

China's Economic Leadership after the 17th Party Congress

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The 17th Party Congress in October kicked off the process of selecting China's economic policymakers. The Party Congress was the key step in a top-down process of leadership determination that assigned politicians oversight of economics portfolios. However, not until the end of November did the assignment of one of the most important economics jobs become clear. That was when rising star Chen Deming was designated the new Minister of Commerce, moving over from the National Development and Reform Commission (NDRC). Chen will work closely with State Council Secretary-General Ma Kai, under Premier Wen Jiabao and Executive Vice-Premier Li Keqiang. The political process has shaped the economic leadership in some surprising and unexpected ways, and some key posts are still unfilled.

The 17th Party Congress, at first glance, seemed to have done little to affect economic policy or select leading economic personnel. The Party Congress reaffirmed the overall economic program of the Hu-Wen administration, without much change. Moreover, while the Congress determined the top Communist Party jobs, the full team of *economic* leaders was not directly revealed at the Party Congress. Indeed, if anything, a sense of drift overtook economic policymaking from September through November as people waited to see what the ultimate implications would be of the Party Congress personnel decisions.

By the end of November, economic policymaking responsibilities had been settled on a number of key decision-makers, and new policies began to flow from the economic bureaucracy. Key policymaking deadlines would have forced decisions on the leadership in any case. The annual Economic Work Conference, which convened December 3–5 in 2007, set the framework for economic policy for 2008; and the third Strategic Economic Dialogue with the United States, on 13 December 2007, demanded a coherent approach. In fact, the Economic Work Conference, while confirming the monetary contraction already underway, signaled a subtle but important further macroeconomic tightening. The monetary policy stance was officially labeled “tight” for the first time since the 1990s.¹ At the Strategic Economic Dialogue, the Chinese side put on a good show, mixing moderate concessions with exercises in tables-turning. By December, the new team had hit its stride and was fully functional.

Nevertheless, the final shape of the new economic team will depend on the configuration of the second Wen Jiabao administration, which will not be determined in full until the 11th National People's Congress, probably in March 2008. Most important, the leadership of the key financial institutions has not yet been determined. Although it had been widely reported that central bank head Zhou Xiaochuan would retire next year,

there is now a significant possibility that he will be pressed to remain on the job. The tightening of macroeconomic policy and the slight acceleration of renminbi appreciation visible during December 2007 both show how seriously China's top leadership views the danger of inflation in China's current environment. This has substantially increased Zhou's value to the leadership. Zhou has great credibility in the domestic and international financial communities, and he has consistently argued for tougher macroeconomic policies. It would be especially difficult, then, to replace him at this point. There is no obvious alternative candidate with anything like Zhou's bona fides. The best alternative choice, Liu Mingkang, currently head of the China Bank Regulatory Commission, will probably have to wait a couple more years for his chance to move up.

Despite the remaining uncertainties, the distribution of the most important jobs—those on the State Council itself—could be inferred from the top political appointments made at the Party Congress. The State Council lineup deduced by outside observers was confirmed at the Economic Work Conference, as the newly designated State Council members already began to play important roles.² The next section describes and discusses the new State Council membership-to-be, based on the Party Congress outcomes. We then examine the way in which economic personnel choices flow from political considerations.

The New State Council

The State Council to be formally selected next year can be derived from the personnel choices of the 17th Party Congress. The most likely outcome is a 10-person State Council, with only two members held over from the current one. We should bear in mind, however, that, a lot can change in the four months before the NPC meets. There are rumors that another “dark horse” candidate will be brought onto the economics team at that time, which may refer to the likely next head of the NDRC, Zhang Ping.³ The anticipated State Council members are:

- Wen Jiabao (age 65), Premier, serving a second term
- Li Keqiang (52), Executive Vice-Premier (current Liaoning Party secretary)
- Zhang Dejiang (61), Vice-Premier (current Guangdong Party secretary)
- Hui Liangyu, (63), Vice-Premier, serving a second term
- Wang Qishan (59), Vice-Premier (current Beijing mayor)
- Liu Yandong (62), State Councilor (current head of Party United Front Department)
- Liang Guanglie (67), State Councilor (Military)
- Meng Jianzhu (60), State Councilor (Public Security)
- Dai Bingguo (66), State Councilor (Foreign Affairs)
- Ma Kai (61), Secretary-General of the State Council; probable State Councilor

As in the previous State Council, there are four members whose primary portfolio assignments are economic (not counting the premier, of course, although much of his activity is on economic issues).⁴ Each of these will supervise an economic portfolio that is roughly equivalent to one held by a state councilor in the present administration.

