Good morning, or good evening, or good afternoon. I’m Scott Kennedy. Welcome to “Unpacking the 20th Party Congress,” a joint event cohosted by the Freeman Chair in China Studies, China Power and the Trustee Chair in Chinese Business and Economics here at CSIS.

On Saturday, China concluded the 20th Party Congress, where Xi Jinping gave a big speech at the opening ceremony. And then on Saturday they elected a new Central Committee. And then at the first plenum on Sunday, they elected a new lineup of leaders who paraded across the stage, including General Secretary Xi Jinping. Most folks were struck by the video of Hu Jintao taking an early exit from the meeting, but I’m sure there was much more going on than just that.

We’re going to unpack everything in this hour in three parts. First, a discussion on politics led by Jude Blanchette and Lucy Hornby. And then we’ll talk about foreign policy and security policy with – led by Bonny Lin and David Finkelstein. And then on economic policy, myself and Dan Rosen from the Rhodium Group.

Let me briefly introduce the lineup, and then I’m going to pass the baton over to Jude and Lucy to talk about politics. But everybody – even though everyone is really well known, they still deserve a proper introduction, which I’m going to do right now.

So, Jude Blanchette’s the Freeman Chair in China Studies at CSIS. Previously, he was engagement director at the Conference Board’s China Center for Economics and Business in Beijing. And before that, the University of California, San Diego. He is also author of China’s New Red Guards: The Return of Radicalism and the Rebirth of Mao Zedong. And I really would like to know how those folks thought about the 20th Party Congress.

Lucy Hornby is a 2021/2022 visiting scholar with the Harvard Fairbank Center for Chinese Studies. She is an award-winning foreign correspondent, served in Asia for many years with The Financial Times, Reuters, and Dow Jones. At the Fairbank Center this year she is researching China’s state-led system throughout the reform era.

Our team to talk about foreign and security policy, we’ll start with Bonny Lin, who is a senior fellow here at CSIS for Asian security and director of the China Power Project. Previously, she was with RAND. And she’s also served in the Office of the Secretary of Defense, where she was director for Taiwan, country director for China, and senior advisor for China.

David Finkelstein is vice president and director of the Center for Naval Analysis, China and Indo-Pacific Security Affairs Division. He’s served in
the military and also held significant China-related positions at the Pentagon as an advisor to the secretary of defense and the chairman of the Joint Chiefs of Staff.

And then joining me to talk about the economy is Dan Rosen, who is founding partner of the Rhodium Group and leads the firm’s work on China and the world economy. He’s also, for our own luck, a senior associate with the Trustee Chair here at CSIS. A great group of people to try and break down what’s happened over the past week or so.

So, I’m going to turn things over now to Jude and Lucy, and look forward to the conversation at the end, which Jude will also moderate. So, Jude, over to you.

Jude Blanchette:

Great. Thanks, Scott. And it’s a real pleasure to be on the virtual podium with everyone. And because we have so many great voices to hear from today, I’m going to keep my intro thoughts pretty brief and save the balance of the time for the discussion.

So, you know, as a requirement for listening in on today’s event, everyone will have been required to read the entire 64-page report, so we can dispense with a line-by-line exegesis. But just a few comments.

One is, I know we’re doing something of a hot take here, and there have been a number of hot takes on the report and the lineup. One initial thought is I think this is one where the implications of events of the past week are going to take some time to fully play out and to fully understand.

You know, anyone who’s read Franz Schurmann’s great, great book on communist ideology knows that when documents like this come out, like the work report, it’s like a biblical text. The interpretation of it comes out through group readings and group study. It is not something you read immediately and understand the significance of it.

So, while, of course, we have to look at the passages and come to some initial conclusions, over the next weeks and months party members will be sitting down in collective study sessions and the meaning of the text will come out through those.

Again, if anyone grew up doing Bible study like I did, you see the – you see the parallel there. And, of course, this document is also, in many ways, a living, breathing document that will evolve with the times. So, the implications of a given statement will change over time as events change and the party corrects what will be the official interpretation of a given passage.
Same with the personnel lineup. We all will have some initial thoughts on what we saw on Sunday and what its importance is, but I think we’ll also have to wait until next March in the National People’s Congress until we see the full suite of party and state leaders who will be at the helm of many of these organs and agencies to really get the full picture.

So, I’m not against hot takes and I’m going to do one right now. But this is just, you know, a word of caution that I think this is one we’re going to have to continually return to this, both the work report and the implications of the personnel.

That being said, just a few thoughts. I know we all like to say China is complicated and you can’t essentialize it down to one man. But it is very hard after coming through this congress and not feel the – that you can’t avoid the overwhelming dominant shadow of Xi Jinping everywhere.

Of course, he’s not alone in running the system. Of course, he’s got deputies and, of course, he has opposition and, of course, this is a massive party state system where the sky is high, and the emperor is far away. So subnational actors matter.

But in terms of both symbolism but also for the trajectory of China, moving forward, Xi Jinping has shown a – not only the extraordinary power he has – and I think we already had clear signs of that before the congress – but most important for me what I saw at the congress was no desire at all to show even a modicum of compromise to any of the other stakeholders and a real wanton disregard for any of the norms that have evolved imperfectly to govern important aspects of elite politics.

You know, we don’t have purges anymore. And I’ll – maybe we’ll argue about Hu Jintao later, but I don’t think that was anything close to a purge. But something like the very public defenestration of Hu Chunhua, who not only – you know, not only doesn’t get a Politburo Standing Committee seat but gets booted off the entire Politburo; the irrelevancy now of age norms, individuals like Zhang Youxia, who stay in the Politburo and is vice chair of the CMC at the ripe old age of 72; the rank clientelism that sees someone like Cai Qi and arguably even Li Qiang on the Politburo Standing Committee when they have no business being there at all; not even a whiff of a successor. And anyone who is now looking at the ages of these people and saying, “well, they could be,” I would tell you to stop wasting your time. No one who is on the Standing Committee is a credible successor right now. No female representation on the Politburo whatsoever.

Shrinking of the Politburo to an even number, why does that matter?
Because having an odd number gave at least the appearance that there might be deadlock and so having an odd number was a way to overcome that. They don’t even need to do that anymore.

So, there are other firsts that we didn’t even discuss here. But just in terms of, I think, Xi Jinping running the table is what people are saying, but I think it’s just – it’s more and worse than that. It is a clear dismantling and in a very, very public way of some of these, again, very imperfect but, nonetheless, some of these – this kind of ecosystems of norms which had been accumulated over the past several decades to try to depressurize elite politics; steer China at the margins away from, you know, one-man dictatorship; and create some better probable outcomes for China’s overall direction. And we’re just now – we’re not back to the Mao era. Xi Jinping is not Mao. But we are definitely in new territory and unpredictable territory in terms of the stability and predictability of China’s political system.

Final thought is, getting back to the substance of the report, folks here are going to help us unpack language on Taiwan, language on how China is assessing its strategic environment. You know, Scott and others are going to talk about COVID zero. Let me just focus on thinking of this as a – as a political agenda.

You know, if you were to stay in the middle section of the report, there is a lot that is being discussed there that, if it were to be implemented, would be good for China. So, talking about cultivating, you know, a better human capital environment; talking about addressing rural revitalization, inequities between rural and urban; you know, continuing to move China up the innovation, you know, ladder; these are all great in theory. But what I find so striking about the document is there’s very little recognition of any hard choices China will need to make to actually achieve any of these.

So, for example, common prosperity gets a name check and they indicate that it is, you know, going to be an important tool for addressing unbalanced, unequal growth. But then you get to the section where they talk about tax reform and it’s a throwaway line about, we’ll need to make some adjustments to our tax system. You almost get the – you almost get a sense from the report that the way they’re going to address inequality is just by demanding that employers pay higher wages. So, I don’t – I don’t see this as a document that really is laying out the hard choices that the system will need to make and Xi Jinping sort of stating that this is part of the strategy that we’re going to really start moving forward on some difficult choices.

