

2017 YEAR-END: Politics

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# Watching China's year for history

When future historians reconstruct the long history of China, they will likely circle 2017 as a year of significance. I've seen it all this year, and attended or even participated in the major events. I've conversed with Chinese leaders and experts, and searched for meaning.

I didn't appreciate the opportunity I've had until I began reviewing the year from China's domestic perspective, seeking themes and trends, discerning from what we know about the recent past to what we might forecast about the near-term future. It takes no flash of insight to see the leadership and vision of President Xi Jinping headlining almost every event.

Following is the review of the meaningful events of 2017.



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**January:** Xi began the year with a memorable speech at the World Economic Forum in Davos, Switzerland, mounting a roaring defense of globalization, free trade, and economic openness and liberalization. It was the first-ever speech by China's head of state at Davos and, as commentators the world over noted with amazement and irony, as the United States under President Donald Trump was apparently retreating from the world and abrogating global leadership, China under President Xi was apparently defending the international order and promoting global governance.

**March:** The annual "two sessions" of the National People's Congress, China's top legislature, and the Chinese People's Political Consultative Conference National Committee, the top political advisory body, seemed to radiate more energy than usual, perhaps in anticipation of the 19th National Congress of the Communist Party of China in the fall. A highlight was the adoption of the draft general provisions of civil law, a step closer to a long-needed unified civil code.

I sensed delegates' growing confidence and assertiveness to represent their particular sectors in the competitive marketplace of public ideas and government funding, a competition that is vital for the development of China's kind of consultative democracy. This was especially true of the CPPCC National Committee, whose members are often leading experts in their fields, such that even though they do not have legal authority to pass laws, they have moral authority to exert pressure and affect change. It did not escape notice that, throughout the "two sessions", Xi was recognized repeatedly as "core" of the CPC Central Committee and of the whole Party.

**Belt and Road to the fore**

**May:** The first "Belt and Road Summit" (the Belt and Road Forum for International Cooperation), held in Beijing, was the diplomatic highlight of the year in China. Some 130 countries participated, including 29 heads of state and government. The goal was no less than the transformation of the economic structure of the developing world: building infrastructure and connectivity, stimulating development, alleviating poverty, reducing severe imbalances, promoting South-South cooperation, and revitalizing globalization.

Xi called the Belt and Road Initiative "the project of the century".

**July:** China celebrated the 20th anniversary of Hong Kong's return to the motherland. It was a time of reflection for the cosmopolitan city, long a global leader in economic freedom and competitiveness. Hong Kong had flourished: its way of life preserved, its economy dynamic. But times change. With Shanghai and Shenzhen on the rise, and with some claiming the "one country, two systems" principle is in decline, Hong Kong faces new challenges.

**August:** The People's Liberation Army celebrated its 90th anniversary. In a move both practical and symbolic, the PLA established its first overseas logistics base in Djibouti, situated strategically on the Horn of Africa.

Xi Jinping, who is also chairman of the Central Military Commission, said the PLA is becoming "strong" informationized armed forces. "The Chinese people love peace," Xi said. "We will never seek aggression or expansion, but ... No one should expect us to swallow the bitter fruit that is harmful to our sovereignty, security or development interests."

Foreigners are wondering: what is the PLA's long-term plan for operating overseas? What will be the impact of the PLA's modernization and reform, especially its burgeoning blue-water navy with multiple aircraft carriers?

**August:** China hosted the BRICS Summit in Xiamen, East China's Fujian province. The five BRICS countries — Brazil, Russia, India, China and South Africa — have increasing influence on global economy and politics, but does BRICS as an organization make sense? China certainly thinks so, and promoted the BRICS Summit as

representing a new kind of multilateral global governance. There are complexities: political instabilities in Brazil and South Africa; the growing, comprehensive cooperation between Russia and China; the sensitive, multifaceted relationship between India and China.

Throughout the year, events on the Korean Peninsula continued to intrude. While China continued to call for denuclearization and dialogue, just hours before Xi gave the opening speech at the BRICS Summit, the Democratic People's Republic of Korea detonated its most powerful nuclear bomb ever.

**19th Party Congress and the New Era**

**October:** The highlight of the year was, as expected, the 19th CPC National Congress. Not quite expected were the far-reaching proclamations and, taken together, the magnitude of their significance. I witnessed history and see six highlights.

First, Xi's name and thought were written into the CPC Constitution — "Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era". Xi is now, officially, the overarching creator and arbiter of political thought, and combined with his designation as "core" of the CPC, he is now the undisputed, unimpeded leader with singular authority. Xi Jinping "thought" is built on the twin pillars of people orientation and national rejuvenation, with the new concept of development (innovation, coordination, green, open, sharing) driving a new kind of economic growth.

Second, the "New Era", which is intended as a policy-energizing game changer, is a conceptual lens with which to view the range of goals, strategies and concepts that compose Xi's way of thinking and the Party's new direction.

