

NEWS AND ANALYSIS

# What To Expect from the Twentieth Congress of the Chinese Communist Party

Tony Saich's best guesstimates on Xi's chances of reappointment, how the party's leadership structure will change, and what to look for in terms of future policy trends.

BY TONY SAICH — SEPTEMBER 18, 2022



19th Party Congress, held in the Great Hall of the People, Beijing, on October 24, 2017. Credit: Andy Wong via [AP Photos](#)

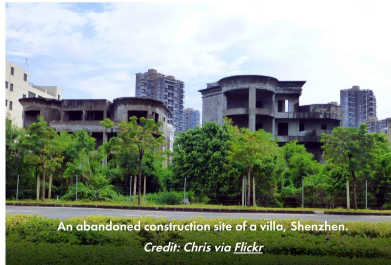
On October 16, the China Communist Party (CCP) will convene its Twentieth Party Congress — a critical five-yearly event, though mostly for its symbolic function given that nothing will be seriously debated during its week-long passage. This year's gathering of some 3,000 delegates in Beijing will be special in that it will likely see Xi Jinping confirmed for a third term as leader of the CCP. Delegates will also approve amendments to the party's statutes and set in motion the appointment of a new CCP leadership by electing candidates to its Central Committee — although in reality, they will simply be approving a slate proposed by the outgoing Politburo and senior leadership.

Below, I provide my best guesstimates on Xi's chances of reappointment, how the party's leadership structure will change, and what to look for in terms of future policy trends.

## CHAIRMAN OF EVERYTHING?

China's economic planners announced late last year that 2022 would be a year of stability, ensuring Xi Jinping's smooth path to a third-term as general secretary. But this year has proved to be anything but stable. In March, the National People's Congress surprisingly set an annual growth target of [5.5 percent](#), way higher than most observers felt was feasible. And so it has proved: The target was abandoned quickly as several Covid outbreaks subsequently shut down key parts of the economic supply chain and dampened consumer demand.

It's not only the Covid shut-downs that have impacted growth. The party has also been hoping to engineer a reduction in China's burgeoning debt levels, without creating a financial crisis. Policy makers have identified the debt-fueled financing for the real estate sector, which accounts for around 30 percent of economic output, as a particular threat. But its moves to cool down the sector have stalled, while many Chinese citizens have been [withholding payments](#) on mortgages for dwellings they purchased that have not been completed. Heavily-indebted local governments face a particular problem, given their dependence on land sales for revenue.



Russia's invasion of Ukraine, coming shortly after Xi and Vladimir Putin had announced their renewed relationship would be bound by "[no limits](#)," has caused further problems. China's apparent support for Moscow has compounded an already deteriorating relationship with the United States.

Add to these issues the occasional sniping about the build-up of a personality cult around Xi — reminiscent of that around Mao Zedong — plus a major [drought](#) in several region of China (often a bad sign associated with the end of dynasties), and one would think that Xi might have faced significant hurdles to his reappointment at the upcoming Congress.

However, nothing could be further from the truth: The chances of his reappointment do not seem to have been diminished by any of these concerns.



Newly-named President Xi Jinping with outgoing President Hu Jintao, March 14, 2013. Credit: Andy Wong via [AP Photo](#)

There are at least three main reasons for this assessment: the state of the CCP when Xi took power in 2012, his shrewd political maneuvers to consolidate power, and the party elite's support for his policy approach.

When Xi took over in 2012-13, many fellow party leaders agreed that the problems facing China were so severe that drastic measures were necessary, and that politics had to take priority over economics.

Corruption was pervasive at all levels of the administrative system, society was slipping out of control, local governments were pursuing their own interests with little regard for Beijing's wishes, and wealth inequality was a growing concern. Fellow leaders bought into Xi's conclusion that a disciplined, unified party was critical to ensure stability and to push ahead with difficult reforms, while keeping the party and its interests intact.

Thus, the first years of Xi's rule witnessed a much tougher political atmosphere, with a crack-down on corruption, and a significant centralization of power. Xi has systematically placed his acolytes in key positions within the party-state and military bureaucracy, with his close associates [Chen Xi](#) and [Huang Kunming](#) overseeing the critical departments of organization

and propaganda. Recently Chinese publications have stressed that Xi's period in office has been as significant as the party's entire history — quite something for a mere 10 years in power.

