

The Institutional Restructuring of the Chinese Communist Party under Xi Jinping: Centralization and Its Policy Implications

Muhammad Nail Rifqillah

Department of International Relations, Faculty of Social and Political Science,
Hasanuddin University
NR62004@gmail.com

Abstract

ARTICLE INFO

To link to this article
10.31947/hjirs.v5i1.43692

This paper investigates the internal restructuring of the Chinese Communist Party (CCP) under Xi Jinping's leadership and its influence on policy-making and foreign policy behavior. Drawing on an integrated theoretical framework that combines the Bureaucratic Politics Model and Two-Level Game Theory, the study examines how China's increasingly centralized political architecture enables a more coherent implementation of policies from the top down. The paper argues that the restructuring of the CCP through the consolidation of decision-making power within the Politburo Standing Committee, the elevation of Party-led commissions, and the expanding control over state bureaucracies serves not merely to enhance administrative efficiency but to strategically align domestic priorities with China's international ambitions. Domestic economic policies, often managed by Party-led bureaucracies, now function as instruments of external leverage. This analysis contributes to a more nuanced understanding of China's domestic-international policy nexus, particularly how centralized authority and controlled bureaucratic channels reduce fragmentation in domestic preferences, thereby shaping China's negotiation behavior, strategic signaling, and foreign policy consistency.

Keywords: China, Communist Party, Xi Jinping, centralization

1. INTRODUCTION

China is a communist state operating under a single-party system, in which the Chinese Communist Party (CCP) has maintained uninterrupted control since 1949, following its victory in the civil war and the establishment of the People's Republic of China (PRC). PRC's political system has long been defined by the relationship between the Chinese Communist Party (CCP) and the state to the point where they can be thought as one complete entity. The PRC can be conceptualized both as a modern nation-state and as a Leninist "Party-State" (Lawrence, 2023). Within this framework, the CCP stands as the most dominant political institution, exercising authority over virtually all domains of governance. It operates a deeply entrenched

and hierarchical bureaucratic apparatus, with party leadership extending from the central level down to cities and counties. In this structure, party officials consistently hold ultimate authority.

At present, the PRC is led by Xi Jinping. He has held the positions of General Secretary of the CCP and Chairman of the Central Military Commission since 2012, and has served as President of the PRC since 2013 (Lawrence, 2023). Since then, China has undergone significant changes in both domestic governance and foreign policy behavior as the relationship between the state and CCP began to change. I am running a few minutes late; my previous meeting is running over.

While many focus on the PRC's growing military and economic power, this paper argues that an equally important transformation has taken place inside the CCP itself. Through a series of institutional reforms, Xi Jinping has reshaped the Party-state relationship by reducing bureaucratic fragmentation and placing the Party, not the government per se, at the center of national decision-making. This internal restructuring affects all levels of governance, from public health to technology, foreign policy, and economic regulation.

This transformation has fundamentally jumpstarted the end of "fragmented authoritarianism." Under Xi, the state ministries have been restructured, often merged or subordinated to Party-led commissions and "small leading groups" (SLG) that answer directly to the central leadership (Miller, 2016; Johnson et al., 2024). These bodies operate with greater secrecy and political loyalty which allows for more centralized policymaking. As a result, internal disagreements are minimized, decision-making processes are faster, and policies tend to reflect the top leadership's long-term goals rather than the compromises of competing state actors.

This internal restructuring has had major effects on China's foreign policy. In contrast to the more cautious and reactive diplomacy of the Hu Jintao era, Xi's China presents a more assertive, ideological, and strategic foreign policy posture. Examples include China's proactive promotion of the Belt and Road Initiative (BRI), the assertive "Wolf Warrior" diplomacy style, and its firmer stance on issues like Taiwan and the South China Sea. These shifts cannot be fully explained by external pressures or strategic interests alone. Rather, they are deeply connected to the way power has been reorganized inside the Chinese state and the CCP.

This paper examines the major developments such as the rise of party-led commissions, the merging of state functions into party departments, and the removal of internal checks within the bureaucracy. To explain this phenomenon, this paper combines and synthesizes two theoretical approaches: the Bureaucratic Politics Model, which shows how internal structures and competition shape policy outputs, and Two-Level Games Theory, which explains how domestic political control enables international bargaining power. Using these frameworks, this paper argues that China's internal restructuring under Xi Jinping is a critical driver of China's expanding role on the global stage.

