

Thoughts from the Chairman

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About the Freeman Chair



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Upcoming CSIS Events

- *China Beige Book Event.* CSIS B1 Conference Room. Tuesday, October 2, 2012, 2:00 p.m.–3:30 p.m.
- *Taiwan’s Role in the East China Sea.* Details to be announced.

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BELEAGUERED CCP SHOWS SIGNS OF RESILIENCE

CHRISTOPHER JOHNSON

The Chinese Communist Party (CCP) looked poised to end the third quarter of 2012 in a funk. Instead of a seamless transition of power from President Hu Jintao’s fourth-generation leadership team to the fifth-generation cohort under putative successor Xi Jinping, the senior leadership seemed to be drifting, beset by scandal, rumors of intense political infighting, and the deafening silence over Xi’s mysterious disappearance from public view for nearly a fortnight. The economy has been struggling as a distracted leadership appears uncertain about how aggressively to act, or even what tools to use, to spur growth. China’s relationships with many of its neighbors are on edge over territorial disputes, and, despite helpful messages of reassurance during almost back-to-back visits this month by Secretary of State Hillary Clinton and Secretary of Defense Leon Panetta, Beijing seems more convinced than ever that the United States is bent on obstructing its rise.

But the CCP shook off some of this gloom with the Politburo’s dramatic announcement on September 28 that it was expelling former Politburo rising star Bo Xilai from the party and turning his case over to the state judicial authorities for formal prosecution. Wrapping up the Bo affair is the last piece of business for the sitting leadership, and the announcement clears a key political logjam that was inhibiting progress on staging the leadership transition.

Top leaders and still-influential retired party elders were said to have been sharply at odds as late as mid-September over how to formally conclude Bo’s case. Some argued that Bo must face trial to ensure his political demise and to demonstrate the regime’s commitment to the rule of law, while others insisted that Bo’s case was too sensitive to be formally prosecuted and should instead be handled quietly within the party’s internal discipline system. The Politburo’s sweeping accusations against Bo—that he

*(continued on page 2)*

## BELEAGUERED CCP SHOWS SIGNS OF RESILIENCE *(continued)*

violated party rules, took bribes, failed to properly manage his family, and engaged in numerous sexual affairs—suggest a strong consensus within the leadership that his misdeeds were too egregious to merit anything short of severe punishment.

The Politburo also decided that the CCP will hold the final plenum of its current Central Committee on November 1 and a week later will convene the 18th Party Congress, which will usher in the new leadership team. The long official silence on the dates for these key meetings was bewildering given that the leadership presumably is keen to hold the Congress as soon as possible to project an image of normalcy and unity in the face of substantial challenges to leadership cohesion this year. Announcing the dates helps restore confidence that the CCP is back on message and ready to move forward with the transition process. Still, while not inconsistent with past precedent, giving itself another full month to stage the Congress suggests the leadership may not yet be fully out of the woods on managing the transition.

Indeed, with persistent rumors that the size of the Politburo Standing Committee (PBSC)—China’s top decisionmaking body—will be reduced from its current nine-seat configuration to seven, jockeying for advancement is even more fierce. Key powerbrokers are feeling the pressure to demonstrate the strength of their political networks, and the sheer inconsistency of the rumored lists of new PBSC members in circulation suggests the leadership may not have struck a deal just yet. The unexpected sidelining early in the month of a key ally of Hu Jintao and an unusually prominent public appearance in recent days by former president Jiang Zemin also underscore that the leadership is playing for keeps.

Coming to closure on the transition will allow the leadership to turn its attention to other pressing matters, especially managing the still sputtering economy. Forecasters remain mixed in their assessments on whether the worst is over

## FEATURED MULTIMEDIA



*Click here to read Bonnie S. Glaser’s statement before the House Foreign Affairs Committee, “Beijing as an Emerging Power in the South China Sea,” on September 12, 2012. Click here for the video recording of the testimony.*



*Watch former U.S. Deputy Secretary of State Richard Armitage, Amb. J. Stapleton Roy, and Freeman Chair Christopher Johnson at the Freeman Chair event “U.S.-China Relations and the 18th Party Congress: Uncertainty amidst Political Transition” held on September 26, 2012.*

## IN THE NEWS

*“Singling out China may bring cheers from some quarters in the short term, but it undermines U.S. influence in the South China Sea in the long run.”*

*—Bonnie Glaser in Foreign Policy*

## BELEAGUERED CCP SHOWS SIGNS OF RESILIENCE *(continued)*

and growth will resume in the fourth quarter, or whether the government instead will struggle to meet its already reduced growth target of 7.5 percent. One of the key dilemmas confronting the CCP's top economic decisionmakers is determining how much of a boost to deliver. The leadership is wary of repeating what it now sees as the mistakes of the massive stimulus package in 2008 used to lift the economy out of the depths of the global financial crisis. The spending spree left the localities and the state banks burdened with the specter of large numbers of nonperforming loans, while also increasing the power of state-owned firms who were the primary recipients of the state's largesse.

