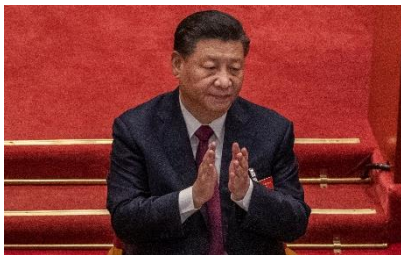




November 2021

China's Sixth Plenum: Dawn of a New Era

Four years after announcing a “new era” for Chinese socialism, China’s President and Communist Party General Secretary Xi Jinping last week officially launched the new epoch. On November 11, the Chinese Communist Party’s Central Committee wrapped up its annual meeting by passing a resolution on “historical experience,” making Xi only the third Chinese leader to produce an assessment of his own times and leadership.



- The Communist Party of China (CPC) held the annual meeting of its Central Committee, passing a resolution on history that further cements the leadership of Party General Secretary Xi Jinping.
- The CPC appears more confident and certain than ever in the direction of its leadership and policy.
- The results are largely as expected.
- The CPC will continue to proactively defend China’s national interests, including territorial sovereignty, indicating that the current business environment characterized by tensions between China and many advanced industrial countries, led by the US, will persist.
- For global businesses and investors, continuity is the primary takeaway, with no indication of change to current regulatory and economic policies.

This year’s plenary session is a key milestone taking place a year before the 20th Party Congress next autumn, during which President Xi is expected to be re-elected for an unprecedented third five-year term in office. It also comes amid the year-long celebration marking the centennial of the founding of the CPC.

Most significantly, the plenum passed the “Resolution on the Major Achievements and Historical Experience of the Party’s Century of Struggle,” a landmark decree that will shape China’s political landscape and have ramifications for China’s politics and economy for decades to come.

Since the founding of the CPC, such “resolutions” have appeared only twice before - the first one adopted under Mao Zedong in 1945 and the second under Deng Xiaoping in 1981. Both served as precursors to profound political changes in China and, by extension, helped those leaders cement their power.

By delivering a resolution of his own, Xi has elevated his standing in Party history to a level on par with Mao and Deng, surpassing his two predecessors, Jiang Zemin and Hu Jintao. Indeed, the latest resolution, according to the plenum communiqué, reaffirmed that China is heading into a new era under Xi’s

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leadership—after Mao's founding of New China ended the country's "century of humiliation," and Deng's reform and opening up brought the Chinese people wealth and prosperity. In 2021, a critical juncture marking the 100th anniversary of the founding of the Party, Xi is steering the country towards achieving the "great rejuvenation of the Chinese nation" before the centenary of the People's Republic of China in 2049, a goal that has defined Xi's work since he took office in 2012. Essentially, the plenum has established Xi's era as the beginning of the third age in Party history.

Meetings of the CPC Central Committee are closed-door and the release of information from the gathering is closely controlled. At the conclusion of the meeting an official communiqué is released followed by a comprehensive decision, which has yet to be released at the time of this publication. The communiqué indicates what to expect. It acknowledged the challenging environment in which the Party operates—an "increasingly complex and grave" external environment, marked by "worldwide changes of a scale unseen in a century," requiring "arduous tasks in Covid-19 prevention and control as well as economic and social development at home." While not explicit, the document can be read as suggesting that Xi's wisdom and leadership will be continuously needed to lead the country through this critical moment.

Plenary Sessions

A plenary session ("plenum") gathers the Central Committee of the Communist Party of China to finalize policies. A Party Congress typically holds seven plenums during its five-year term.

This year's plenum is the Sixth Plenum of the 19th Party Congress, which runs from 2017 to 2022.

Each of the seven plenums traditionally focuses on specific matters. The first two plenums typically allocate Party and state posts, the third and fourth address macro-political and economic questions, the fifth determines the next Five-Year Plan, and the seventh prepares for the next Party Congress.

The sixth plenum is reserved for intra-Party issues and ideology, and its 2021 iteration was no exception. This year's Sixth Plenum was held November 8 to 11, attended by 197 members and 151 alternate members of the Central Committee. The Politburo presided over the meeting, with Xi Jinping presenting a report on its work to the Committee, which discussed and passed the "Resolution on the Major Achievements and Historical Experience of the Party over the Past Century."

Xi as Core

Designated as "core" leader of the Party in 2016, Xi further solidified his power at the plenum. The communiqué praised his thought as "the Marxism of contemporary China and of the 21st century," embodying "the best of the Chinese culture and ethos in our times." A spokesperson went on to describe Xi as a "helmsman" whose wisdom is crucial for the country to achieve national rejuvenation while weathering worldwide changes of a scale unseen in a century. In other words, regardless how many terms Xi may serve, his doctrine is likely to provide a foundation for policy for decades to come.