In the lead up to the Congress, Chinese leaders have been falling over themselves to express fealty to Xi and to praise his 'thought' and achievements. The "two establishes" (liangge weihu) are often cited — establishing Xi as the "core" of the entire party and his thought as the "guiding position" for "socialism with Chinese characteristics in the new era." Recent praise in the *People's Daily* suggests that Xi might be accorded the title of "people's leader" (*renmin lingxiu*) at the Congress, placing him on the same pedestal as Mao Zedong.



Chinese Foreign Minister Wang Yi spoke about "Xi Jinping Thought on Diplomacy", and remarked that it focuses on the world, and the cause of human progress.

Among the party elite, there seems to be strong support and acceptance for Xi's policies, including his zero-Covid approach. There is general consensus, too, that the real estate sector's red hot growth and associated debt were potential sparks that could have destabilized the economy. Similarly, there is agreement that the big tech companies like Alibaba had become too dominant, held too much personal information, and were not sufficiently under the watchful eye of the party. Finally, there is a widely held view that the U.S. is seeking to contain China's development and that the country needs to assert its influence more forcefully in global affairs. "Wolf Warrior" diplomacy is not going away.

#### WHAT ABOUT THE REST?

The make-up of the Politburo and its Standing Committee after the Congress will reveal much about China's future policy direction. If Xi is able to promote a significant number of supporters, it will consolidate his position and ensure policy continuity. Acolytes of his such as [Chen Min'er](#) (currently Chongqing Party Secretary), and [Ding Xuexiang](#) (currently head of the General Office), plus Chen Xi and Huang Kunming mentioned above, are all people to watch for possible promotion.



Chen Xi  
陈希



Huang Kunming  
黄坤明



Chen Min'er  
陈敏尔



Ding Xuexiang  
丁薛祥

Rumors have been swirling that [Li Keqiang](#) will not continue for a third term as Premier. [Hu Chunhua](#) is one of the few senior leaders, perhaps along with [Wang Yang](#), who have the relevant experience for the premiership — although he is not seen as a member of Xi's close entourage. Given that Xi has stripped much of the authority away from the post of premier, appointing Hu could be seen as a bone thrown to others outside the inner circle, at little cost to Xi himself. Overall, Xi's preference for appointments is loyalty over professional suitability or technical fit. This does not bode well for navigating the policy challenges that China will face post-Congress.

#### WHERE IS CHINESE POLICY HEADED?

*Domestic Politics*



All signs suggest there will be continuity rather than any significant shift in the direction of Chinese social and economic policy after the Congress. Xi has laid out plans for China's development up until 2049 and he appears intent on remaining the dominant figure in Chinese politics until 2035 at least.

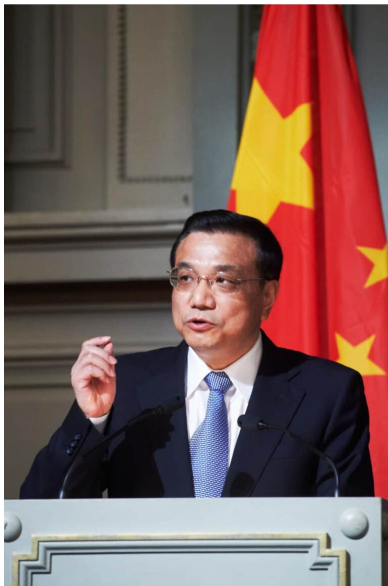
Xi's thinking remains influenced by the [collapse](#) of the Communist Party of the Soviet Union (CPSU). He has often spoken about its fate, notably stating that “no one was man enough” to prevent its fall from power, and blaming [Mikhail Gorbachev's](#) liberalizing approach for undermining the whole Soviet system. Xi believes there should be no equivalent opening up of China's political and social systems, but rather a doubling down on eradicating dissent, with the party striving to extend its influence and control as widely as possible—a “hard authoritarianism.”

“With the economy slowing, this push for ideological rigor has been backed by populist measures to boost social welfare and to grapple with inequality under the rubric of “common prosperity.”

Xi's frequent references to [Marxism](#) are not mere lip service: He believes that the ideology provides a guide for analysis and action domestically and internationally. Under his rule, there has been a renewed push for the study of Marxism, together with an emphasis on traditional culture. With the economy slowing, this push for ideological rigor has been backed by populist measures to boost social welfare and to grapple with inequality under the rubric of “common prosperity.” Xi has also resorted to nationalism to buttress popular support and build national cohesion.