It is a wish list of nice-to-haves riddled with contradictions, of course,
because it wants to create the greatest education system in the world and the greatest innovative ecosystem in the world and do it through self-reliance. So, you see these tensions in it: We’re going to – we’re going to raise the human capital level of China and, as the report says, make them love the party, right? So, we want to attract all this high-level talent and make them – you know, make them indentured to the party. So, contradictions are all throughout this.

But more importantly for me, he has all of this power. You know, he can – he can defenestrate factions, but he clearly isn’t powerful enough to drive through a property tax. And unfortunately, you can’t think about having a modern socialist nation, which is the goal he has laid out, without really starting to put your shoulder into these extraordinarily and clearly difficult set of – I won’t call them reforms, but you know, policy agendas that are about fundamentally tackling China’s tax and fiscal system. And if he – if he doesn’t go after that with all of this power, well, what the heck is it for?

So, anyway, let me stop – let me stop my ramblings there and turn it over to Comrade Hornby.

Lucy Hornby: Thanks, Jude. I told Jude that I would talk a bit about the sort of theatricality of what we saw this weekend. And you know, as a journalist who has sat through many, many of these meetings at the Great Hall of the People, I think it’s really important that the party chooses to present itself on a stage. You know, so the kind of language of theater and the language of symbolism is really important to this party.

And what was interesting to me this weekend, as we saw Hu Jintao – you know, the sort of Shakespearean scene of a confused old man being led off the stage – was how many of my friends who are not China people at all got really into the kind of Kremlinology. You know, was he sick? Had he been confused or senile? Was he being unceremoniously and publicly humiliated? You know, so suddenly everybody got a taste for what the people on this call do day by day, saw the kind of compellingness of it.

But I’d like to riff on that for a little while because, you know, I think that the message that it sent – and having watched the footage, I don’t think that they had pre-planned to evict Hu Jintao, to be honest. I watched the footage again and again. It looks like he is senile. He’s trying to do something with the papers. Li Zhanshu is trying to placate him the way you would placate an older relative who isn’t totally understanding what’s going on. And then Xi Jinping basically says enough and calls the staff over and says, you know, take him away. So, I don’t think it was a preplanned event.
Nonetheless, you know, everybody got the message. You don’t have to be a Kremlinologist to see that not only has this old guy shuffled off the stage, but so have his followers. You know, this is the stake in the heart for his followers. And you almost didn’t ever need to read the name list two days later to know that his proteges were going to be gone.

So, I think that very visceral understanding of what we call an opaque system, but it presents itself in symbols that, you know, people can understand. And for Xi Jinping himself, you know, when he was coming up in the ’90s, his family went to a great deal of trouble to hide the fact that his father was essentially senile. So, if you look at the records and the tributes to his father shortly after he died, they often mention visits, you know, or memorandums that the father wrote that he clearly couldn’t have written because he was clearly already senile. But it draws home how important it is in the system to have a patron at the top of the factional pyramid.

And I think that’s relevant for us going forward because Xi Jinping has just set himself up to become a very old man in power. And when you have a very old man in power, this kind of theater around someone who has a declining capability is almost inevitable. So, I think in the next five, 10, 15, 20, however many years it is, you know, we’re going to be more and more – all of us – engaged in this game of signaling and, you know, trying to guess what those signals mean. There’s going to be rumors of Xi’s illness, and then there are going to be appearances. There are going to be people who want to be his successor who try to appear with him strategically in an attempt to indicate that they have his favor. So, this kind of theater of patronage is going to become a big element of China watching, I think, in the years coming forward.

Now, the flipside of this signaling is you don’t just have people at the top signaling down. You also have mid-career officials signaling up. And we’ve already seen this in the Chinese system, right? A good way to jumpstart your career is to take a big splashing movement that seems to be in line with Xi Jinping thought. So, the example that’s most familiar to people who watch China’s foreign policy, or just people who are on Twitter, is the way the wolf warrior diplomats, you know, by being flashy, by being in line with Xi’s perceived preferences, they’ve been able to jump ahead of other people who probably were ahead of them in the promotion hierarchy.

And I think that you’re going to see, again, more and more of this kind of behavior, of, you know, going out on a limb in the direction that you are pretty sure that the leader wants you to go. If you go too far, you’ll get your wrist slapped. But if it achieves the group’s goals, it’s a huge career advancement. I think we possibly – you could maybe point to other ways
that we’ve seen this in the past five years, but I think we’re definitely going to see it going forward, and particularly on very delicate arenas, like the South China Sea, or Taiwan. This could become a real risk factor, right? There’s a real incentive in this system – built into this system now for mid-level officials who are ambitious to signal and to jump ahead of what they think that Xi Jinping wants. And that could be really delicate to handle, I think.

But the much bigger issue, of course, is, as Jude mentioned, there’s no successor currently to Xi Jinping. And that means that anybody who wants to be a successor has to aggressively demonstrate that they’re in line with Xi Jinping thought. And you could very well get a situation where you have contenders competing to be the most, you know, Xi-ish of all the contenders, in an attempt to get his seal of favor. Now, personally, I think Xi is probably sincere that when he analyzes Chinese politics and he looks at the instability of his own life, you know, that he sees that that instability cropped up whenever there was more than one hub of power. So, you know, I think that he may well be very sincere when he says, I don’t want to name a successor. I don’t want a second hub of power. You know, that is what leads to instability.

But people who study Chinese politics know that the really big factor that leads to instability is when you have a succession crisis, when you have more than one potential successor competing to get the crown, while an aging leader is still alive and aging out. So, again, we’re not at that point yet, but that sort of theatrical performing for Xi, the theatrical exacerbation, shall we say, of Xi’s preferences, I think all of these things are going to accelerate the sort of radicalization, if you will, of what Xi’s preferences are – what we think they are, right – which is more command for the party, a greater more aggressive role for China. Anybody who pushes that and pushes that more aggressively, it can really help their own credentials if they are competing to be a successor.

So, these are real dangers that are built into the system. They are dangers that, I believe, will accelerate as Xi gets older, and as we get into the next five-year or even ten-year cycle it’s very likely we’ll see at least one or maybe more succession crises. And it’s very likely that we will see those play out in the same way that we saw this play out this weekend – a sort of ambiguous signs surrounding an old man, and everybody outside trying to figure out what those mean.

So, I know the rest of you are going to go into more of the nuts-and-bolts details, but I think that this sort of theatrical psychology of the way the party interacts and the way it presents itself to the world is something that we need to keep an eye on going forward.
Thank you.

Bonny Lin:

So, thank you, Lucy. I’ll take it from here, and Dave and I will cover more of the foreign policy side as well as the security side.

So, both Lucy and Jude have talked about how much Xi has been able to appoint loyalists into the top positions within China, but I want you to know that even as his power has been, I guess, more – much more concentrated and secure now in his third term, it doesn’t make it easier for him when it comes to dealing with foreign policy.

So, as Dave and I walk through some of the challenges that China faces, you’ll see that China’s facing a much more worse security environment – their major issues in terms of navigating the U.S.-China relationship and of course Taiwan is one of the issues that is gaining more – increased attention both from China, but also the international community.

So let me start with looking at the overall security environment. I know Dave will touch on this, too, so I’ll keep this relatively brief to leave a bit more time for Dave.

I guess the one thing – a couple things that I want to flag. The first is that what we see in the 20th Party Congress about how China characterizes its overall security environment, that how it characterizes overall opportunity, is very different from how China characterized it 15 years ago – sorry, five years ago during the 19th Party Congress.