2. THEORETICAL FRAMEWORK

This paper investigates the relationship between the internal restructuring of the Chinese Communist Party (CCP) under Xi Jinping and changes in China's foreign policy behavior. It specifically questions how has the internal restructuring of the Chinese Communist Party since 2012 affected the formation and execution of China's foreign policy?

This paper uses two complementary theoretical perspectives: the Bureaucratic Politics Model and Two-Level Games Theory. The Bureaucratic Politics Model argues that policy is not made by a single rational actor but emerges from negotiations, rivalries, and power struggles between different bureaucratic units (Long & Allison, 1972; Lampton, 2001). In authoritarian regimes like China, the model analyzes how centralization or fragmentation of authority itself affects the preferential hierarchy within the process of decision-making. Under Xi Jinping, policy-making authority has shifted from state-wide bureaucracies toward Party commissions

and small leadership groups which further minimize bureaucratic hurdles and amplify the ideological goals of the top leader (Shambaugh, 2016). On the other hand, Two-Level Games

Theory explains how leaders must negotiate both internationally and domestically at the same time (Putnam, 1988). Even though the theory was originally developed in democratic contexts, it also applies in the context of autocracies where their leaders still need to go through layers of internal power structures (Lobell et al., 2009). In the Chinese case, Xi Jinping's restructuring paves the way towards a more centralized and strong control over domestic "Level 2" actors. This paper will then proceed to combine the two and synthesize an integrated holistic framework. The integration of the Bureaucratic Politics Model and Two-Level Games Theory provides a layered understanding of how domestic institutional change within the CCP reshapes foreign policy. Each theory explains different aspects of the process, but together they offer a more complete picture.

The framework posits that as the dynamic interaction between domestic and international politics is contingent upon another through a chronological process in which any international behaviors demands internal coherence as a prior process, the state requires an efficient bureaucracy, not necessarily to bend the knee towards any international agreement, but to simply increase their collective resistance towards any international pressure. Since at level I, the "negotiator" has to secure favorable outcomes aligned with their national interests by bargaining with foreign counterparts. Success depends on their ability to construct agreements that are appealing internationally while being mindful of domestic acceptability. At Level II, these agreements face scrutiny from domestic institutions who evaluate their implications based on domestic priorities. Therefore, in the context of autocracy, the most efficient way to achieve "efficiency," is to try and clean up their internal bureaucracy through means of streamlining the decision making process at the domestic level (Level 2).

At its core, the theory initially assumes that international negotiations require the understanding of constraints posed by domestic actors. The order of this interaction tends to be somewhat circular which allows for domestic actors to determine their national interest first and then bring them to international agreement. This means that domestic institutions behave in a proactive way towards the international agreement as opposed to simply reactive.

Within the framework, the Bureaucratic Politics Model by Allison is used to analyze the restructuring and streamlining of domestic actors and their authority to influence decision making in level 1. This is because the model posits that policy outcomes depend on which institutions hold decision-making authority and how much influence they can exert. This affects how sub-negotiations in the internal mechanism are conducted in level 1. The framework pushes the model to completely dissect the level 1 within Putnam's two level game theory. Therefore, in China's case, the restructuring under Xi Jinping significantly reduced the power of traditional ministries (like Foreign Affairs or Commerce) and empowered Party organs that are more loyal to the top leadership. This shift creates a more centralized and ideologically uniform policy-making environment where fewer actors compete, therefore makes it easier for the decision-making to manifest internationally in level 2. This shows how this internal restructuring affects China's external bargaining power. With fewer domestic veto players and stronger central control, the CCP can act more decisively and consistently on the international stage. Xi Jinping's ability to consolidate internal support means that he can make bold foreign policy moves (e.g., in the South China Sea or Belt and Road negotiations) without facing much internal pushback. Together, the framework explain a causal chain as following: Internal restructuring → Consolidation of authority → Reduction of bureaucratic pluralism → Increased top-down control → Stronger domestic coherence (Level II) → More assertive and coordinated foreign policy (Level I).

