

China under the New Leadership

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Introduction

At its first plenary session on 16 November, 2012, the 18th Central Committee of the Chinese Communist Party (henceforth CCP) returned¹ its Standing Committee consisting of seven members. Apart from Xi Jinping who serves as the General Secretary as well as the Chairman of the Central Military Commission and Li Keqiang as the Premier, the other five members are Zhang Dejiang, Yu Zhengsheng, Liu Yunshan, Wang Qishan and Zhang Gaoli.

Part I The New Leadership: Can an Agency Change Structure?

The CCP as a whole is a mixture of a modern organization that is capable of mass mobilization and a traditional patrimonial governance style. Its 80 million members have no say in its policy, not to speak of the 1.3 billion citizens of the country. In the final analysis, it is the supreme leader or a collective of leaders, which rules the Party and the country.

One may argue about what matters in politics: (A) agency, be it a leader or a group of leaders, or (B) structure, of the Party and/or its action environment. A powerful agency is epitomized by Mao Zedong or Deng Xiaoping; whose will commanded a loyal following in almost all circumstances. None of their successors has enjoyed such an authority. The CCP has experienced a power shift from a supreme leader model to a collective leadership model, or in

¹. The word “returned” should be understood as the result of “elections with Chinese characteristics”. The Central Committee is no more than a rubber stamp for whatever has been agreed upon in the backroom.

an astute China scholar's term, "weak leaders, strong factions". As a result, structural attributes become more important than the will of an individual human agency.

A. *The new leader: Xi Jinping*

Xi Jinping, born as a princeling, is son of Xi Zhongxun, former Director of the Propaganda Department of the CCP. His childhood is an asset in terms of his acquaintance with other princelings and his knowledge of the political life within Zhongnanhai. At the age of 16 however, Xi had to spend seven formative years of hard labour in the dusty Northwest of China, as a victim of the Great Proletariat Cultural Revolution when his father was charged with being a member of the an anti-Party clique, and was eventually imprisoned.

Xi was elected directly onto the Standing Committee of the Politburo, without having to go through Politburo membership first. Key posts soon fell into his hands in the same year. In 2010, he became the President of the Central Party School, Vice-Chairman of the People's Republic of China and Vice-Chairman of the Central Military Commission. Summing up his "professional" career of 25 years from 1982 to present, he has held 17 posts, i.e. less than 2 years in each on average. He must have mastered the political trick to move forward both in good times and in bad. What such a personal profile portrays is a personality of perseverance, restraint, circumspection, and low-keyness. In the first one or two years, he certainly got to know the time of the day, namely to "follow the established rules [*xiao gui cao sui*]," in order to consolidate his power.

B. *The new collective leadership*

There are two interlocking power processes at work: gerontocracy and factional politics. Gerontocracy is a strong structure in Chinese politics. In themid-1990s, the era was dubbed as one of "*balao zhiguo* (the eight elders ruling the state)". Among the eight, Deng apparently was the most influential, and it is he who promoted Hu Jintao to be the successor of Jiang Zemin, nipping the say of the other incumbent Standing Committee members in the

bud. Jiang Zemin followed suit by fostering Xi Jinping as the successor of Hu Jintao. At the opening of the 18th Party Congress, Jiang Zemin entered the hall together with Hu Jintao first, leaving all the other leaders far behind. He was seated in the centre of stage, and Hu was seated right beside him.

Gerontocracy is also reflected in the age structure of the 7 Standing Committee members. The average age of the seven members is 63.4, i.e. slightly older than the nine outgoing members (62.3 year old). More significant is the bifurcation of ages among two groups of members. The General Secretary Xi and Premier Li are 59 and 57 year old respectively, whereas the other five range from 64 to 67. It means that in five years time if the rule of an age threshold still applies, i.e., *qishang baxia* [67 still eligible and 68 must step down] applies, they will all have to retire, and jockeying for leadership positions in the Politburo and its Standing Committee will again take place in 2017. In light of the short tenure of the present Standing Committee, Xi and Li may have no strong incentives to push hard for reform in their first term, especially if in addition, factional politics stand in their way. Among the members, only Li Keqiang comes from the *tuan* camp, while all 5 elder Standing Committee members belong to Jiang Zemin's faction. Xi himself is ambivalent.

