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China's power: searching for stable domestic foundations

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China is fighting to contain the dynamism of its society as numerous forces compete for the spoils of power and wealth in a rapidly evolving political, legal and social milieu. This struggle was unleashed by the Chinese government itself when it decided to move away from doctrinaire policies of a command economy and total control of ideology, a process which began very slowly and cautiously in 1978, but one which has been gathering pace and momentum ever since. So, at the same time as managing the liberalisation of the economy and society, the government of China is struggling to institutionalise a new social and political contract to set the rules by which the new competition for wealth and power will be governed.

But the circumstances are not easy. To adapt an observation made by the *Economist* magazine, if Japan is a country in trouble, China would probably like to swap its troubles for Japan's.¹ Even when China's GDP matches that of Japan, the per capita levels will be one-tenth those in Japan. That means one-tenth of the money to spend on schools, health, and housing. In circumstances of growing public demand for even a modest share of China's new prosperity, the low per capita GDP available for social goods increases pressure on the government to be frugal in allocating money to military forces. President Jiang Zemin reportedly observed to former Japanese Prime Minister Takeshita that his biggest task since taking office had been to feed and clothe the 1.2

billion Chinese.² Former Vice-President Rong Yiren has said that it will be at least fifty years before China becomes a middle-income country.³ But when President Jiang Zemin sketches what he calls 'grim challenges', he also notes that China has 'unprecedented favourable conditions' to meet them.⁴ This is the reality of China as perceived by its government.

This chapter reviews the domestic political foundations of China's power as it passed the 50 year anniversary and in the year or so since. The chapter is an attempt to describe leadership perceptions of the government's power against the observable reality of the dynamically evolving society that it faces. The chapter assesses China's power by the relatively simple yardstick of how governmental and national capacities, along with the government's record of achievement, have responded to the dynamic evolution.

The political effects of the whirlwind of economic reform in a weak state

The 22 year history of the boom in China's national economic performance, beginning with strategic decisions on opening up and reform under the leadership of Deng Xiaoping in 1978, is well known. Between 1978 and 2000, the Chinese economy enjoyed dramatic annual growth rates which, according to official Chinese statistics, averaged about 10 per cent per year. In gross GDP, China was set to overtake Japan within several years and the United States in several decades. Deng's decision to reform grew in part from the problems of governance facing China as a result of the Cultural Revolution and the excesses of communist dictatorship even before that.

There is no doubt, however, that the reform policies, equivalent not only to radical structural adjustment in the national economy but also to redefinition of political power, national identity and purpose in the political sphere, brought their own share of even more serious governance problems and large-scale turmoil. In large part, the student 'rebellion' in Tiananmen Square in 1989 was just one manifestation of this massive change. In the decade since, the scale of the governance problem facing the Chinese leadership

has become a common theme among scholars writing about China's economic future, even scholars with an optimistic outlook on China's future. Problems of income distribution, jobs, and sustainable development posed major challenges to policy. One assessment from the early 1990s noted that a 'scenario of leadership factionalism, provincial indiscipline, popular political antipathy, government financial squeeze and bureaucratic foot-dragging' could not be dismissed.⁵ The consequences of such an eventuality, the author noted, would be a rapid decline in economic performance and a rapid rise in political confrontation. Such assessments could also be found amongst Chinese commentaries, many of which acknowledge that the Communist Party needed to reform itself, particularly to deal with the debilitating effects of corruption on social order.⁶

But through the early 1990s, the implications of the revolution in China's economy for the continued political order of the country became more severe.⁷ A growing consensus developed among the leadership, all with fresh memories of the Tiananmen incident in 1989, that without more political stability the whole edifice of the state (the Chinese Communist Party (CCP)) might collapse, leading to their own loss of power, or even worse, their prosecution and possible execution for crimes. At the 1997 session of the National People's Congress (NPC), the government introduced a new defence law which highlighted the continuing priority for the People's Liberation Army (PLA) in preventing 'domestic armed rebellions or armed riots aimed at subverting state power, and overthrowing the socialist system', to quote the Defence Minister, Chi Haotian.⁸ Chi said that such rebellions and riots remained a serious threat in China.⁹ Thus, while impressive growth rates and increasing national self-confidence became a defining feature of the Chinese economy in the 1990s, so too did a growing sense of vulnerability and urgency begin to seize Chinese leaders about their capacity to maintain economic and social stability.

The dynamism of China's society is more than matched by the dynamism of some of China's leaders and their policy settings to address the country's problems in recent years. In March 1998, a blueprint for the most radical shake-up of China's government

since 1978 was revealed. The essence of the new policies was to make China 'rich, strong, democratic and civilised'.¹⁰ The country's leaders decreed a historic metamorphosis of the purpose of the central government in China from control of the economy to supervision of it. There were four planks to the radical shake-up—strong economic leadership to sweep away the last vestiges of socialism, including universal welfare supports, radical reform of the armed forces and defence industry, strong legal leadership to build durable foundations for a stable free market society, and the expansion of participatory democracy. These four planks corresponded in the Chinese leaders' eyes to the four goals—rich, strong, democratic and civilised. This new spirit was to be China's way of burying the ghost of the Tiananmen Square repressions and reincarnating the spirit of Chinese *glasnost* and Chinese *perestroika* that existed between 1985 and 1989, but which since then had in some important respects been suppressed by the government itself.

The future directions of Chinese domestic policy were sketched by the Chairman of the State Council, Zhu Rongji, in a press conference in March 1998 immediately after taking up his appointment.¹¹ They included

- transformation by the end of 1998 of both the purpose and structure of the national administration by cutting 44 ministries, commissions or other agencies to 29, of which a number had been, or were to be, corporatised¹²
- stabilising some 450 medium and large state-owned enterprises as fully corporatised entities by the year 2000
- completion of a regulatory framework for the banking sector premised on prudential supervision and depoliticisation of their operations by the year 2000
- rationalisation of the domestic grain market to ensure political stability and allow eventual removal of subsidies¹³
- transformation of the domestic investment and capital market system to bring it fully into line with internationally accepted market practices
- the total commercialisation of all residential properties to change housing from a welfare offering of the state into a market commodity

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- introduction of a new national medical health scheme removing free universal medical care
- reform of the tax system.

In contrast to these medium-term goals, which must have been endorsed by other senior leaders, Zhu also announced that the most urgent policy priority would be substantial increases in domestic investment to maintain economic growth and provide insurance against flow-on effects from the economic crises in South Korea, Indonesia and Thailand.

Two years later, in March 2000, Zhu was able to report that the government had had considerable success in implementing these reforms and that the country had weathered the changes quite well. He said the country faced more opportunities than challenges. In particular, he claimed early success in turning around the state-owned enterprises in the textile industry one year ahead of schedule (he did not mention though that this sector is uncharacteristic in that it enjoys a high level of foreign investment, has therefore enjoyed high levels of technological renovation, and has high levels of export earnings to hard-currency destinations).¹⁴ He also claimed significant progress in the old industrial bases of China, especially the Northeast, where low productivity, high unemployment and bankruptcy had become common characteristics of state-owned enterprises. Reasonable progress was made in the other areas of policy, according to Zhu, especially in social welfare reforms, such as unemployment compensation. In December 2000, Zhu reported that the state-owned enterprises had 'basically' achieved the goals set for them in the three year period.¹⁵ But there were still serious problems, Zhu said. One of these he noted on the same occasion was that 'the incomes of peasants in some principal food producing areas had declined'. He predicted that, if these and other problems were not addressed immediately, there would be a major negative effect on stability in rural areas.

