Again, it could be a mixture of both those factors. Be that as it may, Xi's three-and-a-half-hour speech demonstrated his decision to put the caution of "Dengism" aside and take a more aggressive stance in his quest to make China the leading economy and superpower – and to replace the United States in doing so.

Xi began his speech with his report on the country's economic progress to the CCP. Annual grain production, he [noted](#), had reached 600 million metric tons, the level of urbanisation rose by an annual average of 1.2 percentage points, and more than 80 million people who migrated from rural to urban areas gained permanent urban residency (under the authoritarian *hukou* system, rural Chinese require official permission to move to urban areas). The economy grew at a medium-high rate, making China a leader among the major economies, GDP rose from 54 trillion yuan to 80 trillion yuan (about US\$12.1 trillion) over the past five years and China maintained its position as the world's second-largest economy and contributed more than 30 per cent of global economic growth.

Rather unusually for the setting, however, Xi noted that the economy faces many challenges, that the era of double-digit growth was over and a slower growth rate of around 6.5 to seven per cent would be 'the new normal'. Xi observed that he still needed to increase China's influence internationally and, simultaneously, to reduce poverty levels domestically. To do so, he declared, he needed to liberalise the economy to encourage further foreign direct investment, but to do so with enhanced control over which areas of the market were liberalised. That approach could explain why Xi has aggregated political power in himself.

Xi has consolidated his personal power since taking office in 2012. He has followed the model, established by Mao Zedong, of containing power within the Chinese Communist Party rather than diluting its centrality to every aspect of China's functioning by transferring even a modicum of that power to government departments and functionaries. Effectively, Xi has made himself the most powerful Chinese leader since Mao and Deng Xiaoping and there is every reason to suspect that he could extend his stay in office beyond the stipulated ten-year period. It was in recognition of this fact that the Communist Party also bestowed on him the title of "[core](#)" leader in October 2016. Some of his other titles are listed below:

Xi Jinping's Titles	Date Assumed
General Secretary of the Central Committee of the Communist Party of China	November 2012
Leader of the Central Leading Group for Taiwan Affairs	November 2012
Leader of the Central Leading Group for Foreign Affairs	November 2012
President of the People's Republic of China	March 2013
Chairman of the Central Military Commission	March 2013
Leader of the Central Leading Group for Comprehensively Deepening Reforms	November 2013
Chairman of the Central National Security Commission	November 2013
Leader of the Central Leading Group for Internet Security and Informatization	February 2014
Leader of the Central Leading Group for National Defence and Military Reform of the Central Military Commission	March 2014
Leader of the Central Leading Group for Financial and Economic Affairs	June 2014
Commander-in-Chief of the Joint Battle Command of the People's Liberation Army	April 2016
Chairman of the Central Commission for Integrated Military and Civilian Development	January 2017

Source: Future Directions International

Xi appears to have decided, however, that his ambitions cannot be constrained by merely acquiring titles. Accordingly, and perhaps unsurprisingly, the CCP elevated Xi to the same status level as Mao Zedong and simultaneously wrote his name and his “Xi Jinping Thought on Socialism with Chinese Characteristics in a New Era” – a collection of Xi’s speeches that is the equivalent of Mao’s “Little Red Book”, a collection of the latter’s sayings – into its constitution. That has major ramifications domestically and for China’s foreign policy. Just as with Mao’s “Red Book”, Chinese students will likely be fed a constant diet of political thought derived from Xi’s “Thoughts”. This feeds neatly into China’s crystallising foreign policy ambitions. Let there be no ambiguity or misunderstanding: this is an absolute, outright rejection of Western notions of democracy and free speech. Those “flawed” principles are, in Xi’s perspective, Western constructs that have no place in his China Dream. The *Global Times*, in keeping with Xi’s speech, [implied](#) that even though the CCP may have borrowed the idea of communism from the Soviet Union, its “civilisational values” have led to China’s massive growth and underpin the CCP’s promises of further prosperity for the Chinese people and a return to the country’s greatness.