This combined framework helps explain why China's foreign policy has become more assertive and long-term under Xi Jinping—not only because of external factors, but because the internal structure has been deliberately transformed to support this outcome.

3. METHODOLOGY

This paper adopts a qualitative approach based on process tracing and theory-informed case study based on secondary sources. The research focuses on major reforms under Xi Jinping that significantly transformed the structure of governance inside the CCP and the Chinese state. The analysis proceeds in three steps, 1) mapping institutional change through key events, 2) applying the framework (Bureaucratic Politics and Two-Level Games) to understand how institutional shifts changed both the actors involved and the incentives behind foreign policy decisions, 3) and linking institutional transformation to foreign policy outcomes.

4. ANALYSIS AND DISCUSSION

4.1. The Restructuring of the Chinese Communist Party

The Chinese Communist Party (CCP) has maintained political dominance over the People's Republic of China (PRC) since the state's establishment in 1949 (Lawrence, 2023). As of today, the CCP comprises approximately 98 million members, amounting to nearly 7% of the national population. Membership is contingent upon the successful completion of a highly selective application process. The supreme authority within the CCP lies with the Central Committee, headed by the General Secretary. This body includes an elite group of 24 members within the Politburo, and a further 7 individuals who serve on the Politburo Standing Committee, which constitutes the Party's most powerful decision-making core (Lawrence, 2023).

Following the Mao era, CCP leaders, up to and including Hu Jintao, took intentional and measured steps to avoid the over-centralization of decision-making authority in a single top leader (US-China Economic and Security Review Commission, 2022). Mao Zedong's unchecked dominance over the party and his autocratic rule stubbornly implement deeply flawed policies, despite clear evidence of their failure. In response, post Mako leadership gradually implemented a "collective leadership" model to constrain individual power. This model required the top leader to consult with other members of the Politburo Standing Committee when making key decisions. Under Hu Jintao's leadership (2002-2012), the collective leadership framework reached its most institutionalized form. A communique from the CCP's 17th Party Congress in 2007 formally described this model as "a system with a division of responsibilities among individual leaders" aimed at curbing unilateral decision-making by any one leader. Through this model, the CCP adopted a consensus-driven process in which the top leader was expected to build agreement among peers before advancing specific policy initiatives.

Xi Jinping's efforts to reassert the CCP's dominance in governance are rooted in his view that prior leadership had left critical weaknesses in state capacity. Xi's claims that previous governments were "lax and weak," undermining the CCP's legitimacy, internal unity, and governing effectiveness (US-China Economic and Security Review Commission, 2022). It identifies several core problems, 1) a lack of vigilance by former leaders allowed weak policy implementation and superficial compliance by lower officials which reduces the Party's overall policy effectiveness, 2) inadequate discipline within Party organizations led to declining political commitment among cadres and widespread corruption which harms the Party's public image, 3) overemphasis on rapid economic growth during the reform era caused deep institutional and structural issues in the economy that, according to Xi, require strong Party oversight to fix, 4) loose Party control over the military compromised both political loyalty and defense readiness, 5) china's ability to protect national security and navigate global complexities was seen as insufficient.

Xi's proposed solution to all these deficiencies is stronger Party leadership across state institutions which demands a substantial change in internal structure. The internal restructuring of the Chinese Communist Party (CCP) formally began in 2012 with Xi Jinping's rise to power as the General Secretary. This position gave him control over the Central Committee, which is the highest decision-making body in the Party. Within this structure, the 24-member Politburo

and especially the 7-member Politburo Standing Committee (PSC) hold the greatest political power.

Xi Jinping is widely recognized for his stringent anti-corruption campaign, which has targeted both senior and lower-level officials, thereby consolidating his authority within the Party and the military (Yuen, 2014; Yang, 2014). Upon assuming leadership in 2012, Xi launched a broad anti-corruption initiative aimed at restoring public trust in the legitimacy of the Chinese Communist Party and eliminating internal opposition. The campaign rapidly extended to the highest ranks of the Party and the military, resulting in the removal of prominent figures such as Zhou Yongkang, former Secretary of the Central Political-Legal Affairs Commission and Politburo Standing Committee member, as well as two former vice chairmen of the Central Military Commission (Phillips, 2017). This allowed Xi's popular appeal to increase but also served as a mechanism to neutralize political rivals and reinforce discipline across all levels of the Party. He then starts by consolidating the chokehold that the party has by consolidating the occupation of some of key critical roles in the state's formal institutions by putting in people who are loyal to him. For instance, Li Qiang serves both as a PSC member and as Premier of the State Council, China's top administrative body (Lawrence, 2023). Similarly, Ding Xuexiang is the Executive Vice Premier, and Zhao Leji leads the National People's Congress (NPC), which is China's legislative organ. This overlapping of functions between the Party and the state establishes "Party-state fusion" where it retains complete control over the policy cycle—from design to implementation.