Without reference to stability in the 'rural areas' of China, it is impossible to appreciate fully the gravity of the situation facing China's leaders as they see it. The 'rural areas' of China represent 900 million of the country's 1.3 billion people. Stability of the rural

areas is quite simply the stability of the country as a whole. Zhu Rongji has described a problem of public order at the grass roots level,¹⁶ a problem he characterised on another occasion as urgent.¹⁷ The Chairman of the Standing Committee of China's National People's Congress, Li Peng, admitted in March 2001 that 'not enough has been done to find out about the real state of law enforcement at the grass roots'.¹⁸ In February 2001, the government issued a White Paper on 'improving agricultural work' which reasserted the primacy of the rural areas of China in the country's overall national economy and its social stability.¹⁹ It called for lifting unnecessary burdens off the peasants' backs and a better response from officials to otherwise unexplained 'mass incidents'. Through the 1990s, there have been a number of large-scale violent incidents in China's countryside that have largely gone unreported in the West but which underpin the new-found determination of the leaders through the 1990s to lift burdens off the peasants' backs.²⁰

The prospect of new social unrest in the cities is also something the Chinese leadership is actively contemplating as part of the necessary structural adjustments associated with greater internationalisation of the economy. A number of public commentaries have warned of the inevitable impact on the country's economic security (and by implication on its social order) of the structural adjustment that will be necessary as a consequence of China's accession to the WTO.²¹

There are a number of other sources of the public order crisis in China and, as much as China would like to deny the possibility, these sources do include the classic problems of cross-border ethnic loyalties. This is really only significant in western China, where members of the Uighur community and some other Turkic ethnic groups have been waging a terrorist campaign against the Chinese government in support of claims for independence from China. According to sources in Beijing, the Chinese government now feels it is losing the fight against the Muslim separatists. The reasons cited for this by Beijing sources are as follows.²² There is now a net outflow of Han Chinese from Xinjiang. This has come about because the policy of migration of Han Chinese to Xinjiang

was a policy of forced migration, when jobs were assigned by the Party and people had little choice but to go where they were sent. Now that China effectively has a free labour market and controls on residency have largely evaporated, many of the forced migrants to the west are returning to their original homes (for family reasons) or to other places in the richer provinces for economic reasons. Even a number of Han Chinese born in the west find it more attractive for economic reasons to migrate eastwards. This net outward migration is a long-term problem for the Chinese leadership and, though it can be corrected over time with special incentives, the issue bears heavily on leadership calculations of the nature of the problem.

The rebellion in western China weighs even more heavily on Chinese leadership perceptions of internal security because official sources in Beijing believe that China has lost control of infiltration across the borders with Tajikistan and Kyrgyzstan, two tiny countries of Central Asia facing immense problems of governance and armed incursions of their own. China has significantly increased its military relations with Kyrgyzstan at least and is providing support to the development of its border surveillance programs. But these programs are at a low level and the flow of weapons, money and drugs to support the operations of the rebels in Xinjiang has increased in recent years.

But even if this sort of cross-border ethnic strife is in China confined largely to the western border, the 'separatism' that it represents is demonstrated profoundly and gravely by two other cases—those of Taiwan and Tibet. And these, as is well known in the West, evoke particularly neuralgic responses from senior Chinese officials. Beijing's long-term assessment of both of these problems individually is not good.²³ This is the reason in the case of Taiwan for Beijing's new threat in the White Paper on Taiwan in 2000 that Taiwan should not indefinitely delay reunification and that doing so would be tantamount to a declaration of independence. The planned visit to Taiwan in 2001 of the Dalai Lama represents Beijing's worst nightmare in terms of the two territories and the independence goals of their leaders.

In the midst of such concerns, the rise of a politically robust movement such as Falun Gong, claiming millions of adherents throughout society, but especially in the Communist Party, the armed forces, and the security services, saw anxiety levels in the Chinese leadership over internal security reach a level in 2001 not seen since the height of the Cultural Revolution or the first years after the 1949 victory. The level of their concern can be judged by many manifestations—the ferocity of the crackdown on Falun Gong, the emphasis on internal security in the current missions of the PLA, increases in pay for the PLA, the creation of new government mechanisms to coordinate internal security policy, and repeated leadership statements about the urgency of solving the public order crisis in all fields from gun smuggling to border security.

China: a weak state?

The issue identified in Chinese official sources as a crisis of public order should more correctly be seen as a crisis of political legitimacy. Chinese leaders appreciate this better than most outside observers. The impressive gains of the 1980s and 1990s brought some new legitimacy to the Communist Party, which had squandered most of its popular support before 1978 through repeated political campaigns or repression, and through several sharp economic reversals that remained bitter memories despite impressive economic and social gains in some years. But a continuing crisis of legitimacy arises from the government's inability to find quickly enough politically acceptable solutions to a number of serious problems, some firmly rooted in China's demographic pressures and resource foundations (and therefore largely beyond short-term solutions over which Beijing has control), and others more of a systemic or political character (equally hard to change in the short term with radical readjustments in political order).

Demographic pressures and resource foundations

China is a resource rich country, both in natural and human terms. The large population size suggests massive potential economic advance because it presents a large pool of skilled workers and a large internal market to boost domestic demand, and therefore

domestic production. China does have a huge imbalance between arable land and population—7 per cent and 25 per cent of world totals respectively. But China now has little difficulty producing enough food for most people in the country. Per capita consumption levels of meat, fruit, eggs, aquatic products and vegetables are all higher than world averages. China will face little difficulty feeding itself as long as weather conditions, market conditions and distribution systems remain at least as they were through most of the 1990s. Advances in technology, especially genetic engineering, take-up of reserved wasteland which is currently not used, and institution of a number of financial instruments to insure against losses due to natural disasters will contribute to a general improvement in China's food supply situation.

Yet China does face huge resource constraints for an economically developing country and these constraints do shape leadership perceptions of China's power position in the world. China's dependence on the outside world for critical resources, critical technologies and critical investment funds dictate not only friendly policies toward the providers of those, but also a domestic economy responsive to their continued provision. An absolute precondition of this responsiveness is an economy that is open to investment and innovation, and from the point of view of internal stability this means continual adjustment to the global market through domestic structural reform. Chinese officials are acutely aware that China has no 'birthright' to foreign investment in a global order where many other developing countries are even more attractive as investment destinations, and they are aware of the downturn in new foreign investment into China in the last two years.

While on current indications China can easily feed itself well into the next century, it is highly unlikely that China will be able to fuel itself for decades to come. Even before China became a net importer of oil in 1993, it needed to import oil to obtain certain types of product or to supply certain localities. Between 1990 and 1993, crude oil imports jumped from 2.9 million tons to 15.6 million tons. Imports of petroleum products more than doubled in 1993

compared with the previous year (from 7.68 million tons to 17.4 million tons).²⁴ In 1996, oil imports were 37.5 per cent higher than the 1995 level, and 700 per cent higher than the 1990 level. Import requirements in 1997 were projected to hit 25 per cent of total Chinese consumption.²⁵ The market impact of China's purchase of oil on the international market, and the level of its consumption of domestically produced oil, will be such as to increase the dependence of major oil consumers, including China and Japan, on Middle East oil.²⁶ The pace of development of Chinese offshore oil and gas resources has picked up considerably in recent years but offshore fields are unlikely to redress a situation of Chinese dependence on substantial imports of energy. The offshore fields will produce only a fraction of total Chinese energy requirements.²⁷

A similar picture is presented by industries dependent on oil extraction, such as petrochemicals. China is now self-sufficient in many petrochemical products but does import significant amounts of selected products, in some years importing more than 50 per cent of consumption.²⁸ By 2005, according to one estimate, China will import over 40 per cent of its naphtha consumption, over 50 per cent of its gas oil, and over 30 per cent of its gasoline consumption.²⁹ Its dependence on imports will extend to almost all intermediate petrochemical products, with actual import quantities dependent on pricing policy and technology shifts in domestic production. According to industry specialists, this increasing dependence will not be significantly altered by the availability of projected new sources of offshore crude oil in disputed areas and China will probably be forced to abandon its preference for self-sufficiency in petrochemicals.³⁰

The only solution for China in the medium term will be to import substantial amounts of oil and petrochemicals, and to develop simultaneously new nuclear and hydropower sources. In 1993, China decided to increase investment in expansion of the power industry by 25 per cent of its current share of GDP. Foreign investment in domestic power production was also to play an important part in easing power shortages, but even with these expansion plans, the prognosis was still bleak—energy shortages across the country

would basically only ease.³¹ Some reliance on other forms of energy production, such as solar, wind, tidal and waste cycle, can be expected but there is little sign of the massive government investment in these sectors that would be needed for them to make more than a tiny contribution to the energy mix. To continue to import oil and other industrial inputs in increasing volumes, China needs to maintain high levels of foreign exchange reserves and/or high export volumes. It is the judgment of China's economic decisionmakers that both depend on increasing the openness of China's economy.

