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China's Political Transition : Trends and Prospects

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China's Political Transition : Trends and Prospectsⁱ

1. China's Political Transition: What Has Been Accomplished?

The Chinese experience since 1978 is often described as “economic reform without political reform”. Yet any significant change of the communist economic system, as has been the case with China, inevitably entails a considerable reform of the political and administrative system. In this context, the Chinese experience may better be described as “great economic reform with lesser political reform”.

The significance of China's economic reform not only lies in the rising living standards of the people and fast expanding foreign trade, but also in its profound implications for China's social and political life, the most important of which is the fact that the reform has in fact dismantled what can be called the economic and institutional basis of totalitarianism.

Institutions underpinning omnipresent state control have crumbled or substantially weakened: with the rising prosperity, the rationing system for consumer goods disappeared; with growing social mobility, household registration (hukou) and personnel dossier system (dang-an) have significantly loosened up; and most people are no longer dependent for their livelihood on the state or their workplace (danwei), as most wealth and jobs in China today are generated outside the state sector¹.

Economic reform has not only brought about greater prosperity, but also created unprecedented opportunities for people to pursue their own interest and shape their own destiny. The average Chinese has today far more freedom of personal choice than anytime since 1949. Individuals can make their own choice for jobs, housing, school, marriage and leisure, and can move freely within the country or go abroad given proper means.

From the perspective of most Chinese, this marks a monumental change from Mao's total political control, and this change, in all fairness, is indispensable from a number of “lesser political reforms” adopted since 1978. It is worth mentioning some of them here:

First, mass ideological campaigns based on the Maoist doctrine of class struggle and creation of the ‘socialist new man’ were repudiated so that people could pursue their normal life and material interests;

Second, virtually all political victims under Mao, numbering tens of millions, were rehabilitated, including many professionals whose skills are indispensable for China's modernization;

¹ 1 An important indication of the changing balance between state and society and how people can live outside the state sector is the drastic decline of state's share of savings and rapid increase of individuals' share in China's total bank deposits. While China's total GDP was quadrupled between 1978 and 1996, government's share of total savings decreased from 43.4 percent in 1978 to 3 percent in 1996, and individuals' increased from 3.4 percent to 83 percent for the same period. It would be more significant if one considers that in 1978, the state's share, including SOEs, accounted for 96.6 percent, but this figure dropped to about 10 percent in 1996, and this trend has continued since then.

Distribution of Savings in China:

	State	Enterprises	Individuals
1978	43.4%	53.2% (all from SOEs)	3.4%
1996	3%	14% (7% from SOEs)	83%

Source: Zhongguo Jingji Shibao (China Economic Times), 15-17 July 1997.

Third, across China's vast countryside, the people's commune was abolished, thus ending this rigid system of political, economic and administrative control that had impoverished Chinese peasants;

Fourth, the village-level election has been carried out in the Chinese countryside, which is a massive political experiment to introduce rudimentary democracy. This practice is now being introduced into some cities as pilot-projects for neighbourhood-level elections, and

Fifth, there are other political reform experiments, such as the cadre rotating system to break guanxi networks as well as the practice of "small government and big society", which downsizes bureaucracy and forsakes its many functions that can be better performed by society, and governments are therefore urged to facilitate, not to micro-manage, the operation of a market economy.²

2. Assessing China's Political Transition: Mixed Results

China's political reforms are essentially attempts for political rationalization aimed at facilitating rapid economic development, not democratisation (as the term is understood in the West), at improving the efficiency of the existing political system, not abandoning it. In contrast to the radical model of democratisation, which involves an uncompromising break with the past, Chinese reformers have carried out those 'lesser political reforms' by working through existing political institutions within the one-party framework. Such reforms have produced mixed results. On the one hand, China has ensured sustained political stability for its economic development, without confronting the risk of paralysing catastrophe as Russia had experienced, and on the other, the Chinese approach is also slow-moving and often confusing, with mixed social and political consequences.

