

RESEARCH NOTE

Xi Jinping Wins Record Third Term in Power. Clean Sweep for Xi's Inner Circle

OCTOBER 24, 2022

Executive Summary

A memorable congress delivers new political leadership fully controlled by Xi Jinping

New premier Li Qiang lacks national experience, but close ties to Xi sufficient to clinch the post

Hu Jintao removed from the closing ceremony, with speculation of a stunning purge of the former leader

The end of coalition politics in China marks a new age, defined by uncertainty

Incoming team steeled for years of confrontation with the United States. "West-admirers" like premier Li Keqiang and Standing Committee member Wang Yang sent into early retirement

Background and Analysis

The most surprising and memorable congress in the recent history of the Chinese Communist Party came to an end on Sunday, October 24. Xi Jinping won a third term, as fully expected, and was able to appoint close aides to all top positions, to an extent that many still doubted a week ago. Wang Yang, deemed the favorite for most of the year, will not become China's new premier.

The rule of "seven up, eight down" seems to have been abandoned. The convention stipulated that if a member of China's Politburo Standing Committee is 68 or older at the time of a party congress, he must retire (no woman has ever been a member of the committee); but if he is 67 or younger, he can remain. In our previous note we argued that Han Zheng, 68, had missed his chance, but that the experienced Wang Yang, a year younger, could entertain becoming premier. As it happened both retired, while Wang Huning, age 67 and much closer to Xi, was allowed to stay.

Among the four candidates we indicated, Hu Chunhua was the least plausible name, given his association with a party faction historically independent from Xi Jinping. In a stunning demotion, Hu lost his seat in the Politburo. The new premier is Li Qiang, our third pick for the job in the note issued last week. Lacking in national experience, Li makes up for that in unquestionable loyalty to Xi and a career developed under his

wings. Another convention was broken with the choice: Li has never been vice premier.

Li Qiang is a former aide to Xi Jinping and, since 2017, party chief in the financial capital of Shanghai. A poorly managed Covid lockdown earlier this year seemed to have doomed his prospects for advancement, but Xi values his loyalty and perseverance above all else. By being so close to the top leader, Li may well become much more influential and effective than his predecessor, Li Keqiang, but the post of premier will lose independence and perhaps even resemble that of a chief of staff to the president.

Zhao Leji also has close links to Xi, in his case going back to childhood, as their fathers worked closely together. Zhao will almost certainly become chairman of the National People's Congress when it convenes in the spring. Wang Huning, the political philosopher behind the throne, is one of the three Standing Committee members reappointed to new terms, together with Zhao and naturally Xi himself.

The three remaining members, all newcomers, are Cai Qi, Ding Xuexiang, and Li Xi. The first two are, again, former aides to Xi Jinping. The old mechanisms of coalition politics ("one party, two coalitions") have all but disappeared. Personal links between Xi Jinping and Li Xi have also been widely reported in the Chinese media, reinforcing the perception that Li is a confidant of the paramount leader.¹ This is a team of Xi subordinates and aides. There is no heir apparent, so it seems safe to predict that he has no plans to retire in 2027.

Key Issues

HU'S WOES

Former President Hu Jintao was unexpectedly removed from the closing ceremony of the congress, escorted by two officials out of the hall, seemingly against his will. The highly unusual event fed speculation in Western media that Xi Jinping might have planned the incident as a way to flaunt his near-absolute new authority and perhaps even humiliate the only man still capable of overshadowing him. This seems to us a misleading exaggeration.

There was no purge. Hu Jintao was featured rather prominently in China's television coverage of the congress later that evening. The former President is reportedly ill and was already seen being escorted into the hall in footage from the start of the congress a week earlier. Academic commentators in China with whom we discussed the episode are convinced that the intent was to prevent any embarrassment during the last day of the proceedings, particularly with the key vote on policy guidelines approaching. Would Hu perform the task without incident? One source raised the possibility that Hu could have been deceived as to the names appointed to the governing bodies. That could explain his confusion, and then the sudden mishap, when the final lists were revealed.

In any event, the episode did not go as planned. Hu resisted leaving the hall for longer than his handlers expected. In a carefully scripted event such as the 20th Party Congress, this should have been avoided. Hu Jintao left the congress a diminished figure, but that was already evident after the more substantive proceedings before his exit, when his close associates such as Li Keqiang and Wang Yang were sidelined and sent into early retirement. A new age begins.

What's Next

Not since Mao has the power of the Chinese Communist Party been so concentrated in one man. Xi Jinping should be expected to rule China for at least ten more years and his power has few checks. Whether the end of collective leadership and coalition politics will enable more effective and far-reaching reforms or, on the contrary, further ossify China's political and economic structures is arguably too early to determine.

Looking at the Standing Committee roster, it is impossible to expect its current orientation to be challenged in the next five years. Xi Jinping will double down on the main strategic choices made since he came to power. In our next note we will go over those choices with an eye to their future development. On Monday, October 24, the Hong Kong stock market tanked, tracking investors' dashed hopes for a more market-friendly approach after the congress.

Two facts should be underlined. First, as already noted, Xi's inner circle is now in full control. Political deadlock should no longer be an excuse for the lack of reforms. Concentration of power looms as the greatest risk. The second fact, equally important, is that an older generation with close links to Western networks and political culture has been decisively sidelined. There are

no "West-admirers" left in the small group that will run China for the next five years.

As for the new premier, while Li Qiang might not be a vigorous reformer like Wang Yang, neither is he an ideologue. In our conversations with the Western business community in Shanghai, we have repeatedly heard Li described as a pragmatic and effective manager, supremely interested in bringing foreign investment and knowledge to the city. Xi Jinping will rely on Li to keep the doors open at a time when both Washington and Brussels have their sights on some form of decoupling from China.

By all accounts, Li Qiang was the driving force behind Tesla's Shanghai factory, the company's first outside the United States. In 2020, after meeting Elon Musk during an inspection tour, the city's then-party chief said Tesla would help optimize its business environment, bringing "Shanghai Speed" up to "Tesla Speed."² Nevertheless, there are doubts as to whether the same pragmatism and openness can survive on the national stage after Xi Jinping made it clear during the congress that economic security should trump all other concerns.

We will return to the future of Chinese economic policy in a forthcoming note, drawn as always from our conversations with insiders in Beijing and elsewhere.

¹ <http://news.takungpao.com/mainland/focus/2014-04/2446110.html>

² <https://english.sheiltc.sh.gov.cn/news/684698.htm>