Most important is Li Keqiang, a Politburo Standing Committee member, who will fill the executive vice-premier job, with overall responsibility for economic affairs. This post was held by Huang Ju until his death in June of 2007. Typically, this job would also involve being vice-head of the (Party) Finance and Economics Leadership Small Group, chaired by Premier Wen Jiabao. Zhang Dejiang is expected to take over the foreign economic relations and commerce responsibilities carried by State Councilor Wu Yi in the previous administration. Wang Qishan will be given supervisory authority over industry and industrial policy, including high technology industry, energy, and sustainable development, taking over from Zeng Peiyan. Vice-Premier Hui Liangyu currently holds the agriculture portfolio in the State Council and is expected to retain it.

Since the expertise and personality of the newcomers is different from the incumbents, they can be expected to redefine and reshape their jobs. For example, “iron lady” Wu Yi, until her recent resignation, held and, indeed, defined a unique crisis-management slot. Wu Yi also had unusually high visibility with foreign businessmen and decision-makers, and a strong background in foreign trade negotiations. Zhang Dejiang is unlikely to take over all these roles. Indeed, Wang Qishan has a more obvious track record for dealing with difficult problems and post-crisis cleanups, as well as a relatively strong background in finance. While the system provides continuity, the character of the individuals will also make a large difference. Liu Yandong, the only woman on the Council (and the top-ranking woman in Chinese politics overall) has worked in the Communist Party’s “United Front” department since 1991 (after working in the Communist Youth League for a decade). Because of her ties with increasingly important private businesses and their organizations, she also has an economic role, and participated in the Economics Work Conference this month. We discuss these individuals at greater length below, but it is immediately apparent that the new State Council shows a relative decline in representation of technocrats, and a relative increase in the representation of politicians. Both of these trends are important, and we discuss them separately.

Decline of the Technocrats

In the first Wen Jiabao administration (2003–2008), several strong groups of economic technocrats played an important role. This was true both at the level of the State Council itself, and at the level of the economics ministries and commissions immediately below the State Council. At the State Council level, two of the vice-premiers were primarily economics bureaucrats: Zeng Peiyan served his career in the central bureaucracy: in the Ministry of Electronics from 1984 through 1992, and then in the Planning Commission and Finance and Economics Leading Group from 1993 through 2007. Wu Yi also worked her way up through the economics bureaucracy, at first in the petrochemical sector, serving as minister of Foreign Trade and Economic Cooperation, 1993–1998. In that position she oversaw negotiations for China’s WTO entry, becoming in the process a kind of international celebrity. Designated—erroneously—the second or third most powerful woman in the world by *Forbes* magazine between 2004 and 2007, Wu Yi was clearly highly competent and forceful. The influence of those State Council technocrats was magnified by the fact that the executive vice-premier, Huang Ju, the former Shanghai

Party secretary and then Politburo Standing Committee member, was diagnosed with liver cancer a couple of years into his term, and played a restricted role thereafter. Huang ultimately passed away in June 2007, but was never replaced. Thus, experienced central government officials had a relatively free hand to shape policy.

In the next tier down, an equally experienced group of technocrats was at work at the ministerial level.⁵ The system produced fairly good economic advice by sending proposals up through two different systems, which tended to balance each other off. The first system was the financial system, informally “headed” by People’s Bank of China governor Zhou Xiaochuan. Zhou led a competent group of banking and finance officials with strong credentials. The counter-balancing group was comprised of the industrial bureaucrats around the National Development and Reform Commission (NDRC), formerly the Planning Commission. With Zeng Peiyan (the former head) as patron, and Ma Kai as head of the NDRC, this group has steadily developed power and expertise, expanding into industrial policy, energy, and sustainable development. These two groups approached economic issues from very different perspectives, and sometimes argued bitterly about appropriate policies.⁶

