

CHAPTER 1

Whither China's Democracy? In Commemoration of the Twentieth Anniversary of the Tiananmen Incident

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I. Introduction: Political Reforms Before and After the Tiananmen Incident

The year 2009 is the twentieth anniversary of the Tiananmen Incident. The incident was certainly an important milestone in China's contemporary history, and arguably the most serious challenge to the Chinese Communist regime since 1949. It has probably had a significant impact on the orientations of China's reforms since then.

From an international perspective, 1989 was the 200th anniversary of the French Revolution. At the end of the year, the fall of the Berlin Wall, the subsequent collapse of the Communist regimes in Eastern Europe and the break-up of the Soviet Union basically spelled the end of the international communist movement. Subsequently Francis Fukuyama's *The End of History and the Last Man* (2002) declared the victory of the market economy and liberal democracy over the planned economy and the Leninist one-party dictatorship.¹

1. Francis Fukuyama, *The End of History and the Last Man* (New York: Free Press, 2002).

Before the Tiananmen Incident, China's economic reforms actually went considerably further than those initiated by Solidarity in Poland or by Mikhail Gorbachev in the Soviet Union. In August 1980, Deng Xiaoping made an important speech at an expanded meeting of the Party's Politburo entitled "Reform of the Leadership Systems of the Party and State."² This outline of a political reform programme generated much enthusiasm among intellectuals in China, and initiated a lot of discussion on the "fifth modernization." To secure the support of the Party leadership and the general cadre corps for economic reforms, Deng later shelved his proposals for political reform. Deng's concessions and compensation awarded for them gave rise to various opportunities for corruption.

At the Thirteenth Party Congress, held in 1987, Zhao Ziyang's report formally put forward concrete proposals for political reform in a comprehensive manner based on Deng's 1980 speech.³ Zhao Ziyang's political reform programme attempted to separate the Party from the state. The Party should concentrate on broad policy guidelines, ideological and propaganda work etc., and allow state organs to be responsible for daily administrative affairs. Further, Party personnel holding functional posts should not concurrently occupy administrative positions in the state hierarchy. Within the latter, some separation between the legislative and executive branches should be enforced through avoidance of leaders holding concurrent positions in both branches.

The idea was to achieve a clear-cut division of labor and establish mechanisms for checks and balances. Further, in 1988 Zhao Ziyang wanted to abolish Party core groups (*dangzu*) in most government departments; and he transferred the management of leading non-Party positions in universities, economic enterprises and service units, as well as many of the bureaus and offices directly subordinated to

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2. Deng Xiaoping, "Dang he guojia lingdao zhidu de gaige" ("Reform of the leadership systems of the Party and the state"), in *Deng Xiaoping wenxuan, 1975–1982* (*Selected Works of Deng Xiaoping, 1975–1982*) (Beijing: Renmin chubanshe, 1983), pp. 280–302.
 3. Zhao Ziyang, "Yanzhe you Zhongguo tese de shehui zhuyi daolu qianjin" ("March along the road of socialism with Chinese characteristics"), in *Zhongguo Gongchandang Di Shisan Jie Quanguo Daibiao Dahui wenjian huibian* (*A compendium of the documents of the Thirteenth National Congress of the Communist Party of China*) (Beijing: Renmin chubanshe, 1978), pp. 41–59; Willy Wo-lap Lam, *The Era of Zhao Ziyang* (Hong Kong: A. B. Books & Stationery, 1989), pp. 203–6.

the State Council, from the Party Central Organization Department to the State Council's Ministry of Personnel.⁴ These measures were in part designed to set up a modern civil service based on open recruitment.

In the wake of the Tiananmen Incident, Zhao's proposals and measures were dropped because they were seen to have weakened Party control. The political reforms presented in Jiang Zemin's report to the Fourteenth Party Congress were limited to administrative reforms such as streamlining the organizations of the Party and the state.⁵ Since then, separation of the Party and the state has become a taboo subject in formal Party deliberations. In recent years, political reforms have tended to concentrate on the expansion of intra-Party democracy; the mainstream thinking is that while not abandoning the Party's monopoly of political power, various levels of Party leaders should be more responsive to people's demands as reflected by the mass media.