This consolidation accelerated in 2013 through the expansion of Leading Small Groups (LSGs), which later became formal commissions (Miller, 2016; Johnson et al., 2024). These bodies, such as the Central National Security Commission and the Central Commission for Deepening Reform, provided institutional channels for Xi Jinping to bypass the State Council and enforce policies more directly. Alongside these structural changes, five central Party departments became especially important in directing governance (Lawrence, 2023). The Organization Department became responsible for appointing CCP members to civil service positions and training political cadres. The Publicity Department assumed full control over the media, arts, and ideological messaging in China. The Commission for Political and Legal Affairs was given control over judicial and legal institutions, including the Ministry of Public Security and the Supreme People's Court, thereby centralizing legal oversight. The United Front Work Department (UFWD) managed relations with ethnic and religious minorities, oversaw political affairs in regions like Tibet and Xinjiang, and engaged overseas Chinese communities. Lastly, the International Department became the diplomatic arm of the CCP, focusing especially on Party-to-Party diplomacy with countries like North Korea, Vietnam, and Cuba.

Between 2014 and 2015, the restructuring process intensified through another major anti-corruption campaign led by the Central Commission for Discipline Inspection (CCDI), under Li Xi (US-China Economic and Security Review Commission, 2022). The campaign removed thousands of state and Party officials across different sectors. While it claimed to target corruption, the campaign also served as a tool for political purification. It eliminated rivals and built loyalty to Xi Jinping, ensuring that state and Party organs would follow a unified and centralized leadership. At the same time, most ministers and agency heads were also appointed as Party Secretaries, further institutionalizing Party authority inside the administrative bureaucracy. These individuals were also made full members of the CCP Central Committee, reinforcing political alignment across all levels of government.

Xi has systematically consolidated his personal authority over the Chinese Communist. Xi assumed control over the Party, the state, and the military at a faster pace than his immediate predecessors, Jiang Zemin and Hu Jintao—becoming General Secretary and Chairman of the Central Military Commission in November 2012, and President in March 2013. By 2016, Xi Jinping was officially designated as the "core" of the Party leadership. At the close of his initial term, Xi's ideological framework—"Xi Jinping Thought on Socialism with Chinese

Characteristics for a New Era”—was enshrined in both the Party Charter and the Preamble to the PRC Constitution (US-China Economic and Security Review Commission, 2022). This positioned his ideological contributions on par with Mao’s, and above those of other leaders whose doctrinal inputs carry comparatively less institutional weight. During this period, Xi’s influence over policymaking has expanded significantly. CCP-affiliated media have begun to reframe what was once a negative concept—“decision by one authority”—as a functional and even positive feature of the Chinese governance model. Most notably, Xi has assumed the chairmanship of nearly all major Party commissions and leading small groups, giving him a central role in shaping policy across a broad spectrum of issues. Currently, he presides over nine such bodies, the majority of which were either elevated in prominence or established under his leadership. Around the same time, institutions such as the NPC and the Chinese People’s Political Consultative Conference (CPPCC) became more active in coordinating elite consensus and social integration. Zhao Leji’s leadership of the NPC and Wang Huning’s chairmanship of the CPPCC allowed them to mobilize support across the political, ethnic, and religious spectrum, including Hong Kong, Macao, and Taiwan (Lawrence, 2023). Wang also became responsible for guiding national discourse, including policies related to the “patriotic united front.” Another notable development was the formalization of the Office of the Central Commission for Foreign Affairs, led by senior diplomat Wang Yi (Lawrence, 2023). This office was upgraded from an opaque Leading Small Group to a full Party body, consolidating foreign policy decisions under Party leadership and limiting the autonomy of the Ministry of Foreign Affairs.

