

**Testimony prepared for U.S.-China Economic and Security Review Commission
Hearing on “What Keeps Xi Up at Night: Beijing’s Internal and External Challenges”**

Jude Blanchette

Senior Advisor and China Practice Lead, Crumpton Group
Adjunct Fellow, Asia-Pacific Security Program, Center for a New American Security

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Introduction

China’s political system is currently undergoing a dramatic structural transformation, the most pronounced element of which is the Communist Party of China’s (CCP) expansive new reach into nearly all domains of Chinese society. As CCP leader Xi Jinping declared at the 19th Party Congress in 2017, “Party, government, military, civilian and academic; east, west, south, north, center, the Party leads everything.”¹

For most of the post-Mao era, the organization and functions of the CCP remained largely a side-concern for the foreign business community and policymakers, or the focus of a few specialized academics and political-military analysts. Indeed, there was a credible case to be made that until quite recently, the CCP was still evolving to accommodate China’s increasingly market-led and globalized economy. Capitalism, not communism, seemed to be its *modus operandi*.²

Since Xi Jinping’s ascension to power at the 18th Party Congress in 2012, however, this trajectory has clearly evolved, and if we want to understand the future of the People’s Republic of China, it’s imperative that we understand how the CCP operates, how it’s mobilized and communicates, and perhaps most importantly, what its objectives are.

In my testimony today, I will explore several key challenges confronting China’s political system in the wake of these developments. In particular, I’d like to highlight the following points:

- The CCP has directly subsumed a number of key governing and administrative functions previously the domain of the State Council (i.e. “the government”). This began with the slow, yet deliberate, marginalization of the State Council beginning in 2013, but reached its near-term crescendo on March 21, 2018, when the CCP Central Committee released its “Program for the Deepening Reform of Party and Government Organs.”³ The massive restructuring represents the most significant overhaul of China’s political system since

¹ 习近平在中国共产党第十九次全国代表大会上的报告, cpc.people.com.cn/n1/2017/1028/c64094-29613660-5.html

² Elisabeth Rosenthal, “China’s Communists Try to Decide What They Stand For,” *The New York Times*, May 1, 2002

³ 中共中央印发《深化党和国家机构改革方案》 www.gov.cn/zhengce/2018-03/21/content_5276191.htm#1

1982, formally transferring vast amounts of administrative responsibilities from the government to the Party apparatus.

- This increase in the CCP's formal administrative authority at the expense of the State Council was accompanied by the acute erosion of institutional norms that gave China's political system stability and a degree of predictability (with some notable exceptions). Most noteworthy is CCP General Secretary Xi Jinping's systematic dismantling of the "collective leadership" system erected, albeit imperfectly, by Deng Xiaoping in the 1980s and 1990s to prevent the return of a strongman leader like Mao Zedong.
- Xi Jinping intends to remain in power for life, as is normal for authoritarian systems with weak or non-existent rules governing leadership succession. Yet the longer he remains in office, the more the institutions and machinery of governance will adjust to his leadership style and his personality, thus threatening the durability of the CCP's governing capacity.
- Xi's centralization of power and the reassertion of Party authority has led to an increase of elite dissent, yet the likelihood of organized opposition to Xi, even within the upper echelons of the Party, faces significant "collective action" barriers, and is therefore unlikely to coalesce. Thus, we should not mistake an uptick in "grumbling" for actual resistance.
- By virtue of its history, culture, ideology, and organizational structure, the CCP makes decisions behind closed doors and prioritizes political and security concerns above all other considerations. As a result, if China continues on its current trajectory, the Party's direct role in policy formulation and implementation will make China's governance more opaque, volatile, and error-prone.
- Despite an outward appearance of stability, China's political system is becoming increasingly rigid, restrictive, and thus brittle. At a time when the country faces myriad new and complex challenges – a slowing economy, a looming demographic crisis, a significant deterioration in U.S.-China relations, tensions on the Korean Peninsula, to name just a few – Xi's transformation of the political system has left the country potentially unable to deal with these future dilemmas.⁴

1.