C. The political system in sluggish evolution

The new political leadership will govern the country through a political system consisting of interactions between the political regime and society, as well as through multi-layered relations among many sub-systems. With the CCP mainly at the helm, these consist of the People's Government, the National Peoples Congress, the People's Court and the Chinese People's Political Consultative Conference. The Party insists on, and is very unlikely to compromise its monopoly on political power, and its leadership over the army, the government, the law-enforcement apparatus, the national people's congresses, and the courts of law.

The decentralization of decision-making represents a key initiative to reform the political system. The major thrust of administrative reform, starting from the late 1970s, is the

devolution of certain central decision and budget-making authority to subordinate departments, and to subnational levels of government. As a result, the Chinese political system has become fragmented and disjointed below the very peak.

The model of decentralized authoritarianism can be regarded as a derivative of fragmented authoritarianism, albeit with the sole emphasis on a vertical devolution of powers that has produced a new central-local relationship. The Party-state has devolved extensive powers to mayors and party secretaries in 700-odd municipalities. Decentralization was primarily motivated by the objective of achieving higher economic efficiency, with regions competing with each other, in the absence of a genuinely free market. On the negative side, decentralization is indirectly responsible for the growing wealth gaps between different provinces and cities.

Be it fragmented or decentralized, China's authoritarianism is a kind of power sharing and a division in jurisdictions. It means first of all that citizens have many more access points to have their interests expressed or protected in the decision-making or – implementation processes. For example, a religious group can avoid the conservative Bureau of Religious Affairs, and seek registration with the progressive Department of Commerce and Industry.

For most liberal intellectuals in China, the true nature of the political system is the rule of a plutocracy. Therefore, the term “plutocratic authoritarianism” is most appropriate.

Zhang Lun in his article “Plutocracy, Social Movement and China's Transformation [*quanguo jiegou shehui yundong yu zhongguo de zhuanxing*],” laments the (totalitarian) legacy of the Communist revolution and its institutions that have even up to the present day constrained China's search for modernization. Accelerated globalization in the 1990s brought to China new opportunities and challenges, as well as problems.

What is implied in plutocratic authoritarianism is that its structure can be sticky, which in turn presents an unique cause for resilient authoritarianism in China, i.e. the Party itself as a major stake-holder. It has provided the plutocracy with red capitalists as the decisive group who enjoy a monopoly over the key economic and financial resources of the country. . Following the onset of

consultative authoritarianism as a follow-up to Jiang Zemin's three represents theory, successful and trusted private entrepreneurs were injected into the plutocracy.

Part II Economy and Society in Transformation

A. Structural changes and economic successes

Specifically, China's economy has seen an almost uninterrupted growth rate in double digits for over 34 years. China's GDP has grown thirty times since 1980. No less than 400 million people have been lifted out of poverty. Literacy, infant mortality rates and life expectancy have been raised up to that of the developed world. In 2010, China with a gross GDP of US\$ 5.9 trillion has surpassed Japan (US\$ 5.5 trillion) as the second largest economy in the world after the United States. In 2016, it is expected to surpass that of the United States.

In 2011, the number of urban residents has passed the threshold of 50% of the total population. Urbanization has also required a step-up in infrastructure in transportation and communication. The result has been a growing physical mobility of Chinese people, to an extent unimaginable before the 1990s. During the Spring Festival, from 26 January to 6 March 2013, no less than 3.4 billion people were on the move in all directions, primarily as train passengers. It is definitely a world record. China remains, according to the IMF, a poor country in terms of GDP (PPP) at international dollar rates of 8,387 per capita in 2010-11. That puts it at the rank of 93 among 117 countries in the world.

Finally, a country's development should not be measured in terms of economic growth alone. In this light, the human Development Index of the United Nations Development Programme offers a much broader and balanced picture, consisting of three dimensions with four indicators: life expectancy at birth, mean years of schooling, expected years of education and gross national income at purchasing power parity per capita. The index spans between 0 and 1, with the latter denoting very high human development. In 2011, the Programme released an updated report that shows a general decline in China's level of human

development, from 0.2667 in 1995 through 0.1699 (2000), 0.2236 (2005), 0.2219 (2008) to 0.2089 in 2011.

B. Transitional society and social justice

The Party-state monopolized the right to form and run social organizations, as its transmission belts for communication with and mobilization of the masses. The Party-state even segregated, through the work unit and the household registration system, the countryside from the urban area, thereby running a divided China inhabited by two classes of inhabitants with unequal obligations and rights. The extraordinary sufferings inflicted by the Cultural Revolution on the people as well as top leaders served as a wake-up call for another big change.