Yet it was probably more important that each group was experienced in economic policymaking and ultimately able to work with the other group. Indeed, virtually all the key members of both groups assumed responsible jobs in the policymaking bureaucracy in 1993 when Zhu Rongji took overall control of economic policy. They have all worked continuously in responsible jobs since. As a result, they have 14 years of unbroken experience working together. Between them, they managed to bridge the tensions caused by the Hu-Wen administration’s “left tilt” toward more redistributive social policies, while also maintaining a general movement toward further marketization.⁷ They have managed to hold on as China’s economy has surged to extraordinary growth levels in the past four years, tapping on the brakes to slow the economy without ever derailing growth (but also never really addressing, much less solving, the problems of excessive investment and overheating).

Given this track record, it was entirely conceivable that one of these technocrats would be elevated to a higher position. There was speculation that Zhou Xiaochuan would be promoted to vice-premier—perhaps even executive vice-premier—and the Hong Kong magazine *Zheng Ming* even reported in July that this had been decided.⁸ But it was not to be. Instead, the choice of members of the State Council has been determined by the necessities of the political arrangements around the Party Politburo and the Politburo Standing Committee. In fact, the State Council will now be stuffed full of politicians. *All* of the vice-premiers have served as provincial Party secretaries or governors (mayors) in more than one province. This common profile comes from the new, and more consistent, way in which the Party grooms its top leaders (see the article by Cheng Li in this *CLM*). Rotation through key provinces is the route to the top. But after rotation through important provinces, key candidates for top leadership need to move into Beijing to strengthen their central government credentials. Given that there are relatively few vacancies this year on the Politburo Standing Committee—the Party leadership is getting a “new administration, not a new generation (*huanjie bu*

huandai)”—one result is an unusually large number of political barons in the State Council. Top-down political bargaining requires that politicians get placed in the State Council, and so there are few places available for technocrats. Of course, readers of *China Leadership Monitor* will not be surprised to hear that politics drives economic personnel choices in China.

However, a change in the way leaders are selected is also having an impact on technocratic representation. This year, for the first time, candidates for the ruling Communist Party Politburo were selected through a process of what we might render as “open audition” (*haixuan*). That is, Central Committee members were allowed to vote for any of a long list of candidates drawn from all of the ministerial and provincial-level cadres. Candidates were then ranked according to the number of votes they received. Xi Jinping received the most votes, and this was the process that confirmed his meteoric rise to the top.⁹ The top vote-getters were in line with the preferences of top leaders, so they were ratified; the top four vote-getters in fact became the four new entrants into the Politburo Standing Committee.¹⁰ As it turned out, though, increased “intra-party democracy” was costly to the technocrats. Both Ma Kai and Zhou Xiaochuan were obvious candidates for Politburo membership: neither made it. Moreover, in the voting for the less exalted position of membership in the 17th Central Committee, nearly all the most important economists failed to win full membership, and ended up with alternate status. In fact, since the list of alternate members is released in the order of the number of votes received, we know that the names at the bottom of the list were not very popular. The bottom 30 includes four prominent names who can be regarded primarily as economists: Guo Shuqing (head of the Construction Bank) and Lou Jiwei (former vice-minister of Finance, now head of the China Investment Corporation) are widely regarded as two of the most savvy economists in China. Chen Yuan (head of the China Development Bank and son of Chen Yun) may also attract opposition because of his princeling status. Finally, Chen Deming, discussed below, was clearly intended to take over the NDRC from Ma Kai, if he had succeeded in winning a full Central Committee membership. It appears that China’s elite simply don’t like economists very much. As a result, more intra-party democracy means less representation for this unpopular group of technocrats.

The poor showings of both Ma Kai and Chen Deming can be attributed to the desire of local officials to protest against the ongoing expansion of power by the NDRC and the NDRC policy measures that are unfavorable to local government interests (as argued by Cheng Li in this *CLM*). But we should also recognize that this is a predictable outcome of intra-party democracy in an authoritarian party. The reason technocrats are governed by the party at all is because Party control extends to all key areas of society. As a result, when the Party democratizes, even a little, it inevitably extends political calculations to all areas of society. No developed democracy elects its central bank head, for example, and most go to great lengths to keep the central banks insulated from political pressures. China’s central bank has never been autonomous, but as long as the Party itself was insulated from popular pressures, so was the bank. The lesson is that intra-party democratization needs to be accompanied by a retreat of the Party from key decision-making arenas, including that of monetary policy. While the role of the NDRC

is not analogous to the central bank, it shares some features, since it also needs to undertake insulated, authoritative action in certain areas.

