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Special Report

20th Party Congress Preview – 12 Key Questions to Watch

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Introduction

The Chinese Communist Party will convene its 20th Party Congress on October 16. Held once every five years, Party Congresses indicate the authority of China's top leader, reshuffle the country's most senior officials, and lay out the country's policy agenda for the coming five years (or longer).

Put simply, the Party Congress gives us insight into "The Three Ps":

- **Power:** Specifically, the extent of Xi Jinping's power.
- **Personnel:** Who will be appointed to key posts and who will be stepping down.
- **Policy:** What direction will Chinese policy take in the next half decade.

Below, we identify 12 key questions to watch at the Party Congress – and explain why they matter.

- **Question 1:** How will Xi's thoughts fit into the theoretical canon?
- **Question 2:** Will Xi be given new positions or titles?
- **Question 3:** Will a successor or a group of potential successors be appointed?
- **Question 4:** Will retirement norms hold (for officials other than Xi Jinping)?
- **Question 5:** Will the Politburo and Politburo Standing Committee stay the same size?
- **Question 6:** What will happen to Li Keqiang?
- **Question 7:** Who will become the new premier?
- **Question 8:** Who will become vice premier in charge of finance?
- **Question 9:** Will there be any changes to Taiwan policy?
- **Question 10:** How will Common Prosperity be realized?
- **Question 11:** What is Xi's vision for global order?
- **Question 12:** What is the Party's attitude to foreign investment?

Power

Perhaps the most important question that the Congress will answer is “just how powerful is Xi Jinping?” Despite some rumors of pushback from within the Party, all credible evidence suggests that Xi is all but guaranteed to secure his precedent-breaking third term. Beyond that, though, there are several other key indicators that we’ll be watching to see just how large and in charge the big man really is.

Question 1: How will Xi’s thoughts fit into the theoretical canon?

The billing that Xi Jinping and his signature initiatives get in the Party constitution will be a major litmus test for assessing the extent of his power. At the 19th Party Congress in 2017, Xi successfully enshrined “Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era” into the Party’s constitution. Prior to Xi, only Mao Zedong and Deng Xiaoping had eponymous theoretical contributions incorporated into the Party constitution. This year Xi will be aiming to further elevate his contribution to the Party’s official ideology.

Notably, we are looking for:

- **Whether “Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era” will get shortened to “Xi Jinping Thought” in the Party constitution.** To date, only Mao has had his thinking enshrined as a universalized “thought”, while Deng’s ideology was referred to as “Deng Xiaoping Theory.” If the foreshortening goes through, it would be a clear indication that Xi has reached the commanding heights of Party leadership.
- **How many of Xi’s signature concepts will be incorporated into the Party constitution:** If Xi-pioneered theoretical frameworks such as the Two Establishes, the Two Safeguards, and the New Development Concept are officially enshrined into the Party constitution, it will be yet another indication that Xi and his political program are the only game in town and will strengthen the ideological foundation of his power.

Why it matters:

Should Xi’s thinking be shortened at the Party Congress, it would clearly put him on a par with Mao Zedong in the Party pantheon. It would also imply that he is still supremely in charge of the Party and that, at present, other senior leaders or leader groups lack the political impact to prevent him from asserting his power within the Party. Conversely, if the abbreviation doesn’t happen it would mean that Xi is still facing resistance within the Party, or at least still has to seek meaningful consensus with other Party elites or key Party groups.

Additionally, the specific Xi theories that end up in the Party constitution will give us a sense of where specifically Xi plans to focus his energies in his third term (and possibly beyond).

Question 2: Will Xi be given new positions or titles?

Another key reflection of Xi’s power will be whether he assumes additional positions or is granted additional titles during the Party

Congress, which would further strengthen his stature within the Party-state.

Currently, Xi holds three positions:

- CCP General Secretary
- PRC President
- Chairman of the Central Military Commission

To hold all three positions simultaneously has been customary for the Party's leader since 1993 (although the full handover of all three positions from Jiang Zemin to Hu Jintao took 22 months in 2002-2004). Consolidation of all these titles in one man, has given Xi an extremely high degree of control over the Party-state's main levers of power. Additionally, Xi was officially anointed as the "core" of the Party in 2016 – a designation that his two immediate predecessors did not achieve.

