China at the Crossroads: Power, Politics and Transition at the 18th Party Congress
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Background

CPC vs. NPC: The Communist Party Congress (CPC) is a more political, strategic and overarching meeting than the National People’s Congress (NPC). While the NPC largely concerns itself with overall State administration/government operation, economic policy and regulatory affairs, the CPC is the true political heart of China. Given its dominating role, the Party Congress sets the tone and overall political direction of the country which will be followed by delegates to the NPC next March.

Personnel who were appointed to Party positions during the CPC will assume parallel or semi-parallel positions in government at the upcoming NPC in 2013. Xi Jinping became Party Secretary General during this CPC, and will assume the office of the president at the NPC. Likewise, Li Keqiang, who now holds the number two spot on the Politburo Standing Committee, will likely become the new Premier at the NPC.

Bo Xilai and rifts in the Party: A tremendous amount of media attention domestically and internationally has focused on the disgraced former party chief of Chongqing, Bo Xilai. His sacking appears to indicate a number of fissures in the Party concerning the future direction of the nation - topics which undoubtedly underpinned this CPC. At the time, Bo had been a member of the Politburo and an aspirant to its Standing Committee.

State-Owned Enterprises (SOEs): Despite reforms which have transformed the Chinese economy over the past three decades, the state retains significant control over the economy through State-Owned Enterprises (SOEs). Reform of SOEs was a major political undercurrent at the 18th Party Congress. SOEs were heavily criticized in the lead-up to the Congress for a number of serious issues, including: being at the root of the nation’s innovation crisis, incentivizing fake and low-quality products by forcing down prices in their supply chains, misallocating capital and constraining capital available to the private sector, among others.

But the argument against reforming SOEs significantly is precisely because of their preferential treatment. Revenues have grown their share of GDP 10% in the last five years. SOEs form a hefty portion of the government’s tax base, and the most profitable SOEs are centrally administered, allowing Beijing to bypass provincial governments.

The Communist Party in Figures

Of 80 million general members, 7 million members are in government, 25 members are in the Politburo, and just 7 are in the Politburo’s Standing Committee.
What’s the Implication for Business?
Stay watchful, stay tuned

Party Congress
Nov. 2012
Sets the political direction, which will be implemented in the coming years, thus has key implications for business operation.

NPC
March 2013
Government Work Report outlines and clarifies overall policies in economic, political, social and cultural areas and initial implementation measures based on the spirit of the CPC Congress.

Central Economic Work Conference
Dec. 2013
- The 1st economic conference of the new leadership
- Will map out the economic blueprint
- The new leadership will have been in power for roughly a year and in a position to clarify and elaborate on their economic development goals
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Overview of the 18th Communist Party Congress

As the newly minted leader of his Party, Xi Jinping approached the dais at the Great Hall on November 15, 2012, to a much different Republic than his predecessor first found.

When Hu Jintao became its General Secretary ten years ago, China was the world’s sixth largest economy. Today it is the second. Then, it barely had a “green water” navy capability; today it is an aspiring “blue water” force capable of extending its forces to protect its shipping interests against pirates in Somalia; and conducting exercises as far away as the Mediterranean. It recently put “taikonauts” in orbit around the earth and has announced plans to plant the Chinese flag on the moon. The eyes of the world are fixed on Beijing as China faces a crossroads – economically, politically and socially – arising from its meteoric rise.

While China’s most rapid phase of growth may be tapering off, multinational companies (MNCs) acknowledge that as the economy matures, huge opportunities still await those who understand the economically and politically shifting landscape.

Meanwhile, calls for reform have grown into a chorus around the world. MNCs are frustrated at what they perceive to be an unequal playing field with SOEs who, they say, receive preferential lending from State banks and favorable policies from various levels of government. Economists caution that China must transform itself into a consumer based economy; cheap labor is no longer so cheap, capital markets are tight, relations with its neighbors are increasingly prickly and, in the case of Japan, bordering on hostile.

Depending on the industry in which you operate, the list of challenges may only deepen.

On the eve of political transition, The Economist published a cover photo of Xi on a throne, declaring him “The man who must change China.” The day he was appointed leader of the Party (he becomes the president in March) The Wall Street Journal ran a front-page headline: “Xi inherits an economy that needs to work.”

