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Major Challenges Facing the Chinese Leadership

I want to begin by thanking the US-China Economic and Security Review Commission for inviting me here today as part of the series of hearings you are holding on the major challenges currently facing the Chinese leadership.

I do not ordinarily focus my research attention on the big issues generally addressed by this commission—issues having to do with weapons proliferation, China’s compliance with the rules of the World Trade Organization, China’s national budget, etc. For a number of years I have been spending as much time as I can at China’s grass roots—in Chinese villages, sometimes in very poor areas of the Chinese countryside, among migrant workers in Chinese cities, and in remote areas of the Tibetan plateau, i.e. among Chinese people who have not been greatly advantaged by the reforms that began in 1978. I have come to call the places where I spend my time “the other China,” following the 1963 book by Michael Harrington called *The Other America*. Harrington’s book detailed the plight of the then 20-50 million U.S. citizens who remained poor in the midst of what others, most notably leading economist John Kenneth Galbraith, were describing as the “affluent society.” I try to tell the story of the hundreds of millions of Chinese who have yet to become part of “rising China.”

I have been assured that your invitation to me today is not a mistake, that you really do want to hear my views on “the other China”—on what challenges the other China poses to the Chinese leadership and how those challenges might influence the political direction of the country.

I am sometimes reminded in talking to Washington audiences of an admonition by the late Michel Oksenberg some years ago on the importance, and challenge, of what he called “getting China right.” “Getting China right,” he said, “is a deadly serious matter.”

And one of the books to which I have returned most frequently in my years as a China specialist is Harold Isaacs’ *Scratches on Our Minds*, where Isaacs details the continuing pendulum swings in Americans’ views of China. Those swings have persistently ranged from very positive, lauding China’s long history and great civilization, its admirably hard-working and intelligent people, to very negative—a view that sees China as a country of great cruelty, barbarism, and inhumanity. And, Isaacs pointed out, not only do our views of China swing back and forth like a pendulum, the negative and positive views often coexist side by side.

I still find “getting China right” to be an enormous challenge. The country is just too big, too diverse, and changing too quickly for us to understand it in all its complexity. But my experience with “the other China” leads me to think that we are in danger of spending too much time looking at “rising China,” that too often, when we use China as the subject of a declarative sentence, what we really mean is Beijing, Shanghai, Shenzhen and several other big, prosperous cities along the country’s eastern coast.

I find the analysis of leading Chinese economist Hu Angang, who describes China as “one country, four worlds,” to be more useful. I will oversimplify Hu’s analysis here.

China’s great cities such as Shanghai, Beijing and Shenzhen, plus the thriving provinces along the eastern coast generally make up Hu’s first and second worlds. This first and second world is what we generally mean when we talk about rising China. This is the China with an economy that has grown at an average rate of more than 9 percent a year since the reforms began in 1978, the China that has probably surpassed France, Italy, and Great Britain to become the world’s fourth largest economy, the China of growing military might. This is the China that many see as the next great superpower or, at worst, as a potential hegemon, seeking to dominate Asia and the world. This is the China that some Americans have come to fear. This first and second world China has a population of some 300 million people. It is a little larger than the population of the United States.

That leaves another one billion Chinese people. These people constitute Hu’s third and fourth worlds—which is basically (although it is really more complicated than this) my “other China.”

So I want to say something about the other China. The fundamental reality of the other China is simply that just as China’s economy has been growing more rapidly than any other country in the world, so its rate of inequality has also been growing. The gini coefficient, which economists use to measure inequality and where 0 represents absolute equality and 1 signifies complete inequality, has grown from an estimated .28 when the reform period began to some .45 by 2004. A recent report from the Chinese Academy of Social Sciences argues that the gap is higher still. The gini coefficient may be as high as .55. In either case, the level of inequality in “socialist” China is greater than that in the capitalist United States, where the gini coefficient is .40.

The other China has many faces. The largest numbers are to be found in the countryside. The fundamental gap between rich and poor is that between urban and rural. China’s cities, even in the poorest provinces, are far better off than the rural areas. The figures are startling. Average per capita income in urban China, where 458 million people (some 36 percent of the population) live, is \$1033 a year. In rural China, with a population of 807 million people and 64 percent of the population, the average per capita income is \$319 a year—less than the dollar a day designated by the World Bank as the benchmark of poverty. China’s latest statistics, published at the end of 2005, provide figures indicating that 67 percent of the rural population, some 540 million people, earn less than a dollar a day. The average per capita yearly expenditure of China’s farmers is only \$236 a year--\$.65 a day.