China is also technologically dependent on the outside world. As one commentator put it in the *People's Daily* in February 2001, 'the pressure [on China] caused by the leading edge of economically, scientifically and technologically advanced countries...will exist permanently'.³² When China began its economic reforms in 1978, the rapid development of the technology base was one of the leader's dreams. It had been hoped that, if China could quadruple its GDP by the year 2000, then advance in technology would come almost by itself as part of the economic advance.³³ The decision to allow foreign investment had been justified within the leadership of the Communist Party in large part on the grounds that such investment would bring the high technologies that would enable China to become even more self-reliant and more powerful. The flows of high technology did not happen, partly because of the sharp interruption to China's international economic links after the Tiananmen Square repressions, but mainly because China simply was not attractive as an investment site for high technologies. One of the biggest obstacles to this was the failure for many years of China to join international regimes for protecting intellectual property rights, and even after it did join, to enforce them. In addition, incentive regimes for import of technology were often frustrated by other control mechanisms.³⁴

By 2001, the technological part of the open door policy had not been fulfilled and the leadership began to fear that China was falling even further behind. Chinese productivity levels remain very poor. The need to advance the country's science and technology base was put up as the long-term unifying strategy or rationale

for all government policy. The belief, as expressed by President Jiang Zemin at the 15th Party Congress and echoed by his new Prime Minister in 1998, was that advanced technology, understood in its broadest sense, was the key not only to national strength in conventional military terms but also in terms of economic competitiveness, resilience and adaptability. Repair of China's flawed record on intellectual property rights, which has even resulted in executions for crimes relating to intellectual property rights, has to be a central part of this strategy.

China's perceived vulnerabilities in relation to rapid technological advance in the United States helped galvanise political opinion in the leadership in 1997 and 1998 for the massive governmental changes, including reorganisation of ministries, announced in March 1998. These moves included reorganising the State Science and Technology Commission into a Ministry, having pointedly dismissed its head some several months earlier, and reorganising the Commission for Science, Technology and Industry for National Defence (COSTIND) by increasing its powers, bringing under its wing powerful research and development capacities, and appointing a civilian head to direct it.

China remains a developing country in many respects, and its leaders think of it in this way as often as they see its more positive features, such as rapid economic growth, substantial international trade, and very high levels of gold and foreign exchange reserves. The population of China has reached 1.3 billion, of which one billion live outside the major cities. As suggested above, even with purchasing power parity estimates of Chinese gross national product (GNP) which put it just behind Japan, Chinese per capita GNP would be one-tenth that in Japan, a relativity which has enormous consequences in a range of areas from living standards to infrastructure spending. Things have been so bad in China in this respect that in 1994 the government had to establish an international poverty alleviation fund to help it support the 130 million citizens then living below China's poverty line.³⁵ In 1998, the number of poor people in rural areas alone was 50 million in spite of four years of relatively successful work in poverty

alleviation.³⁶ And unemployment pressures continue to mount because of structural adjustment in the economy. In 1998, the relevant Chinese minister announced that each year for the following several years, six million new job-seekers would be looking to enter the workforce, and four million former workers would be retrenched from state-owned enterprises and government jobs. This would represent an addition to a floating labour force estimated to be in the tens of millions that is highly dependent on the construction industry and other sources of temporary manual labour. According to Chinese government statistics, about seven million new jobs were created in 1997. Without rapid expansion of the employment market, China could accumulate ten million additional unemployed people in three years. If these are concentrated in older industrial cities in the northeast which are in fairly rapid decay, the social and political consequences would be serious.

China's government has settled on a course of internationalisation of its economy in three dimensions—trade, inward investment, and outward investment. As a signatory to the Bogor Declaration on reduction of tariffs and non-tariff barriers and as a member of the WTO, China is committed to open and free trade to the same extent as other members of the world community. On some estimates, China is one of the most trade dependent economies in the world—some 30 per cent of GDP in 1996, and more than 40 per cent for the several years before that.³⁷ China's receptivity to foreign investment in recent years is well known, but has developed only gradually beginning in 1978 with moves in the offshore oil sector, and extending eventually to almost all sectors of economic activity, including by 1995 to some of the most sensitive strategic minerals and military industry sectors. According to a Chinese official, the country was the second biggest recipient of new foreign investment for each of the five years to 1997.³⁸ Joint ventures using foreign investment accounted for 37 per cent of China's total trade in 1994.³⁹ By the late 1990s, the third leg of China's internationalisation strategy—outward investment, such as the buying of foreign companies or funding of

foreign enterprises—was still embryonic, but as in the case of Japan, one of the most important aspects of China's impact on global economic relations will be its capacity to accumulate external assets.

Since China had in relative terms both a closed economy and a closed society in the 1960s and 1970s, the rapid pace of the internationalisation process by 1998 guaranteed that China's entry into the global economy would be a very bumpy ride, bringing with it a variety of conflicts with trading partners, foreign investors and international organisations. The ability of the Chinese government to resolve these economic conflicts easily in the twenty years after 1978 was seriously impeded by the slow pace of development of its domestic legal institutions and its bureaucracy. Not only were these hobbled by the political chaos of the Cultural Revolution, even after 1978 they were hobbled by continuing serious divisions in the leadership of the Communist Party about the virtue of opening up to the outside world and about how that was incompatible with Communist ideology. Even in 1997, after the collapse of the currencies in South Korea, Indonesia and Thailand, there were strong voices in the higher levels of the Communist Party arguing that China had allowed itself to be too exposed to the global economy. The correct policy for China, according to this view, was self-reliance, and this terminology still figures prominently in the rhetoric of China's leaders. Jiang Zemin reportedly told top leaders that no other country would help China if it were faced with a similar crisis.⁴⁰

Political fragility

The above factors which might more or less be regarded as long-term or relatively persistent 'environmental' conditions can be contrasted with what could usefully be called politically contingent factors. China can change these comparatively quickly, though not without cost, if it wants. While communist ideology has all but disappeared in practice in China, important remnants of the totalitarian regime of governance that accompanied the ideology remain in place. But, without a coherent ideology, the political system has no social glue that gives the government legitimacy in

the eyes of most of the people. The struggle to find a new ideology and to establish a new social contract with a very distrusting population is a defining feature of Chinese politics today. How that struggle resolves itself in terms of the institutions of politics will determine the future directions of Chinese foreign policy and will therefore determine ultimately China's real international power.

Political power in China remains diffused through an immensely powerful informal network surrounding several formal organs of the Communist Party and there are no publicly-visible political conventions or rules on how to replace the top leaders. Each succession is a contest of political wills that involves mobilisation of key constituencies throughout the informal networks. The leaders of the coercive instruments of the state (the armed forces and security services) remain central to all major transitions of power. In such a system, a change of leadership represents a greater risk of political instability than in a system where the leadership jockeying is confined to leading groups in a political party.

The government structure of China exists in name and practice under a state constitution promulgated in 1982 (the fourth in 33 years), but the highest level leadership of this formal structure is subordinate to control by senior leaders of the CCP. Thus a Minister, or the State Council (of Ministers), carries out the orders of small group of senior CCP members who may or may not hold the leading positions in the CCP. Thus, when Jiang Zemin steps down from the post of President of China, and possibly from the post of Secretary-General of the CCP, he will probably remain the most powerful politician in China and retain his post as Chairman of the Central Military Commission as a manifestation of this.

Under the Constitution of the CCP, its leading bodies are nominally subject to control from the Central Committee of the CCP, whose authority is exercised between meetings of its Politburo. The authority of the Politburo is exercised between its meetings by a Standing Committee. In practice, the real lines of authority have operated downwards from the Standing Committee, with the Central Committee subject to its direction, and the

Politburo itself occupying some sort of middle ground. Cross-cutting these official structures are powerful informal networks (that could loosely be termed 'factions')⁴¹ typical of any political leadership system.

