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China's Economic Decisionmakers

The country's new economic leadership team will need to work together to balance China's economic growth with its sociopolitical challenges

Cheng Li

Between the 17th Chinese Communist Party (CCP) Congress in October 2007 and the 11th National People's Congress (NPC) in March 2008, the PRC government will have undergone a major personnel transition. Senior government leaders who were not elected to the new CCP Central Committee or Central Committee Politburo in October will likely be replaced by newcomers. The leadership turnover will be the greatest, and most consequential, within China's top economic decisionmaking team.

Although President Hu Jintao and Premier Wen Jiabao will retain their government positions for another five-year term, most top economic decisionmakers, including three vice premiers in the State Council, will be replaced by first-timers. These leaders are expected to shape the country's economic policy for the next five years and beyond.

An understanding of China's emerging economic leadership team—the key players, their credentials, how they differ, and the policy initiatives they may propose—is essential for the outside world, especially for the international busi-

ness community. Such an understanding is important for two reasons. First, China is rapidly becoming a global economic powerhouse, and PRC government policies—including monetary, trade, industrial, environmental, and energy—will likely have a large impact on the global economy. The backgrounds and credentials of China's new economic leaders will influence these policies. Second, a new generation of PRC decisionmakers will ascend to the top national leadership at a time when China faces many daunting challenges, including employment pressures, environmental degradation, energy shortages, growing regional economic disparities, and income inequality. At the same time, the country's top leadership has had to become increasingly adept at responding to global financial, economic, and political realities. Without a capable and coherent economic leadership team, China will have a difficult time managing these complex economic and sociopolitical challenges on both domestic and international fronts.

Formation of the new economic leadership team

Although most of the major economic decisions in the country are subject to final approval by the nine-member Politburo Standing Committee (PSC) of the CCP, five PSC members have specialized in, and will focus on, non-economic issues such as institutional and legal development, party organization and discipline, propaganda, and public security. Only four members of the PSC—President Hu, Premier Wen, Vice President (expected) Xi Jinping, and Executive Vice Premier (expected) Li Keqiang—are partially or primarily responsible for economic affairs. Similarly, a majority of the 16 non-standing members of the Politburo oversee other functional areas, such as military affairs or educational policy, and six of these currently serve as top provincial or municipal leaders. Only three members—Hui Liangyu, Zhang Dejiang, and Wang Qishan—are considered to be leading economic decisionmakers. Observers expect these three members to become vice premiers in the next State Council, which will be appointed during the 11th NPC in March (see Table 1).

In terms of the functional areas of responsibility of the State Council's four vice premiers, Li Keqiang will probably assist Wen Jiabao in coordinating the country's overall economic development, focusing in particular on economic structural reforms and the coordination of major sectors such as finance, energy, and transportation. Barring unforeseen developments, Li is expected to succeed Wen as premier in 2012. Hui Liangyu, the only vice

premier who has served in the position since Wen's first term as premier, will most likely remain in charge of agricultural affairs. Zhang Dejiang is expected to take primary responsibility for industrial development and foreign trade policies. Former Beijing Mayor Wang Qishan, who has had leadership experience in finance and banking, will likely oversee China's financial reforms.

Ma Kai, minister of the National Development and Reform Commission (NDRC), will likely be promoted to state councilor and is expected to serve concurrently as secretary general of the State Council. Ma and a few ministers of the top economic commissions and ministries may be named junior members of China's economic leadership team. These players include Li Rongrong, minister of the State Assets Supervision and Administration Commission; Zhu Zhixin, Ma's expected successor at the NDRC; and Chen Deming, new minister of Commerce.

Two career paths: Provincial chiefs versus economic technocrats

Analyzing the professional backgrounds of China's economic decisionmakers shows that these leaders have usually advanced their careers through one of two distinct paths: by serving as party secretaries in one or more of China's 31 provincial-level administrations or by working as economic technocrats in central government min-

istries. For example, Hu Jintao, Xi Jinping, Li Keqiang, Hui Liangyu, and Zhang Dejiang advanced their careers through the provincial leadership. Although their provincial leadership experiences undoubtedly gave them opportunities to consider how best to manage provincial economies, none of these leaders can claim expertise in national economic administration, especially in the specialized areas of finance or banking. In addition, none of these leaders had any experience working in the economic ministries prior to their current posts in the top national leadership.