Since the founding of the People's Republic in 1949, the CCP has ruled the country unchallenged. While there have never been any doubts about the Party's ultimate authority, important changes to China's political system have undergirded the "reform and opening" period that began in late 1970s. These reforms were necessary to accommodate an expanding market economy and to address the weaknesses in the Party's organizational structure. Under Deng Xiaoping's leadership, the State Council was granted increased authority and autonomy in economic and social policymaking, younger and more specialized bureaucrats ("technocrats")

⁴ See Katie Stallard-Blanchette and Jude Blanchette, "Old CCP tactics present new dangers to China's development," *East Asia Forum*, October 20, 2018. www.eastasiaforum.org/2018/10/20/old-ccp-tactics-present-new-dangers-to-chinas-development/

were recruited into the system, and the Party's role gradually transitioned to that of advisor and supervisor rather than day-to-day manager. Deng's vision for the Party was that of corporate board chairman, with the government acting as the "C-suite."

More clearly defining the differing roles of Party and government, Deng argued, would actually improve the CCP's political effectiveness. As he stated in 1980, "it is time for us to distinguish between the responsibilities of the Party and those of the government and to stop substituting the former for the latter."⁵ Demarcating a division of labor, Deng added, "will help strengthen and improve the unified leadership of the Central Committee, facilitate the establishment of an effective work system at the various levels of government from top to bottom, and promote a better exercise of government functions and powers," Deng said. Then-Premier Zhao Ziyang put the matter more succinctly in 1987, "[Leaders] cannot truly play a leading role if they are entangled in trivia all day long."⁶

The issue of "separating Party and government" reached its high-water mark at the 13th Party Congress in 1987, when the central leadership affirmed that, "the separation of Party and government is the top priority of the political reform." The Tiananmen Square protests in 1989 and the collapse of the Soviet Union two years later quashed further public discussion of the topic, but the basic idea that the State Council should govern and the CCP should lead remained intact.

2.

The CCP's response to the Tiananmen Square protests and the disintegration of global communism emerged in a more complete form in early 1992 with Deng Xiaoping's celebrated "Southern Tour," which combined aggressive economic reforms with a renewed emphasis on political stability.⁷ Deng's view on the connection between economic modernization and political control was captured in his 1989 speech, in which he put it bluntly, "China cannot allow people to demonstrate whenever they please, because if there were a demonstration 365 days a year, nothing could be accomplished, and no foreign investment would come into the country."⁸

While this economic development paradigm did indeed succeed in delivering high growth rates, it also created serious side-effects, including rampant income inequality, environmental degradation, and high levels of official corruption. As a result, in the period leading up to Xi's elevation to power at the 18th Party Congress in 2012, the Party elite grew increasingly

⁵ Deng Xiaoping, "On the Reform of the System of Party and State Leadership," *Collected Works*, Vol. 2

⁶ Quoted in Susan Shirk, *The Political Logic of Economic Reform in China*, University of California Press, 1993. Pg. 64

⁷ Zhao Suisheng, "Deng Xiaoping's Southern Tour: Elite Politics in Post-Tiananmen China," *Asian Survey*, Vol. 33, No. 8 (Aug., 1993)

⁸ Deng Xiaoping, "China Will Tolerate No Disturbances," *Selected Works*, Vol. 3

concerned over the mounting “contradictions,” shaking their confidence in the system and leading to a belief that the current path was unsustainable for the CCP *as an organization*.

These problems included:

1. *Deteriorating ideological coherence and popular appeal*

- The dominant ideology of revolutionary socialism, and the legitimacy of Party control grew less appealing as China opened to the outside world and competing “isms” vied for the attention of the Chinese people and Party members.

2. *Organizational atrophy*

- As China moved away from its planned economy and the *danwei* system, the CCP relinquished control over the movement of Party members, many of whom broke off contact with the Party structure entirely as they entered private business (下海) or otherwise ignored organizational dictates.