The question is: what will the change be? And what is the work that will be done?

When Xi stepped onto the crimson stage as the General Secretary of the Communist Party, followed by the six men of the Politburo Standing Committee, Western observers were quick to note that two reformers touted as likely picks for the Standing Committee were not present. Many concluded this was a sign of the Party’s reluctance to promote obvious icons of change within the ranks, or at least to do so in the first year of a new administration.

While China-watchers and pundits were eager for substantive declarations from the Party during the weeklong Communist Party Congress (the “CPC” held November 8 – November 15, 2012), many failed to note that this was the first stop along a coronation route – a party

Key Developments from the 18th CPC

- Xi Jinping is selected as General Secretary of the Communist Party of China and Chairman of the Party Central Military Commission
- Politburo Standing Committee is comprised of seven members, down from nine
- China will continue to maintain its current political direction of opening up towards Western countries
- Hu Jintao’s “Scientific Development” is written into the Party Constitution as a guiding ideology of the CPC, highlighting the importance of environmental conservation
convention before the official transition of the presidency at the National People’s Congress next March.

Unlike the West, in which President-elects and Prime Ministers are awarded political power publically and spend it quickly, political power in China is a slow burn. It is accumulated behind closed doors and can last a lifetime; which is how 86 year old former President Jiang Zemin secured important posts for his protégés this year.

In this light, expectations were high but unrealistic for a singular weeklong Party gathering. Foreign publications asked bold questions about what Xi and China’s new leaders would do with their hands freshly on the levers of power, but rarely in China do the answers come so quickly. Sweeping reforms were unlikely to be seen in a Party that rules by a (sometimes mysterious and hidden) consensus and power-brokering process. This is especially so in light of recent crises, such as the fall from grace of one of its top members, Bo Xilai.

Former President Deng Xiaoping taught his protégés to “cross the river by feeling the stones.” If one were to identify the most important delivery from this year’s CPC, it is that we know who is in the river for the next five to 10 years; it will take some time to see the stones they step upon or the direction they take to cross the river.

While some questions remain unanswered, what is clear is this: Xi was much calmer at the dais than those before him (Hu was literally shaking). He was confident and collected, and the six men behind him will likely pose less of a challenge in terms of a power struggle compared with those who were at Hu’s back. The seven-member power center (down from nine) is expected to work more efficiently and effectively, which brings some hope for Xi to break through potential deadlocks and carry out the deeper reforms in essential areas where China cannot afford to wait for change.

In March, Xi Jinping will be formally installed as the country’s president and the seeds of his policies planted. Issues such as intellectual property and food safety, energy policies and lending practices of state banks will be addressed, and the economy will reign as item number one while the world continues to grapple with the global recession. MNCs will need to watch these changes carefully.

Whether or not the week felt like it, change is underway here, and the next year offers a unique opportunity for companies to shape policies and adapt to economic and social changes. This was just the first drop in the world’s (second) largest bucket.
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National Congress of the Communist Party of China (Party Congress)

October/November

Outgoing Secretary General gives
Party Work Report
- Major, overarching direction for governance
- Macro policy direction
- Few policies related to any specific industry

Party Congress elects new:
- Party Secretary General
- Chairman of Central Military Commission
- Politburo Standing Committee

The Party Congress is a political, strategic and overarching intra-Party meeting which sets the political direction of China. 2012 was a critical year because of the once-in-a-decade leadership change.

Sets the tone for

Outgoing Premier gives
Government Work Report
- Comprehensive and detailed
- Principally concerned with the needs of various strategic industries and specific policies
- How crucial policies will be implemented

ELECTS
- President
- Premier

March

National People’s Congress (NPC)

As the nation’s legislature, the NPC debates and approves laws. It also elects government officials. Day-to-day, it is supposed to oversee the State Presidency, the State Council, the Supreme People’s Court, the Supreme People’s Procuratorate (China’s public prosecutor’s office), and the military.
On the Economy

Hu unveiled plans to keep GDP on track to double in size by 2020 and to make China's currency and interest rates more market-based. In the current five year plan that runs from 2011 to 2015, the government is aiming for an average annual increase in GDP of 7%. The target for growth in 2012 is 7.5%, while growth in 2011 was 9.2%. The plan mandates annual increases in urban and rural household incomes of more than 7%, which would result in them doubling over 10 years, echoing Hu’s target in his report of “doubling people's per capita income.”