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Although Mao and Deng used the term previously, Xi's renewed focus on "common prosperity" sends a signal that he is returning to the Party's original aspirations and will seek to empower those who have been left out of China's economic boom

Common Prosperity

The concept of "common prosperity" has gained momentum in recent months, following an August speech in which Xi described it as "an essential requirement of socialism." Although Mao and Deng used the term previously, Xi's renewed focus on the slogan sends a signal that he is returning to the Party's original aspirations and will seek to empower those who have been left out of China's economic boom.

Although common prosperity was mentioned only once in the communiqué, it was elevated in prominence and priority, enjoying a place following "deepening reform and opening up across the board" and ahead of "building the country's strength in science and technology." During a press conference after the plenum, a spokesperson stressed that common prosperity does not mean "robbing the rich to give to the poor." Rather, it should be achieved through high-quality development, equitable distribution of income, and corporate philanthropy.

This is a clear signal that businesses should expect closer scrutiny on compliance, taxation, labor protection, and social responsibility.

Confidence

"Confidence" has been a hallmark of Xi's political philosophy since his assumption of Party leadership in 2012. His "Confidence Doctrine" calls for belief in the country's path, theory, political system, and culture. At the core of the doctrine is a deeper conviction in the "institutional superiority" of China's political system, as well as the unique alternative it provides to Western-style democracy and the Western political-philosophical tradition that underpins it.

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The latest communiqué pulsates with a sense of conviction that the CPC is guiding China on the correct political and developmental paths. To create such emotional resonance, the communiqué listed the Party's past achievements and imbues them with a sense of historic destiny. For example, the economic and social progress of past eras is characterized as a "historic leap" that serves as the foundation for the ultimate rejuvenation of the Chinese nation. The communiqué acknowledged that work remains to be done, but it rallies the country to derive confidence from what has been achieved and navigate the future with initiative and courage.

The communiqué offered a robust argument for Party members and the entire Chinese people to hold this sense of confidence and maintain their trust in the CPC. Although tipping towards triumphalism, the Party's case rests on the shared experience of many Chinese people, who have not only seen substantial economic improvement in their lifetimes, but also hold the belief that China today exists in a continuum of its millennia-long past, and that Chinese history progresses by bestowing victory on the morally righteous.

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Resolutions on History

Made only three times since the founding of the Party, resolutions on history set the official historical narrative and the direction of future policy. In doing so, they also consolidate Party leadership, helping unify the Party in advance of the next Party Congress.

The previous two resolutions on history dealt directly with questions about Chinese leadership's past choices: both what was done well and more importantly, what was not.

The first, Mao Zedong's 1945 "Resolution on Certain Questions in the History of our Party," cemented his leadership following a purge of Mao's political rivals in the "rectification movement," excoriating those on the losing side and rehabilitating his supporters.

The second, Deng Xiaoping's 1981 "Resolution on Certain Questions in the History of our Party Since the Founding of the People's Republic of China" served a similar function, re-evaluating the traumas of the Cultural Revolution and Great Leap Forward, and admitting them as serious errors. While it confirmed Deng's power, it also sought to reinforce collective leadership, and laid the ground for economic liberalization.

But unlike the earlier resolutions, which dealt directly with questions about Chinese leadership's past decisions, Xi's resolution does not seek to reconcile events of the past. Instead, it focuses on summarizing the Party's achievements and its role in the nation's development, with particular attention to the period since Xi came to power at the 18th Party Congress in 2012. This year's plenum was massively celebratory, recounting the Party's "glorious journey over the past hundred years" and the great accomplishments under Xi. It further reinforced Xi's "core" leadership, while hailing "Xi Jinping Thought" as "embodying the best of the Chinese culture and ethos in our times." In the words of a spokesperson, Xi's resolution on history guides the Party and people to "strengthen their confidence, stay focused, and begin a new journey building the new era with vigor."

The plenum is a rallying call for the Chinese people to embark on a new journey to realize the second centenary goal, and ultimately, to fulfil the Chinese Dream of national rejuvenation

Two Centenary Goals

Two weeks after being appointed leader of the Party in 2012, Xi laid out a timeline for achieving the Chinese Dream. First, China will "build a moderately prosperous society in all respects" by 2021, the year of the Party's centenary. The communiqué noted that this has now been achieved, led by the country's "complete victory" in the battle against extreme poverty. Second, by the centenary of the establishment of the People's Republic in 2049, China will "build a powerful modern socialist country," that is, reaching developed economy status. To achieve this, China will likely continue to focus inwards to boost domestic demand, while encouraging foreign investment and trade. Messaging at the plenum, which marks a critical point between these two deadlines, called for the Chinese people to embark on a new journey to realize the second centenary goal, and ultimately, to fulfil the Chinese Dream of national rejuvenation.