In contrast, Wen Jiabao, Wang Qishan, Ma Kai, Li Rongrong, Zhu Zhixin, and Chen Deming handled economic affairs at the central-government level before their current appointments. Wen worked as vice premier in charge of finance, agriculture, and state-owned enterprise reforms for several years before becoming premier. Wang, who served as Hainan party secretary for only four months, dedicated many years to agricultural reform and spent almost a decade in the leadership of China's banking and financial sectors. Ma, Li, Zhu, and Chen are also known for their long service and expertise in economic administration.

Quick Glance

- China's new economic team will influence economic and trade policies for the next five years and beyond.
- China's economic decisionmakers are generally former provincial-level party secretaries—with limited leadership experience in finance or banking—or former economic technocrats in central government ministries.
- The different priorities held by Xi Jinping and Li Keqiang, the two contenders for top leadership posts in 2012, may cause conflict—or may result in more balanced leadership.

Table 1: China's Top Economic Decisionmakers

Name	Party post after 17th Chinese Communist Party Congress	Government post after the 11th National People's Congress (expected)	Birth year	Birth place	Previous leadership posts	Prior economic administrative experience
Hu Jintao	General secretary and Politburo Standing Committee member	President	1942	Anhui	Vice president; Tibet and Guizhou PS; secretary, CCYL	None
Wen Jiabao	Politburo Standing Committee member	Premier	1942	Tianjin	Vice premier; director, CC General Office	Finance, agriculture, SOEs
Xi Jinping	Politburo Standing Committee member	Vice president	1953	Shaanxi	Shanghai and Zhejiang PS; Fujian governor	None
Li Keqiang	Politburo Standing Committee member	Executive vice premier	1955	Anhui	Liaoning PS; Henan PS and governor; secretary, CCYL	None
Hui Liangyu	Politburo member	Vice premier	1944	Jilin	Vice premier; Jiangsu PS; Anhui PS and governor	None
Zhang Dejiang	Politburo member	Vice premier	1946	Liaoning	Guangdong, Zhejiang, and Jilin PS	None
Wang Qishan	Politburo member	Vice premier	1948	Shanxi	Beijing mayor; Hainan PS; president, China Construction Bank	Finance, agriculture, urban development, economic structure reform
Ma Kai	Full member of the CC	State councilor and secretary general, State Council	1946	Shanghai	Minister, NDRC; deputy secretary general, State Council	Economic planning, SOEs, energy
Li Rongrong	Full member of the CC	Minister, SASAC	1944	Jiangsu	Minister, SASAC; minister, SETC	SOEs, foreign trade
Zhu Zhixin	Full member of the CC	Minister, NDRC	1949	Zhejiang	Vice minister, NDRC	Economic planning, finance, urban development
Chen Deming	Alternate member of the CC	Minister, Commerce (confirmed)	1949	Shanghai	Vice minister, Commerce; vice minister, NDRC; Shaanxi governor	Economic planning, foreign trade, foreign investment

Notes: CC = Central Committee; CCYL = Chinese Communist Youth League; NDRC = National Development and Reform Commission; PS = Chinese Communist Party Secretary; SASAC = State Assets Supervision and Administration Commission; SETC = State Economic and Trade Commission; SOEs = state-owned enterprises

Source: Cheng Li

The diverging career paths are even more telling if one compares the background of the ministerial-level leadership with that of provincial chiefs. Table 2 lists all 12 members and alternates on the 17th CCP Central Committee who work in the financial and banking sectors, a group that includes the heads of China's key financial institutions and banks.

All but two of these rising stars hold advanced academic degrees. Four leaders hold PhD degrees. Zhou Xiaochuan, Guo Shuqing, and Jiang Jianqing also studied in the West as visiting scholars. Liu Mingkang received an MBA from City University of London. Most important, all of these leaders are economic technocrats who have had substantial leadership experience in the financial and banking sectors. Moreover, all were promoted to their current positions from other leadership posts in the same or similar fields, and five previously served as PBOC vice governors.