The "New Era" is envisioned in three temporal segments: (i) from now until the fulfillment of China's first centenary goal of a "moderately prosperous society" in 2020 (2021 being the 100th anniversary of the CPC); (ii) from 2020 to 2035, when the CPC states it will build on the foundation of the moderately prosperous society so that, after "15 years of hard work", the country will "basically" realize "socialist modernization"; and (iii) from 2035 to 2050, when the CPC states it will "work hard for a further 15 years" and "develop China into a country that is prosperous, strong, democratic, culturally advanced, harmonious, and beautiful". Realizing this vision at mid-century, around 2050, with China being respected as a great, modern, socialist country, is the second centenary goal (2049 being the 100th anniversary of the People's Republic of China).

Third, the new "principal contradiction" in China's "New Era" is between "unbalanced and inadequate development" and "the people's ever-growing needs for a better life", which includes increasingly broad demands for "democracy, rule of law, fairness and justice, security, and a better environment". From now on, this new-era principal contradiction, replacing quantitative GDP growth with qualitative improvement of life, is what will guide China's domestic affairs and policies.

Fourth, the Party's leadership role in governing the country is expanding and the Party's stringent approach to governing itself is intensifying. The Party will be more deeply embedded within agencies of government and sectors of society (including private companies, foreign businesses and educational institutions), and by reforming and purifying itself, the Party's governance will be stricter and more comprehensive. The anti-corruption campaign, not only continues, it has been enhanced.

Fifth, the "New Era" has China moving closer to center stage of the world and making greater contributions to humanity, offering "Chinese wisdom" and "Chinese solutions" for world problems. China's diplomacy will be proactive, championing the development of a community with a shared future for humanity and encouraging the evolution of the global governance system.

Sixth, I watched the new senior leaders of China, the seven members of the new Standing Committee of the Political Bureau of the CPC Central Committee, walk out on stage, ending months, really years, of speculation and rumor. Because everything in China reports to a Political Bureau Standing Committee member, and because of the Party's principle of collective leadership, their personalities, composition and balance determine the vision, strategies and policies that shape China.

The importance of the Political Bureau Standing Committee remains true today, but its importance frankly is also less true today. It is hard to overstate the consequences of Xi's name written into the Party Constitution, thus inscribing into perpetuity his predominant status and assuring his continuing pre-eminence in the coun-



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try's political life.

Following the 19th Party Congress, some might have expected a respite, a slower November and December. They were anything but.

**Form is substance**

**November:** The "state visit-plus" of US President Donald Trump came at a delicate moment. Amid pomp and pageantry, including a personal tour of the Palace Museum (Forbidden City), \$253 billion in business deals were signed, a world record, though critics complained it was all transactional, nothing structural. The number, some said, was more form than substance, but here, perhaps, form was substance. Both Xi and Trump hailed the visit as "successful and historic".

Yet, on sensitive topics, one could be forgiven for seeing sunlight between their positions. On trade, Xi lauded the business deals and market access, "which will deliver great benefits for the two peoples". Trump sought improved trade with China based on "a level playing field for our workers" and solving the "massive trade distortion" — which, characteristically, Trump blamed on past US administrations, not on China.

On the Democratic People's Republic of Korea, Xi reiterated China's firm commitment for a denuclearized Korean Peninsula and direct communications, while Trump said that they "agreed not to replicate failed approaches of the past" and he called for "increased economic pressure until North Korea abandons its reckless and dangerous path".

Subsequent to Trump's visit, China announced revised regulations that were indeed structural. China will reduce or eliminate (over time) limits on foreign ownership of financial services sectors, including insurance, commercial banking, securities, futures, and asset management.

Significantly, the State Council, China's Cabinet, established a Financial Stability and Development Committee to oversee financial stability and boost risk prevention (including close monitoring of "shadow banking" and corporate debt). This new supra-ministry commission will be empowered to make decisions related to reform and development, coordinate issues concerning monetary policy, and establish financial policies and related fiscal and industrial policies, thus improving the financial regulatory system.

At the Asia-Pacific Economic Cooperation Leaders' Meeting in Vietnam, Xi strengthened his themes of making economic globalization more open, balanced and inclusive; lauded regional multilateralism for promoting common interests; and stressed the Belt and Road Initiative for advancing global connectivity.

What struck me in Xi's speech was what he inserted about poverty: "To lift all the

remaining poor people out of poverty is a solemn commitment made by the Chinese government to the people. It is uppermost in my mind, and I have spent more energy on poverty alleviation than on anything else."

"Upper most in my mind?" "More energy on poverty alleviation than on anything else?" An extraordinary statement from the president! Although Xi has been making high-profile visits to numerous poor counties and villages, relentlessly championing "targeted poverty alleviation" for realizing the "moderately prosperous society", this was his clearest statement that poverty alleviation is his highest priority.

