

PERFORMANCE ARCHITECT

A SEMINAL MOMENT FOR THE CPC?

AN ANALYSIS OF THE 18TH NATIONAL CONGRESS



A SEMINAL MOMENT FOR THE CPC?

AN ANALYSIS OF THE 18TH NATIONAL CONGRESS

By Andrew Simon

“Another fundamental economic plank that has been reaffirmed is that of public ownership as in State Owned Enterprises (SOEs) which will continue to be the mainstay of its economic structure whilst other forms of economic ownership (private forms and cooperatives) are to be encouraged at the same time.”

The 18th National Congress of the Communist Party of China (CPC) which took place in November 2012 is perhaps best remembered for its appointment of Xi Jinping as General Secretary of the Party. What perhaps is less well known is that the Congress also set some significant and potentially seminal strategic directions for the Party and by extension for China for the next five years.

These directions included a strong affirmation of its political system and that the Party will “never copy a western political system”. As a statement of public intent, this is a significant message to the West as well as to the Chinese population. Yet, in keeping with its remarkable adaptability and resilience, the CPC laid out a series of political reforms which it clearly hopes will in some measure, address the demands for a more open, transparent and accountable government made by many in China including by many within the highest levels of the CPC.

These reforms are broadly to do with the strengthening of what it calls “multi-party cooperation and political consultation under the leadership of the CPC” within the framework of the Chinese People’s Political Consultative Committee (CPPCC); the strengthening of its system of regional ethnic autonomy and greater spread and utility of community level models of self-governance. These systems have been in place for many years now and in some cases since the CPC came into power, but it does appear that the Party is keen to be seen to be taking these systems seriously.

On the economic front and of particular importance to Australia, the Party Congress laid out several strategic principles. This includes the goal of a “moderately prosperous society” where by 2020, China’s 2010 GDP (10.4%) and its 2010 per capita income (US\$ 3,493 for city folk and US\$ 1,118 for rural folk) will be doubled. These are ambitious targets, requiring a 7.5% annual GDP growth rate and underpin Chinese Premier’s Li Keqiang’s strategy of up to a 70% urbanisation target as a key driver of GDP and per capital income growth. Ambitious per capita targets also underscore China’s complex demographic realities which will see 11.65% of its population (or 166 million people) over 65 years old by 2020 and 343 million people over 65 by 2050, requiring large scale social and medical insurance and a greater harmonisation and deepening of China’s universal safety net.

Another fundamental economic plank that has been reaffirmed is that of public ownership as in State Owned Enterprises (SOEs) which will continue to be the mainstay of its economic structure whilst other forms of economic ownership (private forms and cooperatives) are to be encouraged at the same time. This is significant as it does appear that the CPC, long entrenched and at the centre of China’s economic transformation is looking to redefine or at least clarify its role in market based activity

Taken at face value and notwithstanding differences in political values, these strategic directions appear positive and will help China re-position itself as it tries to meet the challenges of corruption, large inequalities in opportunity and in the spread of wealth, economic restructuring, environmental degradation and significant demographic challenges...”

and in the context of associated widespread and endemic corruption.

The Party Congress also made clear that it is keen for China to focus on innovation as a driver of economic activity, growth and restructuring. This includes what it calls “original innovation” which is the creation of new IP, “integrated innovation” which is based on absorbing science and technology available overseas and “collaborative innovation” which would include joint research and product development with foreign institutions and companies.

These directions take place within a continuing context of shifting economic development from the country's eastern seaboard to its western interiors, a growing frustration and concern about the country's depleting and degrading ecology and environment and continued reform and development in agricultural fields.

Taken at face value and notwithstanding differences in political values, these strategic directions appear positive and will help China re-position itself as it tries to meet the challenges of corruption, large inequalities in opportunity and in the spread of wealth, economic restructuring, environmental degradation and significant demographic challenges including an ageing population and an alarming, very large and very real male gender imbalance (some 15 million more men than women).

China has long been used to navigating through unprecedented circumstances, (sadly some of these, it should be said, are of its own making) and the CPC's ability to learn and adapt in a scalable manner is remarkable. Indeed, venture capitalist and political scientist Eric Li describes the CPC as the biggest learning organisation in the world. Yet the CPC's ability to steer the country through further unprecedented times, will by its own admission, be severely tested with corruption, incompetence, and a lack of will within its own ranks in addition to potential shocks from the global economy or from potential military conflict in its geopolitical spheres. The 18th Party Congress may prove to be a turning point in China's evolution in more ways than one. It may also prove to have an impact on the Australian economy in more ways than we are accustomed.