3. *Rampant corruption*

- The lack of checks on Party power, combined with burgeoning rent-seeking opportunities in an increasingly capitalist economy, were a breeding ground for graft and official malfeasance. Current Vice President Wang Qishan warned that corruption, if left unchecked, could “weaken the party's ability to govern and shake the party's basis for governing.”⁹

4. *Flagging internal discipline*

- Internal surveys confirmed that Party members increasingly viewed the CCP as a career-enhancing credential rather than a serious political endeavor. A 2010 survey of CCP members found that younger members “are much more likely to report self-interest (such as helping their careers, advancing politically, and raising social status) as a motive [for joining the Party] and much less likely to report political and ideological motives (such as serving the people, working for communism, and faith in the CCP) than the older cohorts.”¹⁰

5. *The breakdown of elite-level cohesion*

- Rhetoric of “collective leadership” notwithstanding, the Party was replete with competing factions and differing centers of authority. From the “Oil Gang” of Zhou Yongkang to the Communist Youth League, the authority of the General Secretary had to vie with alternative, often antagonistic, patronage networks of Party elite. The events surrounding Bo Xilai’s rise and subsequent purge

⁹ Ben Blanchard, “China graft-buster says must learn from ancients to tackle corruption,” *Reuters*, October 22, 2015

¹⁰ Bruce Dickson, “Who Wants to Be a Communist? Career Incentives and Mobilized Loyalty in China,” *The China Quarterly*, 217, March, 2014, pp. 42 – 68

represented one of the most significant political schisms in the post-Mao period, likely serving as a powerful impetus to forcefully tackle intra-Party discord.

6. *Policy paralysis*

- Despite the outside perception of the Party-state as having a powerful command over its constituent units, the CCP's leadership has always struggled to enforce compliance with policy dictates at the local level. This problem is not unique to China: As Stalin said in 1935 speech to graduates from the Red Army Academies, "cadres decide everything."¹¹ But in the wake of Deng Xiaoping's early reform push, as Beijing relinquished control in order to provide local-level flexibility, it split into "30 dukedoms, with some 2,000 rival principalities," in the words of current Politburo Standing Committee member Wang Huning.¹² By the time Hu Jintao stepped down from power in 2012, the preceding ten years came to be known as the "lost decade," owing to the Center's failure to drive much needed economic reforms.

As a result of these accumulating risks to the organizational integrity and political stability of the CCP, there was widespread consensus by China analysts that Xi entered office with a strong mandate by Party elite to address the above-mentioned structural, organizational, and ideological issues.¹³

2.

Since Jiang Zemin's appointment in 1989, incoming General Secretaries have faced the unenviable position of being handed the reins to a political system largely shaped by, and responsive to, the outgoing leader(s). Unlike the United States, where a newly-*elected* President is able to immediately remake the top levels of the government bureaucracy by appointing her own personnel, a newly-*selected* General Secretary must confront a Politburo and its Standing Committee comprised of individuals with a complex mix of patronage relationships with current and former officials. Thus, the first five-year term as CCP leader is typically spent consolidating power in order to appoint his own clients at the beginning of his second term.

But Xi, undoubtedly recognizing the power of the mandate afforded by the sense of crisis pervading the Party, launched a multi-front campaign to rectify the Party membership, attack official corruption, revive the Communist Party's ideological foundation, and elevate the power and prestige of the position of General Secretary.¹⁴ This allowed him to consolidate power with greater speed and focus than previous leaders. By virtue of the wide-spread and highly

¹¹ <http://soviethistory.msu.edu/1936-2/year-of-the-stakhanovite/year-of-the-stakhanovite-texts/cadres-decide-everything/>

¹² Quoted in Barry Sautman, "Sirens of the Strongman: Neo-Authoritarianism in Recent Chinese Political Theory," *The China Quarterly*, No. 129 (Mar., 1992)