Rise of the Politicians

Of the politicians in the new State Council, Li Keqiang has by far the sharpest profile. Universally regarded as Hu Jintao's preferred successor, Li was assigned the executive vice-premier role after Xi Jinping was jumped above him to be next in line for the top job of First Party Secretary. Smart and garrulous, Li followed Hu Jintao in the Communist Youth League (CYL), and was then posted to Henan and Liaoning to learn the ropes in the provinces. Li is clearly a politician and equally clearly fits into Hu Jintao's *tuanpai*, or factional network based on the CYL. For a politician, though, Li comes remarkably close to having technocrat credentials, including a Ph.D. in economics from Beijing University, where he studied under the well-known economist Li Yining.¹¹ His Ph.D. would be considered by many to be not a "real" Ph.D., because it was granted in the part-time executive program. All kinds of special arrangements are made for the convenience of top cadres earning these "night-school" advanced degrees. However, Li's reputation as an economist is bolstered by the fact that he wrote an essay that won a Sun Yefang prize—China's top prize for an economics work—along with 8,000 yuan, which was real money back in 1991. Li's essay expostulated on a theory that China's economy was not dual (urban-rural) but triple, with locally oriented non-agricultural township and village enterprises (TVEs) lying between urban and rural. This theory lent support to government efforts to foster inland development by subsidizing TVEs, an effort that has been quite unsuccessful. It is today best seen as an attempt to provide theoretical lustres for a program of political patronage, or else forgotten entirely.

Li's academic credential is sterling, however, compared to that of Zhang Dejiang, who has a B.A. in economics from, of all places, Kim Il-sung University in Pyongyang. It will be truly bizarre to envision a North Korea-educated politician as one of the top economic decision-makers in China. But then, Zhang is somewhat of a cipher in a number of ways. The degree in Korea is actually a kind of accidental by-product: Zhang was an official at Yanbian University, in the Korean ethnic district of China, when he spent time in Pyongyang and collected his degree. For a long time, Zhang has been seen as a highly promising rising star, but he seems to have been repeatedly tripped up by his own poor judgment. Jiang Zemin was his earliest patron, and Zhang cultivates good relations with businessmen and local officials. Picked up by Hu Jintao and rotated through the key provincial posts of Jilin, Zhejiang, and Guangdong, Zhang has long been slated for a central government post. Yet Zhang's performance in Guangdong, in particular, has largely failed to impress outside observers, and has not made him popular in Guangdong either. Zhang was implicated in the attempt to cover up the SARS epidemic that started in Guangdong. He has failed to take visible, effective steps to protect villagers' land rights, deal with legitimate protests, and suppress criminal gangs that work for local elites. He has engaged in a series of disputes with Guangdong's relatively independent newspapers, most notably *Nanfang Dushibao*. Hardly a record that inspires confidence, but for all that, Guangdong has continued to prosper, and its press is still probably the liveliest in all of China.

One politician who didn't make it into the State Council was Bo Xilai, the current minister of commerce (and foreign trade). Bo Xilai had also been mentioned as a candidate for the executive vice-premier job.¹² Yet Bo, an ambitious princeling, makes many people nervous. Bo was instead sent to Chongqing to be Party secretary there. This was probably not the job that Bo Xilai was hoping for, but he was also promoted to the Politburo, so this was no demotion. Indeed, given the importance in China's current system of top leaders rotating through provincial jobs, the job positions Bo well, since, at 58, he is young enough to make a further run at political power in Beijing.

How Will the New Team Work?