The disparity of incomes has become a politically sensitive issue as the gap between rich and poor has widened significantly. About 13% of the nation’s 1.3 billion people still live on less than USD 1.25 per day according to the United Nations Development Programme, and average urban disposable income is just RMB 21,810 (USD 3,460) per year. Meanwhile the nation has 2.7 million USD millionaires and 251 billionaires, according to the Hurun Report1.

Economic challenges are sometime best seen on the road of a city, and in Beijing a Lamborghini often rockets through the gates of the Worker’s Stadium, while vendors sell food outside for the equivalent of 20 cents. Day-laborers work round-the-clock to finish luxury residential buildings, one marble slab at a time.

Economists note that as China’s economy matures, it must rebalance to a consumer-based economy, which requires severe reforms of the State-owned enterprises and lending structures, and a willingness to address these economic disparities.

Hu’s Report outlined that China would accelerate the improvement of the socialist market economic system and

Key Pathways to Address Economic Challenges in Hu’s Report

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<tr>
<th>Challenge</th>
<th>Key Pathway</th>
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<tr>
<td>Balance</td>
<td>Shift economic development away from investment and trade to domestic consumption by building a consumer society, increasing income, addressing income disparity and pushing for joint development of urban and rural areas.</td>
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<tr>
<td>Coordination</td>
<td>Encourage indigenous innovation and build an innovation-driven economy to boost industrial upgrading.</td>
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<tr>
<td>Sustainability</td>
<td>Promote sustainable development through “Scientific Development”</td>
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accelerate the transformation of the economic development mode, but it lacks clear substance about how these goals can be achieved in a reasonable timeframe and effective manner.

This leaves a significant “to-do” list for the incoming administration, as it looks to tackle three well-known challenges: imbalance, lack of coordination and unsustainable development.

**Intellectual Property**

Intellectual property (IP) was mentioned in the Party’s Report again this year, after being introduced in 2007. This may be good news to MNCs, especially those hesitant about expanding in China due to IP concerns, but it could also mean that China will demand more than just capital from foreign investments, and could require “technology transfers” to spur domestic innovations.

The Party is showing an understanding of the importance of IP, evidenced by the fact that it was elevated as a national strategy in the past five years. As China pushes for an industrial upgrade and shifts its economic development engine to consumer consumption, IP is also being regarded as a critical component in instigating domestic innovation – another topic that was heavily talked about in Hu’s Report. The Party is endeavoring to see more goods “created in China,” rather than just “made in China.”

**On Politics**

The two most important developments of the CPC were intra-party related: President Hu Jintao transferred political power and military power at the same time. Secondly, Hu blasted a warning that left uncontrolled within the ranks, corruption could lead to the fall of the party and the state. Largely, though, political reform was light.

Despite calls for political reform by outgoing Premier Wen Jiabao, Hu opted to skirt the edges, with a broad call to address corruption because of its potential to undermine the Party’s authority (echoed by Xi in his speech to delegates). But neither Hu nor Xi addressed judicial reform needed to bring corrupt officials to book. The question of broadening democracy within the Party was sidestepped by a proposal to allow delegates to table motions collectively. Those at the top will continue to wield the power.

Hu’s contribution to the Party’s theoretical framework was enshrined as “Scientific Development,” following in the tradition of successive generational themes: Marxist-Leninist Thought, Mao Zedong Thought, Deng Xiaoping Thought, and Jiang Zemin’s “Three Represents.” For Xi, “Hu Thought” will require balancing developmental needs with sustainable growth and equitable wealth distribution to achieve Hu’s objective of a “harmonious society.”
Political Reform

Based on Hu’s report, which expressed commitment to the one-party state and the tenets of communism, it seems for the time being that structural political reform is off the table.

Hu’s report did not provide answers or reflect clearly on any of the hotly debated issues. Instead, it navigated along a conservative path:

- Judiciary independence was not properly addressed in the report or elevated. Judges swear an oath to the party, omitting any credible element of judicial objectivity.

- Instead of breaking the widely perceived monopoly of SOEs, Hu’s report only offered limited encouragement for narrowing the government investment in SOEs and reaffirmed that SOEs will remain the mainstay of China’s economy.