¹³ Alice Miller, "What Would Deng Do?" *China Leadership Monitor*, No. 52

¹⁴ "The Resistible Rise of Xi Jinping," <https://foreignpolicy.com/2017/10/19/the-resistible-rise-of-xi-jinping/>

discretionary corruption probe, which purged officials in the military, state, and Party bureaucracy, Xi was able to appoint loyal officials to the newly-vacant posts. He launched numerous ideological and mobilization campaigns, backed by the credible authority of the Central Commission for Discipline Inspection under Wang Qishan, which could discipline non-compliant cadres for lapses in political discipline.¹⁵ Using his control of the media and propaganda organs, Xi oversaw (or tolerated) the creation of a modern-day “cult of personality,”

In addition to his own political authority, Xi also clearly believed that the CCP had receded too far into the shadows, and in its absence, powerful bureaucratic interests had carved-out uncooperative and uncommunicative fiefdoms. Effective policy to deal with China’s pressing issues wasn’t getting made, and worse, government and Party leaders were gorging on rent-seeking opportunities their administrative portfolios provided. Not only was this eroding the CCP’s ability to lead, it was also placing China at a disadvantage as it navigated a rapidly evolving international environment.

An important step in this governance rectification would be to claw back authority from the State Council. China’s current Vice President Wang Qishan addressed the issue of the Party’s “absolute leadership” in a lengthy *People’s Daily* article in late 2017, writing, “For some time now, some have remained silent or been ambiguous about the issue and practiced the separation of Party and government without any precondition, which has resulted in a weakened leadership by the Party.”¹⁶ Xi, Wang argued, has “clarified this blurry understanding, regained the lost battlefield, straightened out the crooked road, established the authority of the Party, and fundamentally changed the situation of a weakened Party’s leadership.”¹⁷

4.

Two momentous changes occurred at the annual meeting of the National People’s Congress (NPC) in March 2018: a constitutional amendment was passed abolishing term limits for the office of the presidency, laying bare Xi Jinping’s intention to rule for life, and a sweeping political restructuring plan was unveiled that granted new and far-reaching powers to the CCP.

The amendment on the presidential term limit opened a path for Xi to retain all three important political titles in China: General Secretary of the CCP, Chairman of the Central Military Commission, and President of the PRC. The lack of credible political opposition means that a decision to retire will be almost solely at Xi’s discretion (like it was for Mao Zedong), and even

¹⁵ Zhao Suisheng, “The Ideological Campaign in Xi’s China: Rebuilding Regime Legitimacy,” *Asian Survey*, Vol. 56 No. 6, November/December 2016

¹⁶ Charlotte Gao, “Is China Bidding Farewell to Separation of Party and Government?” *The Diplomat*, November 8, 2017

¹⁷ 王岐山“开启新时代，踏上新征程,” www.xinhuanet.com/politics/2017-11/07/c_1121915946.htm

if he formally retires from his leadership posts, he will undoubtedly remain in control of the Party and the People's Liberation Army (PLA) from behind the scenes (like Deng Xiaoping did).

Political leaders often fail to appreciate when they should retire, which is why constitutional democracies often (but not always) enforce term limits for their highest offices or allow regular popular elections to remove political leaders. As one member of the UK Parliament said after Margaret Thatcher's resignation, "The trouble with great leaders is that they don't know when to go."¹⁸ The longer Xi remains in office, the more the political system conforms to his individual personality, whims, and network of clients, and thus the more "essential" he becomes to the political system. Institutions governing China will atrophy as they grow increasingly dependent on the discretion of the top leader. Xi might also cling to power because he assesses that he or his family face the "Putin Problem," wherein the leader cannot retire out of concern for their safety once a new leader is installed and organs of the military and security services begin to shift loyalties.

Several weeks after the announcement of the plan to abolish term limits was an equally momentous comprehensive plan to "modernize, optimize, and synergize the Party and state agency functions." It called for the dissolution of three ministerial-level government entities, the reorganization of another 20, and the creation of three entirely new ministries. Such "streamlinings" have been regular occurrence: in 1998, then-Premier Zhu Rongji slashed the number of ministerial level organizations from 50 to 29. In 2003, China was hit with the surprise SARS epidemic just as Premier Wen Jiabao's restructuring plan was beginning to gain momentum, leading to a significant delay in Beijing's disaster response as bureaucratic confusion reigned.