The new economics team is being assembled to work under the leadership of Wen Jiabao. In fact, the addition of Li Keqiang will strengthen Wen's State Council. Wen Jiabao is a popular premier, but his government has received increasing criticism recently for its tendency to adopt sweeping policy programs without the concrete implementation measures needed to back them up. Widely seen as humane and well-intentioned, Wen is also seen by some Chinese bureaucrats as too "soft" to be effective in the Chinese environment. Wen's habit of shedding tears of compassion, televised nationwide, when visiting the underprivileged or unfortunate, contributes to this image problem. In fact, Wen is probably just overwhelmed, trying to implement an ambitious, multi-dimensional economic and social agenda through the largest single organization in the world, while also being the final decision-maker for a wide range of routine decisions.¹³

Li Keqiang will bring high-powered assistance to Wen Jiabao. There is every indication that the two men think alike and can work together. Indeed, Li brings both intelligence and ability to the top of the government apparatus. More crucially, this is the first time in recent memory that both the premier and the executive vice-premier are both clear reformists and attuned to further reform. More typically, the vice-premier has been a kind of a check on the premier (Li Peng on Zhao Ziyang; Zhu Rongji on Li Peng), with one from the reformist camp and one from the more conservative camp. In this case, we now have a dynamic duo of reformist leaders who can share responsibility and drive forward an ambitious agenda.¹⁴ Of course, this interpretation does not exclude the possibility that Li Keqiang's new position also provides Hu Jintao an additional means to influence and shape Wen Jiabao's decision making. While the Hu-Wen alliance has generally held up well, Hu Jintao may sometimes get impatient with Wen, and might prefer to have his own man close at hand.

Li Keqiang's good reputation as a reformer dates back to the early 1980s. Li was in the first post-Cultural Revolution class of university students, the remarkable group of individuals who tested into college when the exams were thrown open to all talented people in 1977-78 (the original *haixuan*, in a way). He studied at Beijing University, choosing law at a time when that was a bold choice. While at Beijing University, he had contact with an extraordinarily diverse group of people who have since pursued many different paths, including several in the Democracy movement outside China. In general,

those people have an impression of Li Keqiang as a capable person who seems to retain some of his youthful idealism.

A very strong role in the next administration will be played by Ma Kai, despite his failure to advance to the Politburo. Ma Kai's understated manner worked well with Wen Jiabao when Ma was head of the NDRC. In the next State Council, Ma Kai will be the secretary-general, in effect, Wen Jiabao's overall economic coordinator. While Ma Kai does not have the charisma or personal presence of some leaders, he is an effective bureaucrat, and in this administration, Ma Kai will wield greater influence over economic policy than any other single individual except the premier himself.

The Latest Addition to the Team

The most recent member of the economics team was unveiled more than a month after the Party Congress. Immediately after the Congress, it was widely (and correctly) reported that Bo Xilai was going to Chongqing to become Party secretary, but the question of who would replace him as minister of commerce was not addressed. It was widely rumored that Wang Min, the Jilin Party secretary, would become minister of commerce, but there was no announcement for well over a month. Eyebrows began to be raised when Bo Xilai did not show up in Chongqing as expected on 13 November, on the occasion of the city-wide cadre meeting at which the incumbent Wang Yang (a rising star) said goodbye and left to take over the top job in Guangdong. Not until 29 November was the name of the new minister of commerce revealed, and on the same day, Bo Xilai was finally escorted to Chongqing by the new head of the Organization Department, Li Yuanchao.

The minister of commerce-designate is Chen Deming, executive vice-head of the NDRC since June 2006. Fifty-eight-year-old Chen Deming has been rising through the ranks extraordinarily rapidly, and was widely expected to replace Ma Kai as head of the NDRC. However, Chen's failure to be selected as a Central Committee delegate threw this nomination into doubt, since the NDRC head has traditionally been a Central Committee member. Chen first came to national prominence in December 1997, when he was sent by the Jiangsu provincial government to take over the Singapore-Suzhou Industrial Park. The Singapore-Suzhou Park at that time had become a colossal fiasco. Set up as a national-level investment zone in 1994 under an agreement between Singapore senior minister Lee Kwan Yu and Chinese vice-premier Li Lanqing, the Singapore-Suzhou Industrial Park soon ran into competition from the Suzhou New District, set up by municipal officials in 1992 across town. Local officials tried to smother the newborn Singapore Park in its crib, steering potential investors to the city-run New District, and emphasizing that they could receive cheap land and tax breaks only in the city-run zone. The situation reached a crisis point when a phone conversation in which the Suzhou Party secretary was urging a European company not to invest in the Singapore Park was recorded and leaked to the Singaporeans. Lee Kwan Yu blew up and demanded that the competing Suzhou New District be shut down. At this point, Chen Deming was sent from the Jiangsu provincial government to Suzhou as part of an effort to salvage the situation.