The Standing Committee of the Politburo of the Central Committee of the CCP is in some respects the most powerful formal organ across the full range of policy, but at different times it has been rivalled by the Party's Central Military Commission (CMC) in respect of security policy, by its Political and Legal Commission (PLC) in respect of internal security and law and order, and by its Secretariat in respect of ideology.⁴² Decisions of the Standing Committee are subject to direction and influence from other sources. The most important are informal networks under the influence of retired or serving leaders of the CCP whose authority does not depend on a formal appointment in the government or in the CCP. The role of Deng Xiaoping in directing major decisions by China's government after his retirement from all formal positions was a good illustration of this. But other informal networks and channels of political authority exist. Deng was only the foremost of a group of veteran leaders, such as former President Yang Shangkun, former Defence Minister Zhang Aiping, and former Politburo members, Wan Li and Bo Yibo. This system is quite distinct from a parliamentary system in a liberal democracy where informal power exists but is largely subordinate to more transparent processes of administration on the floor of the national parliament and in the offices of the leaders of the executive branch of government subject to parliamentary control, supervision or appointment.

The power of the informal networks has been enhanced by several structural or contingent features of the political system. China is governed from Beijing as a self-styled dictatorship centred on the core organs of the CCP. Its constitutional and legal system emerged from a revolution which comprehensively replaced the existing political structures of the Chinese state. Though a very large country, China's administrative controls were so weak and its national wealth so dissipated that it was ravaged by a long civil war, foreign invasion and the depredations of colonial interference

for the first half of this century, China presented to the CCP a very weak foundation on which to build any legal and constitutional system. Even after 1949, the foundations of domestic order did not fare well. CCP leaders have acknowledged they were their own worst enemies. Political and legal authority was consistently subject to severe strains from successive power struggles within the leadership or sharp disagreements on policy (often the one inflamed, or was used for, the other). For most of the history of China, the country has not had a stable political system which might have eventually matured into one which could deliver constitutional legitimacy to the rulers or methods they used to rule. The continuing house arrest of the former Secretary-General of the Communist Party, Zhao Ziyang, who was purged prior to the Tiananmen Square repression on 4 June, is an example of the lack of order in the political system. Another example of the latent instability of China's political system is the introduction into the National People's Congress (NPC) in March 1997 of a law which, *inter alia*, explicitly provided for control of the armed forces by the CCP rather than by the government of the state (State Council) as provided for in the state constitution of 1982.⁴³

The standing threat to regularisation of the system first emerged in 1957, peaked in the so-called Cultural Revolution, and, although much reduced by 1998, has not altogether subsided in spite of considerable progress toward the rule of law through a process of national legislation, judicial renovation, and an easing of many aspects of the totalitarian system. New forces and contingencies have emerged to threaten the steady progress toward rule of law promised both by Deng's 1982 state constitution and by a blossoming of political reform between 1985 and 1989. While the massive economic progress registered by China in the last decade gives the CCP leaders new opportunities for control, the wealth has created new centres of power (wealthy entrepreneurs or provincial authorities) and new processes of power (corruption for personal wealth). Both of these factors act against regularisation of any formalised constitutional processes. Thus, the decisionmaking environment is conducive to the continued role, and perhaps even enhancement, of the informal networks, including through the

traditional mechanism of enlarged meetings. The power of the person, and the informal political levers he or she is able to control, remain more of a consideration than authority deriving from formal occupancy of leadership positions. Even when these most respected veterans of the pre 1949 years have died, other second-generation veterans will still seek to interfere. For example, the former Politburo member, Qiao Shi, who retired from his leadership posts in 1997 and 1998, will continue to be an important second level force in Chinese politics through the network of patronage by appointment that he established through his decades of work at the highest levels of the country's legal system and intelligence services.

The most serious contingent element of the leadership policy environment in the 1990s was the transition associated with the death of Deng Xiaoping who, though his power was far from absolute, was the single most powerful ruler of China after 1978. This contingency has been complicated by the death of other leading revolutionaries who ruled China after 1949 and who relied on that historical role for political authority. It was these other senior leaders, such as Peng Zhen and Chen Yun, with whom Deng shared power in his position as 'first among equals'. The transition from strong, personalised leadership to leadership by consensus of a larger group without clear commanding authority, creates the danger of prolonged and more severe bureaucratic disputes' and weak policy decisions.⁴⁴

The uncertainty generated in the early 1990s by the imminent death of Deng had all but dissipated by the time of his eventual passing in February 1997. Chinese policymaking had settled into a fairly routinised process within the upper circles of the CCP albeit through informal as well as formal mechanisms. Yet one fundamental characteristic of political leadership in China remains its lack of constitutional stability and the resulting inability to command a functional level of responsiveness in many circumstances. Reliable evidence for this exists at middle levels of government (since no studies are available of the highest level of policymaking) but it seems more than reasonable to assume that

the lack of institutional regularity at lower levels, which seriously impedes policy implementation,⁴⁵ is also present at the highest level. The prognosis must be that unless there is a sustained abatement of political competition in the leadership, and some consolidation of process and norms, then political direction in China will continue to be contested and followed only fitfully.⁴⁶

In this situation, where the top leadership must obtain the consensus of a larger number of constituencies at the centre, and where there has been a relative decline of centralised economic power in favour of provincial authorities, policy decisions which favour one group at the centre at the expense of many others will not be politically viable.⁴⁷ This factor appeared to be in play in the deliberations for leadership changes in the lead-up to the 15th Party Congress where, according to independent sources, the various contesting parties could not agree on a resolution without direct intervention of one or more of the veteran leaders. The retention of former Prime Minister, Li Peng, as second highest in Party protocol standing even after he resigned the job of Chairman of the State Council was almost certainly at the urging of Party elders. Such incidents would confirm the observation that the structure of 'court politics' in China still 'calls forth a supreme leader', a 'final arbiter', to save the court from institutional deadlock or unresolved personal rivalries.⁴⁸

China thus remains an authoritarian state without a core ideology other than that of the corporatist state. Even though the 1997 Party Constitution allows for complete intra-Party democracy (Article 11), including the election of Party officials at all levels, the Party did not allow nomination of alternate candidates for senior Party posts at the 15th Congress at which the new Constitution was adopted. The new Constitution forbids public dissent by members from Party decisions and prohibits circulation of internal party deliberations without approval (Article 15). Until 1999, the focus of state coercion against 'dissidents' was limited largely to those advocating the end of Communist party rule, the creation of free trade unions, or the secession of any part of the country, or those making public personal attacks on particular

leaders. As in many other states, China continued to protect through coercion what it regarded as 'state secrets' and 'public morals'. China's legal system remained draconian when engaged against any of its citizens, not just political dissidents.

By 2001, the brutal crackdown on the Falun Gong movement had achieved an intensity not seen since the repression in 1989 of student and democracy movements, but the Falun Gong repressions took on a far greater scale given the reported size of the movement, its penetration of party and military organisations, and its geographic spread throughout China (not to mention Hong Kong, the United States and elsewhere outside China). The re-emergence of the Political and Legal Commission within the Communist Party at the end of the 1990s in an era of sustained internal unrest and an intensifying crackdown on Falun Gong has reopened a new point of institutional contest in a leadership system that was only just beginning to settle into some order. The head of the Commission, Luo Gan, who supervises all civilian internal security operations is simultaneously a Party Secretary, Politburo and State Council member, making him one of the most powerful men in the leadership. Luo shares responsibility for the People's Armed Police with the Central Military Commission and the General Staff Headquarters.