What makes the March 2018 restructuring different—and far more significant—is the upward transfer of administrative power away from the State Council and to the CCP.

The elements of this transfer of power include:

- Upgrading prominent CCP "leading small groups" on economic and financial policy, cybersecurity, and foreign affairs into "commissions," giving them (and CCP General Secretary Xi Jinping) vast new bureaucratic powers. As commissions, and with Xi as their head, they will be the real drivers of policy moving forward.
- Civil servants, regardless of Party membership status, are now be overseen by the Party's personnel department.

¹⁸ Fredrik Bynander and Paul Hart, "When Power Changes Hands: The Political Psychology of Leadership Succession in Democracies," *Political Psychology*, Vol. 27, No. 5 (Oct., 2006)

- The State Administration of Press, Publication, Radio, Film, and Television was disbanded, and China's news and media are now overseen directly by the Party's Propaganda Department.
- The National Academy of Governance, the elite training academy for government officials, has been folded into the Central Party School.
- State organs responsible for religious affairs now report directly to the CCP United Front Work Department, which has recently gained notoriety in foreign press for its overseas influence operations.
- The State Computer Network and Information Security Management Center, which administers the country's "Great Firewall," now reports to the CCP Central Commission on Internet Security rather than its old boss, the State Council Ministry of Industry and Information Technology.
- A newly-created National Supervisory Commission, led by Xi ally and former Party graft buster Yang Xiaodu, gives the CCP power over all public officials. The Commission ranks above the government judicial authorities, and is a bureaucratic equal to the State Council, yet it answers only to the CCP Central Committee.

The details of this restructuring make clear that, despite the official emphasis on "rationalizing" Beijing's ability to govern China, the ultimate objective is to centralize political and governing power in the hands of the CCP. This was reinforced in a series of articles appearing in the *People's Daily* just after the plan was announced, including one by now-Vice Premier Liu He, Xi's key economic advisor, who said of the restructuring, "Strengthening the Party's overall leadership is the core issue."¹⁹

Moreover, the plan further entrenched Xi at the center of China's political system. As Li Zhangze stated in a lengthy piece for the Party's key theoretical journal, *Qiushi*, "to strengthen the Party's leadership [via the restructuring plan], the first priority is to adhere to the centralized and unified leadership of the Party Central Committee with Comrade Xi Jinping as the core."²⁰ Indeed, this same piece reports that Xi personally initiated and oversaw the planning and drafting of the entire restructuring plan.

5.

¹⁹ Engen Tham, "China leader's top economic adviser says profound party, government reforms needed," *Reuters*, March 12, 2018

²⁰ 李章泽, "加强党对深化党和国家机构改革的领导," www.qstheory.cn/dukan/qs/2018-05/15/c_1122827748.htm

Xi's actions are not without domestic opposition. Indeed, beginning in the summer of 2018, we've seen a significant increase in open discontent over China's current political environment and trajectory. While Xi's bold actions to clear a path to lifetime rule were arguably the most significant catalyst for public grumbling, criticisms of Xi's administration were wide-ranging, leading to rumors that Xi's political position was under threat.

Such criticism included:

- A July 2018 essay by the noted scholar Xu Zhangrun entitled “Immanent Fears, Immediate Hopes,” was a forceful attack on Xi's style of governance, including his cult of personality and the move towards one-man rule. “Yet again people throughout China — including the entire bureaucratic class — are feeling a sense of uncertainty, a mounting anxiety in relation both to the direction the country is taking as well as in regard to their personal security. These anxieties have generated something of a nationwide panic,” Zhang wrote.²¹
- In the lead up to the annual secretive leadership conclave at the seaside resort of Beidaihe, rumors emerged that Xi's wings might be clipped by retired Party elders, some rumors going so far as to claim that Xi would be removed from office, owing to the over-reach of his power consolidation and the deterioration of U.S.-China relations.²²
- Yao Yang, dean of the National School of Development at Peking University, warned in a September 2018 speech, “in the past few years, policy makers have treated macro policies as tools of structural reform, but this has led to no real progress in structural reforms, and to even greater volatility in the market, which has created the greatest harm to the crucially important private industries.”²³
- In October 2018, Peking University economist Zhang Weiyong decried the country's pronounced shift towards more statist-driven economic policy. “If we single-mindedly emphasize the uniqueness of the China model, internally we will strengthen SOEs, enlarge the authority of the government, and rely on industrial policies, which will lead to a retrogression of reform and a total waste of the great strides in reform. The economy will lapse into a quagmire.”²⁴
- Also in October, Deng Xiaoping's son, Deng Pufang, delivered a speech in which he urged Beijing, “We must seek truth from fact, keep a sober mind and know our own place.” The remarks were seen as a subtle, yet direct, comment on Xi's aggressive push to expand China's global reach.²⁵