- Besides highlighting anti-corruption and the proposed motion system that enables Party delegates to collectively put forward their opinions and suggestions, there’s not much new to President Hu’s report on intra-Party democracy.

Corruption

Corruption has swelled in recent years, and came to a head—symbolically at least—with the imprisonment of Bo Xilai, a Party leader touted as a top contender for the Politburo Standing Committee.

In his address, Hu issued a stark warning to party leaders that corruption could trigger a collapse of the Party. “Combating corruption and promoting political integrity, which is a major political issue of great concern to the people, is a clear-cut and long-term political commitment of the Party,” Hu said.

Meanwhile, Xi authored an article in the People’s Daily and other publications days after his appointment, ordering all Party members to strictly obey the Party constitution. The People’s Daily concluded: “[Xi’s] remarks are a sign of the new leadership’s determination to fight corruption in the coming years.”

In the first meeting of the Politburo the Monday of the Party Congress, which was broadcast across state media, Xi reinforced this point even further: “A large number of facts tell us that the worse corruption becomes, the final outcome can only be the end of the party and the end of the state! We must be vigilant!”

Revision of the Party Constitution

Hu Jintao’s “Scientific Concept of Development” was incorporated into the Party Constitution, following on from earlier developmental stages themed as Marxism-Leninism, Mao Zedong.
Thought, Deng Xiaoping Theory, and Jiang Zemin’s “Three Represents.”

Typically, outgoing leaders leave indelible marks on “theoretical pillars” and Hu’s addressed the important concern of environmental degradation.

There were misinformed rumors that Mao Zedong Thought would be dropped as a guiding ideology of the Party, but Hu referred to “Mao Zedong Thought” three times in his report reinforcing its importance; he also said the Party must “resolutely not follow Western political systems,” reflecting the conservative attitude of the Party to maintain stability and continuity.

Clear Path of Succession

Hu’s final act as leader of the Party was to establish a clear precedent of succession. Ten years prior, Jiang Zemin relinquished Party control but retained military power for an extra two years. In a break from the past, Hu simultaneously transferred political and military power fully. This provides Xi a clear foundation to carry out his agenda and is arguably the biggest highlight of the CPC. Leadership handover, largely secretive, took a step towards being institutionalized. Given the critical environment in which Xi finds himself, it also suggests Hu’s belief that an effective leader must have consolidated power, perhaps a lesson that he had learned the hard way in his first years in the presidency. Importantly many are suggesting that Hu’s “sacrifice” for the greater good of the party will enable him to move his protégés onto the Standing Committee in five years’ time when five of the newly appointed members will have to retire.

Foreign Affairs and Military

Hu pledged in his Report to continue military modernization. It is expected that China, with its growing economic power, will take a more proactive attitude towards participation in international affairs, which has already been reflected in China’s recent dispute over the South China Sea with the Philippines and Diaoyu (Senkaku) Islands with Japan.

Of growing importance is how China can progress foreign policy objectives, from asserting the rights of the developing world on environmental issues to securing resources and protecting sea-lanes, to territorial disputes. China’s rise, compounded by nationalist sentiment, means Xi will likely be pressured to be more assertive internationally.

Impact on Business

China’s overall approach indicates a strong intent to remain open to the West – a positive for MNCs. But the next 12 months present a unique window as the new government comes to power. There will be opportunities to influence pending decisions. Certain issues have inevitable impacts for those in China and those looking to come to China. Doubling per capita income – a goal reiterated in Hu’s Report – will mean more focus on consumers. An increased focus on “intellectual property” may be a double-edged sword, leading to higher regulatory

Key Personnel Changes

The new Politburo Standing Committee is downsized from nine to seven, indicating future decision-making will be more effective and efficient. Xi will face a less-restrained situation compared with his predecessor.

The two candidates who failed to be elected into the Standing Committee, Wang Yang and Li Yuanchao, are considered political reformers. Their omission sends a message that stability and continuity are more important than change for the Party, at least at this time.

Wang Qishan, viewed as a hard-nosed problem solver, was appointed head of the Central Commission for Discipline Inspection, the Party’s internal anti-corruption watchdog. Possibly a strong signal to show the Party’s determination to combat corruption.
hurdles. The Government will prescribe policies and opinions at two key milestones between now and the end of 2013, which are expected to affect every sector. These decisions will present opportunities and threats. While few things in China can be forecasted months out, these issues should be closely monitored at the ground-level.