China's leaders also sense the fragility of their political system and the weakness of their state in terms of centre–region relations. According to Hu Angang, one of China's leading experts on relations between the central government and the provinces, 'China's economic miracle has taken place at the expense of the central government'.⁴⁹ Writing in 1993, Hu and a colleague, Wang Shaoguang, reported that the central government's income and expenditure as shares of GDP in 1989 were the second lowest in the world after Yugoslavia, and that China would pay the same price in political terms if it did not remedy this defect.⁵⁰ The Chinese government responded by instituting the first national taxation system in the history of the country in 1994, but by mid 1995 Hu saw the national income as a share of GDP still dropping—to 9.1 per cent as opposed to 14.2 per cent in 1992.⁵¹ These problems

are compounded by disagreements between regions on internal trade, where some provinces or localities actually create their own barriers to movement of goods. One writer has predicted that a 'fragile equilibrium' between the central government and the regional administrations will continue 'until a general crisis unfolds or until the time is ripe for constitutional reform'.⁵² An Australian government report in 1997 observed that, without radical tax reform, Chinese policies aimed at bringing to the poorer parts of China the economic advances some of the coastal provinces have enjoyed would not succeed.⁵³

The problems of governance have been increased as a result of pressures for a new relationship between the central government of China and regional authorities. On the one hand, the central government has favoured a multitude of forms of government and these forms increased in the period of reform. While provinces, municipalities and autonomous regions existed under Mao, Deng added new types of regional status—special economic zones (1979), open port cities (1984) and coastal economic areas (1985). By 1988, Hainan Island was declared a new province and became a special economic zone. In 1996, the city of Chongqing was declared a municipality. The motive for re-crafting administrative relations between the centre and regions in the above cases was largely economic, but the central government has also been responsive to more sensitive political issues of regionalism. This is unambiguously the case in respect of the Special Administrative Region (SAR) established for Hong Kong under the 'one country, two systems' concept. The Chinese government holds out the hope of applying a similar system to Taiwan, with the island retaining its own armed forces. The leaders have also been sensitive to the need to combat separatist sentiment in Xinjiang and Tibet with concessions on regional autonomy (combined with more traditional iron fist methods). With the status of Taiwan as part of China increasingly under threat—since most people in Taiwan do not want to be a part of China—there is even greater pressure on the government of China to maintain its nascent federalism—'one country, many systems'—and to develop it exclusively in peaceful directions.

Genuine federalism would be a complete innovation in China's political history. The communists have in political terms rejected federalism as being synonymous with warlordism, as a 'recipe for feudalism and national disintegration'.⁵⁴ Yet, as prominent Chinese scholars have pointed out, the historical patterns of centre–region relations cannot be sustained. The only practicable solution would be to improve the tax base of the central government while giving the regions 'by means of constitutional procedures, far reaching legislative autonomy'.⁵⁵

Persistent weakness

As night follows day, the radical policies announced in March 1998 were certain to provoke strong opposition from organised political forces, from newly organising political forces, and from the natural conservative tendencies in society. In the fiftieth anniversary year, the reform wing of the Communist Party was clearly ascendant within the Party itself, and was sufficiently entrenched to weather challenges from conservatives within its ranks for some time in the absence of a major social, political or economic upheaval. Moreover, the reform wing has sufficient disposition to the use of coercion to repress competing political forces outside the Party, such as the free trade-union movement, that there is little sign of an alternate government. There is a broad awareness in China that politics can undo economic gain if it becomes uncontrolled. Memories of the Cultural Revolution between 1966 and 1976 and of the economic and social backwardness of China in 1978 are fresh enough to convince many people to let politics take care of itself.

By 2001, the reform wing of the party was still clearly ascendant, as discussion below of changes in ideology suggests, but there appeared to be a resurgence of sorts by more doctrinaire elements and of the coercive arms of state power, such as the PLC of the Party. It is more than likely that the issue of how to balance the quest for new popular legitimacy and the leadership consensus on a need to crack down hard was a central battleground of leadership politics.

By 2001, with the adoption of the Tenth Five Year Plan, the government was advocating even faster reform as the only means of addressing the country's balance sheet of problems. Zhu identified faster economic liberalisation as the only way of easing unemployment pressures.⁵⁶ But the main lines of the government response have not been in economic policy, but in reform of the basic approach to governing the country. The government is looking for a new social contract based on greater democratisation, with Chinese characteristics, while strengthening the coercive position of the state to limit and channel that democratisation.

Coping with systemic fragility

This systemic fragility will not be too difficult for Chinese leaders to cope with as long as no organised opposition group mounts a frontal assault to take power from the CCP. A continuation of gradual evolution to more participatory politics in circumstances of rising living standards will help prevent a strong opposition group from emerging in the population at large, but, as discussed above in connection with internal security, there are serious doubts within the CCP leadership about its ability to satisfy public demand for perpetuation of the state welfare system. The only way China can now avoid a major political upheaval in the country is to speed up the pace of democratisation so that the blame for decisions that undermine the welfare and rights of significant sections of the population can be shared. This conclusion has been reached by the CCP leadership, who believe that use of force against demonstrators on a large scale such as in 1989, would only bring down their system more rapidly, not sustain it.

Most of China's leaders have not yet resolved the contradictions in their own vision between economic and social advance on the one hand and political reform on the other. In 1998, in the face of a newly prominent and illegal movement advocating free trade-unions, the leaders have resorted to traditional forms of repression. Without some resolution at the highest levels of the leadership of how to make the transition to a more pluralist society in which power is genuinely shared with non-Party groups on a formalised

basis, then the prospect must be for greater social unrest, not less. The following sections sketch some elements of the leadership's response to its crisis of legitimacy.

The dynamics of power without ideology: defining a new social contract

The significance of the changes to the Constitution of the Chinese Communist Party (CCP) approved at its 15th Congress in 1997⁵⁷ was unambiguous. Communism is not officially dead in China, but it might as well be. The new Party Constitution contained new theses about Communism. It saw the time-scale in which communism could be achieved as so distant that for all practical purposes it was admitting that communism was simply not achievable. The document said that it might even take 100 years to see socialism, which would be an early transition stage to communism, in China.⁵⁸ The leadership has justified its shake-up of the government structure not by reference to ideology so much as by reference to pragmatism and the spirit of the times. They said the former government administration system was simply no longer appropriate, having been developed under a command economy and under an incomplete legal system. It was also simply so big that it cost far more than it was worth to maintain.⁵⁹ Communist ideology was, in essence, buried and, according to the new Party Constitution, the three criteria by which any policy should be judged had now become its contribution to increasing the country's productive forces, increasing national strength, and satisfying the material and cultural needs of the citizenry.

By the end of the 1990s, China's system of government and ideology was more liberal than those of predecessor 'authoritarian statist', such as Benito Mussolini and the Italian fascists. Italian fascist theorists saw the state as supreme, as the director and controller of all things.⁶⁰ The state had a heroic and historic mission, and democracy of any sort was rejected. Italian fascism also rejected the concept of individual material benefit independent of the state interest. The trend in Chinese politics since 1980, however fitful and in spite of leadership discomfort, has been to the reduction

of the power of the state in favour of a pluralistic vision, both in economic management and social policy. Pluralism in politics has not been as strongly supported in the leadership of the Communist Party, but it did emerge between 1985 and 1989 and, despite sustained repressive measures from the government, had by the mid 1990s resurfaced unmistakably, slowly gathering strength by 1999. The government continued to arrest dissidents but the level of Party tolerance of political dissent was much higher than in most of the 1990s. Within the constraints outlined in the previous paragraph, in almost all domains of policy, even military policy, authors could discuss almost any idea in public media without fear of state retribution. Party members were generally free to raise orally within closed party meetings any idea, as long as it was not disseminated further without Party approval.