Economic Development

Economic priorities are only indirectly addressed in the communiqué, but it unambiguously validated the long-term development policies introduced earlier

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As for China's economic relations with the world, Han Wenxiu, executive deputy director of the Office of the Central Committee for Financial and Economic Affairs, said after the plenum that deepening reform and opening to the outside world remain of key importance. Separately, on November 11, Xi said at the Asia-Pacific Economic Cooperation meeting that "China will remain firm in advancing reform and opening-up." Xi also said that China will continue to "shorten the negative list on foreign investment, promote all-round opening-up of its agricultural and manufacturing sectors, expand the opening of the service sector, and treat domestic and foreign business as equals in accordance with the law." In short, we expect China to continue to promote development of its non-state businesses, alongside the public sector, which continues to provide the government with about half its tax revenue, much of the country's innovation, and most of its new urban employment.

Major-Country Diplomacy

The communiqué reiterated confidence in China's "Major-Country Diplomacy," a term coined to capture the responsibility and magnanimity China should practice internationally given the country's size and influence. As a foreign policy philosophy, "Major-Country Diplomacy" recognizes the legitimacy of China pursuing its own national interests, but also highlights its commitment to helping build "a human community with a shared future" based on a "new type of international relations" that promotes mutual benefit. The communiqué assessed that the success of "Major-Country Diplomacy" shows China has "created a new model for human advancement" and "broadened the path developing countries can take to achieve modernization." Beijing will continue to seek treatment on major-country terms internationally: to be treated as an equal in dialogues. This means respect from other countries—especially the U.S.—particularly on core interests including national sovereignty and the integrity of China's political system.

Significantly, no mention was made of China's One Belt, One Road initiative.

Territorial Integrity

The CPC has become increasingly resolute on several critical issues that it characterizes as "red lines," central among which is the issue of territorial integrity. In recent years, Beijing has accused the West of crossing this red line, most recently for its "involvement" in social unrest in Hong Kong, accelerating military support to Taiwan, and criticism of human rights practices in Hong Kong, Xinjiang and Tibet. For Beijing, affirmation by foreign governments of red lines such as China's "One Country, Two Systems" policy is a key pre-condition for successful bilateral relations.

The communiqué reaffirmed China's existing position and continued to promote the idea of "national reunification." On Hong Kong and Macao, the communiqué stated that only patriots can govern the two special administrative regions. On escalating tensions across the Taiwan Strait, referencing U.S. and European political and military support for Taiwan, this year's communiqué was the first to state that the CPC "firmly opposes foreign interference."

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In language consistent with earlier statements, the communiqué pointedly praised the People's Liberation Army for defending national sovereignty "with an indomitable fighting spirit." Safeguarding "national sovereignty, security, and development interests" remains China's priority.

Guideposts for 2022

Following the Sixth Plenum, Xi's position as the Party core remains unchanged

Following the Sixth Plenum, Xi's position as the Party core remains unchanged, and the meeting paves the way for Xi to take a third five-year term as president and Party general secretary. There is no apparent successor. Further, the communiqué indicated that the "Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era" will continue to guide the Party and country for many years to come.

The communiqué suggested stability and predictability in China's macro-political and economic environment for the coming years. Even as we expect continued regulatory scrutiny of some sectors and more emphasis on equitable development, we also expect the deepening of China's market system, including further development of the non-public sector. Overall, in the words of Qin Gang, China's Ambassador to the U.S., from September 2021, China's "door of opening-up will only open wider."

However, Xi's position at the helm does not mean he is the sole decisionmaker. Personnel movements surrounding next year's Two Sessions legislative meeting and the Seventh Plenum may provide insight into who will take over important policy portfolios and join the next Politburo, set to be refreshed at the opening of the 20th Party Congress next autumn. These shifts in government and Party positions may be early indicators of how the next five-year cycle will play out, who could be poised to succeed Xi in the longer term, and how Xi Jinping's administration will govern the country in the new era.

Brunswick Group



MEI Yan

Senior Partner and Head of China
yme@brunswickgroup.com

Beijing

2605 Twin Towers (East), B12 Jianguomenwai Avenue,
Beijing, 100022, People's Republic of China
t: +86 (10) 5960-8600



St. John MOORE

Partner and Head of Beijing
smoore@brunswickgroup.com

Shanghai

1003 JC Plaza, 1225 Nanjing Road West, Jing'an District,
Shanghai 200040, People's Republic of China
t: +86 (21) 6039-6388



Matthew MILLER

Director
mmiller@brunswickgroup.com

Hong Kong

12/F Dina House, 11 Duddell Street, Central,
Hong Kong SAR
t: +852 3512-5000



Baijia LIU

Director
bliu@brunswickgroup.com



Yadan OUYANG

Associate
youyang@brunswickgroup.com



Gavin CROSS

Executive
gcross@brunswickgroup.com



Christina TANG

Executive
ctang@brunswickgroup.com