Doubling Per Capita Income

Despite a lack of clear explanation as to how the target of doubling per capita income will be realized, the direction is clear: the Party is putting its might behind this initiative and it will provide greater consumption power to a wider segment of the population. Currently, China’s final consumption expenditure is about 47% of GDP, significantly lower than even other emerging economies (India is 70%; Brazil is 81%). This should be welcome news for MNCs in sectors such as food, retail, E-commerce and entertainment but also for the energy and heavy machinery sectors.

There is little doubt that the Chinese government will launch more consumption-stimulus policies in the years ahead. If there is one caveat against the strong focus on boosting consumption, it is that these sectors will also attract strong government scrutiny, as has been seen with food safety. Companies may be required to meet higher standards, including rigid regulations and stiffer penalties for blunders.

Urbanization

Though faced with shrinking external demand and an uncertain global economic recovery, there is no sign that the Chinese government has any plans to introduce a stimulus package as it did during the global financial crisis in 2008-2009 (which neared US$600b). However, China remains a promising market for industries such as machinery, construction and property management. This is largely due to China’s fast-moving urbanization and the government’s determination to transform the nation’s development model.

Eco-civilization / Beautiful China

If one reads Hu’s report, one will note that “eco-civilization” and “beautiful China” are heavily emphasized. These terms have become Chinese expressions for environmentalism and energy conservation. China’s fast economic growth in the past few decades has, to a large extent, been built at a heavy environmental cost, and the population and the Party have taken note. With the increase in public awareness, NGOs’ activities and media exposure, as well as the social unrest resulting from industrial pollution, it is fair to say that China has reached a critical moment where the government has to put the environmental issue high on its agenda.

This translates into market opportunities for clean-tech companies. Preferential policies are expected in the years ahead.
"qualitative" instead of "quantitative" assessment of economic growth may be introduced to evaluate the local government officials’ performance. Again, though, this can also be a double-edged sword: the rising bar on environment protection will also put higher requirements on businesses that are already operating in China. This will make it important for MNCs to communicate what they are doing to minimize their environmental footprints and improve the overall landscape. We believe corporate social responsibility (CSR) programs will be elevated in the communications department even further, having implications in broad public affairs and government relations agendas.

Conclusion

While decisive action was absent in the 18th CPC, this should not be interpreted as an indication of China’s future, or this administration’s willingness or ability to effect change. Very powerful forces – urbanization and economic rebalancing being just two – are pushing China and the Party towards key reforms and policy decisions. As the new administration is installed in the coming months, a rare window is open for companies to be involved with decision making that will have impacts for the next decade, and beyond. We encourage clients to closely monitor activities and the policies on the agenda that will impact their sectors.

These decisions will present opportunities and threats and while few things in China can be forecast months out, the fact that key decisions are impending cannot be challenged.

Throughout our offices in China, we look forward to partnering with our clients on monitoring these issues and engaging stakeholders in various arenas to help them traverse China’s exciting crossroads.
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“The Magnificent Seven” China’s New Leaders

The seven men elevated to the Standing Committee of the Political Bureau (Politburo) of the Communist Party of China are considered the Fifth Generation of Leaders since the Party took power in 1949. The First Generation was led by Mao Zedong; the Second by Deng Xiaoping; the Third by Jiang Zemin; and the Fourth by Hu Jintao. But who are the seven men elevated and what can we expect from them?

Only two members of the incoming Politburo are clearly members of the Communist Youth League (CYL) Faction of Hu Jintao. The remaining five members are thought in one way or another to be protégés of former President Jiang Zemin, who has emerged as China’s “king maker.” But in the cloistered and opaque politics of China, it is difficult to know all the allegiances and, in fact, there is some fluidity between the factions. With five of the seven members of the Standing Committee due to retire at the next Party Congress in 2017 there is speculation that Hu Jintao may be able to promote his own allies by then, especially given his graceful passing of both the Chairmanship of the Party and of the Central Military Commission to Xi at this Congress.