In 2018, the CCP made another significant institutional shift when the NPC passed constitutional changes to remove presidential term limits (Gao, 2018). Although the NPC has almost 3,000 delegates, they are not directly elected by the public. Delegates are chosen by lower-level congresses and electoral colleges dominated by the CCP, including those from the People’s Liberation Army, Hong Kong, Macao, and even a symbolic delegation from Taiwan. These bodies vote based on candidate lists decided by the Party, making the electoral process highly centralized (Lawrence, 2023). Meanwhile, the Premier, Vice Premiers, and State Councilors, many of whom were also Politburo members, became increasingly subordinate to the Party’s internal commissions rather than functioning as independent decision-makers. Ministries and agencies now serve primarily as implementers of top-level Party policy, with little autonomy in agenda-setting or legislative drafting.

From 2020 onwards, sectors related to data, finance, and technology came under direct Party supervision. New institutions were created under the Central Committee to manage cybersecurity, digital governance, and innovation. These institutions often bypassed the traditional authority of the State Council. In 2023, a new National Data Bureau was established, signaling the CCP’s goal of centralizing data governance (Chen, 2023). That same year, the Party removed two State Councilors from office—Qin Gang, who had served as Foreign Minister, and Li Shangfu, the former Defense Minister (The Guardian, 2023; France24, 2023). Although no formal explanations were given, both removals were linked to internal disciplinary violations and handled through Party channels. By 2023, the State Council consisted of the Premier, four Vice Premiers (all of whom were Politburo members), and three remaining State Councilors. In total, it also included the ministers of 21 government ministries, the heads of three ministerial-level commissions, the Governor of the People’s Bank of China, and the Director of the National Audit Office. Almost all of these individuals were full members of the CCP Central Committee, and most also served as Party Secretaries of their respective departments. This personnel structure ensures that the Party controls not only top leadership but also the daily functioning of the entire administrative state.

4.2. Shift in Policy and Decision-Making by Domestic Actors (Level 1)

The decentralization of political power and administrative authority within the Chinese Communist Party (CCP) transformed how state authority is produced, contested, and exercised. Within this model, Bureaucratic Politics Theory acts as the functional logic of Level II in Putnam's Two-Level Game Theory. In this framework, the processes and structures of bureaucratic politics inside China define the composition, priorities, and constraints of state authority in crystallizing the domestic win-set, which in turn shape the range and nature of possible foreign policy outcomes.

Within this framework, Bureaucratic Politics Theory offers a mechanism-based understanding of how China's Level II functions. In this model, the state is not a unified rational actor. Instead, policy outcomes are the result of competition, negotiation, and hierarchy among bureaucratic actors with distinct institutional cultures and goals. However, under Xi Jinping's leadership, this competition has been deliberately managed and in many cases, restructured into a vertically integrated system. Through this restructuring, the Party has gained tighter control over state organs, ministries, and even consultative institutions. The Party's Organization Department maintains political loyalty through cadre appointments, while the Central Commission for Discipline Inspection removes non-conforming actors. As a result, the bureaucratic landscape has become less fragmented, with fewer veto players and a reduced need for compromise across bureaucracies. The Party's internal logic now dominates policymaking, and elite consensus is manufactured rather than negotiated.

Thus, in the Chinese context, Level II is neither democratic nor pluralistic but highly centralized and ideologically filtered. The actors within it, ministries, commissions, provincial leaders, and military institutions, operate under the umbrella of Party authority. Their ability to shape foreign policy is mediated not through electoral accountability but through bureaucratic performance, ideological alignment, and loyalty to Xi Jinping's central leadership. Bureaucratic Politics Theory helps explain how these actors function, how authority is distributed and restructured, and how foreign policy positions emerge from this tightly controlled system.

As the bureaucratic process is streamlined, so do the win-sets. Xi Jinping has significantly narrowed and disciplined the domestic win-set. In other words, the range of foreign policy decisions that can be "ratified" within China by gaining the internal approval of Party-state actors has become smaller, more consistent, and more closely aligned with the top leadership's priorities.