**Main contradiction reinforced**

Two unpleasant events in Beijing reinforced the new "principal contradiction", highlighting "the people's ever-growing needs for a better life" as that surprisingly powerful lens for viewing Chinese society. The first was alleged child abuse at a kindergarten. The second was a fire in which 19 migrant workers died. In both cases, netizens reacted with anger: in the alleged child abuse, anger about a perceived cover-up; in the fire, anger for the disorderly and inconsiderate way of evacuating migrant workers.

When Xi first announced the new principal contradiction at the 19th Party Congress, some dismissed it as arcane Party-speak. Public reaction to the alleged child abuse and to the fire revealed its prescient and perspicacious wisdom.

The second volume of Xi Jinping: *The Governance of China*, a collection of 99 of Xi's speeches, conversations, instructions and letters, was published. The book offers a resource to follow the development of Xi's ways of thinking and ideas and to understand China's new guiding philosophy and the specific elements that compose it.

The month ended with what may seem a light touch when Xi called for China to upgrade its toilets. Toilets among the year's highlights? Xi was serious and his point is probative. For China to become a more civilized society, the hygiene of the people must be improved (especially in rural areas), and for China's tourism industry to blossom, better bathrooms are needed. Although China's leader talking toilets elicits smiles, and some say it downgrades his dignity, it demonstrates, above all, Xi's intrinsic commitment to improve the quality of life for the Chinese people.

**December:** In the first nine days of the month, Xi engaged with four international events, stressing common commitment to build a community of a shared future for all humanity.

**The four engagements**

To the "CPC in Dialogue with World Political Parties High-Level Meeting", Xi

described four views of the future: a world that is safe and free of fear; prosperous and free of poverty; open, inclusive and free of isolation; and environmentally clean and beautiful.

At the "Fourth World Internet Conference", Xi asserted how the internet posed new challenges for sovereignty, security and development.

At the "2017 Fortune Global Forum", Xi called for openness and innovation to enhance global economic growth, pledging to liberalize and facilitate trade and foreign investment in China.

And at the "South-South Human Rights Forum", Xi emphasized that "human rights must and can only be promoted in light of specific national conditions and people's needs".

The CPC's Dialogue with World Political Parties was path-setting in that it put the world on notice that a transformed CPC under Xi is reaching out globally with pride and confidence — explaining, especially to developing countries, the developmental benefits of party leadership and party building. The point of debate, as it were, has shifted from whether the China model of a perpetually ruling party (with all that entails) is good for China to how the China model is good for other countries.

At a meeting of the Political Bureau of the CPC Central Committee, Xi directed authorities to improve digital infrastructure, promote the integration and sharing of digital resources, and protect data security, in order to better serve the nation's economic and social development as well as to improve people's lives. The big vision is to turn China into a world leader in big data and a global innovation hub for artificial intelligence by 2030.

The last major event of the year was the annual Central Economic Work Conference, which identified "three tough battles" for the next three years: preventing and defusing risks (especially financial risks), eliminating absolute poverty (China's 2020 goal), and curbing pollution (for instance, encouraging investment in environmental projects). Setting three-year targets was itself an innovation (over the traditional one-year targets), thereby strengthening long-term thinking, reducing pressures to make hasty decisions, and giving markets stable expectations.

The priority of reducing absolute debt was modified to controlling a rise in borrowing, such that China's debt-to-GDP ratio does not further deteriorate. This signaled that growth would not be jeopardized and (to the disappointment of some) debt-driven growth would continue.

To contain financial risk, China will crackdown on irregular and illegal activities in its chaotic financial industry and intensify regulatory scrutiny; continue supply-side structural reform (reducing overcapacities); and maintain a proactive fiscal policy, a prudent and neutral monetary policy, and a basically stable yuan exchange rate.

Resisting arguments for shrinking State-owned enterprises, China will make SOEs "stronger, better and bigger"; and the government will seek efficiencies by becoming more of an investor and less of an operator. China pledged to open up its markets further and to balance trade by boosting imports (US pressures, expressed vividly by Trump, were not mentioned).

**Theoretical foundation**

After five years of "practice", the theoretical foundation of China's economic development is now labeled, "Xi Jinping Thought on Socialist Economy with Chinese Characteristics for a New Era", paralleling the phrase added to the Party Constitution two months earlier. The "thought" is based mainly on Xi's new concept of development — innovative, coordinated, green, open and shared development — which has been the core of his economic philosophy.

For the first time at this annual conference, topics other than economics were on the agenda. Diverse public concerns were addressed, such as burdensome homework for schoolchildren, sex discrimination in the workplace, and online scams. This was a clear consequence of how China's new "principal contradiction" in the "New Era" now drives domestic policy; as Chinese citizens seek a "better life", the government must respond.

To pick one message to characterize the year, it is this. In 2017, under the leadership of Xi, China set the trajectory, in all vital areas, of the country's domestic development and international engagement for the next 30-plus years, to mid-century, to 2050.

Every year brings challenges. For China, no doubt, big ones lie ahead. In 2018, China will celebrate the 40th anniversary of reform and opening-up. The world is watching.

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