Although grassroots Party organizations in various sectors have been weakened in the processes of marketization and the realization of the "small government, big society" principle, the Party leadership persistently emphasizes Party construction. In the early 1990s, basic-level Party groups, branches and committees were to be established in all economic enterprises, including joint ventures with foreign investors and those that were wholly owned by the latter. In recent years, the focus has switched to the establishment of trade unions in all types of economic enterprises.⁶ Soon after the Tiananmen

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4. John Burns, "Strengthening CCP control of leadership selection: the 1990 nomenclatura," *The China Quarterly*, No. 138 (June 1994), pp. 461–3.
 5. On October 12, 1992, Jiang Zemin delivered his work report to the Fourteenth National Congress of the Communist Party of China; he discussed his administrative reform proposals in section 7, chapter 2 of his report. For the text of the report, see *Wen Wei Po* (a Hong Kong Chinese newspaper), October 13, 1992, pp. 19–20.
 6. At the end of 2007, the establishment of trade unions in foreign-invested enterprises and domestic private enterprises in China achieved a rate of 73.6% and 69.6% respectively. Trade union membership amounted to 193.29 million workers. See Li Peilin and Chen Guangjin, "Liwan kuanglan: Zhongguo shehui fazhan yingjie xintiaozhan—2008–2009 nian Zhongguo shehui xingshi fenxi yu yuce zong baogao" ("China's social development meeting new challenges—analysis and forecast, 2008–2009"), in Ru Xin, Lu Xueyi and Li Peilin (eds.), *Shehui lanpishu—2009 nian Zhongguo shehui xingshi fenxi yu yuce* (*Blue Book of China's Society—Year 2009: Analysis and Forecast on China's Social Development*) (Beijing: Social Sciences Academic Press (China), 2008), p. 6.

Incident, under the banner of the Party's unified leadership, most Party secretaries at the provincial level and below also served as chairmen of the standing committees of people's congresses at the same level. At the same time, the streamlining of the administration at the county level and below often led to the amalgamation of Party and state organs such as their general offices, the Organization Department of the former and the Personnel Bureau of the latter, etc.

Since the early 1980s, crises of confidence, ideology and conviction have caused a deterioration, and the ideological vacuum has become even more conspicuous. In view of the rampant corruption, Party members are in no position to serve as a model. It is also obvious that the mobilization power and impact of rectification campaigns have been on the decline. Meanwhile, the Party still controls appointments to all important Party, state and public sector positions. Its membership is the power elite, and it attracts talents who are eager to join and be recognized as part of the power elite.

Naturally this power elite has no intention of giving up its monopoly of political power. The challenge of the Party is the fulfilment of its political recruitment function so that its membership will be an all-embracing power elite providing leadership in all sectors. Jiang Zemin's "three represents" thesis exactly aimed to achieve this objective through broadening the base of support for the Party in line with the socio-economic developments in China.⁷

The Communist Party of China therefore works hard to prevent any organizations from emerging as alternative centers of power. Poland's Solidarity offered an important lesson for the Chinese leadership. It tolerates workers' protests, rallies and petitions seeking redress of their grievances; but whenever some labor activists attempt to form independent trade unions, they encounter ruthless suppression by the public security apparatus. In 1999, the Falun

7. The "three represents" thesis asks the Communist Party of China to represent the demand for the development of China's advanced productive forces, the direction for the advance of China's advanced culture, and the fundamental interests of the broadest spectrum of the Chinese people. See Jiang Zemin, "Zai qingzhu Zhongguo Gongchandang chengli bashi zhounian dahui shang de jianghua" ("Speech at the conference in commemoration of the eightieth anniversary of the founding of the Communist Party of China"), July 1, 2001, http://news.xinhuanet.com/zilliao/2001-12/03/content_499021.htm.