Most of these figures are in their 50s, and half of them were born in Shanghai or in nearby Zhejiang and Jiangsu, reaffirming the recent trend that China's top economic elites often come from this region. State Administration of Foreign Exchange Director Hu Xiaolian and Bank of China Chair Xiao Gang, the rising stars of China's next generation of financial leaders, are in their late 40s. Most

of these individuals were appointed to their positions within the past five years, thus they can serve for at least another five-year term. It is expected, however, that two or three of these players will switch positions at the 11th NPC meeting.

In contrast, despite the fact that few provincial chiefs (party secretaries and governors) have leadership experience in the financial or banking sectors, they often go on to become top economic decisionmakers. To a great extent, leadership experience as a provincial party secretary has become the most pivotal stepping stone to top national positions in present-day China. The percentage of Politburo members with experience as provincial chiefs has increased significantly over the past 15 years, from 50 percent in 1992 to 76 percent in 2007.

The youth league connection

An important phenomenon in Chinese politics today is the large number of provincial chiefs who have climbed the power hierarchy through the ranks of the Chinese Communist Youth League (CCYL), an organization once considered a reserve for the CCP. Leaders with a CCYL background are known as "*tuanshipai*" in Chinese. They usu-

Table 2: Members of the 17th CCP Central Committee in the Finance and Banking Sectors

Name	Membership in the Central Committee	Leadership post in the finance or banking sector	Year appointed	Birth year	Birthplace	Educational background	Previous post
Xie Xuren	Full	Minister of Finance	2007	1947	Zhejiang	BA, Economic Management, Zhejiang Univ.	Director, State Administration of Taxation
Zhou Xiaochuan	Full	Governor, PBOC	2002	1948	Jiangsu	PhD, Engineering, Qinghua Univ.; VS, Univ. of California Santa Clara	Chair, CSRC
Liu Mingkang	Full	Chair, China Banking Regulatory Commission	2003	1946	Shanghai	MBA, City Univ. of London	Chair, BOC
Shang Fulin	Full	Chair, CSRC	2002	1951	Shandong	PhD, Economics, Southwestern Univ. of Economics and Finance	Chair, ABC
Wu Dingfu	Alternate	Chair, CIRC	2002	1946	Hebei	BA, Chinese, Hubei Univ.	Executive vice chair, CIRC
Guo Shuqing	Alternate	Chair, China Construction Bank	2005	1956	Heilongjiang	PhD, Philosophy, CASS; VS, Oxford Univ.	Vice governor, PBOC
Jiang Jianqing	Alternate	Chair, ICBC	2000	1953	Shanghai	PhD, Management, Jiaotong Univ.; VS, Columbia Univ.	Vice chair, ICBC
Chen Yuan	Alternate	Chair, China Development Bank	1998	1945	Shanghai	MA, Economic Management, CASS	Vice governor, PBOC
Hu Xiaolian	Alternate	Director, State Administration of Foreign Exchange	2005	1958	NA	MA, Finance, PBOC Institute of Finance	Assistant and vice governor, PBOC
Xiao Gang	Alternate	Chair, BOC	2003	1958	Jiangxi	MA, Law, Renmin Univ.; BS, Finance, Hunan Univ.	Vice governor, PBOC
Xiang Junbo	Alternate	Chair, ABC	2007	1957	Chongqing	MA, Economics, Renmin Univ.; PhD, Law, Beijing Univ.	Vice governor, PBOC
Lou Jiwei	Alternate	Chair, China Investment Corp.	2007	1950	Zhejiang	MA, Economics, CASS	Deputy secretary general, State Council

Notes: ABC = Agricultural Bank of China; BOC = Bank of China; CASS = Chinese Academy of Social Sciences; CCP = Chinese Communist Party; CIRC = China Insurance Regulatory Commission; CSRC = China Securities Regulatory Commission; ICBC = Industrial and Commercial Bank of China; NA = not available; PBOC = People's Bank of China; VS = visiting scholar; Univ. = University
 Source: Cheng Li

ally have some form of patron-client ties to Hu Jintao, dating back to the mid-1980s when Hu headed the CCYL. Table 3 lists 24 provincial chiefs with CCYL backgrounds. All of these figures currently serve on the 17th CCP Central Committee, with Guangdong Party Secretary Wang Yang and Xinjiang Party Secretary Wang Lequan also serving on the 25-member Politburo.