So, five years ago China – the Chinese work report said that China’s still in an important period of strategic opportunity for development. Now what we’re seeing is, I thought, quite a key paragraph there, where the 20th Party Congress report says that our countries have entered a period of development in which strategic opportunity, risks and challenges are concurrent, and uncertainties and unforeseen factors are rising. Various black swan and gray rhino events may occur at any time, and we must, therefore, be mindful of dangers and be prepared to deal with worst-case scenarios, and the paragraph goes on.

That’s the first time I’ve seen a Party Congress report referring to black swans and gray rhinos, which really hints at how seriously the Chinese leadership is taking of the various threats that it faces.

Of note, the gray rhino has been used recently by Chinese Foreign Minister Wang Yi to describe Taiwan independence. It typically refers to an event that’s large, visible, and has in the past been also associated with large structural problems. But it’s largely threats that have been neglected.
We also see the prioritization of security overall in the 20th Party Congress reflected in a couple of ways. So, we see the work report as having a new section devoted just to national security, and it touches on the range of activities that China needs to do to prepare to deal with these variety of national security risks.

This includes, for example, countering sanctions, stockpiling food, energy resources, ensuring supply chain security, but also raising the overall public awareness of these threats. I know there’s been a lot of counting of different words used in the Party Congress report elsewhere, and my team has done a bit of that on different key words.

But I do want to point out that when you look at the use of security in the 20th Party Congress report, it was used over ninety times, whereas it was used about 54 times in the 19th Party Congress report. And both reports were similar length. So, it’s not because one report was longer that you see more use of this word.

Let me touch briefly on U.S.-China relations, which I think the Party Congress as well as the personnel shifts show a relatively challenging trajectory in terms of where the relationship is going. So, in the Party Congress report, when China describes the various challenges and threats that it faces, a lot of it is actually referring to the challenges posed by the United States or the challenges which the United States is supporting or part of. So, there’s one phrase in there that talks about how China is confronted with drastic changes in the international landscape, especially external attempts to blackmail, contain, blockade, and exert maximum pressure on China. This is pretty stark and direct language talking about – it doesn’t mention the United States ever directly in the report, but I think as close China watchers we all know that this is referring to the United States.

So, we also see that China, given this relatively negative assessment of U.S. intentions towards Beijing, is also redefining and limiting its ambitions for what it seeks to achieve with the United States. So, it talks about, in the portion on major country relations, that China should enhance coordination and posit interactions with other major countries to build major country relationships featuring peaceful coexistence, overall stability, and balanced development. Now, this sentence is quite similar to a sentence that appeared in the 19th Party Congress but it’s different in two ways.

First, and strikingly, this sentence no longer mentions cooperation, which was a term that was used to characterize U.S.-China relations. Now cooperation has – is now being replaced by a less-ambitious term of
positive interaction. So, this shows that Beijing is not as optimistic about the prospects of working cooperatively with the United States on a range of issues.

Second, I thought it was quite striking that the report also in this sentence included another feature of major country relations, which was peaceful coexistence. We know this has been a goal of China for a long time, but at least during the 19th Party Congress report China didn’t feel that it needed to emphasize peaceful coexistence when it mentioned major power relations, which suggests that as China’s looking forward that it actually believes that peaceful coexistence – the prospect of avoiding a crisis or a conflict with the United States – is actually becoming more difficult, and hence the inclusion of that term.

In terms of what China might think about dealing with this issue – these issues in U.S.-China relations, I think it’s interesting that the Party Congress report says that the next five years will be critical for getting China’s effort right. So, it doesn’t exactly use the same language as the U.S. National Security Strategy, which characterized the next decade as a decisive one, but it does use language that suggests the next five years is very important. And top among the ways that China can deal with what it views as rising tensions – rising U.S.-China tensions, greater foreign – external challenges is to be able to make breakthroughs in promoting high-quality economic development, achieve greater self-reliance, and strengthen science and technology. Also, among this list, which Dave will cover shortly, is efforts to improve the PLA and also to broadly enhance China’s international standing and influence globally.

Let me – here, if you – if you may, let me talk a little bit about the personalities that we’re expecting when it comes to managing U.S.-China relations. On the Foreign Ministry side, it’s widely speculated that Wang Yi, given that he was added to the 24-member Politburo, that he’s likely to replace Yang Jiechi as well. I think both Lucy and Jude have talked about Wang Yi as part of the Chinese leaders engaging in Wolf Warrior diplomacy. We were also expecting current Chinese ambassador to the United States Qin Gang to take a pretty prominent role, given that he was added to the new Central Committee and one of his, I guess, peers, Taiwan Affairs Office Director Liu Jieyi, was not, suggesting that Qin Gang is likely to be tapped to become the next foreign minister. Again, Qin Gang is also known for his Wolf Warrior diplomacy style. And I think it would be interesting to see what he takes away from his experience – his tenure in D.C. and whether he might view it as a slight that during his time in D.C. he didn’t – he wasn’t able to necessarily – he didn’t have the easiest tenure, say, when he was in D.C.

On the defense side, I think it’s very striking that the current lineup
suggests that General Li Shangfu could be the next Chinese defense minister. Now, if you recall, Li, when he headed the Equipment Development Department in the PLA, he was sanctioned under CAATSA in 2018 for China's purchases of Russian jets and missiles. So, in other words, Li currently has a visa ban on him and he can't do business with the United States. So, if he's supposed to be the barbarian handler, or the main interlocutor for the United States and our secretary of defense, I think this is not boding well for the beginning of the 20th Party Congress – post-20th Party Congress U.S.-China mil-mil relations. We could be entering a rocky patch, both on the foreign ministry side, but also on the defense side.

Let me now also touch briefly on Taiwan, which I think is quite linked to the PLA discussion that Dave will talk about there. So, again, there's nothing new in this party – in this work report about Taiwan that we haven't already seen in the August 2022 Taiwan white paper. The work report was very detailed in listing the number of goals that China wants to achieve by 2027 and 2035. But unification with Taiwan was not among any of the detail lists here and there, and we didn't see any specific timelines or dates set for Taiwan. Even the amendments to the Chinese constitution on imposing Taiwan independence, that's not new, or groundbreaking, or surprising.

Right now, there's been quite a bit of speculation in the media that the new CMC is – the new Chinese – the new Central Military Commission, particularly the appointment of General He Weidong means that China is positioned to use force against Taiwan. And I think that's possible, but I also think there are probably other reasons for why he's there. One reason is, if you look at, He and his tenure, particularly in the Eastern Theater Command, it's hard to distinguish that from him being promoted because of the strong relationship that he has with Xi, given that Xi worked in Eastern Theater Command regions for over 22 years. And it takes time to build up that trust and build up that loyalty. So, we would expect if Xi is trying to promote his own folks in the military that we would actually see more with experience in the Eastern Theater Command.

The second I would point out is that as we look at the two vice chairmen in this Central Military Commission, it's quite interesting that they now have experience across multiple theaters, right? So, Zhang Youxia has experience in Northern Theater Command and Central Theater Command. And He has experience on Eastern Theater Command and Western Theater Command. So, I'll just say, as we look at Taiwan, we're not seeing any major timeline shifts and we're not actually seeing that the new CMC means that China is ready to use force on Taiwan. So, I'll wrap it up here. Thank you.
OK. So, Jude, I couldn't agree more with you that we have to be humble in the fact that the ink is still drying on the party report, be very caution in where we go. Lucy, you'll be glad to know that I've had season theater tickets for almost – (audio break) – for allowing me to segue. And maybe I’ll focus more narrowly on the military dimensions.

