

OPINION

## Xi is no Putin

Unlike Russia's president, China's leader has consolidated power to advance reform



William H. Overholt



Chinese President Xi Jinping's apparent quest for more authority is driven more by necessity than a penchant for power. © Reuters

Commentary in the West about Chinese President Xi Jinping's consolidation of power has focused almost exclusively on his perceived ambitions and crafty strategies as well as comparisons with Russian President Vladimir Putin, with little regard for the Communist Party's stated goals.

This approach makes the widespread official and public support within China for Xi appear inexplicable. For a deeper understanding, observers need to engage seriously with Chinese ideas and address the issues as the country's leaders see them.

China's elites desperately fear disintegrative social forces and face massive opposition to vital reforms. Rightly or wrongly, the constitutional amendments approved by the National People's Congress in March, including the removal of presidential term limits, addressed those concerns.

Contemporary China's problems have deep roots. Frenetic market reforms under Zhu Rongji during his 1991-2003 tenure as vice premier and then premier resulted in exceptional economic growth at the cost of extraordinary social stress. He tried to cut the bureaucracy in half and in one decade caused 45 million state enterprise workers to lose their jobs. By 2003, Chinese society was stressed out and anger at Zhu was intense.

In reaction, Hu Jintao, then China's president, promised to restore a "harmonious society." He largely curtailed market reforms, allowed the bureaucracy to metastasize from 40 million officials to 70 million, and overlooked widespread corruption.

Key leaders and scholars became fearful that the central authority risked losing control over local interests: large companies, local governments, the military and parts of the party-state bureaucracy. They feared these groups had become so powerful that they could block needed reforms.

A new leadership consensus reacted to decisively recentralize authority. The Politburo Standing Committee, the party's highest leadership group, was cut from nine to seven members.

To facilitate agreement, the leaders excluded outlying reformist and reactionary views. They created new "small leading groups" for key policy areas as well as a National Security Council.

All were subordinated to Xi, the new, more energetic leader who took over as Communist Party general secretary in November 2012 and as president four months later. Unlike during the transition to Hu's leadership, Xi gained immediate authority over the military and was partially buffered against the influence of retired leaders.

None of these moves can be tied to Xi's guile or powerful political base; his personal power base was relatively weak to begin with. The changes happened because a workable leadership consensus came together.

Xi has needed all available power since then. The most pervasive problem when he took office was hideous corruption among top officials and military officers. The archetypal obstacle to reform was the so-called Petroleum Faction, a group of officials who gained billions from exploiting controlled energy prices. They were led by Zhou Yongkang, the nation's security chief and a member of the Politburo Standing Committee.

Major Chinese interest groups contain more people than most European countries. Reforms now planned would severely damage the position of the most powerful interest groups in Chinese society and could induce massive opposition.

Take local governments. One noteworthy local government owed debt service payments exceeding its tax and fee revenues. It serviced its debts by seizing land from private owners and selling it.

Under pending reforms, land sales would drastically decline, interest rates would rise more freely, "innovative" financing methods would be curtailed and local governments would have to begin providing education, unemployment insurance, pensions and medical insurance to migrant laborers who often constitute half their resident population.

Facing such challenges, party, government, business and military units have seen resistance as necessary to survival. One top business leader told me, "The atmosphere in Beijing is: 'You die or I die'."

Xi has eliminated political competitors but that has not automatically meant that he could implement strong reforms. To control financial risk, he needs a property tax. To control geopolitical risks, he needs to bring assertive Chinese fishing fleets under central control. To resolve the gigantic local government debt problem, he needs vast fiscal reform. To improve the environment, he must close hundreds of thousands of small factories and discipline the biggest companies.

He also must institutionalize his anti-corruption campaign. Moreover, having broken the taboo against taking down senior leaders for corruption, he needs to protect himself and his reforms against a post-retirement backlash from traumatized elites.

Xi has won wide public support for the anti-corruption campaign and reform goals which include strengthening the party to counteract centrifugal forces. The middle classes have welcomed their newfound ability to reserve restaurant tables previously booked solid by corrupt officials, and bright young graduates love the promotion prospects created by Xi's dispatch of the same crew.

This is not Putinism. Yes, both men are authoritarians, but Putin's party is his personal instrument whereas Xi is an instrument of his party. Putin is not tackling corruption, improving the environment or reforming the Russian economy. Xi already has major accomplishments to show for his first term.

China is quickly relinquishing old industries, like the making of cheap socks, and building more modern ones, such as biotech and telecom equipment. Overproduction of steel and other materials is declining fast. Environmental amelioration is accelerating. Xi's geopolitical vision is inspiring many.

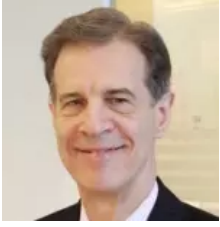
To understand China's president and public support for him requires us to confront such policy substance. The leadership who pushed him forward believed that the status quo was unacceptable and that democratization would unduly strengthen reactionary interest groups. Understanding this does not of course condone Beijing's severe repression of religious and other freedoms.

Reformist intentions also do not of course assure that an extended presidency will solve China's problems. Xi's disruption of the old corrupt elite could give way to a new extractive elite around him. His promises to marketize state enterprises and to enhance the rule of law contradict his determination to exert tighter party control over state companies and the courts. His new, decentralized corruption-fighting agency might become a collection of corrupt local satraps. Rising discontent among academics, professionals, private enterprises and religious people could coalesce with interest group power struggles to undermine him.

Longer term, even more difficult challenges will arise. If Xi doesn't successfully reform the economy, he will lose authority. If he does reform the economy, public attention will turn to political reform. Just as the economy is now too complex to be managed in detail by Beijing leaders, so is the polity. Xi has articulated no persuasive strategy to manage that. Sitting on the lid of a boiling kettle won't work forever.

In a third term, Xi could so fear retribution for the injuries inflicted by reforms on various elites that he might position himself, disastrously, in a defensive crouch. One of the great virtues of the reform years has been that each new leader has compensated for the weaknesses of his predecessor; without term limits, that virtue now seems lost. Possibly the broader party leadership will refresh policy with or without Xi; those who misperceive Xi as a Putin miss that possibility.

China's future is difficult to predict. But if we understand the leadership's goals, we can monitor their trajectory. Watch whether Xi can impose a property tax, control the fishermen, give Beijing more days of blue sky and recast the division of revenues and responsibilities between the center and local governments.



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