After more than a year of tough negotiations, Chen Deming was able to salvage the situation. The Suzhou New District (which had 100,000 residents by that time) survived, but was downgraded to an ordinary industrial park and city officials pledged not to solicit foreign investment for the park. The Singapore Park was declared top priority as a foreign investment zone. Under Li Lanqing's prodding, the Chinese government agreed to buy out Singapore's controlling stake—essentially refunding their investment—so that the park ended up owned 65 percent by the Chinese side and 35 percent by the Singaporeans. Chen Deming became head of the industrial park and soon became Party secretary of Suzhou City as well. With managerial control in Chinese hands, and incentives aligned, Chen improved cooperation with Singapore. Chen supported the then mayor of Suzhou, Zhang Xinsheng, who stressed that the transference of skills and managerial capacity was the most important area in which China could learn from Singapore, and sent scores of cadres to Singapore for training, both from the industrial park and from the municipal government.¹⁵ This episode established Chen's reputation as a formidable negotiator, and also as an economic official who could deal effectively with foreigners.

In May 2002, Chen was abruptly moved from Suzhou to be vice-governor of Shaanxi Province. (Coincidentally, his successor as Suzhou Party secretary was Wang Min, the Jilin Party secretary who Chen beat out for the post of minister of commerce). Chen compiled a decent record in Shaanxi, but in June 2006 was moved again, this time to the NDRC, where he became executive vice-minister (the highest ranking of eleven vice-ministers, with full ministerial rank), overseeing energy and fixed investment. It is said that this sudden promotion came about because Ma Kai was diagnosed with stomach cancer. Chen was brought in to potentially become the new head of NDRC: As such, he was jumped over several veteran ministers, including the long-standing head of investment, vice-minister Zhang Guobao, who had been handling the energy portfolio on the side. Clearly, the top leadership—in the first instance, Hu Jintao—did not want leadership of the NDRC to fall to the old veterans who had run the place for decades. In the event, Ma Kai's surgery was successful, and Chen became overall second-in-command and comprehensive lieutenant to Ma Kai. This new job put Chen right in the thick of things, since the past 18 months have been a time of frantic activity specifically in the energy arena, as the central government struggles to define the concrete policies needed to shift China to a more environmentally friendly development path and increase energy efficiency. Chen got good marks for getting up to speed quickly, and more concretely for creating a modest strategic petroleum reserve (after years of delay), and for signing a deal with Turkmenistan to import 30 billion m³ of natural gas over 30 years.

Chen's jump to the Ministry of Commerce amounts to still another change of sector within a very short time. Chen participated fully in the Economic Work Conference on 3–5 December, even though the decision to appoint him does not seem to have been made before 29 November. Within the first couple of weeks, Chen joined the first High-Level Economic Exchange with Japan, and met with Hong Kong chief executive Donald Tsang (where he expressed support for the projects proposed by Tsang in his recent government report, particularly the massive Pearl River Bridge).¹⁶ Finally,

Chen stepped into a major role in the Third U.S.-China Strategic Economic Dialogue. Indeed, on 13 December, there was Chen on the front page of the *Financial Times* (London), arguing that the world's monetary problems were not caused solely by the undervalued Chinese currency, but also by the plummeting U.S. dollar and the instability generated by the U.S. mortgage financing crisis and associated interest rate cuts.¹⁷

Chen's new role, then, is clearly not just a lateral transfer from ministerial status at the NDRC to minister of commerce. It is true that Chen's move to commerce can be billed as a "return," since he started his career in a meat-processing plant in Jiangsu Province, and first moved up through the domestic commerce sector there. But it is much more likely that Chen will step into a comprehensive role covering a wide range of issue areas, and a broad range of economic sectors. There has been talk of consolidating government departments into "super-ministries," including a super-ministry of commerce and perhaps one of energy. Clearly Chen will try to make commerce into a super-ministry.¹⁸ Moreover, Chen is close to Ma Kai, and has worked well with him; Ma Kai, in turn, is close to Premier Wen Jiabao. These look to be the most important economic policymakers in the second Wen Jiabao administration. This configuration, however, leaves the head of the NDRC unfilled. Most likely, Zhang Ping (62), currently the vice secretary-general of the State Council, will be appointed to head the NDRC. Zhang Ping is already a Central Committee member, and was one of the NDRC vice-heads during 2005–2006.