So, first, the runup to the Congress. Like other sectors of the party, the PLA used the weeks leading up to the Congress to herald the importance of the conclave. And beginning with the election of their 304 delegates back in August, the PLA's propaganda apparatus went into overdrive. And the pre-Congress propaganda blitz provided an occasion for the PLA to tout its achievements since the launch of the historic military reform programs of 70 years earlier.

So, in this regard, analysts of the PLA, such as some of the folks on this call and out in the audience, have been given a gift in that the political work system recounted in dozens of articles why the military reform was necessary, how the reform process was managed, and what the reform process has yielded to date. So, bottom line, going into the Congress, the PLA felt that it had a lot to crow about, and it was not shy in doing so. And in fact, Xi Jinping acknowledged the PLA's accomplishments over the last five and 10 years in his report.

Bonny has already talked about the military personnel dimensions, so I'll just add a couple of things. Of course, Xi Jinping remains the chairman of everything, to include the Central Military Commission. Bonny mentioned the two vice chairmen, Zhang Youxia and He Weidong. I think that it was very important that Bonny pointed out that between Zhang and He, they each have experiences on what the Chinese call their various strategic directions or contingencies that they think about. In the case of He Weidong, the Indian border and Taiwan and the East China Sea with Japan. We already know we have two holdovers, Zhang Shengmin and Miao Hua, and Bonny also mentioned that Li Shangfu is a possible candidate for defense minister when Wei Fenghe gives up that position at the NPC in the spring. And, if so, it will make for some delicate U.S.-PRC interactions since he is, as Bonny said, under CAATSA sanctions.

But, overall, my impression is that this new Central Military Commission seems to have a really good mix of officers with operational backgrounds, political backgrounds, and technology backgrounds, and, as senior flag officers, all of them have had to guide their respective organizations through remarkable changes that were put into motion in 2015 and, of course, by retaining three previous members there will be some institutional continuity on the CMC.
But beyond personalities, I think it’s important to focus on the military and defense policies that these senior most officers will oversee, and, to a certain degree, the new CMC members are boarding a train that is already moving in a certain direction.

It will be their responsibility to continue to push forward military modernization and reform and, especially, shepherd the PLA to its next objectives set for the year 2027, which was put into the report and which, of course, is the hundredth anniversary of the founding of the Red Army, and I think they’re going to be under some political pressure to make progress, given that the 20th Central Committee has just agreed to add verbiage on military modernization to the party constitution and they endorsed Xi Jinping’s report.

So let me just talk to the military section in Xi Jinping’s report to the congress. So, the very first sentence in the section on military affairs states that the PLA must achieve the goals for the centenary of the People’s Liberation Army in 2027 and, more quickly – more quickly – achieve the 2049 goal of becoming a, quote/unquote, “world-class military.”

So, the first point to make is that – for me, at least – the report’s verbiage on military modernization continues to exude the same sense of urgency that was present at the Fifth Plenum in 2020 when the PLA was told to accelerate military modernization, and other terms in the report buttress that, terms such as work faster, make unremitting efforts, intensify, and so forth. So, there’s this sense of urgency that’s being attached to military modernization.

Second, the report provides a relatively detailed and public to-do list for the PLA – some of the aspirations that were alluded to by Jude earlier – and this public to-do list is akin, I might add to the detailed to-do list that the PLA received at the Third Plenum of the 18th Central Committee back in 2013.

And depending upon how you count them the report identifies between 30 and 40 specific tasks for the PLA, which, generally, fall into one of four big baskets: political work, organizational and institutional reform, operational and warfighting objectives, and, finally, capability accrual requirements and technological objectives.

Now, many of these objectives are familiar, suggesting that some of the original reforms targeted back in 2013 are still works in progress or in need of adjustment, and it also speaks to the idea that there’s more continuity than change going on here on the vector that the PLA has been told to put itself on.
So, there’s going to be a lot of analytic spade work to be done in the following weeks by carefully looking at the list in Xi’s report determining which are standard, which are new, and what are the implications of these tasks for the various contingencies the PLA focuses on, Taiwan being foremost among them.

One thing that stood out for me was that some of the tasks in the report convey a sense that the PLA is being told to be more forward leaning in an operational sense. For example, the PLA is being told that it must be able to simultaneously carry out operations, boost combat preparedness, and enhance its military capabilities – in short, operate, train, and modernize at the same time, and it’s the operate part that I sort of got fixated on.

So, along those lines, the PLA was told in the report to become more adept at deploying military forces on a regular basis and in a diversified way in order, basically, to shape the PRC’s security environment, deter and manage crises and conflicts and, of course, win local wars, which is pretty forward-leaning language. And I’m trying to think about what that may mean for the South China Sea, the East China Sea, and Taiwan. In the past couple of years, we’ve already seen a much more forward-leaning PLA in its operations toward Taiwan, South China Sea, and East China Sea. And finally, the PLA is being told to intensify training and enhance combat preparedness across the board so that the armed forces can, quote, “fight and win.”

OK. The report also, for me, reflects the fact that since taking charge in 2012, Xi Jinping has nested the modernization and reform of the military within the larger context of the reform of the party itself and under the party’s aspirations for the rise of the Chinese state. As such, the PLA’s target dates for various modernization objectives are completely in sync with those of the party’s. And so, the days of what I used to call the PLA’s bureaucratic exceptionalism are over and have been over since Xi took command.

And so this brings me to my last point. And I think Bonny already touched on it quite a bit, so I can condense this. But it is a sense of foreboding about Beijing’s external security environment that Xi Jinping’s report exudes. And if you read the communique of the Congress yesterday, I think it came out, from Xinhua, there was a specific sentence that said that the Central Committee endorsed the assessment of the international situation in Comrade Xi’s report. And we already know what some of those comments are.

But so, it’s clear that there’s a strain of trepidation that the party is exuding when it talks about its external security environment. You’ve
already heard the terms: immense risks and challenges, drastic changes in the international landscape, mindful of potential dangers. Bonny went through it. And Bonny also correctly mentioned that one of the key judgements that has been stock language in party documents, specifically that China is enjoying a strategic period of opportunity, that was hedged completely.

And of course, for me, the other even more important standard judgement that was hedged was whether or not China is still in a period of peace and development, or the world is still in a period of peace and development. This is a very critical phrase in the catechism of the CCP that goes back to the times of Deng Xiaoping in the 1980s. So let me just wrap up here with five bottom lines, and we can talk more about the peace and development or the military dimensions during Q&A. So, five bottom lines for me on the military side.

First, I see more continuity coming out of the Congress when it comes to the basic modernization path the PLA is on. I don’t see any big changes. Second, from a PLA perspective, the composition of the new CMC has a good mix of officers with operational, political, and technology backgrounds. Third, the new leaders of the Central Military Commission, I think, are going to be under some political pressure to show faster progress in their various areas of identified military modernization.

Fourth, I think we should expect to see a PLA that continues to deploy on a range of missions, from U.N. peacekeeping operations to disaster relief at home, but also conducting, shaping and deterrence operations off its periphery, as it demonstrated around Taiwan this past August. And finally, PLA modernization is going to be taking place in an external security environment that the party has assessed as increasingly uncertain and dangerous for the PRC. So, I think I’ll just stop it there. Thanks.

Dr. Kennedy: Terrific. Thanks a lot, Dave, and everybody.

I’m going to turn things over now to Dan Rosen to lead the initial discussion on the economy. Dan?

Daniel Rosen: Thank you, Scott. So great to be with this awesome group to talk about this wet ink that we’re all looking at. And in the economic dimension, I think Jude did enough of picking through the tea leaves in what the Congress produced. And I couldn’t agree more that it’s got all the, you know, expected kind of sloganeering in it. But when it comes to specific commitments and direction in terms of how you’re going to resource that, right? Tax policy. Without tax policy, it’s all just aspiration and wish list. And, you know, I think, Jude, I couldn’t agree with that more, nor
could I agree more with the statement that, you know, here's somebody who's got all the power in the world, and still can't implement a property tax, right?