The first trend refers to the increasing liberation of the individuals from the institutional constraints of the Party-state and steady growth in socio-economic resources and in choices of life style available to them, albeit in an unequal way. Secondly, upon the bankruptcy of the official ideology many Chinese are searching or have already acquired new values and meanings for their lives. Last but not least, China's society is become increasingly restless, as the people are becoming more rights' conscious and active in asserting what is owed to them according to the law. In short, it is an exciting time with high stakes for the people as well as for the regime.

The government's one-child policy has "succeeded" in keeping fertility low. The government has claimed to have prevented 400 million births between 1979 and 2011, with a drop in the fertility rate from 2.63 births per woman in 1980 to 1.61 in 2009. One of the consequences of the fertility changes is the low annual growth rate of the population (0.57%) which in turn contributes to a premature aging of the population.

While China's economic wealth is growing in absolute terms, social inequalities are on the increase too. The proportion of population living below \$2 a day (at 2005 purchasing power parity) has gone down from 84.6% (1990) to 29.8% (2008). In relative terms however, the income gap between the rich and the poor is expanding. In 2000, the official gini index stood at the warning level of 0.412. Gini index of 0.474 in 2012 compared to a decade

high of 0.491 in 2008. The sticky pattern of a large gap in income distribution is alarming given the avowed goal of a “harmonious society”.

The reality in China is that the market is not free but embedded within bureaucratic authority and guided by government policies and interventions. State-owned or –subsidized enterprises and companies enjoy a monopoly or a near-monopoly over key economic resources such as banking and finance, energy, shipping, rail, telecommunication, and infrastructural construction. In such a market, private enterprises and companies, about 80% of them in the secondary and tertiary industries, can hardly compete on an equal basis with their counterparts in the public sector in access to credit, market networks and so on. Many of them have to rely on government patronage to make their business venture successful or just to survive.

In today’s China, development policy has been pursued in a very unbalanced manner at the expense of social aspects. There is hardly any social policy that distributes benefits progressively so as to narrow income gaps by offsetting the negative market impact. In some cases, social policies have been even designed to serve economic objectives such as reform, growth and efficiency. For instance, the privatization of health insurance and housing in urban areas is meant to relieve the responsibility of welfare provisions by state-owned and collective enterprises, with the result that the more privileged have been favoured in the process.

No society can be free of risks. China has joined the ranks of a risk society, with its environmental degradation, resources waste/bottlenecks and public health becoming major concerns as consequences of the developmental strategy of development above all. In China, several major risks were manufactured not by profit hungry merchants, but with the participation of professionals, governments, enterprises and other institutions.

The prevalence of fake medicine produced by pharmaceutical firms in the mid-1980s is another, more notorious man-made risk, with local governments as accomplices who chased after economic growth through promoting county enterprises. Another sad example is the HIV epidemics of the 1990s. These occurred as a consequence of state-run programmes of paid blood collection.

Thousands of farmers in *Henan* and other areas were infected through the sharing of contaminated needles. In 2008, HIV/AIDS became the leading cause of death among infectious disease. There were 9000 fatal cases in the first nine months of that year alone.

C. China's new citizen — subjects in the making

According to Willis W. Harman, really fundamental change in society does not come about at the dictates of a government, but as the result of changes in the state of mind among a large number of people. This observation is most applicable to the fundamental changes taking place in China today.

The new kind of subject in China remains to be properly named. The common term used in the netizen's discourse is "the economic man". It is however not the same term used by the economists to denote the kind of persons who think "in the economic way". In the discipline of economics, the economic man, does not presuppose selfishness, but accepts self-interestedness as a legitimate motivation. The authors of *Deep China* are explicitly and deeply concerned about the moral consequences of what they call "the enterprising individual" as a new subject in China. It is mostly expressed and maintained in terms of consumption and other forms of instant individual gratification.

Theoretically speaking, the economic man, the desiring subject or the enterprising individual need not be persons without any social concern. First is the case of jerry-built (known as *tofu* dregs in Chinese) schools. Citizens' initiatives to urge for accountability have never ceased. The most frequent violation of minimum ethical standards occurred in the field of food safety. The most serious one is the case of "poisonous baby powder" in 2008, a classic example of the economic man's desire for profit at the expense of public health. The toll of this immoral deed of the enterprises is shocking: four deaths, 12,892 hospitalized and another 39,965 babies under treatment.

Like the economy which manifests a mixture of growth and deficits under the interplay of an imperfect market and the interventionist Party-state, society in transitional China is marked by a blend of unprecedented inequality and growing philanthropy,

amidst a struggle between moral decay and selfless voluntarism. Herein lays the hope for the future of China, together with an incipient civil society.