This has two major consequences. First, it increases policy coherence from every level of governance, and long-term strategic directions are much more clear. Since bureaucratic actors are selected and promoted based on loyalty, there is minimal divergence in interests. This allows China to present a united front in diplomacy, with bureaucracies like the Ministry of Foreign Affairs, the PLA, and the State Council all moving in tandem. This coherence enhances China's bargaining power at Level I, because international counterparts are aware that China's foreign policy commitments are less likely to be reversed or contested by internal actors.

Second, it reduces internal adaptability and negotiation space. In cases where international agreements would require domestic compromise, such as in trade disputes, security arrangements, or human rights dialogues, the leadership has fewer bureaucratic or societal actors who can push for flexibility or reform. into the centralized structure. The domestic win-set is stable but rigid, which may lead to diplomatic impasses.

The replacement of fragmented bureaucratic decision-making with a unified and loyal chain of command also means that policy missteps are harder to correct. For example, when foreign ministers or defense officials fall out of favor, as with Qin Gang and Li Shangfu in 2023, their removal is swift, opaque, and politically motivated. These removals reflect not just personal failings but the system's intolerance for dissent, which ultimately shapes the tone and content of China's international engagement.

When foreign policy is shaped by a narrowed and ideologically rigid domestic win-set, it often takes on characteristics that are assertive, long-term oriented, and internally justified by reference to national unity and political control. This is visible in China's consistent positions on territorial issues and its use of economic diplomacy, and its preference for bilateral relations. What appears internationally as an assertive or revisionist foreign policy is, in this model, the logical output of a restructured Level II game, where bureaucratic politics no longer generate competing narratives or strategies, but are orchestrated to reinforce the central leadership's agenda. Bureaucratic Politics Theory reveals how these narratives are developed, implemented, and maintained through administrative structures, while Two-Level Game Theory explains how these internal dynamics translate into external behavior. In this way, China's two-level game is not symmetrical with those of democratic countries. It is more centralized at Level II and often more strategic at Level I.

4.3. Policy Implication

The CCP's internal restructuring does influence how China formulates and executes economic policy, both domestically and internationally. In the fused framework, economic policymaking represents a crucial bridge between internal coordination (Level II) and external action (Level I), especially in an era where China's global economic footprint is increasingly inseparable from its domestic governance structure.

Xi Jinping's restructuring of the Party-state has led to a more vertically integrated economic bureaucracy, where the central leadership, particularly through the Central Financial and Economic Affairs Commission (CFEAC) and the National Development and Reform Commission (NDRC), coordinates both planning and execution of key policies (NDRC, n.d.). The Organization Department ensures that leadership at the local and ministerial levels adheres to these national visions. This has led to greater policy coherence across levels of governance, allowing national strategies—such as digital infrastructure expansion, energy transition, or anti-monopoly regulation—to be rolled out with relative speed and uniformity. This unification enhances the credibility of China's economic policies to both foreign investors and international partners, because there is lower risk of sub-national divergence or noncompliance. For instance, when China enforces new regulations on tech companies or property developers, the consistent message and implementation across levels of government reflects a consolidated domestic win-set that strengthens China's negotiating position at Level I. The boundary between domestic and international policy becomes further blurred when considering foreign firms, investors, and supply chains operating within China. These actors are subject to the same centralization logic as domestic firms. Ministries like the Ministry of Commerce (MOFCOM) and commissions like the Cyberspace Administration of China (CAC) now coordinate their oversight with broader Party goals (Miao, 2018).

Thus, foreign firms are de facto part of China's Level II arena, because their presence shapes the policy options available for the leadership. They indirectly assimilated into the domestic bureaucratic ecosystem, because their operations influence policy calibration within key ministries. For example, decisions about data localization, export controls, or tariffs reflect negotiations between domestic bureaucratic factions and concerns about external retaliation or dependency. These decisions are internalized through bureaucratic politics, who wins in internal debates, who is purged or promoted, but they have clear outward-facing consequences which affect China's trade policy, bilateral investment treaties, and WTO engagement.

This aligns perfectly with Putnam's insight that international negotiators must consider how foreign partners interpret their domestic constraints. In China's case, the coherence of those constraints makes its policies more predictable, even if less flexible.