Ironically, the appointment of both Ma Kai and Chen Deming is occurring despite their unpopularity at the 17th Party Congress. Born into a Shanghai intellectual family, Chen Deming took a leave from his government post in the 1980s to get a master's degree in economics from Nanjing University, a serious commitment. (He later added a "night school" doctorate in management science from the same school, after that became easier.) His English is excellent. Chen tends toward an understated and professional style, and he is reportedly unflappable in negotiation. It is quite reasonable to see his rapid rise as an effort to promote a technocrat, to compensate for the large number of politicians in the State Council. Economic technocrats may not be popular, but they are probably indispensable in contemporary China.

Conclusion

China's top economic team is taking shape, and we see some clear patterns, even though the process is incomplete. Internal Communist Party politics do not merely precede the selection of economic bureaucrats; they shape the overall environment in which job selections are made. The accident of political evolution in China determined that the State Council would be oversupplied with politicians, and undersupplied with technocrats. Authorities are now scrambling to fill that void by bringing in Chen Deming, and probably retaining Ma Kai and Zhou Xiaochuan. The oversupply of politicians means that a great deal of political and intellectual firepower is available to the State Council. This can be a good thing, because China's economic challenges are huge and complex, and unlikely to diminish in the next few years. At the same time, several ambitious

politicians must work well together if the policymaking process is to run smoothly. This is a rather different configuration from that of the last five years, during which Wen Jiabao presided over a hierarchical policy apparatus with many experienced and disciplined subordinates.

So far, China appears to be lucky in that an abundance of talent is available to manage economic policymaking in a capable manner. Still, the top-down process of staffing the economic bureaucracy is not yet complete. It is not clear who will take over the top post at the NDRC. There does not seem to be a Central Committee member who is an obvious candidate, so precedent is likely to be broken in some form. The top positions in the financial system have not been filled, as of this writing. Even if central bank governor Zhou Xiaochuan stays on for a while, two of his most important deputy-governors, Wu Xiaoling and Su Ning, will retire, in line with age regulations.¹⁹ A broad range of unfinished business is still percolating in the energy portfolio that Chen Deming was expected to oversee. What will the new Ministry of Energy do, and what will the new “Law on Energy” end up containing? As the Chinese economy hurtles into 2008, a broad range of new challenges and questions will confront the new economics team.

Notes

¹ As discussed in the previous issue. See Barry Naughton, “China Anxiously Faces a Future of Rising Prices” *China Leadership Monitor* 22 (Fall 2007).

² Wu Yongqiang, “Wen Jiabao’s new Economic team takes embryonic shape,” *Dagongbao*, 4 December 2007, accessed at http://www6.chinesenewsnet.com/MainNews/Forums/BackStage/2007_12_3_14_42_2_893.html; “Central Economics Work Conference Closes; Main Focus is the Need to Prevent Inflation becoming entrenched,” 5 December 2007, Duowei New Services, accessed at http://www6.chinesenewsnet.com/MainNews/SinoNews/Mainland/zxs_2007_1096624.shtml.

³ “There may be a ‘dark horse’ candidate for Wen Jiabao’s cabinet,” 7 December 2007. Duowei News service. Accessed at http://www6.chinesenewsnet.com/MainNews/SinoNews/Mainland/2007_12_6_23_41_21_21.html. There is also an outside chance that Zhang Ping will be appointed State Councilor.

⁴ The other members of the State Council have limited influence on economic affairs and are not further discussed here.

⁵ In China’s bureaucratic system, “ministerial” rank is held by the heads of ministries themselves, but also by the heads (and sometimes vice-heads) of commissions, and heads of important financial institutions, such as the People’s Bank of China. Provincial leaders also have “ministerial” rank.