In the years since the Party Congress in 1997, even more ambitious plans for economic and social reform had emerged, to the accompaniment of yet further redefinitions of the essence of communism—or what was more commonly called socialism with Chinese characteristics. The essence of communism and the CCP was redefined to mean protecting the cause of China's 'advanced social productive forces', preserving 'China's advanced culture and 'representing the fundamental interests of the greatest majority of the Chinese people'. This formula, attributed to Jiang Zemin, is called the 'the three represents'.⁶¹ The enhancement of the people's living standards is the 'fundamental point of departure' for the 10th Five Year Plan, and the goal of increasing incomes for the peasants is included in this. These strategies have been identified in public by Chinese leaders as the way of ensuring continued power for the CCP. Another new thread of CCP ideology to emerge firmly by the turn of the century was the idea of 'ruling the country with virtue'.⁶² This slogan formed part of the CCP's urgent crackdown on corruption, also identified by the leadership as essential if the Party was not to be overthrown. Zhu Rongji has echoed these lines of policy in less doctrinaire terms. He has identified the need to 'take into full consideration the general public's capacity to tolerate the changes and not shift costs formerly borne by the

government onto the general public'.⁶³ He talked of the need to avoid 'coercion and commands' when pursuing the restructuring of agriculture. He said that there was a need to continue guarantees of financial assistance to laid-off workers in the cities.

The state structure: reorganised for new coercion

After the sudden emergence of Falun Gong as a politically active force in 1998, a very important new exception to tolerated activities became participation in, or support for, such religious or quasi-religious groups. But two observations might be made about the crackdown on Falun Gong. First, the crackdown is a sign of the CCP's insecurity in the face of all of the threats to internal order mentioned above. Second, and as a consequence, the severity of the crackdown can be attributed to a perceived need to root out any form of opposition lest it be seen as a spur or example of success to others making a fundamental challenge to CCP authority, such as those in Taiwan, Tibet, Xinjiang, the China Democracy Party, the embryonic free trade-union movement, or illegal religious groups (Catholics and Muslims). There appears to be a broad consensus in the leadership on the need for the crackdown. Even Zhu Rongji seems at one with the coercive strategies of the state being used hand in glove with the new approach of emphasising popular support.⁶⁴ He has warned of acts of sabotage inside China by hostile forces from outside the country. He said that the problem of strengthening social stability, national unity and border defence was urgent.

The re-emergence of the PLC mentioned above, even when a new supervisory and Policy mechanism called the Commission for the Comprehensive Management of Public Order (CCMPO) had been created in the early 1990s, is a very strong sign of just how seriously the CCP leaders view the internal security threats. In February 2001, a new cross-ministry and cross-commission permanent body responsible to the Politburo was created specifically to supervise an intensification of the crackdown on Falun Gong.⁶⁵ The CCMPO and the PLC now hold joint meetings under the direction of Luo Gan. Luo has complained publicly about the low allocations of funds for the operation of subsidiary PLC's

throughout the country and called for constant increases.⁶⁶ The priority tasks for the PLA were identified in March 2001 by Jiang Zemin with strong reference to the internal security mission as 'safeguarding state security, promoting the unity of the motherland and maintaining social stability'.⁶⁷ An increase of pay for PLA members (including the People's Armed Police) of 30 per cent in 2000 (supposedly to keep pace with civil servants' pay increases) may be another reflection of concern about internal security.⁶⁸

Democratisation, Chinese style

But the CCP leadership has learnt, as the new trends in ideological formulation indicate, that carrying a big stick is by itself a self-defeating strategy. Even in calling for a harsh crack-down, Luo Gan calls for improvements in the fair administration of justice in order to keep the people's trust. The CCP has returned to the principle of expanding the democratisation of the country, albeit conceived in terms of dictatorship of the centre. This centralist democracy has two elements—the first, village elections, has been around now for a number of years; the second, also in an embryonic form has been visible for many years, but has gained a new prominence in ideology. This is the principle of 'popular supervision', not only through more vigorous investigations by local and regional people's congresses, but through a move that looks remarkably like the first steps of *glasnost* by Gorbachev—that of 'opening government affairs to the public'.⁶⁹

A move toward grass-roots democratisation, involving contested popular elections of township (or village) heads and direct election to township and county level people's congresses, launched in 1988, survived the anti-democratic mood in the leadership after 1989.⁷⁰ The legislation was amended in 1995, and, by 1998, some 600,000 representatives in county level congresses across the country were chosen by secret ballot with universal adult suffrage in contests with more than one candidate per post, and in which any ten or more voters are able to nominate a candidate. The main non-democratic feature of the process has been the intervention of candidate selection committees to reduce the number of candidates from all of those nominated to a select few.

Higher level people's congresses, including the NPC, are still elected by indirect methods, and the CCP's tolerance of non-communist membership of the congresses decreases the higher the level. In county congresses, many representatives are not Communist Party members, and party discipline is not an issue because local issues, on which more often than not there is no central Party line, dominate the agenda. At the NPC, nothing remotely like an opposition has been allowed to form, but there is considerable freedom of speech on most matters, except for those that go to the heart of Communist Party rule. This freedom of speech is heavily constrained though by a highly formalised and ritualistic schedule of speeches which allows little time for comment from the floor by members who do not get offered a speaking part by the Party leadership. No nomination for a state leadership post put forward by the Communist Party had been rejected by the NPC though there have been important protest votes. For example, in March 1998, ten per cent of deputies voted against the appointment of Li Peng, former Prime Minister, as chairman of the NPC Standing Committee, and the Executive Vice Chairman, Tian Jiyun, received fewer votes than any of the other Vice Chairmen. The main place where freedom of speech has significant impact is in the work of the committees of the NPC, where government ministers are often called to account and where some fairly vigorous inquiries and investigations have been conducted.⁷¹

Conclusions

Communism may be dead, but free-market capitalism and liberal democracy do not yet have firm roots in China. Since becoming Prime Minister, Zhu Rongji has led the battle to make the free market secure in China. He will leave the politically risky task of making a transition to liberal democracy to people like Tian Jiyun in the National People's Congress, to the leaders of a number of low-profile central organisations, like the Institute of Political Science,⁷² and to intellectuals working vigorously and with great subtlety throughout the country toward that end. The new leaders

of China want liberal democracy in China, but they understand this more as an economic event that liberates market forces and allows some sharing of the burden and blame of economic decisionmaking, rather than as one of philosophical disposition or democratic consent for 'responsible government'. Thus the very foundations of domestic governance, and therefore of China's international position, remain fragile.

This judgment is reinforced when one considers the lack of arrangements for transition away from one-party rule to genuine pluralism. The Communist Party has withered on the vine, having effectively lost control of most of the lower level cells nationwide. While these still function as Party cells, they might as well be completely independent of the Party because they do nothing to propagate the Party line. They exist primarily as debating clubs, control over which brings with it the traditional perks of Party status. The leaders acknowledge this problem in private but they know that they have written the script for the collapse of ideology as a glue that binds the Party, and therefore the Party-state. Efforts to find a substitute for Communist ideology have been made, and public commentary within China on neo-authoritarianism or nationalism derive mainly from a need perceived in the Party to find a substitute. But the depth of these sentiments is hard to judge. Much of the discussion is from Communist Party members responding to what they see as signals from above. On this reading, the battle for the future of Chinese politics will be fought between more radical, more liberal minded reformers and less radical, less liberal reformers in the Communist Party and by their supporters in the armed forces and security services (such as the Ministries of State Security and Public Security).

Yet the scale of disadvantage and disaffection in China is so great and growing so rapidly that major social and political turmoil seems inevitable. One new mass movement across China—Falun Gong—has already arisen, and others are likely to emerge. It will be in the response to such outbreaks of disorder that the future of the Party-state and its policies will lie. If the more liberal reformist elements of the Party come to dominate these decisions, coercion will be avoided in favour of spreading democracy (and the blame)

and by patching up regional welfare problems on an ad hoc basis. If the less liberal though still reformist elements in the leadership dominate decisions, sustained resort to coercion and a deterioration of the social contract are inevitable.

China is in the grip of a political revolution that was put on hold in 1989 and is now being pursued by more surreptitious methods, and which is being fuelled on a daily basis by rising discontent among the 'losers' and by the increasingly radical measures of the 'winners' seeking to defuse the growing discontent. The leadership of the Communist Party might well be able to keep 'riding the tiger' but the new business interests of key officials and the traditional Chinese social characteristic of 'law blindness'⁷³ suggest that this battle will be won or lost according to the ability of the government or the society to placate the newly discontented constituencies, not in the niceties of political ideology. If this cannot be achieved more quickly and more effectively than it has been so far, the almost inevitable outcome will be resort to force and the fragmentation of society.