Equally important is how domestic economic policies serve as instruments of foreign policy with key ministries and commissions are now mobilized not just to meet economic growth targets, but to implement foreign policy via domestic channels. Firstly, The Belt and Road

Initiative (BRI) is partly funded through domestic financial institutions like the China Development Bank and Export-Import Bank of China, whose lending decisions are directly influenced by Party bodies and high-level commissions (Simonov, 2025). We also see provincial governments are instructed to align outbound investment with BRI corridors which enforce foreign policy coherence through local NDRC offices (NDRC, n.d.).

Secondly, industrial subsidies for semiconductors or green technologies are framed as domestic development strategies, but they also carry strategic goals of reducing dependence on Western supply chains and gaining leverage in global value chains. The “dual circulation” strategy explicitly ties domestic consumption and innovation to greater autonomy from global markets while also using China's massive market as a bargaining chip in external relations. In bureaucratic terms, these dual functions are executed by agencies like the Ministry of Industry and Information Technology (MIIT), State-owned Assets Supervision and Administration Commission (SASAC), and sector-specific regulatory bodies, all coordinated through Party-led mechanisms that ensure alignment with national strategic goals (Z. Chen, 2018). The Export Control Law is also enforced by the Ministry of Commerce but reflects the geopolitical will of the Central Committee to limit advanced semiconductor exports to adversaries (Allen & Goldston, 2025). We also see financial regulators integrate U.S. sanctions risk into their review of overseas IPOs and mergers, showing that bureaucratic actors are embedded in the calculus of external constraint management.

Thus, these economic tools reflect Level II policy coherence but are deployed as instruments at Level I, China's negotiations with the EU over EV tariffs, its FDI regulations with the US, or its aid strategy in Africa.

This expands the definition of the “win-set” at Level II in two ways:

1. Foreign firms are stakeholders within China's domestic policy calculus, as their exit or compliance shapes the regime's legitimacy and economic indicators.
2. Policy signals directed at foreign companies, such as anti-monopoly probes or tax incentives, are used to shape external narratives about China's openness, investment climate, or sovereignty claims (e.g., tech independence).

In essence, the “win-set” at Level II is now broader in scope but narrower in voice. It includes domestic actors and foreign firms, but all are subordinated to an increasingly centralized decision-making logic. Bureaucratic politics determines which priorities dominate and how trade-offs are resolved internally before China presents a coherent position externally.

5. CONCLUSION

The internal restructuring of the Chinese Communist Party (CCP) under Xi Jinping has produced a fundamental shift in how China formulates and implements both domestic and foreign policy. By concentrating authority within a tightly controlled Party core has built a political system that minimizes internal fragmentation and maximizes policy coherence. This paper used an integrated theoretical lens, combining the Bureaucratic Politics Model with Two-Level Game Theory, to show how domestic bureaucratic structures are no longer obstacles to foreign policy formation but rather engines that drive it. In this model, bureaucratic coherence acts as the mechanism that streamlines Level II negotiations which narrows the range of internal preferences and produces a more predictable and controlled “win-set.” As a result, China presents itself to the international community not as a state fragmented by domestic bargaining but as a unified actor capable of decisive and consistent foreign policy behavior.

Importantly, this coherence does not remain confined to traditional foreign affairs. Domestic policies, particularly in the economic and technological domains, are increasingly designed with foreign policy implications in mind. Whether in controlling foreign capital, managing supply chains, or asserting influence through trade and infrastructure diplomacy, internal policy instruments are now directly embedded into China's international strategies. Ultimately, the CCP's bureaucratic centralization has produced a system in which domestic

politics no longer restrain foreign policy they enable it. China's ability to align internal structures with external goals is a strategic advantage that allows it to act with greater speed, coordination, and long-term vision on the global stage. As this model of governance continues to evolve, understanding the internal logic behind China's foreign policy requires not just a look outward but a close analysis of how power is ordered and exercised within.

