

FOCUS · China's new political-economic cycle: a moment of truth for the Asian Giant?

Last October, the 19th National Congress of the Communist Party of China (CPC) was held in Beijing, an event that takes place every five years. All analysts were eagerly monitoring this meeting as the CPC lies at the heart of political power in China with great influence over the rest of the political and economic institutions.¹

To begin with, the General Secretary of the CPC and the country's President, Xi Jinping, has strengthened his leadership Congress and will have greater leeway on his second term to implement. The numbers speak for themselves: the new Politburo, the decision-making body made up of top CPC leaders, has 15 members closely allied to Xi Jinping out of a total of 25 members. This figure was only 6 in the outgoing Politburo. Members close to other standpoints, such as those of former presidents Hu Jintao and Jiang Zemin, have lost a lot of weight in the new Politburo.

The consolidation of Xi's power can be seen in facts that, although symbolic, are of undeniable relevance. The first is that the CPC's constitution has been reformed so that it enshrines Xi's political thought, a recognition only paid previously to Mao Zedong.² The second is that the two military members of the Politburo are also very close to Xi.

However, there are still doubts as to who will be the Chinese leader from 2022, once Xi completes his second (and, theoretically, last) term. For the first time since the early 1990s, the Politburo Standing Committee, a group of 7 Politburo members headed by the General Secretary and representing the top echelons of the Chinese hierarchy, has not appointed a successor to the leader at the start of his second term. Some analysts have interpreted this as preparing the way for Xi to remain China's leader beyond 2022, although this has yet to be confirmed. Theoretically, the CPC General Secretary could remain in office for more than two terms if the unwritten age limits were not respected.³ For the past 20 years, the convention has been that anyone aged 68 and over cannot be elected to the Standing Committee.⁴ In fact, with the current age limits, only three Politburo members, none of whom sits on the Standing Committee, could succeed Xi in 2022 and govern until 2032. These

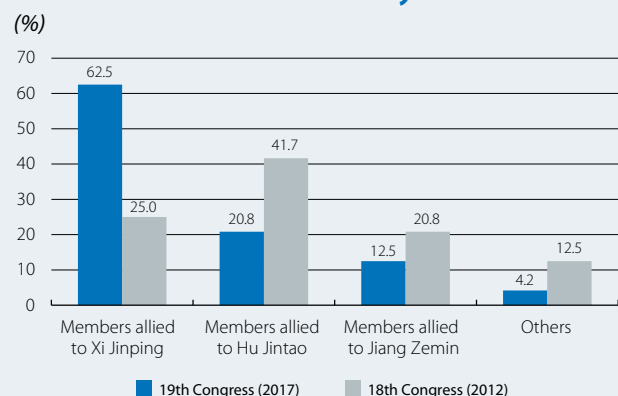
are Chen Min'er, who is closely allied to Xi Jinping; Ding Xuexiang, also close to the current leader; and Hu Chunhua, from the group most closely aligned with Hu Jintao.

In economic terms, the election of Xi's economic adviser and close collaborator, Liu He, as a new Politburo member seems to indicate that economic policy will not undergo any major changes, at least in the near future. The rebalancing of the economy is therefore expected to continue gradually. The big question is whether the Chinese President, with more room to manoeuvre, will choose to move more decisively down the path of reform in order to reduce the country's high debt.

Nevertheless, Xi Jinping did give some clues in his opening speech at the Congress about the nature of his second term. In particular, the Chinese leader stressed the need for balanced economic growth and announced the continuation of reforms of state-owned enterprises to improve their efficiency and also measures to maintain financial stability. All unmistakable signs that Xi intends to ensure that the rebalancing of the economy goes as smoothly as possible.

However, the Chinese authorities are still rather ambitious with their growth targets. Xi hinted that the target set at the 2012 Congress, namely to double China's per capita income between 2010 and 2020, remains in place. This is a considerable challenge. According to our estimates, China's average annual growth would have to be a substantial 6.5% between 2018 and 2020 to reach the target.

Ideological composition of the Politburo of the Chinese Communist Party



Note: The Politburo has 25 members but the percentage is made up of 24 members, since one of the members is Xi Jinping himself.

Source: CaixaBank Research.

1. See the Focus «China's Game of Thrones: the keys and complexities of the political system» in MR10/2017.

2. The importance of the thoughts of Deng Xiaoping were also recognised, but posthumously.

3. On the other hand, the Chinese Constitution establishes that the country's President cannot run for a third term.

4. Xi will be 69 in 2022, when the next National Congress of the Communist Party of China is held.