#### *Economics*

With China's economy battered by continuing lockdowns, the real estate sector's problems, and pressure on its external trade from the U.S. and others, there are strong arguments in favor of relaxing policy to permit a greater use of market forces to boost growth. [Premier Li](#) seemed to argue for this in late August, when he called for efforts to strengthen the market and related regulations, and to encourage international engagement.



Vice Premier Li Keqiang. Credit: Friends of Europe via [Flickr](#)

However, any hope for a significant shift in economic strategy that might enhance the role of market forces is not justified. Post-Congress, we will see the continued preference for the state sector, internally and externally, even though the non-state sector accounts for around 60 percent of GDP and provides 85-90 percent of new employment. Preference for lending to state-owned enterprises (SOEs) will remain, as will the push for struggling SOEs to merge with more successful private enterprises. The attempt to exert stronger control over the private sector will persist, with the state taking stakes in companies and an attempt to strengthen the role of party committees inside enterprises.

Unlike the founders of the CCP and the post-1949 leadership, Xi is not [opposed to the private sector](#) — he cannot afford to be if he wants to deal with youth unemployment, for example. However, he sees the private sector as being there to serve, first and foremost, the objectives of the party. He and the party



share the same attitude with respect to [foreign enterprises](#) and foreign direct investment. They have always been seen as a necessary evil, but now a less necessary one than before. As long as they serve the party's interests, and cannot be replaced by Chinese enterprises, they can continue to play a role.

“ **All analysts, domestic and international, agree that China's days of high growth are over, but they disagree on how far growth might fall and what the consequences might be.** ”

This policy approach is merely adding to the challenges posed by indebtedness and an unbalanced economic structure. It will frustrate the oft-stated objective of shifting to a different economic model that relies less on investment and more on consumption to drive growth, allowing resources to be directed to more productive parts of the economy, and enabling China to move up the value-added chain.

All analysts, domestic and international, agree that China's days of high growth are over, but they disagree on how far growth might fall and what the consequences might be. Without significant reforms, it is unlikely that annual growth can get much above 2 to 3 percent. This will have significant implications for China's ability to deal with domestic challenges such as dealing with debt and fully funding social welfare obligations. Externally, China might have a reduced capability to project its power, and countries relying on trade and investment from China may have to adjust their calculations.

#### *International*

China has adopted risk mitigation and hedging to address the risks created by a more hostile U.S. and the West. It has expanded its trade and investment regime beyond that of the West, best exemplified by the Belt and Road Initiative (BRI), to pull other countries into its orbit of influence. Its approach also incorporates economic policies such as “dual circulation,” “Made in China 2025,” and decoupling. When linked with the BRI, these form a clear strategy to strengthen China's capabilities and insulate itself, as far as possible, from external shocks. China is investing heavily in the industries for the future and is hoping to use the BRI to export those technologies. The CCP leadership has concluded that great powers are those that set the technical and other standards in major industries. This is the play that China is making.

The process of decoupling will continue, though to differing degrees for different sectors. We can expect a continuing long-term decline in overall trade with the U.S., and a further diversification of China's trading links. Even so, China will continue to push to de-escalate the trade war with the U.S. until that export market becomes less critical. Foreign direct investment into China is also set to fall further after the Congress, as both the U.S. and the European Union impose stricter controls. However, the China market remains important to global companies: In 2019, U.S. companies sold \$250 billion worth of goods in China.



Xi Jinping speaking at the 2nd Belt and Road Forum for International Cooperation, held in Beijing, China, April 26, 2019. Credit: The Presidential Press and Information Office's of Azerbaijan via [Wikimedia Commons](#)

Decoupling will be extremely difficult when it comes to capital markets, with the financial ties between the U.S. and China almost impossible to unwind. China is likely to have a net financing requirement in future and will need continued access to global capital markets. By contrast, decoupling in artificial intelligence and technology is already in motion and will continue apace. China wishes to become a dominant player in new technologies and a global standard setter. This will create huge problems for other countries that will be forced to choose between the Chinese and Western systems.

This all leads to two conclusions for post-Congress China. First, decoupling cannot be complete, and so policy makers will have to develop some form of “managed decoupling.” Second, the trends will set up competition between Washington and Wall Street, global companies and local governments.



