Country Focus: China

China’s Communist Party completed a leadership transition in 2012. New leader, Xi Jinping (above centre), wasted no time in consolidating power and breaking with his predecessor’s conservative approach to put forward a bold economic reform plan, writes Jonathan Sullivan.

When a prominent official suddenly fell from grace in a lurid scandal in late 2012 it looked as if the Chinese Communist Party’s carefully managed leadership handover would be thrown off course. Bo Xilai, son of a revolutionary hero with a penchant for organising mass campaigns redolent of the Mao-era, was hotly tipped to ascend to the top of the Party power structure.

That was until his trusted Police lieutenant tried to defect to the US and Bo’s wife was arrested for the murder of a British businessman. But even Bo’s dismissal and subsequent imprisonment (which later took on the unmistakable hue of a political purge) could not disrupt the political choreography as Xi Jinping and a new cohort of Chinese leaders assumed control at the 18th Party Congress in November 2012.

New Leadership
This new leadership has subsequently embarked on a course of reform that may herald a profound new era in China’s development. A strong and charismatic leader, Xi has set out a bold reform plan to take further steps towards a market economy and make ‘The Chinese Dream’ of strength and prosperity a reality. He has launched an aggressive campaign to root out corruption in the Party and proposed relaxing the ‘one child policy’ and the hukou system (a kind of internal passport that determines access to healthcare and education). On paper, these are hugely positive developments, although implementation of party precepts is always
more difficult than drawing them up. One of the costs of the planned economic reforms, however, is a distinct political tightening that, in the words of a veteran China correspondent, Paul Mooney, who covered the Tiananmen Square repression, ‘is at its worst since 1989’.

Over the past 30 years the Party has removed itself from many areas of economic and social life. In this sense, peoples’ daily lives, movements and life choices have become progressively freer. The Party remains the source of all political power in China as set out in the Constitution and reinforced through formal and informal institutional structures, which allow control over the executive and legislative branches of government, the judiciary and the Peoples’ Liberation Army. However, the monolithic Party-state is a misconception. There are gaps and tensions within different levels of the hierarchy, across the provinces, between the 27 ministries, and ideological differences within the Party itself. Decentralisation processes begun by Mao have delegated substantial freedoms to lower administrative units so that centre-local relations form a system of de facto federalism. There is huge diversity in conditions across Provinces (and special administrative units like Hong Kong and Tibet) and much variation in policy implementation and results. Decentralisation has enabled governments to experiment with policies appropriate to local conditions, but it has also created local regimes that are often corrupt and highly autonomous. This ‘principal-agent’ problem – central government (principal) has a very difficult time getting local governments (agents) to implement the policies it sets in the intended fashion – has been astutely used by the central Party leadership to shift the blame for its failings onto municipal leaders.

Market Socialism

Since the beginning of Deng Xiaoping’s reform period in 1978, the Party has proclaimed itself the key to maintaining stability, territorial integrity and making China a stronger country. A farsighted and pragmatic reformer in many ways, Deng had little patience for political liberalisation. Economic growth under a constantly evolving hybrid ‘market socialist’ economic system has led to upward mobility for hundreds of millions of Chinese and is the basis for appeals to national pride and the legitimacy of the Party’s continuing rule. Party membership numbers 80 million, of whom one quarter are white-collar workers and private entrepreneurs. The Party reinforces its control by co-opting such large sectors of society, by fostering vested interests across the social and economic system, maintaining an authoritarian information order and suppressing anything that represents a real or imagined threat to ‘stability’ (a code-word for Party control). Many of the issues underlying the earlier Democracy Wall (1979) and Democracy Spring (1989) movements (corruption, privilege, inequality, unemployment, uneven development, political participation) resurfaced with a vengeance during the decade-long tenure of Hu Jintao.

Despite the success of the Beijing Olympics, positive developments in the relationship with Taiwan and relative power gains as a result of the global financial crisis, the Hu era will be remembered as a decade in which reform largely stagnated in the quest for growth. The spectacular transformation of the Chinese economy was one of the most significant global developments of the past decade. Averaging 10 per cent growth per year, China’s economy overtook in succession the UK, France, Germany and Japan to become the second biggest to the US by total Gross Domestic Product. China experienced an export boom (following entry to the World Trade Organization in 2001), a housing boom (characterised by sky-high prices in big cities and massive oversupply elsewhere) and an infrastructure splurge on huge projects such as the Three Gorges Dam, dozens of new airports and the world’s biggest high speed rail network. This created astonishing wealth on a national (e.g. foreign currency reserves) and individual level (e.g. the rapid increase in the number of billionaires), which enabled the government to ride out the decimation of export markets in 2008, by providing an extraordinary stimulus package based on accelerated infrastructure spending.