So, there's a disconnect between all the poli-mil, you know, suzerainty that Xi has absolutely achieved for himself – and our colleagues here have just walked through so capably – and the set of economic problems that the nation confronts. This question of whether they've got the tools, really, to deal with that, right? Or whether we've got sort of a tools mismatch.

So rather than further pick through the economic, you know, nostrums that came out of the gathering, I guess I would sort of, you know, ask myself whether the principal challenges that stand in front of the party and the country in the economic lane were addressed by the Congress process and by the leadership choices that were made. And I sort of break it down into short-term, immediate questions that everyone has, and then more medium-term and long-term questions about the economic outlook that we're dealing with.

And in the short term, the most immediate concern everyone has is basic household consumption, whether people can leave home to go behave like normal people and do their patriotic duty in driving consumption, consuming. And that, of course, all comes back to zero COVID. Folks were hoping that either in the Congress choreography itself, or in some of the leadership choices, or the signaling that came right out of it, we'd see some kind of an endpoint on zero COVID as we've known it. Absolutely none of that. In fact, we see additional lockdowns taking place, you know, the day after the Congress in Guangzhou, for example. All of which signals a continued, you know, dark winter for household consumption activity.

In terms of business investment outlook, right, the other crucial leg of the Chinese economy, the dark clouds of uncertainty hanging over business investment – what's the business environment going to be like? What's the marketplace going to be like? Are people who need to make capital investment decisions, do they have – are they coming out of the Congress with a sense that the fog is now being blown off the field such that they can get back to work making productive investment decisions? Whether, you know, government-inflected or not. You know, either way.

And I think the immediate really bad day of the markets that China saw yesterday, both in terms of equity markets and exchange rates and all sorts of things, right, is a reflection of the fact that none of those uncertainties and concerns have been – have been resolved at all. In fact, they've been – they've been amplified and made more concerning, including in the near term. So, it's no easier for businesses to get back to
work and make the right capital decisions.

In terms of the role of government spending, the third of four expenditure components that economists like Scott and I use, one of our choices, to use to talk about the structure of the economy – you know, they’re – and, again, I think our Congressologists would tell us that party congresses are not the place where you make big policy tweaks and decisions. Nonetheless, in the extraordinary circumstance of a nation that is presently growing really somewhere between zero and maybe 2 percent for the year, which is unprecedented, right, and you have a Congress gathering at the same time as that, you might have expected some signal of additional government stimulus, stimulus to the economy through the government channel.

But there was none of that made clear at all. And in no small part because, again, as Jude noted, the basic mechanics, the scaffolding necessary, and the tax system, and expenditure system, fiscal policy to actually do that was not at all resolved. The Xi years have, notable to me, seen a lot of effort, dating back to 2013, to deal with those fiscal problems. They tried and it didn’t work then. One therefore might have looked to this Congress for some resolution of that. How are we going to get it right this time, going forward? And again, there’s really nothing other than just the triumph of the will is somehow going to produce a fiscal reform strategy that resolves the obstacles of the past. And I didn’t see, and I think nobody sees really any of that in either the leadership choices or the text that we’ve been given. And so, the government channel, to ride in a little bit to the rescue, is, you know, just as distant as it was months ago.

And then finally, one might look to the question of the export factor in China’s economy and gross domestic product outlook and picture, and there, I guess, one would – you know, one would have to look to sort of Bonny and Dave’s foreign policy signaling to start to unpack the question of whether the world was going to get easier or harder for China to be engaged with, as an exporter and all the external dimensions of its economic activity. And clearly, the prevailing story that people are taking away is that, you know, we’re moving into a darker period on the external side, with all the attendant risks to overreliance on China that, say, Europeans see, the desire to decouple in dual-use technologies like semiconductors that is most pronounced out of Washington right now. So the only engine of China’s system that has been running well in 2022 has been exports, net exports, and that has nowhere to go but down, no matter what the party tried to signal or do, but they didn’t really try to signal anything that would make it seem like the external environment was going to be propitious for China’s development, as, again, going back to the initial Deng sort of foundation of growth as we knew it was an important condition to support China’s economic development. So that
whole short-term picture, nobody’s feeling better coming out of the congress about the outlook for growth obviously in 2022 but in 2023, 2024, really, either.

And just another 30 seconds to pass that baton towards Scott to deal with the complications here: In the medium-term and long-term analysis I think, you know, what we see here is a set of structural, systemic economic problems and challenges, which the good news is that Xi Jinping from his initial two terms did demonstrate that he understood and diagnosed that these things had to be addressed. We had to figure out how to make the renminbi an international currency, or we would forever be trapped in a dollar world, and who would want that, if you live in Beijing in leadership, right? And yet, there’s really no clarification that China can deal with the structural challenges to push past all these fundamental economic problems that we talk about and deal with today. The leadership team doesn’t seem like it’s got the right experience and disposition to try to get back to that sort of 60-decisions-of 2013-mindedness in terms of fiscal reform, Interbank market cleanup, equity market modernization, renminbi normalization, and many, many other economic challenges for the long run. They’re just not spoken to adequately by this congress. Congresses don’t normally deal with that set of things, but these are not normal times, and, you know, many of us on the economic side hoped there’d be a little bit more clarity about what we should expect going forward. I don’t think we got that.

Scott? You may feel differently.

Dr. Kennedy: No, I don’t. Hi, Dan. (Laughs.) I feel just like you. I’m – what I’m reminded of in your last comments there is thinking about 10 years ago when we were reading the tea leaves out of the 18th Party Congress. Actually, the runup to the 18th Party Congress, you had the World Bank, Development Reform Commission, China 2030 report. People were thinking that maybe we’d see a whole wave of reform, and I know that you’ve written about the individual efforts at reform early in the Xi Jinping era that were eventually abandoned once clouds gathered, but we’re not even talking about that now. I think the expectations bar has been lowered much, much further than it was 10 years ago.

And I want to say just a little bit about what it felt like to watch the runup to the Party Congress and then the week from being in China on the ground. I was in – I arrived in China in early September, was there for six weeks, came home just after the Party Congress started early last week, and so had a chance to see how it felt from being in Beijing and then Shanghai. And so, I’m – I read the documents and watch the theater, but from a little bit of a different vantage point. Don’t come away, really, any
more optimistically, but I think it’s interesting how people there saw things.

There is an underlying current of conversation amongst folks about how current politics rhymes with the Cultural Revolution. I know that we are fully aware that China’s not replicating anything like the Cultural Revolution, but there’s a meme amongst people that this feels like hearkening back to an older era. And so, you hear that amongst people. I don’t need to ask; just people bring that up. And so, in some ways it made me think that the 20th Party Congress that we just went through may have been worthwhile to compare with the 9th Party Congress from April of 1969, also a norm-breaking Party Congress, at the end of sort of the manic period of the Cultural Revolution.

I’d say also just at the daily level in terms of interacting with people I saw – what Lucy talks about in terms of performance; I saw that in meetings that I was in where people were performing to show that they were aligned with Xi Jinping. One person, every sentence of their paragraph began with the words “Xi Jinping says,” “Xi Jinping says.” That was extremely impressive for them to be able to do that with a straight face and proving their loyalty.