If this “other China” were a country, it would be the third largest in the world—after China and India.

This rural, other, China is a countryside with too many people and too little land and not enough water, where taxes are high and officials corrupt, and many parents cannot afford to send their children to school. The health system has crumbled, and some 80 percent

of rural residents are without medical insurance. Failing health is a leading cause of poverty. The threat of catastrophic epidemic is omnipresent. Avian flu is only the most recent fear. We have recently read that China has revised its estimates of the number of people affected with HIV/AIDS downward from an estimated 840,000 people to some 650,000. But everyone still agrees that the problem is nonetheless acute. I assume the warning of the UN theme group on AIDS, still stands. UNAIDS has said that China is “now witnessing the unfolding of an HIV/AIDS epidemic of proportions beyond belief...on the verge of a catastrophe that could result in unimaginable human suffering, economic loss, and social devastation.”

China’s ethnic minorities are also part of the other China and live mostly in poor rural areas in the country’s Far West. China’s ethnic minorities constitute only 8.4 percent of the population, but they make up 40 percent of the officially recognized poor and suffer the additional burden of blatant, sometimes nasty, discrimination.

Many women also fall in the category of the other China. As the male-female ratio continues to worsen, with the number of males born every year far outnumbering females, the incidence of trafficking of women and girls is also growing. The women of rural China are particularly vulnerable. The women of China make up some 20 percent of the world’s female population but commit, according to the World Health Organization, some 56 percent of the world’s female suicides. Most of those suicides take place in the countryside.

But the other China is no longer exclusively rural. Urban China, too, has growing numbers of poor and disadvantaged. The largest number are outsiders, the 140-200 million migrant workers who have left the countryside in search of a better life. Every major Chinese city has its own huge enclave of rural migrants, where tens of thousands of people live crowded together in slums with substandard housing and minimal sanitation, isolated from and ill-treated by the urban residents they serve. Migrant workers perform the *kuli*, the bitter labor (from which the word “coolie” comes) on behalf of urban people. They are the construction workers for the new skyscrapers and apartment buildings where affluent urbanites live and work. They man the assembly lines in the countless factories along the thriving eastern coast, where long hours, low wages, and inattention to safety assure the West an apparently limitless supply of cheap manufactured goods.

Other China also includes a growing number of street children sent to fend for themselves in the city by rural parents too poor to raise them at home.

And poverty in China’s cities is now homegrown, too. Tens of millions of urban workers, laid-off from failing state owned factories and often cast adrift without a safety net, have formed a new category of urban poor. So have the approximately 25 million retired people without pensions, living in poverty on less than a dollar a day. Their ranks may grow after 2020 when tens of millions of baby boomers begin to retire. Unless radical reforms are implemented soon, many of China’s urban baby boomers will not have pensions or access to health care.

I would also add to this category those millions and millions of people in China's cities whose homes have been torn down to make way for those new skyscrapers and apartment building and whose compensation for the destruction of their homes is by no means adequate to purchase a satisfactory new one. In rural areas, seventy million Chinese farmers have lost their land in recent years. Everywhere in China today, in the cities and the countryside, we are seeing developers and officials colluding to take away land and housing from ordinary Chinese in the interest of "progress." These land and home grabs are a leading cause of the protests we see now in many parts of China.

The problems confronting this, the other China, are enormous. I do not think the extent of those problems can be overemphasized. Taken separately, the problems of the other China might be challenging but ultimately solvable. Faced together, China's is confronting a set of problems on a scale never before seen in human history. For the foreseeable future—the next fifteen to twenty years at least—the focus of the Chinese leadership will, and must be, here. If China does not find the will, the creativity, and the resources to solve those problems, far from being a rising power it will become a failed state—unable to provide the basic goods of life for a significant portion of its people. I do not think this will happen. But China—the people of the other China—have a rocky road ahead.