⁶ For example, during macroeconomic re-control in 2004. See Barry Naughton, “Economic Policy in 2004: Slipping behind the Curve?” *China Leadership Monitor* 13 (Winter 2005). See also Victor Shih, “Elite Decision-Making in China’s Financial Sector: A Quasi-Market Analysis,” Presentation at the Centre d’Etudes Prospectives et d’Informations Internationales (CEPII) Conference, Paris, France, 19 September 2005, for a detailed analysis that presents bureaucrats such as those in the PBC and NDRC as “producers” of economic policies and the Politburo, Central Finance Leading Group, and State Council as “consumers” of policies. Using Shih’s terminology, both producers and consumers have had strong technocratic representation during the past five years of the Wen Jiabao administration.

⁷ Barry Naughton, “China’s Left Tilt: Pendulum Swing or Mid-course Correction?” in Cheng Li, ed., *China’s Changing Political Landscape*. Washington, DC: Brookings Institution Press. Forthcoming, 2008.

⁸ Lo Bing, “Personnel disagreements may delay the 17th Party Congress,” *Zheng Ming*. August 2007. Accessed at <http://epochtimes.com/b5/7/7/11/n1770632.htm>.

⁹ Li Xiaowen, “The process of ‘open audition’ through which 17th Party Congress chose the new Standing Committee,” *Duowei* magazine (Hong Kong), December 2007, accessed at http://www6.chinesenewsnet.com/gb/MainNews/Forums/BackStage/2007_12_3_8_30_43_802.html. The

word “haixuan” (literally, “sea select”) is not simple to translate. In its earliest use, the term referred to a method of choosing village-level cadres in which villagers could nominate and elect anyone in the village. It became widespread when it was used in the “American Idol”-like show “Supergirl,” for which anybody could audition (via the Internet). See “How should we translate *haixuan*?” http://www.chinadaily.com.cn/language_tips/2007-03/26/content_835435.htm.

¹⁰ We can only speculate on the outcome if the open auditions had chosen candidates at odds with the top leaders’ preference.

¹¹ As did another rising star, Li Yuanchao.

¹² Peter S. Wang, “Bo Xilai: Princeling Powering Up to the Top,” 28 May 2007, at <http://a-louie.com/content/view/47/2/>.

¹³ For major decisions, the Standing Committee of the Politburo must decide.

¹⁴ Wang Juntao, “The next focus of China’s politics will be the State Council,” 9 November 2007, Duowei News Service, accessed at http://www6.chinesenewsnet.com/gb/MainNews/Opinion/2007_11_9_0_8_20_888.html.

¹⁵ “Chen Deming has had three major occupational changes in four years,” Xi’an News Network, reprinted from *Nanfang Renwu Zhoukan* [Southern People Weekly], 19 July 2006, at http://www.xawb.com/big5/news/2006-07/19/content_927305.htm; “State Council Appointments: Chen Deming and Zhang Mao vice-heads of National Development and Reform Commission,” 19 June 2006, <http://politics.people.com.cn/BIG5/30178/4497115.html>. On the Singapore Industrial Park in general, see Alexius Pereira, *State Collaboration and Development Strategies in China: The Case of the China–Singapore Suzhou Industrial Park (1992–2002)*. London and New York: RoutledgeCurzon, 2003, and the review of the book in *China Quarterly* No. 180 by Eric Thun. Zhang Xincheng went on to get a master’s degree in design from Harvard University, and is now vice-minister of education and chairman of the UNESCO Executive Board.

¹⁶ Sun Zhi, “Chen Deming takes over from Bo Xilai as head of the Ministry of Commerce,” *Dagongbao* (Hong Kong), 29 November 2007, http://www.takungpao.com/inc/photo/photo_cont.asp?id=282253&nid=829783&cid=852.

¹⁷ Richard McGregor, “China turns the tables on US with lecture on effects of a weak dollar,” *Financial Times* (London), 13 December 2007, p. 1.

¹⁸ Hai Yan, Zou Chengui, and Yu Kun, “Chen Deming will make a ‘Big Commerce Ministry’,” *Wenhuibao* (Hong Kong), 29 December 2007, accessed at http://www6.chinesenewsnet.com/MainNews/SinoNews/Mainland/2007_12_29_14_29_23_619.html.

¹⁹ Liu Huanchan, “Chen Deming will become Minister of Commerce,” [sic], *Jingji Ribao* [Economics Daily], 29 November 2007. Accessed at <http://udn.com/NEWS/FINANCE/FINS2/4117050.shtml>.