Gong followers organized a demonstration in Zhongnanhai in Beijing without being detected by the Chinese authorities; their mobilization and organization power shocked Jiang Zemin and other Chinese leaders. This was probably why Jiang mobilized the entire nation to stop the Falun Gong from further expanding its recruitment drive.

In trying to be an all-embracing power elite, the Party finds it difficult to exercise iron discipline and to lead as the vanguard of the proletariat. Official documents and media reports often indicate that a considerable proportion of basic-level Party organizations exist in name only, and those which are functioning healthily are definitely in a minority. The Party will serve to aggregate interests and resolve contradictions within it, however. It will accommodate to a collective leadership more easily too. In many ways, it will have something to learn from the Kuomintang in the late 1970s and 1980s.

Political reforms may then have a chance to proceed quietly and gradually. Evolution of this kind demands a long-term vision, skillful leadership and the acceptance that ultimately the Marxist-Leninist nature of the Party will be changed. It will be too much to ask for all these under the leadership of Hu Jintao.

2. Filling the Ideological Vacuum

The reformers in China have often been criticized for the lack of a theoretical foundation which can help to legitimize their reform programmes. Deng Xiaoping's approach has been aptly depicted by his metaphor of "groping for the rocks while crossing the river." This experimental approach conforms to Deng's characteristic pragmatism and is also in line with the Party's tradition. China is too large a country for a blueprint to be implemented uniformly, and the Chinese leadership today normally allows and even encourages different approaches and models to emerge while following the spirit of the guidelines from the Party Center.

To uphold the leadership of the Party means that the regime's policy programmes have to be justified in terms of a broad socialist framework, even if not an orthodox Marxist-Leninist one. At this stage, the acceptance of universal values remains ideologically

controversial. Furthermore, economic reforms are inter-connected and priorities have to be set. The absence of a comprehensive theory for reforms has obviously handicapped the co-ordination of reform measures and the establishment of priorities. It also facilitates the conservatives and the “new leftists” to maintain their strongholds in the theoretical and propaganda fronts.

A major contribution of Deng Xiaoping’s southern tour in early 1992 was the affirmation of the theme of a socialist market economy; later in the year it became the Party line in the Fourteenth Party Congress.⁸ Deng strongly argued that the socialist economy could also adopt a market economic structure, which laid the foundation for China’s continuing economic reforms in the 1990s and its impressive economic growth.

In Deng’s speeches during his southern tour, he severely criticized the controversies regarding the distinction between capitalism and socialism. He instead presented the following three pragmatic criteria: beneficial for the development of productivity, beneficial for the raising of the people’s living standards, and beneficial for comprehensive national power.

The official recognition of the concept of a socialist market economy concluded a fluctuating development process that had lasted for more than a decade. At the end of 1978, the Third Plenum of the Eleventh Central Committee (CC) of the Party advocated “the shifting of the emphasis of Party work to socialist modernizing construction;” it also appealed for the observance of economic laws and respect for the law of value. At the Twelfth Party Congress in 1982, the policy line had been redefined as “economic planning as the mainstay, market as the supplement.” The Third Plenum of the Twelfth CC of the Party adopted the “Decision on Economic Structure Reform” which raised the concept of a “planned commodity economy on the basis of public ownership.” At the Thirteenth Party Congress in 1987, the planned commodity economy was depicted as “a structure in which planning and market are unified internally.” Since the Fourth Plenum of the Thirteenth CC,

8. See the author’s “Introduction,” in Joseph Y. S. Cheng (ed.), *China in the Post-Deng Era* (Hong Kong: The Chinese University Press, 1998), p. 9.

the term “economic structure integrating economic planning and market” had been commonly used; and it was at the Fourteenth Party Congress in 1992 that the concept of a “socialist market economy” finally secured official recognition.⁹

The development of concepts and theories in the past decades has obviously fallen behind the actual progress of the market economy. It has also reflected the hindrance imposed by politics and ideologies on reforms, the opening to the outside world and the development of a market economy. The Chinese authorities so far have made no attempt to distinguish between a socialist market economy and a market economy. Probably the crux of the matter is that the word “socialist” is needed to legitimize the leadership of the Party.