Going into the 20th Party Congress, we'll be watching for the following:

- **Whether Xi revives the Chairmanship:** The position of Chairman of the Chinese Communist Party was established in 1945 by Mao Zedong and represented his unquestioned leadership of the Party. The position was abolished in 1982 in favor of the more limited "General Secretary," as the Party instituted a collective leadership system. If Xi revives the position and is appointed as Chairman at the 20th Party Congress, it will formally place him above the other Politburo Standing Committee members and signal his expanded authority.
- **Whether Xi will be referred to as "People's Leader" or "Helmsman":** In December 2019, a Politburo readout referred to Xi as "People's Leader," a title previously held only by Mao and his successor Hua Guofeng. Likewise, in October 2020, at the Fifth Plenum of the 19th CPC Central Committee, Xi was praised as the "pilot at the helm," which recalled Mao's status as the "Helmsman" who alone could steer the course of the Party. Over the past three years, these titles have been used for Xi sporadically in different state media, but never in a systematic or concerted fashion. If Xi is referred to by these titles at the Congress, it would be a further indication that Xi is placing himself on the same level as Mao.

Why it matters:

Positions and titles are important signals of Xi's authority. The more that he picks up, the more his authority is enhanced – and the harder it is for other Party members to criticize him. That said, if Xi does not pick up new positions or titles, it should not necessarily be seen as a "loss" for Xi, or an indication that his leadership is compromised. Xi has already managed to rule effectively without additional titles, and may see no need to spend political capital acquiring further titles or positions.

Question 3: Will a successor or a group of potential successors be appointed?

While a third five-year term for Xi Jinping is all but guaranteed, we will be carefully watching the Party Congress proceedings for any hint about a

possible successor to the big man or the emergence of a new generation of top leaders. If Xi plans to step down in 2027, tradition would dictate that he would appoint a successor to head the Secretariat of the Party Central Committee at this year's Party Congress. Indeed, this is how both Xi and his predecessor Hu Jintao were made heir apparent to the Party Secretaryship.

Why it matters:

Indicating a successor would be a sure sign that Xi plans to step down in 2027. Even if the successor is a Xi ally, this would immediately create an alternate power center within the Party, and thus would likely lead to a diminution of Xi's effective authority.

If no successor is appointed, the implications are less clear. It could mean that there is disagreement within the Party, implying that gridlock will be the order of the day. Or it could imply that Xi is not worried about finding a successor now since he intends to stay in power for the next decade, or even remains in office until he dies.

The stronger Xi is and the longer he intends to stay in power, the more efficiently he'll be able to carry out his policy program. However, the proposition of Xi remaining in the top spot indefinitely also carries significant "big man" risk (i.e. the overconcentration of power in just one figure). In other words, while Xi's untrammelled authority will allow him to enact policy with minimal pushback, the risk of miscalculation and political tunnel vision will grow.

Personnel

The second "P" we'll be looking for at the big event stands for "personnel". The 20th Party Congress will see a large amount of turnover among the upper echelons of the Party leadership. If current retirement norms still hold true, two out of the seven Politburo Standing Committee (PBSC) members, and 11 of 25 Politburo members will be forced to step down. With so many bigwigs and positions in flux, there are two basic questions that we'll be looking to answer:

1. Will retirement norms hold (for officials other than Xi Jinping)?
2. Will the PB and PBSC stay the same size?

In addition to these two general questions, there are three key personnel developments that we'll be tracking:

1. What will happen to Li Keqiang?
2. Who will become the new premier?
3. Who will become the new vice premier in charge of finance?

We discuss each of these below.

Question 4: Will retirement norms hold (for officials other than Xi Jinping)?

According to current Party norms, officials 68 years and older are not eligible to start a new term on the PBSC and the Politburo. But Party

retirement norms are a relatively new phenomenon. The current 68-and-over norm only dates to 2002, so it is not inconceivable that Xi could change it.

Why it matters:

If the retirement norm does hold, it shows that Xi still wants to play by *some* rules (as long as they don't apply to him.) Meanwhile, a total scrapping of retirement norms would make a lot of Party elites very upset as it increases political uncertainty and makes it harder for newcomers to move up the Party ladder.

Question 5: Will the Politburo and Politburo Standing Committee stay the same size?

The Politburo is China's highest policy-making body. Its size had expanded over time since its inception in the 1920s, and has stabilized at 25 members since the 17th Party Congress in 2007. From the Politburo, a few members are selected to form the body's Standing Committee (PBSC) – the real shot-callers in China's political system. The PBSC currently consists of seven men, but its size and composition has also changed over time. For instance, during the Hu Jintao years (2002-2012), the PBSC had nine members. For most of the 1980s, it had only five.