There is, however, a greater game being played out here. Xi seeks to “restore” China to its position as the world’s superpower. Successive Chinese leaders since Mao have worked towards deconstructing the world order created by the West and giving China its rightful place – at the very apex of the international pecking order. This would appear to underline the veracity of Pillsbury’s book, [“The Hundred-Year Marathon: China's Secret Strategy to Replace America as the Global Superpower”](#). With its huge foreign exchange holdings, Beijing, under Xi, has accelerated its [“Going Out” Policy](#). It is using those holdings to ramp up its influence globally in order to supplant the United States as the world’s economic and military superpower. The “One Belt, One Road” initiative is one outcome of this overarching objective. Xi has also pushed the idea of [trade agreements](#) with the six largest ASEAN economies and increased Chinese investment into those economies, replacing Washington as their largest source of FDI. FDI into Africa and Eurasia is also increasing. An economic assault has truly begun.

To ensure there are no domestic distractions or interruptions to his plans, Xi has been at pains to ensure that his loyal followers are placed in positions of power. Doing so accomplishes two functions: to remove potential dissent, thus leaving him free to focus on the task of replacing Washington, and to ensure that Xi has the option of becoming a ruler for life as Mao did or at least to remain in power for as long as he chooses. Premier Li Keqiang was the only member of the Politburo Standing Committee, the apex body, to retain his position on it. Li Zhanshu, Wang Yang, Wang Huning, Zhao Leji and Han Zheng, all Communist Party officials who are known for not voicing dissent of any kind, were also elected to the Committee and replace five retiring members, including anti-corruption chief Wang Qishan, a key Xi ally. None of these new committee members will have anything approaching the power that Xi now wields, however. There was no mention of a successor to Xi, either, as is usually the norm. Xi appears to have, therefore, to all intents and purposes, established himself as the direct successor to Mao, and will likely become a ruler for a period well past the next five years, if not for life.

His economic report to the Congress completed, the abrasive stridency that has become a recent characteristic of Chinese foreign policy under Xi returned. Referring to the 1.2 million officials and party members who have been investigated for corruption since he came to power in 2012, Xi remarked that corruption remained the strongest threat to the CCP. In 2004, in fact, Xi extolled CCP officials to ‘rein in your spouses, children, relatives, friends and staff, and vow not to use power for personal gain.’ This is ironic in light of the [news reports](#) (also [here](#) and [here](#), among others) about his own family’s reported wealth. It is, again, common knowledge that Xi’s daughter [studied at Harvard University](#) in the United States, despite his [official salary](#) being only around US\$22,000 per year.

Corruption aside, Xi has grim words of warning for the freedom movements in Hong Kong and Taiwan. Referring first to Hong Kong, Xi stated that, while the two-system model would continue, Hong Kong was part of China and subject to Chinese law. It was a direct message to the leaders of the so-called “Umbrella Movement”, who have demanded [greater autonomy](#) for Hong Kong. He reserved his harshest warning, however, for the independence movement in Taiwan, saying:

We stand firm in safeguarding the nation’s sovereignty and territorial integrity, and will never allow the historical tragedy of national division to repeat itself. We have the resolve, confidence and ability to defeat separatist attempts for “Taiwan independence” in any form. We will never allow anyone, any organisation, or any political party, at any time or in any form, to separate any part of Chinese territory from China.

The language was plain and blunt: declare independence at your own peril. We reserve the right to take all necessary action, including military, to ensure that Taiwan remains part of China. While his claim to turn China’s military forces into one befitting a superpower by 2035 and the world’s most powerful by 2050 was likely aimed at the US, India, Japan and the other countries in China’s region, it had direct implications for Taiwan: do not expect the US to come to your aid in case of a war because they would hesitate to suffer the military losses

that we would inflict upon them if they did. A similar message was directed by the Chinese media to India.

In a thinly-veiled reference to the US's hinted-at turn to isolationism, which would jeopardise China's economy, Xi remarked that, 'No country can alone address the many challenges facing mankind; no country can afford to retreat into self-isolation.'