In the mid-1990s, leading economists in China debated the strategy of developing a market economy. In such debates, they treated a socialist market economy as no different from a market economy. The general consensus then was that the market had not been fully developed in China, and economic planning still imposed considerable bondage and restraints on the thoughts, psychology and behavior patterns of cadres and the people. The economists differed on the priorities in developing the market. Some emphasized price reforms, and others stressed the significance of the joint stock system, i.e., reform of the ownership system. Another school of thought argued for comprehensive co-ordinated (*peitaode*) reforms.

In the reform processes in the 1990s, the role of the central government and its financial strength became a controversial political and economic issue. Local government initiatives, especially those in real estate development in response to Deng Xiaoping's southern tour in early 1992, resulted in an over-heated economy.¹⁰ The then Executive Vice-Premier, Zhu Rongji, was given the responsibility of engaging in macro-economic adjustment and control. While he largely succeeded in avoiding economic chaos and escalating

9. See the author's "Introduction," in Joseph Y. S. Cheng (ed.), *China in the Post-Deng Era* (Hong Kong: The Chinese University Press, 1998), p. 10.

10. In July 1995, an official of the State Planning Commission still indicated that macro-economic control and adjustment had to be strengthened so as to control inflation better; see *Ming Pao* (a Hong Kong Chinese newspaper), July 14, 1995.

inflation, he often had to rely on administrative fiat rather than market mechanisms. His approach therefore generated a debate on the desirability and feasibility of macro-economic adjustment and control.

The outcome of the debate was very clear; macro-economic adjustment and control were perceived to be essential. However, in view of the development of the market economy, the means of adjustment and control had to rely on market mechanisms. Today, macro-economic adjustment and control are the State Council's responsibility in guiding economic development. In the Chinese authorities' responses to the recent international financial tsunami, one can vividly see the extent of the globalization of China's economy and the respect for market mechanisms in its macro-economic adjustment and control measures.

Effective macro-economic adjustment and control demand a considerable concentration of authority in the hands of the central government. In China's economic reform processes, local governments were emancipated from the planned economy and they began actively to promote their own interests. The shifting balance of power between the central and local governments sometimes became an obstacle to further economic reforms. The central government's strategy was the introduction of tax reforms in 1994, dividing tax revenues between the central and local governments. At the end of the 1990s, its response was the acceptance of comprehensive economic globalization, through the application to join the World Trade Organization.

According to a study of the National Conditions Investigation Group under the Chinese Academy of Sciences, the ratio of public finance to China's GDP stood at 31.2% in 1978. It then fell to 18.7% by 1990; the decline continued and reached 16.2% in 1993 and 11.8% in 1994.¹¹ Deducting local government incomes, central government incomes amounted to just 5.4% of GDP in 1993 and 3.9% in 1994. Central government expenditures, taking into consideration budget deficits, foreign loans, and domestic and foreign issues of treasury bonds, however, amounted to 6.2% of GDP in

11. *South China Morning Post* (Hong Kong), June 9, 1995.

1993 and 4.2% in 1994. These ratios were shockingly low when compared with the corresponding ratios of 19.8% in the United States, 30.8% in Germany, 41% in France, 28% in Brazil and 15% in India.

The tax reforms introduced in 1994 gradually reversed the above trends. In line with China's spectacular economic growth, the central government's fiscal revenues have been increasing rapidly since then. It not only has the resources to engage in macro-economic adjustment and control, it also has the money to improve the social security net in a significant manner in recent years to maintain social stability.

3. The Establishment of a Social Security Net

The development of a market economy in China also raises the issue of social security. In the past, the urban-rural divide created a dichotomy in social security. Before the economic reforms, urban residents working in the Party and state organs, state-owned enterprises (SOEs) and public-sector institutions enjoyed comprehensive social security which also covered their family members. Rural inhabitants, on the other hand, could only depend on the very limited social services offered on a collective basis, i.e., by the people's communes. As the money-losing SOEs were forced into bankruptcy, the state had to assume the responsibility of establishing a new system of social security.