We all know that China is facing a rising tide of discontent. I defer to Scott Tanner on the question of numbers and their details. Here, however, let me simply note that figures from China's own Public Security Bureau indicate a growing incidence of significant protest. The number of such incidents increased from 74,000 in 2004 to 87,000 in 2005. If the same percentage of the United States population engaged in protests, we would be facing more than 20,000 major protests a year, or 55 major incidents a day. That is a lot of protests. I am not sure how, or how well, we might cope.

I am afraid that if we fail to see and understand this set of problems that both the Chinese government and the Chinese people are facing, we will, to return to Michel Oksenberg, "get China wrong." The Chinese government does, I think, understand its problems, but it does not always know how to solve them. The Chinese government sees the other China. And it sees a rising tide of discontent that could threaten its legitimacy. Increasing numbers of Americans see a strong and rising China and fear the country's potential threat to us. But the Chinese leadership is seeing growing domestic anger and worries about its capacity to remain in power.

I think we would all also agree that one consequence of the growing number of protests in China has been an increase in the incidence of human rights abuse. We are all reading about courageous people with noble ideals and good intentions who continue to suffer arrest, harassment, and persecution. I would cite here just a few.

I think of Chen Guangcheng, the blind, self-educated legal activist who made headlines in the fall of 2005 after leading a judicial campaign against forced abortions and sterilizations in Shandong province—calling local officials to task for disobeying Chinese law against forcing women to undergo such surgeries. Chen was put under house arrest

by local authorities and beaten—even after the central government agreed to investigate the very abuses Chen was protesting.

And Lu Banglie, the 34-year old farmer from Hubei province who became a people's hero and was saluted by the communist party-run *China Youth Daily* as “the front runner of peasant grass roots democracy” after having led a successful movement to impeach the elected but allegedly corrupt head of his home village. Lu was beaten unconscious, apparently by hired thugs, after coming to the assistance of villagers in another part of China--Taishi, Guangdong—where peasants were seeking a similar impeachment of their village chief. Today, Lu is still followed by public security thugs wherever he goes.

And lawyer Gao Zhisheng, who achieved fame as one of China's leading human rights lawyers--champion of underground Christians, Falun Gong practitioners, displaced home owners, democracy activists, and exploited coal miners and opponent of corrupt officials, illegal land seizures, medical malpractice and police abuse. His license to practice law was revoked for failing to register his office's change of address on time. Today, he and his family are followed constantly and aggressively.

We need to continue expressing our alarm at the Chinese government's treatment of such courageous activists. But, unfortunately, there is no reason to be surprised that the Chinese government should engage in, permit, or condone the perpetuation of human rights abuses.

The real surprise to me is the growing number of mission-driven people who refuse to be intimidated, who relentlessly continue to work even in the face of the nasty obstacles put before them. What is most striking to me today is that for every problem China faces, people are coming forth to solve those problems. They are people I would call “social entrepreneurs”—people with missions, people with visions of a better China, people who cannot be stopped, who will not give up. They are people who have seen problems in their own society and refused to avert their eyes. They insist, to borrow from Vaclav Havel, on “living in truth.” Their mission is to change China. And they are. They are relentless. They will not take “no” for an answer, will not rest until their work is done.

Some of China's earliest social entrepreneurs are government officials, pushing reform from within. Until very recently, government service was both the only route to success and the best possible fulcrum to push for positive change. Some social entrepreneurs are academics. I think of Yu Jianrong a professor in the Rural Development Research Institute at the Chinese Academy of Social Sciences, who has observed widespread rural discontent and called upon his fellow intellectuals to help organize the peasants to represent their interests. Some are lawyers. Some work with people living with AIDS—and with stigmatized groups most vulnerable to contracting the illness. Some new social entrepreneurs are English teachers in remote parts of China. Some are former government officials.

China today is witnessing a veritable explosion of these new social entrepreneurs determined to transform their part of the world, to bring about positive change. The

Chinese social entrepreneurs who come to public attention are only the tip of the iceberg. China's social entrepreneurs number in the tens and perhaps hundreds of thousands and span a wide political spectrum. Most work without public fanfare and often with great success. That they exist at all is the real surprise. One of the questions panelists for this session have been asked to address is how the atmosphere in China today compares to that of the Mao, Deng, and Jiang eras. Social entrepreneurs were not possible under Mao and Deng. Most of them would have landed in jail.