Reference

- Allen, G. C., & Goldston, I. (2025). *Understanding U.S. allies' current legal authority to implement AI and semiconductor export controls*. <https://www.csis.org/analysis/understanding-us-allies-current-legal-authority-implement-ai-and-semiconductor-export#:~:text=China%20also%20has%20the%20authority,use%20basis%20if%20it%20desires.&text=Allied%20countries%20surveyed%20in%20this,summarizes%20he%20services%20controls%20landscape>.
- Chen, Q. (2023, March 20). China's new National Data Bureau: what it is and what it is not. *The China Project*. <http://thechinaproject.com/2023/03/20/chinas-new-national-data-bureau-what-it-is-and-what-it-is-not/>
- Chen, Z. (2018). *Governing through the market: SASAC and the resurgence of central state-owned enterprises in China*. <https://theses.bham.ac.uk/id/eprint/8381/>
- France24. (2023, October 24). China removes defence minister, ousts former foreign minister from cabinet. *France 24*. <https://www.france24.com/en/asia-pacific/20231024-china-removes-defence-minister-ousts-former-foreign-minister-from-cabinet>
- Gao, C. (2018, March 6). As 'Two Sessions' open, CCP is ready to defend presidential term limit change. *The Diplomat*. <https://thediplomat.com/2018/03/as-two-sessions-open-ccp-is-ready-to-defend-presidential-term-limit-change/>
- Johnson, C. K., Kennedy, S., & Qiu, M. (2024, October 12). Xi's signature governance innovation: the rise of leading small groups. *Center for Strategic & International Studies*. <https://www.csis.org/analysis/xis-signature-governance-innovation-rise-leading-small-groups>
- Lampton, D. (2001). *The Making of Chinese Foreign and Security Policy in the Era of Reform*. Redwood City: Stanford University Press. <https://doi.org/10.1515/9780804764490>
- Lawrence, S. (2023). China Primer: China's Political System. In *Congressional Research Service* (No. IF12505). The United States Government.
- Lobell, S. E., Ripsman, N. M., & Taliaferro, J. W. (2009). Neoclassical realism, the state, and foreign policy. In *Cambridge University Press eBooks*. <https://doi.org/10.1017/cbo9780511811869>
- Long, D. F., & Allison, G. T. (1972). Essence of decision: Explaining the Cuban missile crisis. *Journal of American History*, 59(1), 222. <https://doi.org/10.2307/1888485>
- Miao, W., Zhu, H., & Chen, Z. (2018). Who's in charge of regulating the Internet in China: The history and evolution of China's Internet regulatory agencies. *China Media Research*, 14(3), 1+. <https://link.gale.com/apps/doc/A549658139/AONE?u=anon~61714386&sid=googleScholar&xid=b512f329>
- Miller, A. (2016). The ccp Central Committee's Leading Small Groups. In *BRILL eBooks* (pp. 279-303). https://doi.org/10.1163/9789004302488_011
- NDRC. (n.d.). *Main Functions*. <https://en.ndrc.gov.cn/aboutndrc/mainfunctions/>
- Phillips, T. (2017, November 29). China's former security chief given life sentence for corruption. *The Guardian*. <https://www.theguardian.com/world/2015/jun/11/chinas-former-security-chief-given-life-sentence-for-corruption>

- Putnam, R. D. (1988). Diplomacy and domestic politics: the logic of two-level games. *International Organization*, 42(3), 427-460. <https://doi.org/10.1017/s0020818300027697>
- Shambaugh, D. (2016). *China's future*. John Wiley & Sons.
- Simonov, M. (2025). The Belt and Road Initiative and Partnership for Global Infrastructure and Investment: Comparison and current status. *Asia and the Global Economy*, 5(1), 100106. <https://doi.org/10.1016/j.aglobe.2025.100106>
- The Guardian. (2023, October 24). China removes two key figures from office in major leadership reshuffle. *The Guardian*. <https://www.theguardian.com/world/2023/oct/24/china-removes-two-key-figures-from-office-in-major-leadership-reshuffle-li-shangfu-qin-gang>
- US-China Economic and Security Review Commission. (2022). 2022 Annual Report to Congress: Chapter 1 - CCP Decision-Making and Xi Jinping's Centralization of Authority. In <https://www.uscc.gov/>. <https://www.uscc.gov/annual-report/2022-annual-report-congress>
- Yang, Z. (2014, November 21). China's Anti-Corruption campaign: Cleaning up the PLA's house. *The Diplomat*. <https://thediplomat.com/2014/11/chinas-anti-corruption-campaign-cleaning-up-the-plas-house/>
- Yuen, S. (2014). Disciplining the party. *China Perspectives*, 2014(3), 41-47. <https://doi.org/10.4000/chinaperspectives.6542>

-