In the mid-1990s, in view of the limited fiscal revenues at its disposal, the Chinese leadership emphasized the idea of "small government, big society." Li Tieying, then Politburo member and head of the State Commission for Restructuring the Economic System, emphatically stated in a conference in July 1995 that China could no longer afford "a high-level of social welfare (*gao fuli*)."¹² According to Li, the fundamental purpose of the new social security system was to promote productivity. It should stress the integration of rights and responsibilities as well as individual participation, so that most

12. *Hong Kong Economic Journal* (a Hong Kong Chinese newspaper), July 29, 1995.

people would not have to rely on a redistribution of income. Li's statement reflected the Chinese leadership's policy orientation; but political stability required the provision of basic social security and the containment of the widening gap between the rich and poor.

For urban residents, the most important social security systems are pensions (*yanglaojin*) and medical insurance. The initial designs for both were contributory systems with contributions from employers, employees and the government. The financial burden of the government mainly fell on local governments. In the beginning, the central government wanted to limit its responsibility to transfer payments, i.e., giving resources to the poor local governments which were in no position to assume the fiscal responsibility. The financial strengths and revenue bases of local governments in China varied tremendously, however. Local governments in the Yangtze Delta and the Pearl River Delta, for example, managed to provide many types of social services; but local governments in the poor regions simply could not afford to do so.

The winding-up SOEs naturally produced millions of unemployed workers (initially known as *xiagang*, "stepping down from their posts"). At the end of the 1990s, the Chinese leadership designed a three-stage process to provide for their basic livelihood. In the first *xiagang* stage, the SOEs still had to offer the redundant workers living expenses as well as continue contributing to their social security schemes. After two years or so, the unemployment insurance system would assume the burden. Finally, the social relief system known as the guarantee of minimum living standards would take over. But most of the bankrupt SOEs did not have the financial resources to support the redundant workers (there were many cases of fraud, too, in which the management pocketed the assets of the bankrupt SOEs). The unemployment insurance system basically did not even have a chance to accumulate funds in order to function. The guarantee of minimum living standards quickly became the last resort to the basic social security net for urban residents who could not support themselves.

The central government certainly did not adequately foresee the development and was not at all prepared for it. It responded promptly, however, and within two to three years it offered strong

support to the provincial governments to set up social security nets with the guarantee of minimum living standards as the foundation. During the administration of Hu Jintao and Wen Jiabao since 2002, social security has been accorded very high priority; Chinese leaders fully appreciate that economic growth alone is no longer adequate to maintain the legitimacy of the Chinese Communist regime.

In September 1997, the State Council demanded that all cities and all towns where county governments were located had to establish a system for the guarantee of minimum living standards for their residents before the end of 1999. In September 1999, when the “Regulations on the Guarantee of Minimum Living Standards for Urban Residents” was promulgated, the system only covered 2.82 million people. In June 2002, the coverage expanded to 22.5 million, since then it has stabilized at the 22 million level.¹³

At the present stage, the system for the guarantee of minimum living standards for urban residents emphasizes civic rights and government responsibility. The Chinese authorities recognize that when urban residents cannot maintain a very basic level of living standards, they have a right to seek relief from the government. To maintain minimum living standards for urban residents is thus a responsibility which has to be assumed by the government without conditions, a fundamental public service that the government has to offer.

Almost without exception, rural residents have farm land allocated to them according to the family responsibility system. Although their incomes are usually low, the food they produce is adequate to ensure their survival and that of their families. Except when affected by natural disasters or accidents, the farm land enables rural residents to maintain a very basic living standard. The poor people in the urban sector are in a different situation. If they have no employment and no incomes, the probability of hunger is high. Even when their incomes can support their survival, they may still be

13. Liu Xitang, “Chengshi pinkun zhili zhong de jumin zuidi shenghuo baozhang zhidu” (“The minimum standards of living scheme and the urban poverty reduction in China”), in Bai Gang and Shi Weimin (eds.), *Zhongguo gonggong zhengce fenxi, 2008 nian juan* (*Analysis of Public Policies of China 2008*) (Beijing: China Social Sciences Press, 2008), pp. 159–60.

deprived of the right to a minimum standard of living, as they may not have access to education, healthcare and decent accommodation.