In fact, the year of 2008 was a landmark in the history of volunteerism in China. The upsurge in volunteering during the Wenchuan earthquake and the Olympic Games ultimately changed the attitude of the government. Since 2008, the government has eased many of the past restrictions and has provided more favourable conditions to stimulate peoples' volunteering. According to the 2011 Report of the UN Volunteer, United Nation Development Program, "with the opening of both top-down and bottom up participation channels, more than 50 million Chinese people have registered in different volunteer organizations and over 120 million have participated in volunteer activities."

The unintended result of China's exposure to globalization in socio-cultural terms has ushered in the incipency of a new type of civic organizations in the form of non-government, or "non-government, non-profit" organizations (NGOs, NPOs). To begin with, the decentralization of the political system had the side-effect of creating multiple agents responsible for the control of social organizations and NGOs. Among these agents, "state-actions" of local cadres are particularly significant. Structural and practical distortions of the imperfect market under the command position of the government are leaving many cracks in the regulatory mechanism such that local and grassroots cadres can exploit them to benefit from lenient treatment civic organizations under their jurisdiction.

We should also mention the importance of the growing influence of the mass media on the growth of a civil society. The Internet has among other things surpassed the old principles of association, by for example creating virtual communities as a new form of interacting, and facilitated the activities of many civic organizations. On the other hand, the traditional mass media are influential in specific areas. With regard to environmental NGOs (eNGOs) for instance, the mass media have been very supportive, thus aiding the growth of eNGOs.

External foundations, foreign governments and international NGOs have, in various ways, made financial or other contributions

to the development of China's NGOs at various levels. Their goals and impact vary a great deal, depending on their background, understanding about "good causes" and familiarity with opportunities and constraints for civic organizations' development in China.

China's civic organizations have benefitted from the above changing circumstances to not only survive many odds but also to thrive in the past decade. It may however be premature to speak of an associational revolution since 2004. In fact, the new landscape of state-society relationships has only become more complex than in earlier decades, and are marked by contrasting trends. The party-state's suspicion is receding at a tortoise's pace, enabling a slow expansion of space for autonomous social development. There seems to be more open-minded political leaders especially at the local level. Yet, the regime has not really removed restrictive conditions for the growth of social groups and NGOs. The regulators, particularly those at the central level, remain vigilant in monitoring and controlling, with increasingly more refined methods. All in all, a more accurate description of the state's current practice can be best captured in Kin-man Chan's concept of "graduated control" whereby NGOs are treated differentially according to their business nature, funding source and organizational scale.

Conclusion and Prospects

Looking back, one may say that the most profound transformation has happened at the general level: the State. It can be encapsulated as a retreat from the Communist revolution led by an omnipotent, ideologically committed political party which claimed an absolute monopoly of political power for the sake of workers and peasants. The state today is an imagined community of pragmatic leaders in search of materialistic modernization and high status in the world system. The state no longer meddles in the private life of individuals, except for the requirement of birth control. Migration, free choice of occupation and social mobility can now be taken for granted, except for the countryside where economic development has received much less attention by the state, and for the peasants, who are still constrained by the household

registration regulations and disadvantaged by restrictive land policies designed to serve the interests of urbanization.

The retreat of the state is least prominent in the political realm proper. The most important change pertains to the end of the dictatorship or totalitarianism. The state is no longer a movement machine of revolutionary cadres with lofty ideals, but a pragmatic plutocracy of red capitalists and selected private entrepreneurs, who have a big stake in the status quo of interest allocation. The state is an effective but not necessarily efficient plutocracy that is highly adaptive to challenges coming from the changing economy and society, as it experiments with ways to solve problems arising in the Reform and Opening Up. We have a strong Party-state with an authoritarian political system that can shape socio-economic transformations in the enabling context of globalization. It is incompetent, however, when dealing with widespread corruption and legitimacy problems. With regard to the economy, the more immediate question is whether rapid growth can be sustained, and for how long.

The success of a domestic-consumption-led economy hinges upon, among other things, a delicate balance between a steadfast application of growth-boosting measures and meeting the rising demands of the people for a fairer share of the economic gains. To meet these demands, the government must abandon its policy imbalance of “letting some people get rich first” and the priority of developing the coastal provinces over the past three decades. It must also work hard to redress the widening wealth gap in society.