²¹ See a translation by Geremie R. Barne at <http://chinaheritage.net/journal/imminent-fears-immediate-hopes-a-beijing-jeremiad/>

²² Deng Yuwen, “A Time for Reflection,” *South China Morning Post*, July 25, 2018

²³ 姚洋：民企的危急时刻与改革的方向, www.nsd.pku.edu.cn/teachers/professorNews/2018/0921/35830.html

²⁴ 张维迎：理解世界与中国经济, zmt.sina.cn/cflb/article/20181024/03d0d2951d051000.html

²⁵ Jun Mai, “Deng's Son Call to ‘Know Our Place’”, *South China Morning Post*, October 30, 2018

While this level of discontent is certainly unprecedented in the Xi era, it's important to remember that public dissent is not the same thing as active opposition. Media discussions of domestic "push-back" typically ignore a crucial – indeed *the* crucial – question: What mechanisms could be used to defang or dethrone Xi? Not only is organizing a coalition to oppose Xi highly risky, given his strong linkages to the security services and military, but his brazen move to abolish term limits indicates he feels he does not face any significant – or effective – opposition.

A much more plausible outcome for the rise in public criticism of Xi is that censorship will ramp up significantly, and Xi will further his efforts to maintain close ties to the military, arguably the most important institution for ensuring a grip on power.

6.

With decision-making now being handled directly within the Party structure rather than being simply guided by it, we should expect more surprises and volatility, for several reasons:

- The CCP is a secretive and opaque organization. It is not prone to holding press conferences or to explaining its reasoning. In the same way outside observers had no prior warning about the March 2018 political restructuring, so too we expect future surprises as the CCP navigates a turbulent and uncertain domestic and global environment.
- More Party control over policy administration means more ideological policy. We have already seen this development with CCP's Cyberspace Administration of China, which formulates internet-related issues and policies based on a deeply ideological worldview centered around national security threats. Further deterioration of US-China relations is likely to increase the ideological lens of the Party leadership and will almost certainly color the way Beijing views the intentions of foreign governments and companies.
- When we talk about more Party control, we are really talking about more control by its "core," Xi himself. We cannot avoid the stark reality that since 2012, China has moved rapidly in the direction of one-man governance, with Xi occupying a position of unrivaled dominance over policymaking and implementation. While many observers hold out hope that he emerges as an enlightened despot in the mold of Frederick the Great, the historical record, and China's own recent experience, suggest this is unlikely.

A Recommendation for U.S. Policymakers:

As the United States looks to cooperate and compete with a rising China, it will be imperative that we have an accurate and realistic assessment of the CCP's intentions. The fact that the CCP is secretive and opaque does not mean it is an impenetrable, unknowable black box. With the

right cultural and linguistic skills, there is much to be learned about the Party and its strategic objectives. *But this cannot occur without a robust cadre of American analysts with superior Chinese language skills.* Ironically, however, given to the paucity of resources dedicated to the teaching of Mandarin Chinese here in the U.S., we've largely outsourced responsibility for language education to Beijing through its global network of Confucius Institutes.

The U.S. Government should make it a strategic priority to fund programs that build Chinese language capacity and do so at all levels: K-12, university, post-graduate, and professional. Without a deep talent pool of China-fluent professionals, American government, businesses, and civil society will continue to operate at a disadvantage compared to their Chinese peers.