Xi Jinping and Iran's President Ebrahim Raisi at the 22nd Shanghai Cooperation Organization (SCO) summit in Samarkand, Uzbekistan, September 16, 2022.

China has undertaken a two-pronged approach to geopolitical risk mitigation. The first involves strengthening relations with those countries that reject the U.S.'s domination of the global order — hence Beijing's tightening of ties with Russia and the [outreach to Iran](#). The second prong involves the expansion of China's influence in global institutions, especially in those where it senses that the U.S. is withdrawing or in those, such as those relating to human rights, that do not reflect China's values and outlooks.

For many years after its founding in 1921, the CCP had the objective of overthrowing the Western, capitalist economic order. Xi Jinping no longer proposes such a radical break and the CCP is now one of the most fervent defenders of the Westphalian nation-state. However, Xi shares the party founders' view that the construction of a new, more favorable global order is necessary to better reflect

China's core interests and priorities.

To achieve this objective, Xi Jinping has tools at his disposal that previous generations of Chinese leaders could not imagine. These include both carrots — around trade and investment — and sticks, such as threats over sovereignty claims in the South China Sea and across the Taiwan Straits, the passage of the national security law in Hong Kong, and the rise of a more aggressive public diplomacy.

“...the internationalism of the founding fathers has been replaced by a laser focus on the pursuit of China's national interest.”


Current party thinking comprises elements of the inherited Marxist tradition combined with selective use of the traditional Chinese view of the global order. Xi frequently cites “historical materialism” to justify his perception that a socialist China is on the rise, while the West's decline, especially that of the U.S., is inevitable. At the same time, the vision of CCP leaders resembles the traditional notion of “Tianxia,” with the Chinese nation at the center of a cultural — and now economic — sphere which radiates out to draw others into its sphere of influence.

The CCP is not directly forcing other countries to adopt its system wholesale or pushing for them to become subordinate states, in the manner of the former Soviet Union. That said, there is increasingly a sense within the Chinese elite that its economic and political model is one that enjoys legitimacy and deserves respect, and that others might be wise to follow. China's economic clout has moved the nation from being a dominant regional player to an important global one. The "Joint Statement" between Xi Jinping and Putin indicated a greater conviction that the world was on the cusp of a major realignment, something that China has doubled down on despite the current situation in Ukraine.

As long ago as 2014, Xi indicated that China would no longer take a passive role in global economic governance. China [views international agencies](#) as a way to assert its values, leading it to seek an increased leadership role within them. China has led four of the UN's specialized agencies, dealing with standard-setting in the fields of telecoms, aviation, and agriculture. China has been boosting its influence in other important organizations such as the International Organization for Standardization and the International Electrotechnical Commission.



Peter Thomson, 71st President of the United Nations General Assembly, Xi Jinping, and UN Secretary-General António Guterres, at the UN Office at Geneva (UNOG). Credit: United Nations Photo via [Flickr](#)

This raises the question of what kind of international order China wants. The answer depends on the challenge and the institution. China is a strong defender of the UN Charter, but rejects international scrutiny and rulings over the South China Sea. Similarly, it has sought to emasculate the impact of the international human rights regime, an approach supported by other authoritarian regimes and those under China's economic sway. The most recent example has been China's push back against the UN human rights body's [report](#)  that claimed "crimes against humanity" had been committed in Xinjiang. Clearly, the internationalism of the founding fathers has been replaced by a laser focus on the pursuit of China's national interest.

#### *Ukraine and Taiwan*

There is no reason to think that China's [support for Russia](#) over Ukraine will waver after the Party Congress. It has been following Russia's talking points about the war, not referring to it as an invasion and blaming the West, especially the U.S., for the conflict. There are limits to China's support and it has not provided military or logistical aid that would invoke U.S. sanctions. The Xi-Putin meeting in Uzbekistan, despite Xi expressing willingness to work with Russia, he showed concern about the war and hardly offered a ringing endorsement. However, any major policy shift is unlikely because there are no rewards on offer for abandoning Russia, and such a move would do nothing to relieve what China sees as its main security threat: containment by the U.S..