Why it matters:

Increasing the size of the Politburo and its Standing Committee would seem to be a concession by Xi to other interest groups. Shrinking would likely indicate further power centralization, but not necessarily, as we would need to see the actual personnel makeup of the bodies to be sure.

Question 6: What will happen to Li Keqiang?

Li is commonly regarded as China's weakest premier in 40 years. In the past decade, Xi Jinping has moved the center of gravity for economic policy making into the Party organizations he controls and succeeded in putting his own allies in key posts in charge of economic policy. That said, as head of the government, Li still plays a very important role. The weekly State Council meetings that Li oversees work to implement policies and set the government agenda. Particularly, with the economy in the dumps, in recent months Li has played a more visible role as the "commander-in-chief" of the government's stimulus efforts.

What will happen to Li at the 20th Party Congress? He is still young enough to serve another term on the PBSC, but PRC law states that a premier can only serve two terms. To us, this means there are essentially three scenarios for Li:

- Li serves as head of the legislature (NPC)
- Li serves as head of China's top political advisory body (CPPCC)
- Li retires

Why it matters:

Whether Li retains his seat on the PBSC is indicative of Xi Jinping's power. If Li stays on, it will be proof that Xi, while powerful, does not have the ability to completely remake the system in his image. Although

Li is weaker than previous premiers in terms of policy influence, he is after all Xi's peer, not his acolyte. On the contrary, if Li retires and Xi puts more of his allies on the PBSC, there will be even less of a check on Xi's agenda in the next five years.

Question 7: Who will become the new premier?

As outlined above, Li Keqiang will need to stand down as premier when the new government takes over in March. We will know who his replacement will be when the new PBSC makeup is unveiled at the Party Congress.

With exception of Zhou Enlai, China's first premier, every premier in PRC history has first served as a vice premier. If this norm continues to hold, only two officials who have served as vice premiers are age-eligible for the premiership:

- PBSC member and CPPCC chairman Wang Yang
- Vice premier Hu Chunhua

Why it matters:

The new premier will automatically have a seat on the PBSC and play an important role in shaping the government's agenda. Neither Wang nor Hu is closely aligned with Xi, and they are therefore more likely to have an independent voice during policy deliberations within the PBSC. However, if Xi ends up appointing an ally to this role, it will be a very strong sign of Xi's unassailable power. It also means that Xi will have a more unobstructed path in pushing forward his agenda.

Question 8: Who will become vice premier in charge of finance?

At the upcoming Party Congress, China's economic czar, Vice Premier Liu He, will retire from the Politburo. He will also need to step down from his vice premier position when the new government is announced in March.

Since Xi Jinping came to power, Liu has served as his top economic advisor, authoring major economic policy initiatives including the Supply-side Structural Reforms that have guided policy for the past six years. Whoever replaces Liu will be one of the most powerful – maybe the most powerful – economic official in the land.

In our view, there are three serious contenders in this race:

- Macro planner (NDRC) chairman He Lifeng
- Banking and insurance regulator (CBIRC) chairman Guo Shuqing
- State Council Secretary-general Xiao Jie

Why it matters:

Powerful though he may be, Xi doesn't have the bandwidth to oversee every aspect of policymaking. Whoever takes this position will have significant sway over the inevitable economic policy debates within the Politburo, greatly impacting China's economic policy trajectory for the next five years and beyond.

- If He nabs this role, he will likely act more as an implementer of Xi's vision than a policy entrepreneur. Policy-wise, that would mean greater state capital control of strategic sectors, tighter control of private capital, and full steam ahead with Common Prosperity.
- By contrast, Guo would likely pursue further structural reforms to China's financial system including more financial sector deleveraging, financial opening, and capital account liberalization.
- Likewise, as vice premier, Xiao could be expected to push forward fiscal and taxation reform, including by standardizing government budget management, clamping down on local government hidden debt risks, and cutting taxes and fees for small, medium, and micro-sized enterprises among other priorities.

Policy

The third "P" in our analysis stands for policy. That is, we'll be watching to see what the 20th Party Congress tells us about the philosophies and policy directions that will guide China over the course of the next five years. Like personnel appointments, the policies that emerge out of the Party Congress are also indications of Xi Jinping's power. The more signature Xi initiatives are highlighted, the larger and in charge he can claim to be. Of all the three P's this is probably the hardest to pin down. After all, Chinese leaders have frequently used Party Congresses to introduce wholly new concepts that went on to play a defining role in the country's development. That said, there are a couple of key things will be looking out for on the policy front.