Discontent

During the Hu era, the ‘world’s factory’ model reached a flex point. Growth slowed (current estimates are around 7 per cent per annum), unemployment rose and environmental pollution endangered air, water and food supplies. Over-reliant on fluctuating exports and dirty jobs outsourced by advanced economies, progress towards a consumer culture and other features of China’s role model, Singapore, faltered. Problems with corruption, land grabs, income inequality, quality of life and cost of living issues,
local government debt, and an expanding urban-rural divide as a result of the decade-long migration of 150 million people to the cities, increased almost to the point of crisis. Resistance movements in Xinjiang and Tibet led to a series of incidents, including terrorist attacks in the case of the former and self-immolations in the latter. In both regions, Han Chinese immigration, chronic under-development and unsympathetic treatment of ethnic and cultural sensibilities have exacerbated latent discontent with Chinese rule, with no solution in sight.

Since the Deng era, a system of collective leadership, or ‘intra-party democracy’, had evolved as a limit on the concentration of personal power. As a result the nine members of the Politburo Standing Committee during Hu’s tenure, the apex of political power, ‘owned’ policy domains where their will was decisive. Heading into the Party Congress there was a consensus on the need for change, and the sense that this was increasingly urgent. There were, however, substantial differences of opinion on what needed to be done. A Party Secretary of the major inland city of Chongqing and hero of the Neo-Maoist wing of the Party, Bo Xilai had implemented a socio-economic model based on state-led development and mass-line campaigns, exploiting nostalgia for the Mao era and employing a ‘vigorous’ approach to quelling opposition. Bo was a charismatic rising star who overplayed his hand by openly campaigning for a seat on the Politburo Standing Committee. Bo’s fall helped Xi by preventing an ideological division in the Standing Committee, as did the removal of Ling Jihua, a close associate of Hu’s, who was removed as director of the General Office of the Central Committee in summer 2012 after his son died in a flaming Ferrari in the early hours of the morning. This incident was symptomatic of much that went on toward the end of the Hu era: a scandal involving the flaunting of excessive wealth by Party officials’ families followed by a blackout in the traditional media and information leaking online causing resentment among the 600 million-strong internet population. Sections of the Party membership under Hu became, as writer Kerry Brown put it, ‘punch-drunk with newfound wealth’. On assuming power, Xi immediately launched a campaign to re-establish the reputation of the Party and an overarching vision for the country, ‘The Chinese Dream’.

These developments were accompanied by a sustained tightening of political space, targeting critical Chinese media, academics, internet commentators, rights lawyers and foreign journalists. But this was not simply a sign of retrenchment under the new leader. At an important Party meeting, the Third Plenum, in November 2013, Xi announced a bold reform package, pledging a ‘decisive’ role to the market in the allocation of resources, and a recalibration of fiscal relations with the public sector (though the latter retain their dominant role in the public sector) among many other stated intentions. Two new institutions, both of which will be led by Xi, were created. The Reform Leading Small Group would directly manage the reform process from policy formation to implementation. The National Security Committee would coordinate the military, intelligence, police, and paramilitary on matters of domestic security. The pre-emptive political tightening is probably explained by the fact that many of the projected reforms, if and when they are implemented, will challenge the status quo and threaten many vested interests across society.

Xi appears for the moment to be a very powerful leader, but the application of power is a different matter to its acquisition. Corruption is endemic and creates inefficiencies and social unrest, but it also plays a significant role in rent distribution among different interest groups. Like everything he has done thus far, Xi’s anti-corruption drive has been robust, to the point where he appears ready to break an entrenched Party taboo. Since Mao’s internal rivalries spilled into society as the devastating Cultural Revolution, it has been an unwritten rule that current and former members of the Politburo Standing Committee are immune from prosecution. Yet all indications are that Xi is determined to pursue Zhou Yongkang, Hu’s security tsar and former associate of the fallen Bo. Zhou’s alleged corruption and abuses of power were egregious, and his associates in the powerful oil industry and Public Security Department have been falling one by one.

The Chinese Dream
Since the country’s excruciating encounter with western industrialised modernity in the early-mid 19th century, the ‘Chinese Dream’ has been to restore the nation’s status as a rich and powerful state. The sense of national humiliation created by being bullied by the western imperial powers and worse, Japan, underpins much contemporary Chinese nationalism. Despite formidable domestic challenges and the recognition of a complicated external environment, many support the ‘revival of the Chinese nation’. China’s neighbours fear what form this more ‘assertive’ demeanour will take in the South and East China Seas, where historical claims have been revived. Of particular concern is the dispute with Tokyo over the uninhabited Japan-controlled Diaoyu/Senkaku islands, which has been escalating since 2010. Rather than a case of a new leader talking tough while consolidating power, the historical legacies that animate Sino-Japan relations sit uneasily alongside central tenets of The Chinese Dream and suggest that this is a serious concern for peace in the region.

As China moves closer to becoming a middle-income country, the Party-state’s task is no longer simply to generate GDP growth, but to create the conditions for sustainable and balanced development.
At some point, political liberalisation may become a necessary part of that process, but for now Xi’s preoccupation is with implementing economic reforms and sustaining his anti-corruption campaign. However, miscalculations in the deteriorating relationship with Japan could yet jeopardise China’s continued progress – with potentially seismic repercussions, in the region and around the world.

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