I do think one thing that jumps out from when I was listening to the speech in Shanghai and the report is this idea of Chinese-style X, Chinese-style Y – not X with Chinese characteristics, but Chinese style, jongwuo sherda (ph), whatever. And that suggests an even larger break from sort of Western modern norms about what modernization is, about socialism, Marxism, development, charting their own path. I think that is something that really comes away from the whole event that Xi Jinping is deciding to take the party and the country down a very very different road, where previous norms within China and comparisons with others won’t matter. And I also think that there’s an effort to create a new kind of social contract in China. The one that we’re familiar with is, “We’ll give you growth, improving quality of life, in exchange for your vote and voice in the political system.” I think now what’s clear is as his growth slows, whether intentionally or not, that that new social contract [audio break] order and stability. Order and stability in people’s daily lives, order and stability with China and the international system in exchange for participation in the political process. Now, whether they can deliver on that is a – is a different question, but that seems to be what Xi Jinping is now offering Chinese citizens.

I do think that we want to not overstate a meme that I hear in Washington, which is that we’ve hit peak China and that it’s all down from here. Obviously, China faces lots of challenges that they are not tackling head on, but let’s not overstate the idea that China has got no
running room for growth and that they can't muddle through. One of the things I saw when I was there is the immense amount of potential that still exists. I met with high-tech entrepreneurs. I visited autonomous vehicle companies. Twenty-five-plus percent of new cars on the road are electric cars, compared to 2 percent here. China’s, obviously, becoming dominant in battery-electric vehicles, but now they’re putting a lot of attention into hydrogen fuel cells.

So, there is still purring behind the scenes that you can see potential for this economy and society to continue to be significant. The question is, what will the gap be between their potential and what they’re likely to achieve in reality?

I’d say following – breaking things down similarly to the way Dan did short-term and long-term. Short-term, this is an economy that is just stuck, and zero COVID is the reason – the biggest reason why it is stuck.

I would say, there is plenty of talk behind the scenes in the bureaucracy and amongst experts about how to plan to get out a zero COVID strategy, but they are not going to show their cards until they’re 100 percent ready to do so. So, it will be a sudden shift if they do so.

But there’s a lot of attention on that. Everybody knows that zero COVID is sitting on the economy. No one’s consuming. No one’s investing as a result. In addition, the increasing diplomatic tensions with the United States and the West is also having a big effect on people’s sense of the future and what their opportunities are.

A couple weeks ago our program published a report about Taiwanese businesses and their great anxiety in China and a high proportion of them that are starting to move significant portions of their operations out of China. Others that I met when I was in China equally – equally anxious. Not moving as much, but not expanding and building new capacity elsewhere. That is a significant challenge, both of those – COVID and international diplomatic tensions.

So, looking out into the future, it is uncertainty as far as the eye can see. All of these challenges that China faces that Jude, Dan, and others mention, that there is no plan for how to exactly solve them. The team that they are putting in place to deal with them, I think, yes, you see maybe some continuity on the military side and foreign policy side.

On the econ side, we are going to see a significant changing of the guard with Liu He’s retirement and potentially – and the retirement most likely of Yi Gang, Central Bank governor. The official on the Politburo now, He Lifeng, who is most likely – who is now leading the National Development
and Reform Commission, will most likely be the vice premiere in charge of the economy.

He has a Ph.D. in economics from Xiamen University but does not have a stellar record of achievement. He’s put a lot of work into the belt and road, and I don’t think most people would call the belt and road a fabulous success. He has invested a lot of time in building up Tianjin lately, which has also not worked out, and helped manage the crafting of the 14th five-year plan.

All of these are highly status-ed efforts not most likely going to generate the type of high-quality growth that China needs to achieve in order to continue to progress. So, I think one question is, why is Xi Jinping taking the country down this path, and from our perspective, willing to make mistake after mistake after mistake?

I think if you look from his perspective, their scorecard doesn't look as absolutely horrible as our scorecard. Yes, much slower growth, big challenges facing them, but fewer COVID deaths than the United States, overall political stability in China compared to the U.S. and other democracies, a growing list of patents and successful high-tech companies. Although the West is not thrilled with China, much of the developing world still looks to China as a source of growth and support.

And so, they come up with a more mixed, more successful scorecard than we give them, which is I think why they are willing to do things which we would otherwise consider really against their self-interest. Looking ahead, just finally, what am I going to be paying attention to in the coming months?

The first is: Will we see them start to make significant shifts away from zero COVID? And if so, how are they going to do that? I do think that they know that they have to get to a post-pandemic era and are working on that, and I think we will see at some point some policy shifts. That will be the first thing I'll look for.

Secondly, German Chancellor Scholz is visiting China in a couple weeks, be the first major international leader to visit China after the 20th Party Congress. What’s the message that he’s going to bring?

Then, two weeks after him, it’s quite possible that Xi Jinping and President Biden will meet in Bali. What will come out of that conversation – any source of stabilizing the relationship, perhaps looking for some places to compromise or cooperate? That’ll be the second thing.

Third, the Central Economic Work Conference in December, where they
will take stock of where they are economically, and it'll be the first time after the 20th Party Congress where they lay out a plan for the next year.

Then I will be looking to the two sessions in early March to see who's appointed to run China's central bank, as well as the China Banking and Insurance Regulatory Commission and the China Securities Regulatory Commission. Are these going to be smart, capable technocrats, or are these just going to be loyalists? The last couple weeks makes me worried that we're going to see very capable people replaced by those with less capacity and more being attuned, as Lucy said, to looking up to how to please the boss rather than how to address problems.

So those will be the things I'm looking for. I would like to be surprised on the upside, but I am skeptical. Let me stop there.

Jude?

Mr. Blanchette: Great. Thanks, Scott. And thanks, everyone; great comments. And we've got about 26 minutes on here.

Let me just, because we've got a few questions and actually a few friends of the show have emailed me directly, wanting to hear if there was any more or different takes on Hu Jintao. Lucy has laid out a bit of a theory of the case. I want to see if anyone – does anyone have any other thoughts/assessments/judgments/speculations? Nothing? Well, this is not – this is not a fun tea leaf reading group. Lucy?

Ms. Hornby: Presumably, whoever emailed you wanted to hear more from people who are not me, but I will weigh in, nonetheless.

And again, you know, speaking as someone who's very used to dealing with visuals and impressions, I think that when we first saw the video, we saw the segment of him being approached by the staffers, lifted out of his chair, and led off. And that very much did look like a planned departure and deliberate public humiliation. But now, if you look on YouTube, you get a much longer clip.

The foreign journalists, I can tell what happened because I used to be one of those people. You know, the foreign journalists, you set up; you're at the balcony of the third level – the mezzanine, so to speak – of the Great Hall of the People. You get in there. There's a lot of clattering and setting up. And the TV cameramen focus their cameras, and that seems to be the time when all this drama happened onstage. And if you look at those longer clips – they're available on YouTube if you search under Channel News Asia – you can see that Hu seems to be kind of confused and a little upset and keeps reaching for papers that are in front of him, and Li
Zhanshu keeps taking them away.

Now, what was he upset about is a good question. And a lot of people, I think especially in Hong Kong, have speculated that he knew that his sort of grandson, if you will, in the patronage network, Hu Chunhua, had not made it onto even the Central Committee. That's pure speculation. And I can only say, as a person who deals with very elderly relatives, that the body language of Li Zhanshu speaking to Hu Jintao was the body language of a person who's trying to placate an elderly person who may be a bit confused.

So, you know whether it was kind or not to publicly evict him – it was clearly not kind –

Mr. Blanchette: Yeah.

Ms. Hornby: But at the same time, it really doesn’t seem like it was a deliberately staged stab in the back.

Mr. Blanchette: Well, just quickly, when I – when my wife showed me the footage on Sunday morning, you know, bleary-eyed without my coffee, I looked at it. She said, "I think they’ve purged Hu Jintao, and I looked at it and I said, no, they haven't. That’s not how they do it in the Communist Party, and if you were going to do it that way it would have been much, much better choreographed.