Acknowledgments

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Notes

- ¹ *The Economist*, 21 March 1998, 13.
- ² *Kyodo*, 22 August 1994, FBIS-CHI-94-163, 23 August 1994, 3.
- ³ Jiji Press Newswire, 31 October 1994 (Reuters), 1 November 1994.
- ⁴ 'China: Jiang Zemin Congress Report', *Xinhua*, 21 September 1997, carried in FBIS-CHI-97-266, 23 September 1997: .
- ⁵ William H. Overholt, *China: the next economic superpower*, (London: Weidenfeld and Nicolson, 1993), 67, 68.
- ⁶ Ma Zhongshi, 'China dream in the global 1990s and beyond', *Strategic Digest*, 24, no. 1 (January 1994), 71, 77, reprinted from the Beijing-based journal *Contemporary International Relations*, 3, no. 7 (July 1992). This line is common amongst the privileged members of Chinese society and Party members.
- ⁷ See Greg Austin, 'The strategic implications of China's public order crisis', *Survival*, 37, no.2 (Winter 1995), 7-23.

- ⁸ 'Draft law on national defense submitted to NPC', *Xinhua*, 6 March 1997, carried in FBIS-CHI-97-064, 6 March 1997.
- ⁹ For an elaboration of this issue, see Austin, 'The strategic implications of China's public order crisis'. In terms of Chinese military posture, the new sense of vulnerability provoked by the public order crisis has important effects. More allocations are almost certainly being made to internal security and border defence, which are predominantly army and police responsibilities. Such expenditures will have penalties for investment in high technology weaponry and power projection capability (predominantly navy and air force). The relative share of defence spending going to the ground forces may well have increased in the past two to three years—but it is almost impossible to know.
- ¹⁰ The phrase was used in a speech by Tian Jiyun, Executive Vice Chairman of the Standing Committee of the National People's Congress, and Politburo member from 1987 to 1993, who took that position at the height of the reform era. For text, see 'China: Tian Jiyun on NPC Standing Committee work', *Beijing Xinhua*, 10 March 1998, carried in FBIS-CHI-98-074, 15 March 1998.
- ¹¹ For a translated text of the press conference carried on Beijing Central television, 19 March 1998, see 'China: Zhu Rongji's news conference' FBIS-CHI-98-078, 20 March 1998.
- ¹² Former Premier Li Peng acknowledged the historic significance of the changes on 5 March 1998: 'China will focus on reorganising or abolishing departments directly in charge of economic management and reinforcing departments handling macroeconomic controls, and those supervising law enforcement'. See 'China: Li Peng unveils ministry restructuring plan in NPC report', *Xinhua*, 5 March 1998, carried in FBIS-CHI-98-063, 4 March 1998.
- ¹³ This is a complex and circular problem. High domestic surpluses in some regions have lowered income for farmers, forcing the central government to raise subsidies. Rationalisation of the grain market will initially bring about some regional drops in farm incomes but the government expects that nationwide liberalisation of the market will simultaneously get more grain to poorer areas and eventually lead to sustained higher market prices for farmers based on this increased demand. The central government has been trying to break the control of regional grain bureaux for a number of years but has so far not been able to do so. Zhu did not say that the proposed system would bring about a shift from free universal health care to one involving a substantial element of patient fees and medical

insurance, but this has been made clear in other statements and in the trend of health services in China.

- ¹⁴ 'Zhu Rongji's Work Report to the NPC', *Xinhua*, 16 March 2000.
- ¹⁵ 'Zhu Rongji inspects Jiangsu, Zhejiang 7–13 December; comments on economic, other issues', *Xinhua*, 13 December 2000, FBIS-CHI-2000-1213.
- ¹⁶ 'Zhu Rongji's Work Report'.
- ¹⁷ 'Zhu Rongji inspects Jiangsu'.
- ¹⁸ 'Chairman Li Peng reports on work of standing committees', *Xinhua*, 19 March 2001, FBIS-CHI-2001-0319.
- ¹⁹ 'PRC issues opinion on improving agricultural, rural work', *Xinhua*, 12 February 2001, FBIS-CHI-2001-0212.
- ²⁰ See Austin, 'The strategic implications of China's public order crisis'.
- ²¹ See, for example, 'CPPCC members discuss impact of globalization on PRC', *Xinhua*, 11 March 2001, FBIS-CHI-2001-0311.
- ²² Interviews with the author, October 2000.
- ²³ Interviews with the author, October 2000.
- ²⁴ Sun Hong, 'Oil-products imports to increase', *China Daily*, 28 May–3 June 1995, 1, carried in 'Petroleum imports to increase this year', FBIS-CHI-95-103, 30 May 1995, 67–68.
- ²⁵ Xu Dashan, 'Robust economy fuels oil imports', *Business Weekly (China Daily)*, 12–18 January 1997, carried in 'China: strong economic growth boosts oil imports', FBIS-CHI-97-008.
- ²⁶ That region's share of global production has been estimated to rise from 20 per cent in 1990 to 38 per cent in 2005. Hisahiro Kanayama, 'The future impact of energy problems in China', *Policy Paper 124E*, International Institute for Peace Studies, Tokyo, June 1994, 4.
- ²⁷ Shen Qinyu and Wu Lei, 'Focus on Gulf Region in developing oil industry', *Guoji maoyi wenti*, 6 February 1995, 9–12, translated in 'Article views oil shortages, foreign sources', FBIS-CHI-95-102, 26 May 1995, 57. See also Kanayama, op. cit., 2.
- ²⁸ See Table B33, in Paul W. Fields and Richard G. Stellman, *Petrochemicals in China* (Houston: Pace Consultants Inc., 1994), 15.
- ²⁹ See Alan Troner and Sarah J. Milner, *Energy and the New China: target of opportunity* (New York: Petroleum Intelligence Weekly Publications, 1995), 70.
- ³⁰ Ibid., 30.
- ³¹ Qin Jingwu, 'China's rapidly developing oil industry', *People's Daily (Overseas edn)*, 29 December 1993, 1, translated in 'Yearender reviews energy industry growth', FBIS-CHI-094-002, 4 January 1994, 48.

- ³² *People's Daily*, 16 February 2001, 1, carried in '4th RMRB commentator on realizing socialist modernization', FBIS-CHI-2001-0220.
- ³³ China undertook a number of initiatives or campaigns to boost science and technology performance, and the overall goal of tying technology to market forces was enhanced through some liberalisation and commercialisation of state sector research centres. For a brief account, see C. Harvie and T. Turpin, 'China's market reforms and its new forms of scientific and business alliances', in J. Chai and C. Tisdell (eds), *China's Economic Growth and Transition*, 488–89.
- ³⁴ Pitman B. Potter, 'Law reform and China's emerging market economy', in Joint Economic Committee of the United States Congress, *China's Economic Future: challenges to US policy* (Armonk, New York: M.E. Sharpe, 1997), 240.
- ³⁵ China's official poverty line stood at 550 yuan (US\$66) a year in 1997.
- ³⁶ 'China: Li Peng on impoverished people in NPC work report', *Xinhua*, 5 March 98 (GMT), carried in FBIS-CHI-98-063, 4 March 98.
- ³⁷ Li Yang, 'CASS's financial research center chairman: 'seeking to reconcile quantity and quality—China's foreign reserve situation and developmental trend'', *Guoji maoyi*, 20 September 1997, 4–7, carried in 'China: size, makeup of foreign exchange reserve analyzed', FBIS-CHI-97-339, 5 December 1997.
- ³⁸ 'China: foreign investment in China expected to grow in 1998', *Xinhua*, 7 December 1997, carried in FBIS-CHI-97-340, 6 December 1997.
- ³⁹ Mark O'Neill, *Reuters*, 20 January 1995, citing *China Daily*.
- ⁴⁰ Jen Hui-wen, 'Jiang Zemin, Zhu Rongji on taking precautions against financial risks', *Hsin Pao*, 5 December 1997, 16, carried in FBIS-CHI-97-342, 8 December 1997.
- ⁴¹ The term factions is a little strong, but there are clear divisions within the leadership around particular groupings of powerful families.
- ⁴² The Secretariat was only re-instituted in 1980, as part of a program of political reform. The Political and Legal Commission (PLC) was reinstated at the same time. According to some sources, the PLC was abolished in 1988 and replaced by an informal leadership group directing policy in this field. See Carol Lee Hamrin, 'The Party leadership system', in Kenneth G. Lieberthal and David M. Lampton (eds), *Bureaucracy, Politics, and Decision Making in Post-Mao China* (Berkeley, California: University of California Press, 1992),

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119. By 2000, the PLC had re-emerged more formally, probably in response to the country's public order crisis, especially the crackdown on Falun Gong.

