

Will a new leader mean a change in China's economic policies?

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An uncomfortable truth is that people, especially those in parliamentary democracies like Australia, do not want to think about their prosperity being dependent on the (hopefully wise) decisions made by leaders of the Communist Party of China (CPC).

We say that we are reliant on trade with China, or that China's continued economic growth is crucial to the world economy.

But we do not go as far as to say that our well-being hinges on the skills and foresight of a group of men who make decisions secretly and who are not accountable to anyone really, except possibly each other.

And, to add insult to injury, these men, at least publicly, claim to uphold the principles of Marxism and Mao Zedong.

An equally awkward truth is how little we know about the men who will take the helm in China.

The views of the leaders at the pinnacle of power and the processes by which they reach their positions remain obscure.

We still do not even know the exact dates of the next CPC Party Congress that will conclude with the new leadership walking onto the podium to the applause of some 2,200 Party delegates.

Presumably this meeting will be held in late October or November.

What we do know, barring the unlikely event of an horrific crisis, is that China's top leader will be Mr Xi Jinping and his right-hand man will be Dr Li Keqiang.

Xi will be appointed head of the CPC and head of the all-powerful Politburo Standing Committee later this year, and he will become President of the People's Republic of China (PRC) in March 2013 at the annual meeting of the National People's Congress, China's parliament.

Li will presumably become the second-ranked member on the Standing Committee and become Premier of the PRC in 2013. Xi, who turns 60 next year, studied chemical engineering as an undergraduate.

Li Keqiang, who has a doctorate in economics, turns 57 next year. Both Xi and Li have been specifically groomed for the top leadership positions for the past five years.

As CCP Standing Committee Party members and in the roles of Vice-President (Xi) and Vice-Premier (Li), they both have considerable experience.

But who in addition to Xi and Li will be on the Politburo Standing Committee is not known with any degree of certainty.

We do not even know for sure that will it be a nine-member committee as is the case at present, or if membership will be reduced to seven, in order to make decision-making more effective (or because the present nine members cannot agree who should be the eighth and ninth members, as is also plausible).

However, because of term limits and age limits, we know that besides the existing members Xi and Hu, nearly all of the remaining Standing Committee members will be new.

Xi as a person is certainly different from Hu Jintao, China's current top leader, who is known for his cardboard-like stiff public persona.

People who have spent time with Xi tell me he is 'comfortable in his own skin'. He communicates easily with people and, together with his famous singer wife, they will be an entirely different 'first couple' than China has ever had before.

Does a new group of leaders mean that there is chance for policy change?

It could. Party Congresses have previously marked, broadly speaking, the start of a new direction in Chinese economic policies.

Twenty years ago, following the 1992 Party Congress, Jiang Zemin (President and Party General Secretary) and in particular, Zhu Rongji (Premier), pushed forward a wave of liberalisation that led to China's entry into the World Trade Organization in 2001.

Jiang Zemin was known for his pro-business stance, and paved the way for private ownership of property, business and wealth to finally (in 2004) be protected by the Constitution.

Ten years ago, after the 2002 Party Congress, the new leaders Hu Jintao and Wen Jiabao made 'inclusive growth' a policy goal.

This led to a reduction in the number of levies imposed on rural residents, an expansion of social welfare programs, and more support for state-owned enterprises.

It is possible that Xi and Li will be more committed to free-market principles.

Many interest groups in China, some of which are vital for the Communist Party to be able to wield power, advocate that the new leaders muster the political will to rein in the dominant state sector and push harder to genuinely foster innovation.

The problems in China's current economic model are widely understood among top officials in China. Moreover, various policy solutions have been identified and thoroughly researched.

China must reduce the dominance of state enterprises, lower barriers of entry to the private sector, free up markets for land, labour and capital, and strengthen the fiscal system.

These were the recommendations made by a report (China 2030) issued jointly in February this year by the World Bank and China's Development Research Center, an influential institution under the State Council.

Li Keqiang was closely involved in the work of this report and is said to support these recommendations.

Xi Jinping, in turn, is known to have endorsed policies that supported the private sector in his two previous posts as head of two provinces with rapid economic growth, Fujian and Zhejiang.

The current vice premier, Wang Qishan, is another strong candidate who is relatively familiar to economists and policymakers abroad.

He is known to be an effective technocrat and troubleshooter. His present portfolio includes finance and trade and he is considered to be a supporter of pro-market policies and is supposedly close to central bank governor Zhou Xiaochuan.

In sum, there is reason for modest optimism that China's new leaders will embark in a new direction to transform growth so that it is more driven by the markets – ie, consumers and the private sector.

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