As you say, Lucy, when you see the full footage it’s really footage of Li Zhanshu and Hu Jintao together with Li Zhanshu, basically, patting him and said, no, leave the pad there. It’s a prop. Hu, it’s a prop.

This idea that it was all up in the air what the list was mere moments before the vote is absurd. It’s absurd. It’s not a mystery. It’s not a surprise. It wasn’t something to be sort of unveiled to Hu Jintao or the senior leadership. It was something that was worked out weeks and months in advance.

So, I think the Hong Kong media stuff on this is just – is totally off. I don’t want to waste time here with what, I think, is just a much more banal but infinitely more plausible story.

You know, the one thing about it is because this is a new era of Chinese politics, though, I should say I’m not surprised that people thought it was
a, you know, public humiliation or purge of Hu Jintao because we’re, clearly, in new waters here.

But just the – a careful look at the video, I think, dispels any, you know, sort of more fantastical notion of a preplanned public humiliation. There’s just too much going on between Li Zhanshu and Wang Huning that is unscripted and, as you say, looking at Li Zhanshu much more sort of sympathetic, dealing with a – you know, an elder.

Anyway, so we’ll drop the Hu Jintao.

I got a couple questions here on COVID zero. So maybe, Scott and Dan, quickly, I might ask you to speculate a little bit further on this.

Now that the – in the work report COVID – the dynamic COVID zero is held up as being an element of the, you know, victory for China and they talk about how the containment of cases demonstrated the party’s valuing of human lives, you know, of the people above all else, that seems to set it in place, and Li Qiang, of course, coming on to the Politburo Standing Committee, you know, who had overseen that draconian lockdown in Shanghai. A couple of different variations of questions about the, well, what does this look like, moving forward.

Scott, you laid out a theory, I think, of a kind of a big bang. It'll sort of stay on until – if I heard you right, until they sort of make a more forceful move away from it. Any other thoughts either of you have on timing, sequencing, and how much of the architecture of control China has put in place to deal with COVID just kind of stays on even if some of the lockdown policies eventually fade away?

Dr. Kennedy: Yeah.

Mr. Blanchette: Dan – maybe, Dan, you first and then I’ll go to Scott.

Mr. Rosen: I really mostly defer to Scott on this one other than to say that the alternative to the big bang is it goes out with a whimper, not a bang – that rather than there being a, like, one, you know, VE-Day in Europe kind of thing that you just see less and less earnest enforcement of COVID protocols at the local level around the country.

They’ve already stopped covering reimbursement costs to local governments for all the testing and all that sort of stuff. I think, you know,
at some point they’re going to have to vaccinate their population if they want to ever get beyond this thing and that takes all sorts of infrastructure, warehousing, forward deployment of vaccine, campaigns to get people ready to get vaccinated, scheduling, all that sort of stuff.

So, ultimately, that will have to be part of the mix and that’ll be a tell that gives us a little bit of advance notice, like, when the end is near. At this point, the winter flu season, which, you know, is worse for COVID as it is for other coronaviruses, is, you know, upon us, virtually, and I don’t see them getting themselves caught up to the global standard of vaccination prior to the winter.

So, I expect we – you know, we’ve got a full another winter cycle of this mess before we start to talk about the light at the end of the tunnel is my sense of it.

Scott, what do you think?

Dr. Kennedy: Yeah. I didn’t want to suggest that we’d be in zero COVID and then we’d not be in it in a, you know, a blink of an eye. In fact, even once you decide to make this shift the discussion in China is that it’s at least a six-month transition because, as Dan says, you will have to – even though 90 percent of the public is vaccinated, they probably haven't had their boosters in a year, and they’ve had boosters from shots that aren’t very efficacious.

And so, there’s a lot that has to be done. So just the physical effort that has to be done to have enough therapeutics available, to prepare hospitals, ICUs, appropriate strategies for those who do get positive, that’s a lot to go through and, you know, even if only one in 10,000 people get sick from getting the vaccine, that’s – in a population of 1.4 billion that’s a lot.

And so, I don’t think that we should fully dismiss the idea that, you know, limiting deaths is a bad goal. That is a good goal. So, it is a difficult, complicated thing to do.

Everywhere you go on the streets in China you come across testing centers – right outside both of my hotels, wherever you go. Those can’t just be easily turned into vaccination sites because you have to have much better professionalism, handling of the vaccines and stuff.

So it is, genuinely, complicated but it’s – and it’s going to take a while. It is – I think, will be a huge thing for them to do. Now that they’ve eliminated the requirement to quarantine in Hong Kong and people have talked about maybe they’ll move that gradually up to Guangdong, and then make some – you know, lower the quarantine requirement for international
visitors somewhat. But there will – but it’s going to be a complex dance.

To me, the most interesting question is what will the effect on the economy be, for someone who follows the economy, that is. So, there’s a debate in China about what the consequences will be once there’s a signal that they’re shifting.

Will there be a rapid bounce back? Will there be only a gradual recovery as people see policies implemented? Or will there be a delayed recovery because people have been so shell shocked by zero COVID?

I think, from what I can tell in talking to people, the government is thinking it’s going to be either the first or second that they’ll see a relatively rapid recovery in the economy. But consumers and investors think it’s either going to be the second or third, that they are going to hold back their money to either consume or invest until they are absolutely sure zero COVID has gone the way of the dodo bird.

And so that sets up an interesting conflict of expectations amongst policymakers and economists, as well as the international community, on what will happen once they start to make a clear transition. Precisely when they do so we don’t know. But the consequences of doing so are going to be as interesting as the decision itself.

Mr. Blanchette:

David, I have a question for you, and Bonny as well, though, Bonny, I’ve got one on reserve after for Dave.

Early on in the work report there’s an early section on the party’s goal of building a strong military in the new era and they say having established combat effectiveness as the sole criterion, yada, yada, yada, when you get to the section later on in the report on achieving the centenary goal of the People’s Liberation Army and furthering modernization of national defenses, almost sort of 60 percent of the first page is on instilling political loyalty, party building, ensuring that party members have a good command on the thinking – on sort of party thinking on military.

This is not a topic just for the 20th Party Congress, but I see the contradiction here, what to an amateur looks like a contradiction between two goals. One is about combat effectiveness as a sole criterion, but when you look at the substance of the military section the continued emphasis on just how critical etiology and politics are for the party.

Would I be naïve in thinking that those don’t easily sit together, or the more time that a PLA member is reading the speeches of Xi Jinping he or she is not actually furthering the goal of combat effectiveness?
Dr. Finkelstein: Yeah. Thanks, Jude.

I mean, that’s a discussion we’ve had for years and years and years in the PLA-watching community – how much time are you spending reading the Little Red Book and how much time are you spending on the rifle range.

Well, for the PLA there’s no contradiction there. There may be for us, but they don’t see it as a contradiction. In fact, if you – if you step back and take a look at what Xi Jinping wants from the PLA, it’s basically three things. He wants a PLA that is more red, more joint, and more expeditionary.

And in the view of the party, and of Xi Jinping, the PLA is the armed wing of the Chinese Communist Party, is mission number one. So, they don’t see a contradiction in that. Do we? Well, we don’t know, because they haven’t really gone to war since 1979, right? (Laughs.) They had six – so all these six zones around Taiwan after the Pelosi visit. And it’s great to do demonstrations of force when nobody’s shooting back at you. So, we’re not going to know whether there is a real contradiction there until they actually have to go “for record,” as we say.

But the other thing that’s interesting when you go through the meetings of the delegates of the PLA during the Party Congress and some of the verbiage in the communique, they credit Xi Jinping not just with reforming and modernizing the PLA, but also saving the PLA. And what does that mean, you know? And I’m still not sure exactly what that means, except perhaps that, like the rest of the party, the PLA had so much corruption in it that in fact that was inhibiting combat effectiveness.

