

China's New Leaders: Conservative Immobility or Streamlined Decisions? by William H. Overholt

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Western pundits have pronounced China's new leadership team "conservative," meaning reactionary old communists who won't be able to get anything done. After all, our favorites got left out. Wang Yang, who solved a village crisis in Guangdong with democratic reform, didn't make it. Nor did my personal favorite, Li Yuanchao, who had made a "democratic personality" prerequisite for high promotion. Wang Qishan, the vigorous market-oriented reformer, got put in charge of discipline rather than the economy. Hence the conclusion that bureaucrats and reactionaries are in charge. But that is not the Chinese view.

In Chinese terms this leadership is centrist and stripped down to get things moving. Both the charismatic reactionaries (Bo Xilai) and the charismatic reformers (Wang Yang) have been sidelined as disruptive, the reactionaries much more decisively. (Imagine Washington with a ban on the Tea Party and MoveOn.org; Congress might actually get some work done.) The leadership structure has been changed in the hope of moving forward following a decade of immobilism. The Politburo Standing Committee was changed from nine people to seven to expedite decisions. Abandoning precedent, former President Hu Jintao was retired as head of the Military Commission so he won't get in the way of the new leaders. People too close to him, including reformer Li Yuanchao, have been partially sidelined for that reason. Xi Jinping is intended to have his own team, with less of the old vs. new leader factionalism that has been so paralyzing.

Wang Qishan didn't get the executive premier job running the economy because he is so influential that he would have overshadowed his boss, the premier; would Obama have chosen Bill Clinton as his vice president? But he will be enormously powerful, including on economic matters, as the country's inspector general. Reformers Wang Yang and Li Yuanchao both remain important and both have a future.

Streamlining reflects a spreading consensus that economic progress has been endangered by slow reform and that political legitimacy is being squandered by corruption and a widespread sense of unfairness. Originally, the leaders' plan was to spend the first two years getting organized, then in the third year of the new administration tackle financial reform, state enterprise reform, agricultural income reform, and political reform. But the new sense of urgency means that key economic reforms must come sooner. We should see early official endorsement of the principal findings of the book *China 2030*, written by economic reformers in collaboration with the World Bank.

Of course, getting China moving again will be difficult. The interest groups – big state enterprises, the provinces, the army – have far greater clout than they did before the Hu Jintao era. Even

though the "extreme" views have been quieted, the leaders' opinions remain quite diverse. The old factions remain vigorous just below the top.

Against this, it is crucial to understand the sense of urgency, not just among the leaders but throughout the society. A decade ago, it was the opposite. Western pundits expected that Hu Jintao, whose term at the Central Party School saw innovative thinking about political reform, would initiate new reforms. They did not understand how weary Chinese society was after a decade of Zhu Rongji's reforms that cost 50 million state enterprise jobs and 25 million manufacturing jobs. The top of government was cut in half and everyone felt insecure. Hu's promise of a "Harmonious Society" provided just what people wanted.

Now the mood is the opposite and the numbers say that the old economic drivers, cheap exports and infrastructure investment, have permanently weakened. Beijing's atmosphere on this exactly parallels Washington's fear of the fiscal cliff. Western pundits disappointed by the absence of their favorites from the top seven are missing what is truly important: the sense of urgency, the streamlining, and the universal acknowledgment among the top leaders that bad economic numbers and political discontent demand decisions. Economic reform is coming.

The leaders have also reached a consensus that political reform is imperative. As Premier-designate Li Keqiang just said, "Although we are putting a growing emphasis on [political] reform, differences on what reforms actually mean are becoming larger." There are three different views of what political reform means, and the differences are as strong as the difference between US Democrats and Republicans about budget reform. For the time being, this decision will be deferred. The lowest common denominator will be implemented: an anti-corruption campaign and a restoration of meritocracy. It won't work. Zhu Rongji knew how to constrain corruption. He cut government in half, quadrupled salaries, gave every bureau a quota of regulations to eliminate, forced the military out of most of its businesses, enhanced competition, and empowered the private sector. Hu and Wen reversed most of that. The near-doubling of government and Party employment, and the enhanced power of the state enterprises, ensure endemic corruption absent deep structural reform. Moreover, even if the anti-corruption campaign worked, it wouldn't assuage public discontent over unfairness. In a few years political facts will become as compelling as the economic numbers.

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