The redistributive policy will definitely meet resistance from the established interests, not least from the public sector. At any rate, the trend of rising costs for economic production is here to stay. China now knows pretty well that its economy can no longer rely on its past role of being a world factory and a prosperous trade situation to maintain past growth rates. The top leadership has resolved to use domestic consumption as a new engine, apart from a greater effort to improve productivity. It is expected that more investment in infrastructure and faster urbanization will push up domestic consumption.

The prospect for China is therefore that the faster urbanization (with another 300-400 million people living in cities in the next 15

years) takes place, the more divisive cities there will be. The biggest problem lies with the *hukou* (household registration) system.

For the sake of sustainable growth in the long term however, the leadership must abandon the incremental and experimental approach to reforms. Instead, bolder and more concerned reforms are needed. It is the view of this author that the over-emphasis on industrial and tertiary development need to be revamped by shifting more resources to modernize agriculture and the countryside. The government must find ways to remove many regulatory restrictions on domestic trade, to reform the inefficient financial sector, to construct a better credit environment for small and medium enterprises to grow, and to privatize state-owned enterprises.

The urban-rural divide appears to have a chance of attenuation, given the cumulative effects of recent government measures to improve rural income together with a fairer land acquisition package, and the planned reform of the household registration system.

The younger single child generation will eventually have to care for their aging parents. The same single child generation as a reduced strength of workforce implies an increase in labour cost which does not bode well for sustainable economic growth, unless China's economy can rely more on knowledge and innovation as a new production factor. China had in 2012 a sex ratio at birth of 117.7. The consequences are both positive and negative. On the one hand, women are in short supply but reap the benefits of better education, brighter career prospects, and a higher social status. On the other hand, drug addiction, aids and sexual crimes are on the rise.

A fundamental change in the Chinese family system is involved. For the past 2000 years, China had an extended family system. . It is often said that the mainstream change is towards a 4-2-1 family structure, i.e. husband and wife (2) have to support their parents (4) and the single child (1). This cannot be true. According to census findings, the average size of family in China has consistently gone down from 3.96 persons in 1990, through 3.44 to 3.10 as of 2010. Besides, it is more important to note whether parents and children live together in a single household. As the 5th general census reveals, the mode of household structure is two

generations (59%), whereas one generation and three generation household make up 21% and 18% respectively.

Can China's political regime cope with challenges of various kinds, such as an abrupt economic downturn, a huge environmental disaster, a protest movement of a scale larger than the one in 1989, or an external war? To this author, it seems unlikely for China's political system to move, in the coming decade towards democracy as a kind of government by the consent of the people that is realized through free, competitive and fair elections. Chinese leaders have consistently rejected the democratic credo using "Chinese circumstances" as an excuse. The major stumbling block actually lies in their will to cling to power and hence their inability to accept "party politics" whereby political parties take turns to govern in response to electoral results. It is obvious the Chinese leaders themselves are trapped in a dilemma. They have lived under siege, harbored a sense of insecurity, and had to spend huge resources in keeping public order. On the other hand, they have shunned any fundamental political reform for fear that the subsequent process may get out of hand. There is therefore a greater likelihood that authoritarianism in China will remain for quite a while.

What the economy and society actually need is more freedom/autonomy for the market and social institutions, such as the mass media, the church, and non-governmental organizations to take a more active role. In a sense, it is a matter of readjustment in state-society relations. It is an area of reform which the political leaders are reluctant to undertake. The likely scenario is that market freedom remains circumscribed as long as the monopoly of state-owned enterprises cannot be given up. The mass media must continue to serve the regime's policy of guiding public opinion, the church has to come to terms with intransigent cadres in bureaus of religious affairs management, and NGOs remain differentially treated depending on whether their work aligns with the government's interests. Micro-adjustments in social administration abound, in terms incremental and experimental innovations, but these are mostly at sub-national levels.

Despite the apparent zeal of Xi Jinping, the top leader, to engage in a "strike hard" struggle against flies and tigers alike, the likely outcome is "business as usual" after the national campaign.

Structural defects go a long way to explain why corruption in China is intractable. The fight against corruption is futile as long as the government over-regulates socio-economic affairs, which is free from external check but creates bureaucratic discretion and legal loopholes as opportunities for bribery. The grand strategy has promoted a tactic of governance by encouraging the people to find satisfaction in wealth creation at the risk of moral decay. After all, the context of China's development is radically different now. Thirty years ago, there was no market at all and the incapacitated society was at the whim of the Party-state. Today, neither the economy nor society is as malleable as the Party-state would like to dictate.

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