Chinese reformers' priority to economic reform has sharply narrowed the scope of China's political reform and slowed the progress towards full enjoyment of people's political and civil rights. Yet emphasis on removing immediate political obstacles to economic progress has been indeed responsive to the pressing needs of the majority of the population for alleviating poverty after decades of neglect under Mao. Stressing economic reform over political liberalization has caused grave setbacks in China's democracy movements, yet it has provided ordinary people with unprecedented economic and other freedoms, thus contributing to an emerging Chinese-style civil society.

China's lesser reforms have alienated many reform-minded intellectuals and reduced China's opportunities for greater political change. Nevertheless, it may also have helped China avert the possible economic and social upheavals which could have resulted from rushing too fast into a radically different economic and political system. Efforts to improve the efficiency of one-party rule is contrary to the philosophy of competitive democratic politics, yet each one of the reformers' calls for political reform has offered opportunities for Chinese liberals to transcend the official discourse and promote the spread of liberal ideas and values.

During the process of reform, reformers have demonstrated their ability to ensure long-term policy coherence and macro-economic stability, through a combination of market and administrative methods. A significant portion of the party/state structure has developed its competence, expertise in shaping and implementing market reform policies. For instance, a dense web of local compliance mechanism has been established to facilitate the execution of reform policies, ranging from attracting foreign investment to setting up development zones. Policy enforcement for common goals has been relatively effective from a technocratic perspective, as shown in the high absorptive capacity for FDIs, and in the state's capacity to fight the century's worst floods in 1998 and SARS in 2003.

² This experiment has been carried out in a number of places such as the Pudong District of Shanghai and Hainan province, both of which are known to be pioneering regions of China's reform and modernization.

Notwithstanding China's distrust of Western-style democratisation, the Chinese experience since 1978 have considerably increased elements which can be considered compatible with democratisation: rehabilitating former political enemies, greater social mobility, more diversified values, more elastic ideological standards, initial steps at curbing the administrative power of the party/state over the economy, more laws and legal institutions, energizing people's congresses, and relaxing cultural restrictions.

However, these limited political and administrative reforms are far from sufficient to tackle China's growing social, economic and political problems, from mounting corruption to "investment hunger" under the soft budget to the "bubble economy" in parts of China. Half of state-owned enterprises are in the red. Legal institutions are weak. Local protectionism remains strong. Paternalistic style of leadership is still common, which breeds "crony capitalism". Furthermore, China is far short of an effective institutional framework to mediate social tensions. Harry Harding, a leading China expert, has suggested that while "dismantling many of the totalitarian institutions of the past, "the Chinese party/state is not yet "prepared to move equally rapidly toward the creation of new institutions that could permit the articulation or aggregation of political demands."³ Thus, the party/state may still face the prospects of political instability in the future, especially if economic growth falters, and China still has a long way to go in the field of political reform.

3. Current Trends and Prospects

China is right now going through its own Industrial and Technological Revolution, and continued political shifts and social dislocations are inevitable. Increasing gaps between regions, rising unemployment, mounting corruption, massive internal migration, growing gaps between rich and poor are all issues calling for a more sophisticated and accountable government and hence more meaningful political reform.

A new consensus seems to be emerging among Chinese leaders and think tanks: there should be a more substantial political reform so as to limit the power of bureaucrats and make the state more accountable. A number of new measures have been adopted by the new leadership led by General Secretary Hu Jintao and Premier Wen Jiabao: emphasis on promoting the rule of law and staying close to the masses; the Politburo reporting annually to the full Central Committee; more attention and assistance to the poorer regions and vulnerable social groups; effort to revise the Constitution by including clauses for protecting human rights and private property; greater room for the media to reflect public opinion; the idea of "political civilization" emphasizing procedures and reasoning; a system of relatively independent commissioners to supervise provincial cadres, and more accountability of various levels of government to people's congresses.

However, the key issue with China's political transition remains unclear, i.e. how to redefine the role of the party in China's political, economic and social life? More specifically, how to establish the rule of law when the party and its leaders remain the most powerful? How to redefine the relations among the party, government, the economy and the society? And how to establish sustainable institutions to check corruption and mediate social tensions within the existing political system? There are still no clear and easy answers to these vitally important questions.