Xi Jinping and Vladimir Putin pose at the Shanghai Cooperation Organisation (SCO) summit in Uzbekistan, September 15, 2022. Credit: Alexandr Demyanchuk via [AP Photos](#)

Generally, China views the Ukraine situation as a positive as it has created a dilemma for Western nations between their Russia and China policies. A Russia that is weakened by the war and Western sanctions is also beneficial to China, as long as it does not create instability along the border. Clearly, Russia is the junior partner with an increasing economic dependency on China. This combined with Russia's supply of natural resources provide an expansive strategic backyard

that can support China during its long-term competition with the U.S.. At the same time, China cannot currently afford to undermine its economic relationship with the West, especially the European Union. China was especially alarmed by the financial sanctions placed on Russia over Ukraine and the removal of many Russian financial institutions from the SWIFT payments system.

China has deduced two conclusions relevant to Taiwan from all this. First, with the current balance of power in East Asia, any reunification with Taiwan by force is not possible in the near future. Xi's priority is to prevent a declaration of independence by Taiwan, which would be crippling to his legitimacy. Reunification is not his immediate objective, although it is not off the table as an ultimate aim. Indeed, it is a part of the "rejuvenation of the Chinese nation," scheduled for 2049. In Xi's analysis, time is on Beijing's side, time that can be used to build up China's military capabilities.

In this respect, Speaker [Nancy Pelosi's](#) recent visit to Taiwan was a gift to the People's Liberation Army as it allowed their forces to practice full military exercises and detect Taiwan's defense capabilities. While taken aback by the strength of the West's sanctions on Russia, CCP leaders feel such strong responses will be more difficult in China's case, especially if their actions are short of a full-blown invasion.



Nancy Pelosi and Tsai Ing-wen, August 3, 2022. Credit: 總統府 via [Flickr](#)

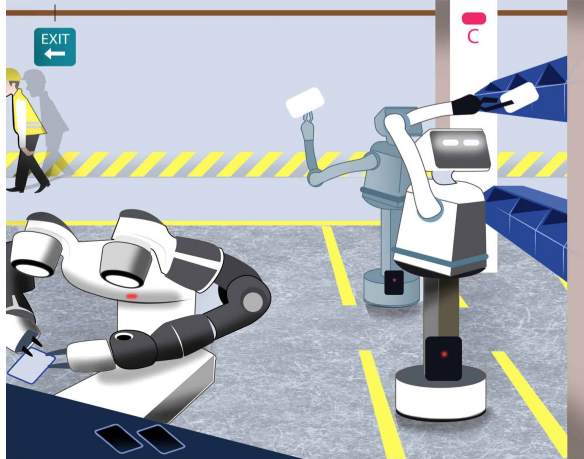
In addition to the policy challenges already touched upon, I want to highlight two final aspects related to the Congress. First, Xi is surrounding himself with close, trusted supporters. This is a problem in authoritarian regimes, especially when there are no other sources allowing critical information to circulate. As with Putin in Russia, will anyone be willing to stand up to criticize errant policy? It is highly unlikely that anyone will be willing to step out of Xi's echo chamber. Most of those he is promoting are loyal servants rather than policy experts.

Second, with Xi looking as if he wishes to remain the dominant player until 2035, this pushes the question of [succession](#) further down the historical road, heightening the chance for future instability. Is this heavily centralized, personalized rule what China needs at its current stage of development?



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## COVER STORY

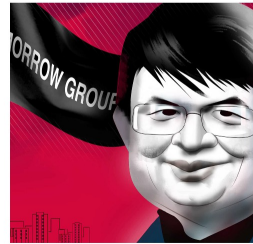


## China's Bot Boom

BY ISABELLA BORSHOFF

China became "the world's factory" in large part due to its demographics: a tidal wave of young, hungry workers drove growth by churning out low value goods. But between rapidly changing demographics and rising wages, those days are over. For China to maintain its reputation as a manufacturing powerhouse, it needs robots — lots of them. But can advanced manufacturing be a panacea for China's slowing economy?

## THE BIG PICTURE



## Xiao Jianhua's Lost Empire

BY ELIOT CHEN

A look at Xiao Jianhua's financial empire: the companies involved, what's happened to them, and what, if anything, remains.

## Q & A



## Aaron Friedberg on What the U.S. Got Wrong About China

BY DAVID BARBOZA

The professor talks about his latest book; why engagement was a gamble, not a blunder; what changed after Tiananmen; and why the U.S. should take a stronger line against China.



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