These new social entrepreneurs are important for several reasons.

First, for whatever reasons—whether through incompetence, indifference, an inability to innovate, or a failure of will—the Chinese government is not coming up quickly enough with solutions to the country's pressing problems. While the government pays lip service to these problems—persistent poverty and the growing gap between rich and poor, egregious corruption at the basic levels of government, a challenged education system, a failing health delivery system, the potential for catastrophic epidemics, environmental disaster and widespread social agitation—it seems unwilling or unable to solve them. Social entrepreneurs are necessary to finding those solutions. They are essential to China's future.

Second, many of these new social entrepreneurs are forming non-governmental organizations (NGOs) designed to address these pressing problems. One of the most exciting new developments in the other China is the burgeoning number of non-governmental organizations (NGOs) being established by social entrepreneurs. Little more than a decade has passed since Liang Congjie established Friends of Nature, China's first NGO. Now the number of "citizen organizations" (or civil society organizations, or non-governmental organizations, as they are variously called) is in the hundreds of thousands. In a recent attempt to map the full panoply of China's associational life, Hong Kong scholar Wang Shaoguang concludes that the country now has a total of more than 8 million registered and unregistered, non-governmental and quasi-governmental associations. The vast majority of these, more than 5 million, are under the aegis of quasi-governmental mass organizations, such as the All China Federation of Trade Unions, the Communist Youth League, and the Women's Federation.

But China now has hundreds of thousands of genuine non-governmental organizations. Following a visit to China by World Bank President Paul Wolfowitz in October 2005, the World Bank estimated that China currently has anywhere between 300,000 and 700,000 civil society organizations "delivering services from legal aid to environmental protection and at the village-level, building playgrounds for children and sharing technologies in smallholder agriculture." China, however haltingly and belatedly, is joining in the "associational revolution" first lauded by Lester Salamon in 1994.

Third, these new NGOs are providing the basis for the development of a civil society in China. The development of civil society is important because, in my view, a solid civil society is essential if China is to begin moving successfully in a more open, democratic direction. I am struck repeatedly in China that the shortest distance between two points is

rarely a straight line. The shortest distance between China's current authoritarian government and a more democratic future requires the development of a civil society.

Many of these new social entrepreneurs and these new NGOs are a thorn in the side of the Chinese government. They have to be. They are demanding that officials abide by the law. They are advising citizens on their legal rights. They are demanding greater transparency and accountability on the part of the Chinese government. And as representatives and champions of the disadvantaged, they are also offering alternative models of leadership, particularly at the local level. Local officials, in my own experience, are almost universally assumed to be both corrupt and uninterested in either the plight of the poor or the problems of ordinary people. No one can quite trust the local government, people say. Many of China's new social entrepreneurs are examples of what good local leaders could be.

Fourth, China's new social entrepreneurs and the organizations they run are beginning to act in concert, crossing barriers that have been difficult to breach. Some urban-based intellectuals have come to the assistance of disaffected rural communities. Human rights lawyers represent clients from increasingly diverse parts of the country. Lu Banglie tried to carry his successes from one part of the country to another.

And, increasingly, groups with common goals are coming together to petition the government. In August 2005, 61 NGOs and 99 individuals signed a letter requesting the Chinese government to follow its own laws by releasing its environmental impact studies of the proposed Nu River dam. The proposed dam would be massive, and many are worried about its technical feasibility, its effects on the richly biodiverse areas where it would be located, and its impact on the lives of the ethnic minorities who live there. Forty-nine people have signed a letter criticizing government behavior in Dongzhou village, Guangdong, where villager had spent months protesting the construction of a wind power plant and police opening fire on a crowd of protesters, leaving some twenty people dead. Thirty people have signed letters of protests over events in Taishi village, where one legal activist, Yang Maodong (Guo Feixiong), was arrested and Lu Banglie was badly beaten. Journalists have signed petitions protesting the firing of editors.

Both China's new social entrepreneurs and the growing number of NGOs present the Chinese government with a conundrum. These people and these organizations are addressing genuine problems, and they are using legal means to call upon the government to implement its own laws. The Chinese leadership no longer insists that the vast array of problems currently facing the country do not exist. Nor does the government pretend any longer that it alone can solve these problems. This is why non-governmental organizations are allowed to exist.