Of the provincial chiefs with a CCYL background, 74 percent head inland regions. In contrast to top leaders with backgrounds as economic technocrats, only one of these provincial chiefs, Qiang Wei, was born in the Shanghai-Zhejiang-Jiangsu area. Most striking, only one of these heads, Jilin Governor Han Changfu, has had any experience in finance, banking, or foreign trade. Han once worked as an assistant to Wen Jiabao in financial and agricultural issues and subsequently served briefly as deputy director of the General Office of the CCP Central Finance Leading Group in the late 1990s. Most of these heads have leadership experience in rural work, party organization and discipline, propaganda, and legal affairs rather than economic administration.

Tuanpai and princelings: Factional tensions and policy differences

Since several provincial chiefs with a CCYL background lead China's economic decisionmaking team, one may wonder whether factional tensions might significantly affect the economic decisionmaking process. *Tuanpai* leaders account for 37 percent of the provincial party chiefs in China and 86 out of 371 members—23 percent of the total—in the 17th CCP Central Committee. In the 25-member Politburo, *tuanpai* leaders occupy eight seats (32 percent), including Hu Jintao, Li Keqiang, Li Yuanchao, Wang Yang, Liu Yandong, Wang Lequan, Wang Zhaoguo, and Liu Yunshan. These figures comprise a populist coalition with other senior leaders like Wen Jiabao and Hui Liangyu.

Tuanpai leaders, however, have to share power with another formidable, though probably less cohesive, political coalition that consists primarily of “princelings” (leaders who come from families of former high-ranking officials). This coalition includes members of the so-called “Shanghai Gang” and other protégés of former party head Jiang Zemin. The most prominent Politburo leaders in

Table 3: Provincial CCP Secretaries and Governors with CCYL Backgrounds (as of February 2008)

Leader	Membership in 17th CCP Central Committee	Current position	Year appointed	Birth year	Birthplace	Experience in finance, banking, or foreign trade
Wang Yang	Politburo	Guangdong PS	2007	1955	Anhui	None
Wang Lequan	Politburo	Xinjiang PS	1995	1944	Shandong	None
Zhang Qingli	Full	Tibet PS	2006	1951	Shandong	None
Zhang Baoshun	Full	Shanxi PS	2005	1950	Hebei	None
Liu Qibao	Full	Sichuan PS	2007	1953	Anhui	None
Qian Yunlu	Full	Heilongjiang PS	2005	1944	Hubei	None
Qiang Wei	Full	Qinghai PS	2007	1953	Jiangsu	None
Huang Huahua	Full	Guangdong governor	2003	1946	Guangdong	None
Li Chengyu	Full	Henan governor	2003	1946	Ningxia	None
Song Xiuyan	Full	Qinghai governor	2004	1955	Liaoning	None
Yuan Chunqing	Full	Shaanxi governor	2006	1952	Hunan	None
Qin Guangrong	Full	Yunnan governor	2006	1950	Hunan	None
Luo Baoming	Full	Hainan governor	2007	1952	Tianjin	None
Han Changfu	Full	Jilin governor	2006	1954	Beijing	Deputy director, General Office of Central Finance Leading Group
Jiang Daming	Full	Shandong governor	2007	1953	Shandong	None
Yang Jing	Full	Inner Mongolia chair	2003	1953	Inner Mongolia	None
Huang Xiaojing	Full	Fujian governor	2004	1946	Fujian	None
Meng Xuenong	Full	Shanxi governor	2007	1949	Shandong	None
Zhou Qiang	Full	Hunan governor	2006	1960	Hebei	None
Wang Sanyun	Alternate	Anhui governor	2007	1952	Shandong	None
Li Zhanshu	Alternate	Heilongjiang governor	2007	1950	Hebei	None
Chen Zhenggao	Alternate	Liaoning governor	2007	1952	Liaoning	None
Nur Bekri	Alternate	Xinjiang chair	2007	1961	Xinjiang	None
Luo Zhijun	Alternate	Jiangsu governor	2008	1951	Liaoning	None

Notes: CCP = Chinese Communist Party; CCYL = Chinese Communist Youth League; PS = Party Secretary
Source: Cheng Li

this more elitist coalition include Xi Jinping, Zhou Yongkang, Wang Qishan, Yu Zhengsheng, and Bo Xilai. Several likely members of China's next economic and financial leadership team, including Zhang Dejiang, Chen Deming, Zhou Xiaochuan, Jiang Jianqing, Chen Yuan, and Lou Jiwei, also belong to this coalition. Most of these members have strong backgrounds in economic administration—particularly finance, banking, and foreign trade—and have spent most of their careers in economically advanced coastal cities.