These questions aside, political reforms, however limited, are supported by diverse social groups from left-leaning social critics to party reformers and liberal-leaning intellectuals. For the left, it is essential to ensure greater equality and a more humane society as China's market-driven economy has expanded the gap between rich and poor. For the liberals,

³ Harry Harding, "Political Reform" in Mark Borthwick (ed.), *Pacific Century – the Emergence of Modern Pacific Asia*, Westview Press, Boulder, 1992, p. 423.

emphasis is always placed on freer press, protection of civil rights and extension of elections from village to the township and above; For party reformers, the chance of achieving a broad consensus on a controlled political reform is better than ever, in the face of China's mounting socio-economic problems and the need to ensure the party's legitimacy.

In the meantime, a consensus is also emerging among party reformers on what can be realistically achieved in China's political reform in the short and medium term. Corruption is now recognized as a severe economic, social as well as political malady, yet reference is also made to the experiences of China's two largest neighbours: Russia and India: Russia has in fact become more corrupt after its radical democratisation, and the democratic India does not offer an attractive model either.

I hold the view that China's political transition is likely to continue its present cautious approach and its top-down and gradual process. The party's "zone of indifference" will further expand in the years to come, while tolerance for radical dissent remain limited. I submit further that China's successful economic reform may well set a pattern for China's political reform. The political consensus in China today is still on a syncretic approach, drawing on whatever is good from outside while gradually reforming China's political system. Most reformers still believe that political reform should be a gradual, pragmatic and experimental process much like the experience of economic reform, and a strong state remains a crucial prerequisite for ensuring macroeconomic and political stability amidst the multiplying economic and social problems.

The Russian experience suggests that it is by no means easy to create a viable administrative system in place of the one-party regime in a large country with no tradition of democracy and adversary politics. Furthermore, as far as China is concerned, after more than a century of devastating wars and chaotic revolutions, and after two decades of moderate and successful economic reforms, the Chinese seem to be more willing to embrace gradual reform than radical revolution.

Developments favouring China's democratization include: vastly improved living standards, the information and communication revolution, increased levels of education, the expanding middle class and non-state sector, the rise of autonomous organizations, the country's extensive ties with the outside world, and recognition by the party that it cannot and shall not micro-manage the Chinese society.

But full-fledged democratization may still be a long way off for a number of reasons: Chinese general perception of Chinese-style reform as a success and the Russian model of radical change as a failure, the absence of credible models for a large country like China to move out of authoritarianism, inability of disaffected groups to organize themselves as a credible counter-force in China's political scene, and the fear among the population that adversarial politics may cause an economic downturn and political chaos, which had plagued China for too long in the past century.

The transformation of the Chinese state will continue, driven by China's economic reform, social challenges and integration with the outside world. As China's economy further develops and the country further opens itself to the outside, a more differentiated political system to accommodate new ideas and diverse interests will have to be found.

China is now a laboratory – the largest of its kind in human history – in economic development and political transition. In this sense, it is in Europe's interest to understand and assist China in its unparalleled endeavours for economic and political reforms. China can draw extensively on Europe's rich experience in political institutional building, democratic governance, conflict resolution, social welfare reforms as well as regional integration. Furthermore, the result of China's experiment will not only affect the welfare of the Chinese people, but also that of other peoples and even Europeans, as the eventual shape of China's political transition will, I believe, impact the trajectory of the relations between the two great

continents, or indeed two of the world's greatest civilizations: Chinese and European. The two should become friends, engaging each other with open mind, not enemies, confronting each other as envisaged by the pundits of the "clash of civilizations". In this sense, let us congratulate the just concluded EU-China Beijing summit, as it marks, I believe, a new milestone in promoting greater mutual understanding and cooperation between the two unique and splendid civilizations.

ⁱ This presentation draws heavily on the author's book entitled *Transforming China: Economic Reform and its Political Implications*, Macmillan Press Ltd, London, and St. Martin's Press Ltd, New York, 2000.