I think one cause of the conundrum is this. The Chinese government is obsessively concerned with the possibility of the country descending into chaos. And certainly they see this rising social unrest as a manifestation that the stability of the country is being challenged. China's new social entrepreneurs and new non-governmental organizations are both potential solutions and potential contributors to that social unrest. On the one



hand by helping to deal with problems the government alone cannot solve, they may be lessening the tendency to social unrest. On the other, some of those problems are systemic and necessarily bring some NGOs in conflict with local governments.

There is in China today a huge disconnect between leaders at the highest levels of Chinese society and those at the lowest. There is massive corruption at the bottom levels of Chinese society where these conflicts are occurring. The causes of this corruption certainly are many, but I would cite two here.

The first is unfunded mandates, particularly in the country's poorest areas. Governments in poor areas are responsible for such public goods as schools, roads, and local salaries. When governments do not have money, they tax the peasants, or impose fees on every imaginable activity and possession. In many cases these fees and taxes have become rapacious.

The second cause of corruption is the nature of property rights. Chinese farmers do not own their own land. It is contracted to them for their use. All village land is ostensibly collectively owned. Who controls decisions about the land, how those decisions are to be made, how sales of land rights are to be handled, and who gets the profits is very ambiguous. The ambiguities allow almost unlimited opportunity for collusion between greedy local officials and greedy developers.

Social entrepreneurs representing the disaffected are necessarily putting themselves into conflict with local authorities. And when negotiated attempts at solution fail, and villagers turn to outright protest, their leaders run the risk of being accused of "creating turmoil," which is what the students were accused of when they protested in 1989.

International involvement is an additional complication. Numerous international non-governmental organizations are working in China today, on such issues as poverty alleviation, education, health and HIV/AIDS, the environment, and legal reform. Many local Chinese NGOs receive international support. Many could not function without it. Many foreign NGOs work closely with some of China's NGOs. The Chinese government is not entirely comfortable with these relationships, and that level of discomfort apparently increased sometime last spring.

As I understand it, the problem began with a perception in Russia that a number of the recent so-called "color revolutions," particularly those in Georgia and Ukraine, had significant support from international NGOs. China apparently also became concerned that some of the international, including American, NGOs working in China might somehow be trying to promote a color revolution there. Thus, the government began, over a series of several months, an investigation of all the international NGOs working inside China. As I understand it, those investigations are now complete. I do not know of any foreign NGO that has been denied permission to continue working in China. But a pall was cast on many organizations there, and new rules and regulations concerning foreign NGOs are still being discussed.

If we are to take the Chinese government at its word, there is really no great conflict between its goals and the goals of most international NGOs working in China. The Chinese government has taken rural reform as a major goal of its latest five-year plan. Agricultural taxes on peasants are slated to be abolished. Rural education is to be free. A new system of health insurance is to be introduced to the countryside. Efforts to eliminate corruption of local officials will be stepped up. The rule of law is to be emphasized. And in its recent white paper on democracy, the Chinese government declared democracy to be the common desire of people all over the world and promised to continue improving “socialist democracy with Chinese characteristics.” The major caveat was simply that democracy be generated internally and not imposed by external forces.

But the disconnect between China’s central and local governments has long been vast. Policy articulated at the national level does not always get implemented at the local ones. Without continual pushing and prodding from disaffected citizens, represented by social entrepreneurs and non-governmental organizations, inertia sets in.

It would be difficult to exaggerate how important China’s NGOs are to the country’s future. China’s new social entrepreneurs and the organizations they run are the hope of China, the impetus for economic, social, and political reform. Grass roots change is coming from them. If democracy is to be introduced there, its success will depend in large measure on the social entrepreneurs, the organizations they run, and the constituents they serve. Between China today and a possibly democratic China of tomorrow is necessarily the development of a something most people would call a civil society. Many of China’s new social entrepreneurs, often intentionally and sometimes unwittingly, are contributing to the development of civil society in their country. Some are even consciously promoting democracy.

I do not end with any specific policy recommendation. But this panel has been asked what initiatives or policies the U.S. government could pursue to help the Chinese people foster a freer and more open political arena. Domestically induced reform is going to come from these new NGOs and the social entrepreneurs who lead them. These new purveyors of change in China deserve our support.