

Recent Trends in China

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There have been several trends in China over recent years that seem important when thinking about the evolution of its political system, both in the past and in the future. The first of these trends is the turn away from “local innovation,” popular participation, and experiments with township elections, as modest as those experiments were. These experiments, which started in the mid- to late-1990s, were a response to growing problems of governance at the local level. Those problems came out of the fiscal crisis of the local state.

Throughout the decentralizing reforms of the 1980s, China’s central revenues began to decline as a percentage of GDP and as a percentage of all government revenue. In 1995 central revenue had declined to a low of only 10.8 percent of all government revenues, causing some to fear that China would break up like Yugoslavia. Others talked about the emergence of the “feudal lord economy” – local areas that controlled their economies and were increasingly independent of Beijing.

It was in response to such problems that then premier Zhu Rongji engineered the tax reform of 1994. This tax reform was remarkably successful in re-centralizing the fiscal system, and central government revenues as a percent of GDP have risen steadily ever since. Because the deal was struck between the central government and the various provincial governments, it was the local governments, particularly those in predominantly agricultural areas, that bore the brunt of this recentralization. But local cadres were still expected to lead economic development in their areas. Short on revenue, they resorted to over-taxing the local peasants. Although central policy limited the agricultural tax to 5%,

local governments frequently collected 30-40% of income. No wonder peasant discontent rose precipitously.

In 1993 there were, according to official figures, 8,700 “mass incidents,” generally understood to mean more than five people demonstrating against or assaulting the local government. By 2005, there were some 87,000, ten times as many. For the first time, the Chinese government was confronted with a wide-ranging, albeit low intensity governance crisis.

There are three points that should be recognized:

First, the cadre management system, which weighs heavily economic development in evaluating personnel, implicitly encouraged local cadres to over tax peasants.

Second, the personal interests of local cadres often reinforced the structural incentives of the cadre management system. That is to say, the central government pushes cadres to develop the local economy but is often not overly concerned about how it is done. If local cadres pocket some of the proceeds from local taxation, that seems to be fine as long as development objectives are reached. This would be particularly true after the agricultural tax was abolished and local governments financed themselves by the requisitioning and sale of land. In other words, the incentive structure faced by local cadres put their interests in opposition to those of the people they were allegedly serving.

Third, these incidents were generally isolated because what happened in one village or township was generally of no concern to the next village or township – and the weight of the state could be directly harshly against those who sought to build horizontal linkages between areas. Thus, mass incidents were widespread, but isolated.

Over time, however, the number of serious mass incidents grew. By serious mass incident, I mean the number of people participating and the level of violence. One of the remarkable features of mass incidents over time was the number of people who had

absolutely no relation to whatever had set the incident off who nevertheless participated. The prototypical incident was perhaps the Wanzhou incident in 2006. A porter carrying goods hit an expensive car in a crowded street. The angry driver got out and said, ‘Do you know who I am?! I am from the State Council...’ It turned out that he was not from the State Council, but hearing that he was a crowd swelled until it reached over 10,000. Similarly, but more violently, in Weng’an, Guizhou a crowd of 10,000 or more, angry over the death of a girl, clashed with police and eventually set the police department and government building on fire.

Confronted with widespread, if still not threatening discontent, the Chinese Communist Party adopted revised Regulations on the Promotion of Leading Cadres in 1995. The intent of these regulations was not to democratize China but rather to open up the selection of local cadres. At the time, local cadres were often selected by a very small group of people, a practice that contributed to the development of local political machines, to corruption, and to a lessening of higher-level control. The new regulations called for candidates for promotion to be considered by a wider group of cadres, often including the leading cadres of townships as well as the party committee at the county level.

It was under such a reformed system that in some areas, most particularly Sichuan, began experimenting with limited township elections. It is important to note that in no place was this a direct response to pressure from below, rather it was a central government initiative to deal with a cadre system that was becoming too ingrained, too corrupt, and too unresponsive, both to local and central demands.