And so, in Xi Jinping’s mind and in the party’s mind, and in the party members in the PLA’s minds at least – at least on paper – the way to become more combat effective is to become a cleaner, less corrupt organization. And the way to become a less corrupt and clean organization is to strengthen the work of party committees in the military units. So, it’s very, very specific and sui generis to their system. Is it going to backfire on them when the moment of truth comes? Your guess is as good as mine. Over.
Mr. Blanchette: Great. Thanks, Dave.

Bonny, I’ve got a few questions that I’m going to try to – that have come into me that are, unsurprisingly, about Taiwan. I’m going to try to sort of pull these – instead of asking you eight separate Taiwan questions, pull these into one. One of the questions was building off of something that Dave had mentioned, that when you read the section on the military there’s this growing sense of urgency in benchmarks on reform. Yet, your comments on Taiwan indicated that Xi Jinping, there was sort of continuity and there was no real new language.

So one of the questions is about squaring the circle on what seems to be – and I think for – there’s a – and I wonder if you could answer this, is that while there seems to be an indication or some seem to think that the 2027 military reforms are about Taiwan, so could you pull this puzzle together of Xi’s comments, which indicate continuity, but telling the military we got to be ready quicker? And I guess the question is, for what, if not Taiwan?

Ds. Lin: Sure. I’ll enter some opening – some initial thoughts and maybe also turn it to Dave, because this really dovetails with what he talked about earlier. So, in terms of, exactly like Dave said, the language on urgency in the PLA, that’s not new in a party congress. We saw that earlier. And I interpret that language for urgency as in if the PLA does not speed up its efforts, it’s not going to reach the 2027 goals, right?

So, the urgency is to motivate the PLA to move faster to reach those goals. And when you talk about the 2027 goals for the PLA, it’s not specifically about Taiwan. It’s about reaching a basic level of modernization which could be relevant for Taiwan but could also be relevant for other contingencies that China faces, whether that’s on the China-India border, whether that’s in the East China Sea, or whether that’s in the South China Sea.

So, I don’t think we necessarily have to take Xi’s urging of more progress in the PLA as to mean that China is going to move faster on Taiwan. I think probably a safer interpretation of that is Xi wants the PLA to be ready in case he needs to use force. But that doesn’t mean that Xi has set a timeline and wants to move on Taiwan now. Dave, please add to this if I missed anything there.

Dr. Finkelstein: Yeah. Thanks, Bonny. I would not disagree with anything that you said. To me, these benchmark dates – whether it’s 2027, 2035, or 2049 – are primarily, it appears, capabilities-based benchmarks not contingency-based benchmarks. But why the sense of urgency? I think that if you are on the joint staff of the PLA in the J-5 or the J-3, the joint staff
department. And you take a look around China’s neighborhood, you have some real issues. You have some real issues, from their perspective.

You have problems with Taiwan, right? Things are not going in the direction that they want. You’ve got the most powerful – still the most powerful, still the most combat-capable military in the world, the United States military, operating over the horizon. You have countries like Japan, who are starting to get religion on upping their game on their defense. You have AUKUS. You have the Quad. And what I’m doing is I’m channeling a PLA planner. So, you’re looking around your neighborhood – and of course, you’ve got problems with India. They don’t say it too much, but there’s – you know, they fought a war with Vietnam. And, of course, they’ve got issues up in the north, and there’s the possibility always of a Korea contingency.

You live in a nasty neighborhood if you’re a military planner, right? And so, this sense of urgency is – I think it is the party trying to maintain the reform and modernization momentum that they started back at the third plenum of the 18th Central Committee in 2013, through the fifth plenum of the 19th Party Congress of 2020, and reflected again in this political report. Now – (laughs) – we should – we should – we should state up front that what the Chinese – what Beijing decides to do about Taiwan is going to be context dependent. It could be tomorrow. It could be 10 years from now. And that’s part of the problem. So, the PLA is being told that it has to accelerate its march toward modernization. So, I don’t know if that’s helpful or not.

Mr. Blanchette: Great. Thanks. Lucy, I wonder, one final quick question for you before we let everyone go about their day, or in my case go to sleep. A framework for thinking about succession moving forward. What are some of the pathways and, do you think, sort of markers? You know, you talked a little bit about this, but I wonder if you can unpack it a little bit more. Is this – is this, you know, Xi for life? I think you mentioned, you know, does Xi not – has not made up his mind yet. And what might be some signals that – to you, at least – that he is deciding to sort of find an off-ramp and install a successor? What are some of the tell-tale signs? Or what might be some of the characteristics that signal one way or the other? Either he’s just going to put lackeys behind him, and has no real intention of stepping off, or he’s going to try to groom someone for possible succession?

Ms. Hornby: So, all of us thought we saw a lot of signs that a gentleman named Chen Min’er was the one who was being groomed. Chen Min’er is, you know, essentially a propagandist by origin. But he was placed in some really important provincial positions. He has gone all-in on Xi’s perceived goals. He has been featured in some rather stunning propaganda photos, where,
you know, he’s sort of there and Xi is there, and Li Zhanshu is there, and they’re all kind of pointing at him.

So, you know, he kind of had all the spidey signals. And yet, he hasn’t been conspicuously elevated. And so, why not? Are they trying to keep too much negative attention off of him? Keep him from becoming a lightning rod? Or is Xi starting to wonder if he’s really the one? I mean, you know, again, as we know from looking at earlier instances of Chinese politics, being the first mover is not always the best idea, right? You know, if the man in charge thinks he’s still got a good 10 years of health, you don’t want to be there, ready to go. So, you know, I think you have to scan that cadre of officials maybe between 10 years and 20 years younger than Xi.

Xi, himself, when you look at the people he promotes, he seems to have this bifurcation between people who are essentially propagandists and people who are actually very competent – people like Li Zhanshu. So, you know, he, in his current appointees, he vacillates between those two extremes. You could easily see people trying to compete on those two merits. And I think for sure, you know, you’re going to see a few more candidates come up, especially now that Chen Min’er seems to have gone slightly onto a back shelf. Who those people are I’m not going to be dumb enough to speculate.

Mr. Blanchette: You’re not – you’re not – you don’t have your campaign poster that says “Ding Xuexiang 2027” yet?

Ms. Hornby: You know, I was thinking about that because he’s the right age. But his career has been very much in Xi’s slipstream, and so he doesn’t have that kind of breadth of experience that the party usually tries to make sure people get. You know, that said, he could easily become a power behind the throne, particularly if Xi, you know, as he gets older, becomes partially incapacitated. You know, this guy is his office manager. You know, you could see – and he appears to be one of the competent ones, too, I might add. So, you know, you could easily see him becoming a power behind the throne, but it’s a little harder to see a scenario where he’s the designated successor. It doesn’t rule out him being a surprise successor.

Mr. Blanchette: It worked for Hua Guofeng to be rocketed up from the – you know, from Hunan province to the – to take over for Mao, so you never know.

But it’s 11:01. We’ve kept people one minute after, so want to thank all of
our – all of our panelists. This was a great discussion.

Of course, we – you know, we scratched the surface on what is just a deep set of developments that, as we said at the top, are going to merit further consideration and study. There’s a lot of topics in the report we didn’t get a chance to talk on: the environment, social policy, rural policy. Really, honestly, for China what are probably the biggest workaday concerns even if we, you know, outside of China focus on foreign policy, military, elite politics, Xi Jinping’s inbox is – you know, the amount of his day he’s spending thinking on the United States is probably very, very minimal. It is mostly thinking about the challenges of trying to govern a massive country like China. So, you know, we’ll continue to track these developments and pick at this, you know, in the weeks and months ahead.

But I want to thank everyone. Thanks to our panelists. And I hope everyone has a fantastic Tuesday.

(END)