Poverty and deprivation are important causes of social instability. The basic rationale for economic reforms is to offer attractive incentives for economic activities through adjusting the remuneration for work. Deng Xiaoping encouraged “a segment of the population to become rich first,” as the first step to realize the ultimate objective of “common prosperity.” But in the era of economic reforms and opening to the outside world, the scale of relative poverty in the urban sector has been increasing, and the extent of relative poverty has been increasing too. These trends obviously contradict the objective of common prosperity, and they have cast doubts on the policy programmes of economic structural reform. The issue of poverty is intertwined with grievances concerning forced resettlement, irregular fees and levies imposed by local cadres, corruption, abuse of power, etc., and together they constitute the greatest threat to social stability in China.

The system of the guarantee of minimum living standards in the urban sector celebrated its tenth anniversary in 2007. In view of high economic growth and substantial fiscal revenues, the Chinese leadership offered to increase the pensions of retired SOE employees, raise the level of unemployment insurance benefit and that of the guarantee of minimum living standards (which had been extended to the rural sector already), and establish an urban medical relief system at the level of city districts and counties, so as to help those who did not have the cover of the existing basic medical insurance system of urban employees.¹⁴ Chinese leaders are expected to do more in the social security field in the context of the international financial tsunami which is expected to threaten China's social stability.

In recent years, protection of the rights of migrant workers has become a new priority in social security. In the third quarter of 2007, migrant workers participating in the pension, medical

14. Wang Fayun and Wang Xiaoming, “2007 nian Zhongguo shehui baozhang fazhan baogao” (“Development of social security in 2007”), in Ru Xin, Lu Xueyi and Li Peilin (eds.), *Shehui lanpishu—2008 nian Zhongguo shehui xingshi fenxi yu yuce* (*Blue Book of China's Society—Year 2008: Analysis and Forecast on China's Social Development*) (Beijing: Social Sciences Academic Press (China), 2008), pp. 50–51.

insurance, unemployment insurance, and work injuries insurance systems amounted to more than 17 million, more than 29 million, almost 11 million and over 34 million respectively.¹⁵ Relative to the estimated flow of migrant workers exceeding 120 million, the above figures were still rather low; but they also reflected the efforts of the Hu Jintao administration in helping the underprivileged groups. To demonstrate the priority accorded to the promotion of migrant workers' political rights, the Standing Committee of the National People's Congress (NPC) indicated that in future, there would be a fixed number of seats in the NPC allocated to migrant workers.

Chinese leaders today appreciate that a national social security net is essential to the maintenance of the legitimacy of the Chinese Communist regime and socio-political stability. In early 2007, Premier Wen Jiabao proposed in his government work report that a national system of the guarantee of minimum living standards would be established in the rural sector in the same year. It was estimated that at the end of 2007, over 30 million people in difficulties had been included in the system.¹⁶

At the 17th Party Congress in 2007, Hu Jintao presented the public health policy goal of enabling the entire nation to enjoy basic medical and health services by 2020. This meant that China would be among the countries offering a national health service. Earlier in the 2003–2005 period, the Chinese authorities began to introduce the new rural co-operative medical care system. Initially all participants would have to pay 20 *yuan* per annum with half of this contribution coming from the government. By 2006, the minimum per capita contribution increased to 40 *yuan* per annum; and by early 2008, it would rise to 80 *yuan* per annum within two years.¹⁷

15. Wang Fayun and Wang Xiaoming, "2007 nian Zhongguo shehui baozhang fazhan baogao" ("Development of social security in 2007"), in Ru Xin, Lu Xueyi and Li Peilin (eds.), *Shehui lanpishu—2008 nian Zhongguo shehui xingshi fenxi yu yuce* (*Blue Book of China's Society—Year 2008: Analysis and Forecast on China's Social Development*) (Beijing: Social Sciences Academic Press (China), 2008), p. 51.

