

National security eclipses economics in Xi's new era

The shift in priorities is also reflected in a shift from technocratic leadership in the economic sphere to more politically inspired choices



Bert Hofman

For *The Straits Times*

At the close of the 20th party congress, general secretary Xi Jinping said: "The Communist Party of China (CPC) is fully confident and capable of creating new and even greater miracles on the new journey of the new era." The question is whether renewed rapid growth will be among the miracles Mr Xi aspires to.

But economic growth per se was not in the spotlight of this party congress. The drama was in the political appointments. Rather than a major change in ideology, what stood out was a shift in emphasis to national security as a leading theme, and a shift from technocratic leadership in the economic sphere to more politically inspired choices.

Consider some of the key outcomes of the latest party congress.

First, Mr Xi's secretary-general report to the congress was marked by a shift in emphasis rather than the introduction of major new ideological initiatives. In contrast, the 19th party congress in 2017 changed the "principal contradiction" (or main challenge) facing China, the first time since 1981. At the time, constitutional changes introduced several new policies, including the economic policies now captured under the "New Development Philosophy".

The main constitutional changes approved by the 20th party congress served to reinforce Mr Xi's position. The awkwardly named "Two Establishes", which defines Mr Xi as the "core" leader of the party and makes his "Thoughts on Socialism with Chinese Characteristics" the guiding principles of China's future development, were both

included in the party charter. However, Mr Xi's thoughts were not upgraded to "Xi Jinping Thought", which would have equated it with "Mao Zedong Thought", nor was Mr Xi awarded any new designation.

Mr Xi's speech paid due attention to the economy, development was still declared the party's top priority, and the market is still to have a decisive role in the allocation of resources. His "New Development Philosophy" was ushered into the CPC Constitution, but its constituent parts – dual circulation, supply side structural reforms, common prosperity and ecological civilisation – were already there, and by now familiar to most observers.

NATIONAL SECURITY GETS TOP PRIORITY

The limelight was on national security and ideology rather than economic development and reforms. The word count for Mr Xi's report to the party congress was clear enough: "national security" (including food and energy security), "fight, battle and struggle", and Marx and Marxism all increased their word count compared to his speech five years ago. There were fewer references to "development", "economy", "reforms" and "market", even more so if compared to Mr Hu Jintao's last report in 2012.

In his speech, Mr Xi left little doubt about the importance of national security: "National security is the foundation of national rejuvenation, and social stability is the premise of national prosperity. We must unswervingly implement the overall national security concept, put the maintenance of national security throughout the entire process of party and state work, and ensure national security and social stability."

National security has gained ground in the leadership's priorities in the past decade. The view in Beijing is that Western powers, specifically the United States, are conspiring to contain



People at a mall in Shandong watching a live broadcast of President Xi Jinping speaking during the Communist Party of China's congress on Sunday. The focus of his speech was on national security and ideology rather than economic development and reforms. PHOTO: AFP

China and prevent it from taking its rightful place in the global order. The US measures on trade and technology, US Speaker Nancy Pelosi's visit to Taiwan, and the US lead in regional arrangements such as the Quad and Aukus reinforce Beijing's anxieties.

The congress focused in particular on one specific national security issue: Taiwan. Mr Xi's strong remarks on Taiwan drew the biggest applause of the 2,900 party delegates. Opposing and deterring "separatists seeking Taiwan independence" was among the key amendments in the party Constitution.

A second sign of the diminished importance of the economy was the delay in the release of second-quarter gross domestic product numbers. The release was originally planned for Oct 18, two days into the National Party Congress, but was abruptly held back without explanation. The numbers were published the day after the presentation of the new Politburo on Sunday, and at 3.9 per cent year-on-year growth, they were not bad at all. This delay does not necessarily mean that the authorities are trying to hide bad numbers. It does, however, signal the dominance of politics over economics.

LEADERSHIP COMPOSITION

A third sign is the composition of the leadership. Before the Congress, a big question was whether Mr Xi would have to compromise on personnel with the traditional factions within the party. The presentation of the new top leadership made clear Mr

Xi "ran the table", putting in place his close associates in the new Standing Committee of the Politburo. Even though the reasons are yet to become clear, the removal of Mr Hu Jintao from the closing session of the 20th Party Congress was at least symbolic for the demise of the influence of the Communist Youth League, Mr Hu's powerbase as well as that of Premier Li Keqiang.

The new Central Committee avoided appointing an obvious successor to Mr Xi. This suggests that he may well stay longer than the third term granted to him. For Mr Xi, this means more stability for longer, and the longer he is in power, the more the party members will adjust to his priorities and adjust their behaviour accordingly.

At the same time, the concentration of more power for longer risks a "bad emperor" problem – the overwhelming power of a leader can preclude debate on policy alternatives, or from objective information being presented for fear of displeasing the leader. A longer tenure also raises the risk of a disruptive transition of power when it eventually happens.

Some of the key reformist technocrats, including Premier Li, Vice-Premier Liu He, central bank governor Yi Gang and financial sector supervisor and central bank party secretary Guo Shuqing, are all set to retire. While some of them may do so by choice, it does mean that much experience in economic policymaking is lost. Even Vice-Premier Hu Chunhua, once mentioned as a potential premier

and comes with a reputation for liberal economic policies, did not make it into the Politburo.

The appointment of premier-designate Li Qiang was perhaps the clearest signal that in the new political set-up loyalty to Mr Xi comes first. Mr Li will be promoted from his post of Shanghai party secretary, where he led the controversial Covid-19 lockdown. Though highly experienced in several provinces before his Shanghai posting, he lacks policy experience at the national level, most notably experience as a vice-premier, which had become the norm since the appointment of Mr Zhu Rongji in 1998. On the upside, the new team has the trust of Mr Xi, which is essential for implementing any reform programme as the past decade has demonstrated.

ECONOMIC REFORMS

A big question is whether the new team has the inclination and focus to address China's mounting economic challenges. In the short run, containing the fall-out of the property crisis and finding an exit from the current shape of the dynamic zero Covid-19 policy are crucial to reviving growth. In the medium term, addressing structural challenges, including demographics, lagging productivity, debt and investment driven growth and, increasingly, more limited access to critical technology from abroad, will be key for growth.

If Mr Xi's report to the Party Congress is any guide, reforms are still part of the plan. The report mentions reforms in many areas,

including the financial sector, fiscal system, labour market, pension system, social safety net, education and housing. More opening up is also part of the menu, specifically, "high-standard opening up" which refers to China's ambition to join the CPTPP (Comprehensive and Progressive Agreement for Trans-Pacific Partnership), and which would require China to deeply reform support for state enterprises and data handling.

It will take time to get clarity on the economic programme of the new team. Some of the short-term challenges will be discussed at the regular politburo meetings, but it will probably take until the central economic work conference in December to assess whether new approaches to these issues will be tried.

Major policy changes to address the structural challenges will probably have to wait until the third plenum of the 20th Central Committee sometime next year. A year is a long time in politics and in economics, and until more clarity on the directions of economic policy emerges, uncertainty will prevail. Markets dislike uncertainty more than anything else, and China's stock markets, especially the tech-heavy Hong Kong market, were down. We can expect them to remain volatile for some time to come.

stopinion@sph.com.sg

• Bert Hofman is director of the East Asian Institute and Professor in Practice at the Lee Kuan Yew School of Public Policy, National University of Singapore.