One bright spot has been the government's resolve in the unrelenting campaign to hold real estate prices steady in the face of upward pressure. Powerful interests in the system are being squeezed hard by the real estate controls. Local government leaders rely on land sales and development as a key source of revenue for their jurisdictions and for their patronage networks, and real estate firms exploit this reality to keep development booming. One need only look to the frequent reminders from the relevant central ministries that the controls will remain in force to understand the eagerness of these vested interests to skirt the restrictions. Beijing's jawboning is working for now, but it is unclear how long the center will be able to hold the line if the economy fails to show a rebound in the near term. This dilemma only underscores that the regime must go beyond merely acknowledging the need for a new wave of economic reform and take concrete steps to implement it.

Of course, Beijing will need a stable external environment to have enough confidence to push forward on reform. But renewed tensions with its neighbors over disputed sovereignty claims are getting in the way. Following on the dustup earlier this year with the Philippines over access to Scarborough Shoal (called Huangyan Island by the Chinese), China has reacted surprisingly harshly to the Japanese government's decision this month to purchase several of the disputed Senkaku (Diaoyu) Islands in the East China Sea. Japan viewed the purchase as the lesser of two evils, given a push by the ultranationalist governor of Tokyo to buy the islands outright, but Beijing has interpreted the action as a deliberate effort to take advantage of the Chinese leadership's preoccupation with the leadership transition. In response, the CCP tolerated, if not orchestrated, nearly a week of sometimes violent anti-Japanese demonstrations targeting Japanese businesses and diplomatic facilities within China. Sensing that the situation risked getting out of hand—the vehicle of the U.S. ambassador to China also was harassed by the demonstrators—Beijing put an end to the protests.

## BELEAGUERED CCP SHOWS SIGNS OF RESILIENCE *(continued)*

The demonstrators may be off the streets, but China does not appear ready to let Japan off the hook. A recent article in the regime's official mouthpiece noted that Tokyo must "repent" over the purchase of the islands. Beijing in one week postponed a reception to mark the 40th anniversary of the normalization of China-Japan diplomatic ties, dispatched surveillance ships to the waters near the disputed islands, issued a white paper reaffirming its sovereignty over them, and engaged in mild economic harassment, such as delayed approval of work visas for Japanese citizens. A quick round of diplomatic talks at the vice foreign minister level also deteriorated into an opportunity for China to lecture Japan on the need to "correct its wrongdoing." China's actions therefore leave the region—as well as the United States—wondering whether the tougher face Beijing is exhibiting represents a tactical response to intense domestic pressure or instead reflects a more fundamental shift in China's regional foreign policy approach.

Relations with Washington also have been bumpy. Distracted by the political transition and the troubled economy, the Politburo has put off undertaking a fundamental assessment of the U.S. strategic rebalancing toward Asia, allowing suspicions of U.S. intentions to build. Senior Chinese officials offered blunt warnings to Secretary Clinton during her visit to respect Chinese sovereignty concerns and Premier Wen Jiabao struck a decidedly downbeat tone by saying that he was "worried" about the direction of the relationship. The leadership also is unhappy that, after nearly a decade of being largely absent from the U.S. domestic political arena, China is again featuring prominently—and negatively—in the U.S. presidential contest. Underscoring the leadership's concerns, the regime's official media took the unusual step of harshly criticizing Governor Mitt Romney's remarks about Chinese trade and currency practices, calling them "as false as they are foolish." China also is very upset over what it sees as politically motivated World Trade Organization cases filed by the Obama administration this month.

Still, the Politburo's decisions on Bo Xilai and on convening the Party Congress are an excellent reminder that the CCP leadership has time and again proven itself adept at course correction once it realigns its priorities and tactics. Amidst the swirl of intense political jockeying, the leadership seems to have remembered to step back, take a deep breath, and refocus its attention on China's abiding strategic interests. Once it finishes putting its domestic house fully in order, we can expect progress on the other trouble spots as the party's usual practice of taking the long view comes back into focus. ■

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- “Xi Jinping Disappears from View,” *Critical Questions*, CSIS, September 14, 2012.
- “Time to Fix U.S. Military Ties with China,” *cogitASIA*, September 18, 2012.

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- “US-China Relations: Creating a New Type of Major Power Relations” *Comparative Connections*, Pacific Forum CSIS, September 14, 2012.
- “Trouble in the South China Sea,” *Foreign Policy*, September 17, 2012.
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