- ⁴³ 'Draft law on national defence submitted to Chinese', *Xinhua*, 6 March 1997, carried in FBIS-CHI-97-064, 5 March 1997.
- ⁴⁴ Michael D. Swaine, *The Role of the Chinese Military in National Security Policymaking*, (Santa Monica, California: National Defense Research Institute, Rand, 1996), xii.
- ⁴⁵ This is the conclusion of a number of studies. See Kenneth G. Lieberthal, 'Introduction: the 'fragmented authoritarianism' model and its limitations', in Lieberthal and Lampton (eds), *Bureaucracy, Politics, and Decision Making in Post-Mao China*, 15–19. Lieberthal makes the assumption that these patterns probably hold true, and will continue to do so, for the highest level of leadership.
- ⁴⁶ *Ibid.*, 27. As Lieberthal assessed such circumstances: 'policy decisions will lack the clarity, consistency, and detail that are necessary to bring a high probability of lower-level compliance, there is apt to be widespread sabotage of national directives by officials at each subnational level'.
- ⁴⁷ Susan L. Shirk, *The Political Logic of Economic Reform in China* (Berkeley CA: University of California Press, 1993), 246. This judgement is particularly germane to understanding the priority given by the leadership to the armed forces in China, either as an adviser on strategic policy, or as a recipient of budget allocations. Both aspects are addressed later in this chapter.
- ⁴⁸ Andrew J. Nathan and Robert S. Ross, *The Great Wall and the Empty Fortress: China's search for security* (New York: W.W. Norton & Company, 1997), 125.
- ⁴⁹ Cited in Willem Van Kamenade, *China, Hong Kong, Taiwan Inc.* (New York: Vintage, 1998), 257.
- ⁵⁰ Wang Shaoguang and Hu Angang, *Guoqing baogao: Jiaqiang zhongyang zhengfu zai shiqiang jingli zhuanxingzhongde zhudao zuoyong; guanyu zhongguo guojia nengli de yanjiu baogao* [Report on the State of the Nation: strengthening the leading role of the central government during the transition to the market economy; Research report concerning the extractive capacity of the state] (Beijing/New Haven, Connecticut, 1993), 21–25, cited in Van Kamenade, *China, Hong Kong, Taiwan Inc.*, 267–68.
- ⁵¹ Van Kamenade, *China, Hong Kong, Taiwan Inc.*, 269.
- ⁵² *Ibid.*, 277.
- ⁵³ East Asia Analytical Unit, *China Embraces the Market* (Canberra: Department of Foreign Affairs and Trade, 1997), 287.

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- ⁵⁴ Van Kamenade, *China, Hong Kong, Taiwan Inc*, 276.
- ⁵⁵ Ibid., citing Hu Angang, author of several controversial articles on centre-region relations.
- ⁵⁶ 'Zhu Rongji inspects Jiangsu, Zhejiang 7-13 December; comments on economic, other issues', *Xinhua*, 13 December 2000, carried in FBIS-CHI-2000-1213.
- ⁵⁷ For text, see 'China: text of CPC constitution', *Xinhua*, 22 September 1997, carried in FBIS-CHI-97-226, 23 September 1997.
- ⁵⁸ References to socialism or to other time-honoured Communist slogans in the Constitution as in other official statements serve two purposes—first, to provide an organisational glue for the Party, which is seen by the leadership as the only vehicle which can deliver political stability; second, to serve as a rhetorical device to buy off the political opposition within the Party who still believe in communism or doctrinaire variants of socialism.
- ⁵⁹ Speech by State Councillor, Luo Gan to the Ninth National People's Congress, 6 March 1998, 'China: Luo Gan explains restructuring plan', *Ta kung pao*, 7 March 1998, B1-B2, carried in FBIS-CHI-98-068, 9 March 1998.
- ⁶⁰ See Benito Mussolini, 'The doctrine of Fascism', in Adrian Lyttleton (ed.), *Italian Fascisms: from Pareto to Gentile* (London: Jonathon Cape, 1973), 44-49.
- ⁶¹ For one elaboration of this, see 'Xinhua's notes on drafting 10th Five Year Plan', *Xinhua*, 16 March 2001, carried in FBIS-CHI-2001-0316.
- ⁶² See, for example, statements attributed to Jiang and Li Peng in 'Central CPC propaganda dept holds forum on running the country with virtue', *Xinhua*, 21 February 2001, carried in FBIS-CHI-2001-0221.
- ⁶³ 'Zhu Rongji Work Report'.
- ⁶⁴ 'Zhu Rongji Work Report'.
- ⁶⁵ 'Li Lanqing heads CPC's new office in charge of cracking down on Falun Gong', *Ming pao*, 12 February 2001, carried in FBIS-CHI-2001-0212.
- ⁶⁶ 'Luo Gan on maintaining social stability', *Xinhua*, 21 December 1998, carried in FBIS-CHI-98-364.
- ⁶⁷ 'China's direction of army administration through 10th Five Year Plan', *Wen wei po*, 15 March 2001, I, carried in FBIS-CHI-2001-0315.
- ⁶⁸ An account of the reasons for the 17.7 per cent increase in China's military spending in 2000 is given in 'Wen Wei Po signed article

explains China's military spending increase', *Wen wei po*, 12 March 2001, 3, carried in FBIS-CHI-2001-0312.

⁶⁹ For an elaborate account of this, see 'PRC circular on opening government affairs to the public', *Xinhua*, 25 December 2000, carried in FBIS-CHI-2001-0105.

⁷⁰ China has five levels of government—township, county, city, provincial and national. There have been laws in China since the 1950s providing for direct election to some of the lower levels but these elections were controlled by the Communist Party for most of the time since then. It was only in 1988 that the first moves to direct election in contested ballots involving non-communist members freely nominated from the community was introduced for the heads of village committees.

⁷¹ The eventual arrest on corruption charges of the Mayor of Beijing, Chen Xitong, who also was a member of the Communist Party Politburo, stemmed from loud complaints in the NPC about several decisions he had taken on building sites.

⁷² This institute was established by the Chinese Communist Party in the Academy of Social Sciences in 1989 after the violent end to the demonstrations in Tiananmen Square on 4 June. The purpose was to propagate a Chinese version of democracy to counter domestic and international visions of liberal democracy. By 1992, when the leadership was no longer pre-occupied with this goal, the institute turned to a research agenda more in line with the aspirations of the demonstrators than with traditional Chinese communist concepts of 'democracy'. By 1998, they had been regular advisers to the Ministry of Civil Affairs in the conduct of the nation-wide direct electoral processes for the lower levels of government.

⁷³ In *China, Hong Kong, Taiwan Inc.*, 18–19, van Kamenade raises this point and analyses it in terms of China's 'moralistic culture lacking a strong legalist tradition'. Most Chinese, he said, live according to the dictates of how to secure a better life and that these dictates are followed even when the law might suggest otherwise. Whether this trait is exclusively Chinese is not questioned, but it has certainly been one of the dominant features of social and political interaction in China in the 1980s and 1990s. van Kamenade cites the dismissal in 1993 of 60 per cent of the people working in law enforcement in the city of Jiamusi for their connections with organised crime. The heavy implication of law enforcement officials and party officials in crime and in covering up crime is still a recurrent theme in official statements on the public order crisis in China.