Question 9: Will there be any changes to Taiwan policy?

In recent months, long-held assumptions about the cross-strait status quo have been brought into question. At a time when the US is reaffirming and even deepening its relationship with Taiwan, and as Beijing's hopes of peaceful reunification seem to wither in the face of a young Taiwanese electorate in favor of self-determination, we'll be watching closely to see if the Congress heralds a shift in the mainland's Taiwan policy. The most significant development would be for the mainland to put forward a concrete timeline for achieving reunification. Such a timeline would necessarily imply the strong possibility of military action against Taiwan (since achieving peaceful reunification is increasingly looking like an impossibility) and would represent a huge geopolitical gamble for China. Alternately, the report may simply reaffirm Beijing's commitment to the cross-strait status quo or, rather less likely, look to extend some form of olive branch to Taipei.

Why it matters:

Taiwan is arguably the world's most dangerous geopolitical flashpoint. It's no exaggeration to say that an armed conflict over Taiwan could be a catalyst for World War III. Parsing how – if at all – China's policy towards Taiwan is evolving will be important for evaluating the geopolitical risks of operating in or with China.

Question 10: How will Common Prosperity be realized?

Common Prosperity has been a topic of heated discussion since the Central Commission for Financial and Economic Affairs held a meeting on the topic in August 2021. The drive to pursue greater economic equality and create paths for upward mobility has driven wide-ranging debate as to what Common Prosperity would mean in practice. Some have argued that it should be a statist project to forcibly redistribute wealth, while others have insisted that it should focus on liberalizing reforms to foster greater equality of opportunity. The August Politburo meeting indicated that the 20th Party Congress report would focus on Common Prosperity; it will be important to see if the report paints Common Prosperity as more of a statist project or a free market one.

Why it matters:

Common Prosperity is set to be one of the most important policy shifts in decades and has the potential to completely reorient the direction of the Chinese economy. A clearer understanding of the specifics and implementation of Xi's Common Prosperity vision will have profound implications for how China economy – and business environment – will develop in the years to come.

Question 11: What is Xi's vision for global order?

The August Politburo meeting indicated that the 20th Party Congress Report will feature discussion of the phrase “a shared future for mankind” (SFM). First articulated by Hu Jintao at the 18th Party Congress in 2012, Xi Jinping has since adopted SFM to refer to China's efforts to reshape the global order to better accommodate and promote China's interests. Under Xi, China has acted at times as both a status quo power (by firmly supporting the United Nations system) and a revisionist power (by championing new China-centric institutions and values). The 20th Party Congress report will likely shed light on whether China will look to take greater leadership of a growing bloc of likeminded developing countries; whether Beijing might create new multilateral institutions and initiatives to promote its interests; and whether China will make greater efforts to promote its governance and economic model abroad.

Why it matters:

In much the same way that Common Prosperity will define China's domestic policy, a SFM will underpin Beijing's approach to foreign policy. A more aggressive and assertive China on the world stage will likely increase tensions with Western governments and could accelerate a trend toward decoupling. This would complicate the operating environment and increase political risks for companies operating in or with China. On the other hand, a more inclusive approach by China could blunt US efforts to ostracize China internationally and could help to maintain the current global status quo.

Question 12: What is the Party's attitude to foreign investment?

The Xi years have been a rollercoaster for foreign businesses. On the one hand, in many sectors (such as financial services and autos), China's economy has never been more open. On the other hand, there is an

increasing push for self-sufficiency that calls into question what role, if any, Chinese leaders envision for foreign firms in certain sectors, especially those relating to technology. Historically, Party Congress reports have indicated important shifts in how the Chinese government will treat foreign businesses, and this year's report will likely be no different.

Why it matters:

In China, government policy is determinative for economic outcomes. How officials view foreign businesses will be key to how successful foreign businesses in China can be in the years to come. It will be important for all businesses and investors to understand how China intends to treat foreign capital writ large, as well as in specific sectors.

Conclusion

The 20th Party Congress comes at an important juncture as China enters uncharted waters in terms of its domestic development and its rise as a world power. The meeting will offer key insights into the figures who will guide China through this critical moment and the policies that will guide their thoughts and actions.

We will revisit this preview after the Party Congress to analyze how these developments played out and to game out their likely implications.

Need anything more?

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