16. Zhang Shifei and Tang Jun, "Chengxiang zuidi shenghuo baozhang zhidu jiben xingcheng" ("The system of subsistence allowances for urban and rural residents in place"), in Ru Xin, Lu Xueyi and Li Peilin (eds.), *Blue Book of China's Society—Year 2008*, pp. 57–8.

17. See Premier Wen Jiabao's report on the work of the government delivered at the first conference of the Eleventh National People's Congress on March 5, 2008, section 6, http://big5.xinhuanet.com/gate/big5/news.xinhuanet.com/newscenter/2008-03/19/content_7819983.htm.

As financial resources in support of a medical insurance system, the sums involved were still far from adequate. However, the rapid rise in the standards again reflected the Chinese leadership's determination to avoid the unacceptable scenario of poor peasants with serious illnesses waiting for their deaths because they could not afford medical care. The government's financial responsibility was to be assumed by various levels of government together. In central and western China as well as in the poor places along the coast, the central government would pay for half of the government's total contributions; and the remaining half would be absorbed by the provincial, prefectural city and county levels of government.¹⁸

The above discussion aims to demonstrate that the Chinese leadership understands the challenges posed by the marketization of the economy to socialism and social stability. It tries hard to establish a social security net to reduce social contradictions as it realizes that in the context of high economic growth and allowing "a segment of the population to become rich first," leaving the poor without food and medical care would be politically unacceptable.

Although substantial progress has been made in the construction of a social security net, the gap between the rich and poor has still been expanding. In the past decade, the urban-rural divide has been deteriorating too. In terms of a comparison between urban residents' per capita disposable income and rural residents' per capita net household income, the ratio of the former to the latter increased from 2.47 in 1997 to 3.28 in 2006. Only in 2004 did the ratio demonstrate a small decline in this period.¹⁹

In terms of a comparison between the province with the highest per capita disposable household income of urban residents and the province with the lowest, the ratio between the two declined slightly from 2.446 in 2001 to 2.33 in 2006. In the same period, in the comparison in per capita net household income of rural residents

18. Gu Xin, "Quanmin yiliao baoxian zoushang zhenggui" ("Towards universal coverage of healthcare insurance: China's new healthcare reform"), in Ru Xin, Lu Xueyi and Li Peilin (eds.), *Blue Book of China's Society—Year 2008*, p. 95.

19. Yang Yiyong and Gu Yan, "2007–2008 nian: Zhongguo shouru fenpei xindongxiang, xinqushi he xinsilu" ("China's income distribution in 2007–2008: new issues, new trends and new ideas"), in Ru Xin, Lu Xueyi and Li Peilin (eds.), *Blue Book of China's Society—Year 2008*, p. 215.

between the highest province and the lowest province, the ratio between the two deteriorated from 4.18 to 4.605.²⁰

In 2006, the Gini coefficients for China's urban residents, rural residents and at the national level were 0.335, 0.368 and 0.475 respectively.²¹ Experts expected that the figures would continue to climb in 2007 and 2008 to 0.34, 0.37 and 0.48 respectively.²² In the past decades, the Chinese Communist regime has been advocating economic equality; today, the gap between the rich and poor is as bad as that in Latin America. Worse still, in the eyes of ordinary Chinese, most of the rich people in China have secured their wealth through corruption and illegal means. If the former are optimistic that their living standards will continue to improve through economic development, they may have more tolerance for the wealth gap. On the other hand, if the economy deteriorates and people's living standards decline, their dissatisfaction will grow.

4. Lessons from the Collapse of the Communist Regimes in Eastern Europe and the Soviet Union and the "Color Revolutions"

The Tiananmen Incident was soon followed by the collapse of the Communist regimes in Eastern Europe and the Soviet Union. The official Chinese media did not offer many commentaries on these dramatic events, but the Chinese leadership was certainly very concerned about the implications for the survival of the Chinese Communist regime. The authoritative think tanks in China subsequently released many studies; the fact that they came to very similar conclusions suggests that they represented the consensus and the official line of the Party leadership.