Elections differed from place to place. Some were for party secretary, some for township head, but most were for lesser positions such as section head. One of the most interesting of these experiments occurred in Pingchang county, in northwest Sichuan. As of 2005, Pingchang had a population of 970,000 people, 83 percent of whom were involved in agriculture. Nearly a quarter of the population – some 192,318 people lived below the poverty line of 930 yuan per year, and of these 110,021 people lived below the absolute

poverty line of 655 yuan per year. Like many rural communities, Pingchang was administratively bloated, in part because it was divided into too many villages and townships. It was an area in which there were many public protests.

Reform started by merging many villages and townships, eliminating many cadre jobs. Altogether, government restructuring eliminated the jobs of 68 township leaders (*yibashou*), 232 deputy township leaders, and over 3,000 others.

One way of deciding who would retain his job as party secretary was to have an election. In late 2003, the local party secretary decided to hold elections in one-third of the townships in Pingchang county. The model that he followed was called “public recommendation and direct election.” Under this model, candidates would be voted on by all party members in that area.

Although this was the most democratic election yet held in China and was widely praised by the reformist press, it soon ran into difficulties. On the one hand, party cadres ousted from their positions were unhappy, and these are among the most articulate and well-connected people at the local level. In other words, they could effectively lodge complaints against the local party secretary. On the other hand, that party secretary soon developed a personal conflict with his superior, the party secretary of Bazhong city.

Soon the Pingchang county party secretary was being investigated for corruption. Although nothing was found, he was soon ousted from his position. And the elections were not repeated.

The Pingchang case raises many issues, including that those elected by local constituencies can become accountable to those constituencies rather than to their superiors – and that conflicts with the cadre management system. So by the early to mid-2000’s we stop hearing about township elections; they were not held when the terms in office ended in 2011.

So China turned away from a route that appeared to provide a path toward a soft political landing. Everything that we have seen coming out of the Third Plenum of the 18th Central Committee suggests an effort to recentralize the political system.

Second, I think we have seen a parallel trend at the elite level, particularly since Xi Jinping has come to power. I refer particularly to the turn against the pluralization of discourse. This is not new – the CCP has never approved of pluralism in any form – but it comes at a time when Chinese society has really become quite diversified. And it has come hard. Many of you recall that not long after Xi Jinping raised the slogan of a “China Dream,” *Southern Weekend* wrote a New Year’s editorial called, “My China Dream is Constitutional Government.” This article was quickly rewritten by the local Propaganda authorities before it could be published, prompting a strike by some of the reporters at *Southern Weekend*. The more important outcome was the issuance of “Document No. 9” on March 22, 2013. This document was quickly summarized as the “seven things that are not to be spoken of.” Pretty soon the conservative press began criticizing the idea of “constitutional government,” although liberals defended themselves rather effectively on the Internet. How one can still tout the “rule of law,” as the government does, but campaign against “constitutional government” eludes me.

This incident highlighted a major concern in contemporary China, namely that public opinion was sharply divided and that there were clearly officials that sympathized with both sides, suggesting a polarization and politicalization of discourse. The “middle ground” was difficult to find.

One of the other topics not to be discussed was “historical nihilism” (*lishixuwu zhuiyi*). This is an expression that does not resonant with most Americans. What it means in practice is that Mao Zedong and the party in general are not to be criticized. The point is that criticism of Mao would sooner or later turn to criticism of Deng and others, and soon the system would collapse, just as the criticism of Stalin had led to the criticism of Lenin and ultimately to the collapse of the Soviet system.

Over the last year or so, this issue has taken the form of the “two can’t be negateds” (*liangge buneng fouding*). That is to say, there are two thirty year periods in the PRC, and one should not criticize the 30 years of reform and opening by glorifying the (approximately) 30 years of Mao Zedong’s rule, just as one should not use the achievements of reform and opening to criticize the Maoist period. Again, one senses the polarization of opinion within the party and the fragility of legitimacy.

Third, let me say a few words about the turn toward stronger leadership. I think the big surprise that came out of the 18th Party Congress was how strong Xi Jinping would be as a leader. One assumed that there would be a period of years before he could really take the reins of power, but in fact he moved very quickly to do so. He has been putting his personal stamp on everything from the first day he was announced as the new general secretary of the CCP and talked about the “China Dream.”

