



Reform Cold, Politics Hot: President Xi Jinping at Mid-Term

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AROUND THE TURN OF THIS CENTURY, ANALYSTS OF SINO-JAPANESE RELATIONS BEGAN CHARACTERIZING THE RELATIONSHIP BETWEEN EAST ASIA'S TWO BIGGEST POWERS WITH THE SIMPLE SHORTHAND "POLITICS COLD, ECONOMICS HOT" to explain the awkward circumstances in which issues related to Japan's wartime history strained the two countries' political ties while substantial Japanese investment in China's booming economy kept bilateral trade humming along. Although the description did not fully capture the complexities of the China-Japan relationship, it provided a framework for explaining the seemingly contra-

dictory impulses underpinning the interactions between Tokyo and Beijing during that period. As President and Chinese Communist Party (CCP) General Secretary Xi Jinping passes the effective midpoint in his first five-year term in office, a similar juxtaposition may offer some explanatory power in thinking about the equally incongruous relationship between the ostensible slowdown in momentum behind Xi's bold reform vision unveiled at the watershed Third Plenum of the 18th Central Committee in November 2013, and what appears to be his political resilience in the face of passive resistance to his agenda from CCP elites, economic volatility at home, and an increasingly complex geopolitical landscape abroad. In a phrase, then, China's current domestic political dynamic can perhaps best be described as "Reform Cold, Politics Hot."

There is little doubt the leadership seems to have stepped at least somewhat off of the reform pathway hinted at in the heady days following the Third Plenum. Several factors are believed to have contributed to this development. First and foremost, President Xi has seemingly adopted a more cautious approach in recent months as China's economic slowdown has worsened. The volatility brought on by the steep drop in China's equity markets and a ham-handed effort to devalue the Chinese currency have only served to reinforce the president's natural statist tendencies. And therein lies the point—these are Xi's instincts and predilections, and not, as is frequently postulated in Western press accounts and academic writings, a continuing manifestation of China's "fragmented authoritarianism," or the notion that Chinese leaders simply cannot fail to overcome—or even constrain—the system's many vested interests.

Instead, some observers view the leadership's seemingly more orthodox approach as an indication that

President Xi is essentially a "fair-weather reformer." In other words, when the economy's prospects appear bright, it is easy for Xi to talk up and endorse reform, but, when the system confronts the pressures of a sustained economic downturn and the messiness associated with persistent economic volatility—much of which is rooted in the pursuit of reform itself—Xi's, and the CCP system's, instincts for intervention and control win out.

But to suggest that the party chief is easily blown off course by the changing winds of economic circumstances is too simplistic and is to deny Xi's serious commitment to a leading role for the state in China's economic future. Xi's approach in this regard is well in line with 30 years of CCP practice of viewing increased marketization of the economy as a means to refine state-owned enterprises (SOEs) in the fires of competition rather than putting the economy on a path toward eventual privatization. Against this backdrop, President Xi's developing vision for transitioning the definition of what constitutes a successful SOE away from the current model of domestically focused industrial giants toward the nimble, globally competitive national champions that his policies seek to cultivate represents what the leadership's propagandists would define as "a new theoretical breakthrough" in further refining China's unique model of state capitalism.

So, if this is what Xi wants, and he is arguably the most powerful Chinese leader in more than two decades, then what is the problem? Put simply, Xi likely would characterize the relatively slow progress to date on advancing the Third Plenum reforms as a "Human Resources" problem, or passive resistance from officials in senior positions who are holdovers associated with his two immediate predecessors, former Presidents Hu Jintao and Jiang Zemin. Judging from their persistent calls in official media for

pushing ahead more aggressively on reforms, China's most ardently reform economists worry that this assessment means that Xi is putting most of his energy into managing the leadership reshuffle that will accompany the 19th Party Congress in 2017 at the very time they need him to be visibly and personally championing progress on the reforms.

But Xi would argue that his intense focus on the politics is entirely justified. The investigations into the several "tigers"—regime code for high-level officials—netted thus far in Xi's anti-corruption drive variously revealed that individuals in charge of the security services, the military, and even the Politburo's nerve center were pursuing agendas independent of those of the CCP's top leadership—a particularly unsettling state of affairs for a stove-piped Leninist bureaucracy riding atop a dynamic and diverse society. Moreover, despite Xi's various efforts to short-circuit the CCP's existing mechanisms for formulating policy—whether it be the anticorruption drive or the creation of new and powerful party decision making bodies responsive to him—the fact remains that, at the end of the day, he still is confronted with a Politburo that he had very little hand in shaping.

At the same time, if the leadership in 2017 follows the norms that have governed leadership reshuffles at the last several party congresses, most of the officials poised to rise to the apex of the CCP policymaking system are allies of Hu Jintao. As the scion of one of the founding fathers of the regime and therefore a very traditional Chinese leader, Xi intuitively understands that he must run the table at the 19th Party Congress to firm up his grip on the regime's key levers of power. Still, Xi cannot completely disregard the patterns

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of promotion that have developed over the last two decades in which certain criteria—such as service in a mixture of provincial and ministerial posts or experience in the CCP's central bureaucracy—are required for advancement, or, at a minimum, can serve as a way for senior party barons to object to the elevation of their rivals' hand-picked supporters.

So where does this leave China's domestic politics going forward? Volatility and uncertainty are likely to remain the watchwords well

into next year as the political situation remains unsettled. The recently concluded Fifth Plenum of the 18th Central Committee made no senior personnel announcements that might clarify the direction of the regime's high politics. The black box of CCP leadership wrangling makes it impossible to know whether Xi sought major changes or not, but the fact remains that the absence of movement represents a missed opportunity to signal to the bureaucracy a clear political bearing. Given Xi's likely belief that controlling personnel assignments in the runup to the 19th Party Congress is critical to the rest of his agenda, stasis on that front may further distract Xi's attention from pushing forward reform. In fact, the continued inertia could prompt Xi to consider more dramatic moves, such as further takedowns of retired or sitting senior leaders under the anticorruption drive, a more pointed assault on the party bureaucracy, or an effort to stage a bold demonstration of his political power. Such uncertainty, and its possible attendant leadership discord, would only serve to exacerbate doubts in the global community about the leadership's commitment to prioritizing the economy coming off the turbulence and volatility of recent months. □