These two factions differ in terms of their sociological and professional backgrounds and tend to have competing policy initiatives. Many observers have characterized the Jiang Zemin era by its rapid economic growth and its growing regional and urban-rural income disparities. Thirty years of economic reform have created a wealthy entrepreneurial class in China but have also left many behind. The coming-of-age of Hu Jintao and his *tuanpai* leaders in the past few years, however, has led to several major shifts in China's economic development strategy, including the following four changes in emphasis:

- From focusing on rapid gross domestic product (GDP) growth to relying more on environmentally friendly methods of growth that consume less energy;
- From emphasizing urban construction, foreign investment, and foreign trade to exhibiting greater concern for rural improvements and stimulating domestic demand;
- From emphasizing coastal development to seeking more balanced regional development; and
- From favoring entrepreneurs and other elite groups to protecting the interests of farmers, migrant workers, the urban unemployed, the elderly, and other vulnerable social groups.

To a degree, leaders of the elitist coalition also recognize the need for these policy shifts, just as those in the populist coalition understand the importance of maintaining rapid economic growth to meet the rising expectations of China's middle classes in coastal cities. The two factions share an interest in domestic social stability and the aspiration to see China's rise on the world stage continue. These common goals often push the two factions to compromise and cooperate with each other. Yet, because they represent competing geographic regions and socio-economic constituencies, the policy differ-

ences between the princeling and *tuangpai* factions are as significant as the contrasts in their personal backgrounds.

Equally significant, Xi Jinping and Li Keqiang, the two contenders for top leadership posts in 2012, could have strikingly different policy priorities. Xi's enthusiasm for continued private sector development and market liberalization is well known to the Chinese public and the international business community. Unsurprisingly, his primary policy concerns include promoting economic efficiency, attaining a high rate of GDP growth, and integrating China further into the world economy. In contrast to Xi, Li has been noted for his concern for the unemployed, his efforts to make affordable housing more widely available, and his desire to develop a rudimentary social safety net, starting with the provision of basic healthcare. For Li, reducing economic disparities is a more urgent policy priority than enhancing economic efficiency. These diverging policy priorities will likely grow in importance as Xi and Li consider how much China should respond to growing foreign pressure for renminbi appreciation and how seriously China should deal with issues such as global warming and environmental degradation.

Looking ahead

A vicious power struggle between Xi and Li and the factions they represent is, of course, hardly inevitable. Political competition in China is by no means a zero-sum game, as Xi can succeed Hu while Li can take over Wen's premiership. For the next five years, under the watchful eyes of Hu and other top leaders, these two potential successors may find that they are able to cooperate. But this new model of dual successors will also likely encourage these two leaders to demonstrate their capacities and achievements rather than maintain low-profile leadership styles. The history of contemporary China has shown that differences in the political

backgrounds and career experiences of top politicians are often sources of tension and conflict. On the policy front, conflicting interests and competing policy initiatives may make the decisionmaking process longer and more complicated—and perhaps even lead to deadlock.

Yet one can also argue that because leaders enjoy differences in expertise, credentials, and experiences, contending elite groups may realize that they need to find common ground to coexist and govern effectively. The tension and interaction between *tuangpai* and princeling factions—between populists and elitists in the leadership—exemplifies a new mechanism of power-sharing through checks and balances among competing political camps. These new dynamics may result in a shift away from policies aimed at maximizing GDP growth rates at all costs, which have led to enormous environmental degradation over the past two decades. Instead, a more balanced leadership may produce policies that provide due consideration to economic efficiency and social justice, domestic demand and export-led growth, and rapid economic development and the environment.

The next five years will test whether China's economic decisionmakers can manage the daunting socio-economic challenges confronting the country. To a great extent, this period may determine whether this emerging economic giant will be able to develop a more accountable, responsive, transparent, and pluralistic political system. The world must hope that the new PRC economic decisionmaking team is up to this task. 完

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