Xi Jinping

Xi Jinping (59) is the son of Communist Party “immortal” Xi Zhongxun, a close ally of Mao Zedong. Nonetheless, the family experienced hardship during various Party purges and Xi Jinping himself had been sent to work in the countryside during the Cultural Revolution. He later studied chemical engineering at the prestigious Tsinghua University and from 1979 to 1982 worked as secretary to Geng Biao who was at that time Secretary-General of the Central Military Commission. This post gave Xi credibility and connections in the military – key to future political success.

Xi then moved to Fujian Province where he held a number of posts from 1985 to 2002, rising to the position of Deputy Governor of the Province by 1999. In 2002 he was moved to neighboring Zhejiang Province where, after a period as acting Governor, he became Party chief. He is largely credited for the economic policies of the province that achieved growth rates of 14% and for his determination to bring corrupt officials to book. These two factors brought him to the attention of national leaders. In 2007 he was transferred to Shanghai to take over as Party chief following the dismissal of Chen Liangyu in a high profile social security fraud scandal. Being given responsibility for this major Chinese city was a sign of the Central Government’s growing confidence in his abilities. At the 17th Party Congress in 2007 he was elevated to the Standing Committee of the Politburo, and in 2008 he was elected Vice President of China by the National People’s Congress. He has held a number of key Central Government portfolios including being put in charge of the Beijing Olympics of 2008.

Xi is well regarded for his pro-market reform stance, his stand against corruption, and his ease straddling the international stage. He is generally thought to belong to the “Princeling” or “Crown Prince Faction” of the Party, essentially the children or children-in-law of First Generation leaders.

Li Keqiang

Li Keqiang (57) hails from Dinyuan County in Anhui Province where his father was a local official. Graduating high school at the peak of the Cultural Revolution he was sent to the countryside to work as a laborer. He later attended prestigious Peking University where he graduated with a law degree before going on to take a PhD in economics. He joined the Communist Youth
League (CYL) and soon ascended to leadership roles in the organization. By 1993 Li became the organization’s Secretary General, a post he held until 1998, when he was appointed the Governor of Henan Province. At 43 he was China’s youngest provincial governor, heading up a populous inland area. He is credited with developing the strategy that transformed the impoverished region into an attractive destination for investment. During his tenure the Province moved from 28th to 18th in national GDP rankings. In 2004 he took up the position of Party Chief of Liaoning Province in China’s northeast, where he was credited for linking up a number of key cities and ports of the region to improve trade flow. At the 17th Party Congress in 2007 he was elevated to the Politburo Standing Committee, and in 2008 the National People’s Congress elected him Vice Premier. As Vice Premier, Li has worked closely with Premier Wen Jiabao and was long considered a potential successor to Wen. As the second most important member of the Politburo he is expected to be confirmed Premier when the National People’s Congress meets in March 2013. Li is generally considered to be of upstanding character, eschewing the popular drinking and karaoke nights of provincial officials in Henan Province. He is also respected as an economist. He has long held the view that China’s future development would depend on the development of a strong domestic consumer base and that urbanization is the key to that.

Zhang Dejiang

Zhang Dejiang (66) comes from Ta’an County in Liaoning Province, where he studied Korean before attending the Kim Il Sung Comprehensive University in North Korea where he took degrees in economics. One of his first senior Government roles was in Yanbian near the North Korean border where he is credited with handling well the problem of illegal immigration. In March of 1990 he accompanied Jiang Zemin on a delegation to North Korea and was soon thereafter promoted to Deputy Party Secretary of Jilin Province. In 1998 he was made Party Secretary of Zhejiang Province, where he gained a strong reputation for being a supporter of reforms that encouraged private sector development. In November 2002 he became Party Secretary of Guangdong Province. He immediately developed strategies to better link the economies of the Pearl River Delta. Zhang’s detractors claim he is a political hardliner who favors strict media censorship; they say his approach led to Guangdong authorities trying to suppress information during the SARS outbreak of 2003. The World Health Organization however praise the Guangdong Government of the time for slowing the spread of the disease because of the medical regimen put in place under Zhang’s leadership. Zhang was made a Vice Premier by the National People’s Congress in 2008 and took responsibility for several key portfolios including energy and transportation. After Bo Xilai was removed as Party Chief of Chongqing in March 2012, Zhang was dispatched to take over. Zhang was popular with both the foreign and local business community there for his pro-business statements. Zhang is expected to take over as Chairman of the National People’s Congress in March 2013. Zhang is thought to have been a member of Jiang Zemin’s “Shanghai Clique” faction, but many believe he switched sides to Hu Jintao’s Communist Youth League faction during the power struggle of 2003. His current allegiance is unclear. At 66 he will be required to retire at the 19th Party Congress in 2017.