It was, however, his remarks about keeping the loss-making state-owned enterprises (SOEs) functioning that caused eyebrows to rise among China watchers. Steel-producing SOEs in China are notoriously inefficient. The CCP cannot afford to close them down, however, because doing so would see millions of workers unemployed, which could lead to enhanced social tensions. The solution until now has been to subsidise those SOEs and to dump their products in other countries at greatly lowered prices. It was precisely this and China's attendant practices that led Rex Tillerson to call it 'predatory economics' and to label China a '[predatory rule breaker](#)'. Beijing, however, appears to have other plans for those SOEs. A news [report](#) alleged that the vast majority of the top managers of those enterprises would be state appointees. Twenty SOE chiefs, moreover, have been appointed to the policy-formulating Central Committee, according to another [report](#). Those individuals are:

<b>Alternate Members of the Central Committee of the CCP</b>	
Ma Zhengwu (马正武)	President, China Chengtong Holdings Group Ltd. (中国城通集团)
Ma Guoqiang (马国强)	President, China Baowu Steel Group Corp. (宝武钢铁集团)
Guan Qing (官庆)	President, China State Construction Engineering Corp (中建总公司)
He Dongfang (贺东风)	President, Commercial Aircraft Corporation of China, Ltd. (COMAC) (中国商用飞机公司)
Cao Jianguo (曹建国)	President, Aero Engine Corporation of China (中国航空发动机集团有限公司)
Kou Wei (寇伟)	General Manager, State Grid (国家电网公司)
Cai Jianjiang (蔡剑江)	President, Aviation Industry Corp of China (AVIC) (中国航空集团)
Dai Houliang (戴厚良)	President, Sinopec (中国石化集团)
Lu Jun (吕军)	President, Sinograin Corp. (中国储备粮总公司)
Li Xiaobo (李晓波)	President, Taiyuan Iron & Steel Group (山西太原钢铁集团)
Chen Siqing (陈四清)	President, Bank of China (中国银行)
Yi Gang (易刚)	Vice-President, People's Bank of China (中国人民银行)
Yi Huiman (易会满)	President, Industrial and Commercial Bank of China (中国工商银行)
Zhao Huan (赵欢)	President, China Agriculture Bank (中国农业银行)
Qian Zhimin (钱智民)	General Manager, China National Nuclear Corp.(中国核工业集团总公司)
Lei Fanpei (雷凡培)	President, The China Aerospace Science and Technology Corporation (CASC) (中国航天科技集团)
Tian Guoli (田国立)	President, China Construction Bank (中国建设银行)
Miu Jianmin (缪建民)	President, People's Insurance Company of China (中国人保集团)
Ren Hongbin (任洪斌)	President, China National Machinery Industry Corporation (Sinomach) (中国机械工业集团)
Yang Jincheng (杨金成)	Deputy General Manager, China Shipbuilding Industry Co. (中船重工集团)

Source: The Jamestown Foundation

China's problems do not end there, however. Speaking at the Centre for Strategic and International Studies in Washington, DC, on the rapidly-growing US-India relationship, Tillerson excoriated China seemingly at every turn. He pointed out that:

China, while rising alongside India, has done so less responsibly, at times undermining the international, rules-based order even as countries like India operate within a framework that protects other nations' sovereignty. China's

provocative actions in the South China Sea directly challenge the international law and norms that the United States and India both stand for. The United States seeks constructive relations with China, but we will not shrink from China's challenges to the rules-based order and where China subverts the sovereignty of neighbouring countries and disadvantages the US and our friends.

The plain language used was very unusual, to say the least. The icing on the cake was his remark that, unlike the relationship with India, 'we'll never have the same relationship with China, a non-democratic society, that we can have with a major democracy.'

Coming at a time when the US Trade Representative, Robert Lighthizer, is examining very closely China's requirement that all US firms that seek access to its market transfer their [intellectual property](#) to a Chinese partner, when India, China's neighbour, appears to be flexing its own [military muscle](#), when the "Five Eyes" states are getting together to fight China's [growing influence](#) in their universities, and when the increasing need for [robots, enhanced automation and rising labour costs](#) in factories threaten to make workers redundant and sees foreign manufacturers move their factories to Thailand and Vietnam, Xi and his comrades will recognise that the relatively easy ride that China has enjoyed so far is coming to an end.

The nineteenth Party Congress has enabled Xi to strengthen his grip on power, making him arguably the most powerful Chinese leader since Mao. It has also enabled him to use that power to launch an attack on a world order that was created by the West, and its institutions and principles. By assuming that power, however, he must surely be aware of the attendant risk that accompanies it. Xi is playing a very dangerous game, one that could have catastrophic global consequences if either he or another world leader who is equally nationalistic in his outlook misreads a situation or set of events. The next five years will likely prove a watershed, one way or another.

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