Since then, he has presided over the drafting of Document No. 9, the discussion on the two 30 year periods, the drafting of the Third Plenum Document, the campaign against corruption, and taken charge of foreign policy. He has also been named chair of the newly established “State Security Commission” and the “Leadership Small Group for the Comprehensive Deepening of Reform.” After many years of blandness, we now have a Chinese leader with real personality, with ideas on what to do, and a real will to accomplish things. We may not yet know where he is going, but we are dealing with a new kind of leadership.

Precisely how Xi has been able to grasp the reins of power so quickly and so completely is not clear, but it must help that he has been able to go after Bo Xilai, his apparent rival for power, and seems certain to prosecute Zhou Yongkang and apparently several military leaders. It seems clear that he works closely with several others, but the mechanisms of power are not clear.

Finally, I want to say a few words about Chinese foreign policy, particularly on the way in which domestic politics relates to foreign policy. We know that China faces a long list

of domestic problems, and we have generally come to accept the notion that domestic issues should top the agenda and lead China to be cautious in foreign policy. But China seems more assertive, not less, in recent years. What is going on? I would hazard a few guesses, but first I would say Chinese foreign policy is not as adventurous as some seem to think it is. Behind some of the language that has been used, China remains fairly cautious; it certainly is not looking for armed conflict.

Second, at least to some extent, I think that the “echo chamber of nationalism” that Susan Shirk described so well has come into being. China is reaping years of nationalistic rhetoric, especially with regard to Japan. That rhetoric has built up deep reserves of resentment, even hatred, that are difficult to reverse, even if the leadership wanted to. Unfortunately, I don't think the leadership wants to. Rather I think the leadership would rather play to nationalistic sentiment to establish its own nationalistic credentials. To some extent this is playing to nationalistic feelings in the military, but it is broader than that. Unfortunately this tendency can be dangerous.

Third, at least to some extent, I think that nationalistic rhetoric is useful in centralizing authority and in diverting attention from real domestic problems. For instance, I think it is easier to carry out a campaign against corruption – particularly in the military – if it is in the context of strengthening the nation against foreign threats. Who can be against arresting corrupt officials whose corruption weakens China?

Finally, I think China's sharper stance in foreign policy simply reflects China's growing power, particularly in the wake of the global financial crisis. Of course, the financial crisis was a double gift to China. On the one hand, it inflicted real pain on the US economy while on the other hand it seemed to bolster the claims of the so-called “China model.”

Conclusion

I think we need to be very careful about drawing sweeping conclusions from the trends discussed above. First, as some argue, some of the centralizing trends we have seen may well serve as prelude to a new wave of reform. This is much easier to imagine in the economic area than in the political arena, but it must be noted that marketizing reforms will inevitably create pressures for political reform.

Second, China faces enormous difficulties moving forward. I've focused on some of the problems in governance above, but China also faces the pressures that will come from a slowing economy, a more expensive labor force, and an ageing population, among other things. We do not know how much China's economy will slow, but it has already slowed to about 7.5% per year, about a 25% drop in the growth rate. So the days of 9-10 percent growth per annum are over, and even though 7.5% is still a healthy growth rate, it will raise new issues. In the past, it has been too easy to throw money at problems; in the future there will be greater contestation over the use of funds.

In addition, with the rapid increase in wages, China's growth model will have to begin to change. The export economy is likely to become less important, and some labor intensive industries are likely to move to other countries. At the same time, the size of China's labor force is already beginning to shrink, and it will begin to shrink more quickly around 2020. That means that the "demographic dividend" that China has enjoyed for the past three decades is drying up as the work force ages.

So the picture China presents today is extremely complex. On the one hand, the country has turned away from some of the local innovations that seemed to hold promise for political change and the country has become more nationalistic and assertive. On the other hand, the country faces issues that seem to demand greater transparency, greater participation, and more services. How the country will adopt to these complex choices over the next decade will be critical.