Yu Zhengsheng

Yu Zhengsheng (67) is a missile engineer by training, having graduated from Harbin’s Military Engineering Institute. The 67 year old has been a member of the Communist Party since he entered the workforce in 1965. He worked in the Ministry of Electronics for many years prior to being appointed the mayor of the coastal cities of Qingdao and later Yantai. In 1992 he was appointed Party chief of Qingdao, and in 1997 he was appointed Minister of Construction in the Central Government. His rise to power may have been
“The Magnificent Seven”

slowed by the defection of his brother Yu Qiangshen to the United States in 1985 (Qiangshen was placed into witness protection after turning over evidence of Chinese spies in the CIA but is rumoured to have been assassinated by Chinese agents). In Yu Zhengsheng’s favour, he is considered a close family friend and ally of the family of Deng Xiaoping, and, therefore, quite possibly also a protégé of Jiang Zemin. In 2002 he was promoted to the 25 member Politburo. Given his age he will have to retire at the next Party Congress in 2017.

Liu Yunshan

The 65 year old Liu Yunshan is a native of Xinzhou, Shanxi Province, and has been a member of the Communist Party since 1971. He is a graduate of the Central Party School of the CPC Central Committee and spent much of his early career in the Inner Mongolia Autonomous Region. He spent some 20 years in the Autonomous Region. After several years working as a journalist and in public relations, he became a Party official, rising to the rank of Deputy Secretary of the CPC Inner Mongolia Autonomous Regional Committee in the late 1990s. At the 12th CPC Congress in 1982 he was made an alternate member. He was later appointed head of the Publicity Department of the CPC Central Committee and head of the Office of Spiritual Civilization Steering Committee at the 16th CPC Congress in 2002. Both roles made him deputy to Li Changchun who was the Party’s Propaganda Chief from 2002 until this year’s Congress. Liu Yunshan is considered a member of the CYL Faction. Given his age he will retire at the 19th CPC Congress in 2017.

Wang Qishan

Wang Qishan (64) is a keen historian having majored in the subject at China’s Northwest University. However his main career has been in banking and he has been a director of several leading Chinese banks before being appointed Governor of the China Construction Bank in 1994. He is credited with having managed China’s largest bankruptcy restructuring in 1998 and preventing what could have been a major banking crisis that threatened to cripple the country’s economic growth in the wake of the Asian Financial Crisis. After that he was appointed Party Secretary of Hainan until he was moved to Beijing to take over as interim Mayor of Beijing after the then Mayor Meng Xuenong was sacked for the poor handling of the city’s response to the SARS epidemic. Wang made a name for himself as one of the first Chinese leaders to publicly apologize for the government’s mistakes. In 2004 he was formally appointed Mayor of Beijing and held the post until 2007 when he was elevated to the 25 member Politburo. In 2008 he was made a Vice Premier of the State Council and tapped by Hu Jintao to lead the Chinese side for the Economic Track of the US-China Strategic and Economic Dialogue, a high level bilateral platform between the two countries on a wide range of political, economic and strategic issues. He is thought to be a close ally of Hu Jintao, but may in fact be a protégé of Jiang Zemin. His true faction allegiance is difficult to gauge. At 64 he will be required to retire at the next Party Congress in 2017.

Zhang Gaoli

Educated at Xiamen University, Zhang Gaoli (66) is an economist by training. He joined the Communist Party in 1973 and served in the Guangdong Provincial government for some 12 years. From 1997 to 2002 he took on several key roles in the Shenzhen Special Economic Zone’s government. Thereafter he became Governor of Shandong Province and was made an alternate member of the CPC Central Committee at the 15th Party Congress, and a member at the 16th Congress. In 2007 he was made secretary of the CPC Tianjin Municipal Committee and became a member of the Politburo at the 17th Party Congress. It is difficult to say which faction of the Party he is aligned with. He will be required to retire at the next Party Congress in 2017.
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