Li Jingjie, the director of the former Soviet-Eastern Europe Institute at the Chinese Academy of Social Sciences published an

20. Yang Yiyong and Gu Yan, "2007–2008 nian: Zhongguo shouru fenpei xindongxiang, xinqushi he xinsilu" ("China's income distribution in 2007–2008: new issues, new trends and new ideas"), in Ru Xin, Lu Xueyi and Li Peilin (eds.), *Blue Book of China's Society—Year 2008*, p. 217.

21. Ibid., p. 218.

22. Ibid., p. 219.

article in 1992 that offered eight lessons for the Chinese leadership from the break-up of the Soviet Union. Li suggested that: (a) China should concentrate on productivity growth; (b) the Party should be flexible in its ideology and accept that there was no defined model for the development of a socialist country; (c) China should learn from the strengths of capitalism, i.e., from the most advanced capitalist countries through its national “open door” policy; (d) China should strengthen its comprehensive national power, with emphasis on the economy, science and technology, and thereby raising the living standards of the people; (e) the Party should improve intra-Party democracy and strengthen the combat of corruption; (f) Chinese leaders should improve the treatment of the intelligentsia; (g) the Party should pay more attention to nationality issues, and promote economic growth so as to reduce ethnic tensions while rejecting political pluralism in nationality autonomous regions; and (h) Chinese leaders should concentrate on economic reforms first and introduce political reforms later.²³

It is obvious that Li Jingjie's proposals closely conformed to Deng Xiaoping's policy line in the early 1990s. David Shambaugh interviewed Li in 2003; when Li acknowledged that the break-up of the Soviet Union and the collapse of the Soviet Communist Party regime “had haunted the Chinese leadership ever since.” Li said that Chinese leaders tried “to understand the implications and lessons, so that they don't make the same mistakes of Gorbachev” Li followed the example of the famous Tang Emperor, Taizong, and proposed three mirrors (models) for the Chinese intelligentsia. The Soviet Union/Russia was a negative example because democratization there came before economic modernization. The successful economies in East Asia, Japan, South Korea, Taiwan and Singapore were positive examples because they achieved economic modernization first before introducing democratization. Li also believed that although India was similar to China in many ways, it would not be a “good political example” for China.²⁴

23. Li Jingjie, “Sugong shibai de lishi jiaoxun” (“Historical lessons from the failure of the CPSU”), *Sulian Dongou wenti* (Soviet Union and Eastern European Issues), No. 6 (1999), pp. 3–14.

24. David Shambaugh, *China's Communist Party—Atrophy and Adaptation* (Washington, DC: Woodrow Wilson Center Press, and Berkeley, CA and London: University of California Press, 2008), pp. 76–7.

It appeared that even at the beginning of this century, despite China's impressive economic growth, the Chinese leadership was still worried about the survival of the one-Party regime and would not entertain the introduction of democracy.

Ten years after Li's article was published, a team of researchers from the Central Party School, the Chinese Academy of Social Sciences, the Party's International Liaison Department and Renmin (People's) University in Beijing released a book again on the theme of the break-up of the Soviet Union. The volume likewise offered eight lessons for the Chinese leadership. It was suggested that: (a) it should concentrate on building the economic base in support of the subsequent construction of the cultural and political superstructure; (b) it should constantly reform and adapt with the times; (c) it should learn from capitalism; (d) the ideal state of socialism should be both prosperous and democratic; (e) it should strengthen Party building and democracy within the Party, as well as the combat against corruption; (f) it should accord priority to securing the support of the intelligentsia and allow them to assume a significant role in China's development; (g) it should pay attention to nationality affairs and promote economic development to minimize ethnic tensions; and (h) it should develop a comprehensive reform strategy, and be patient and tolerant of intra-Party dissent.²⁵

The proposals of this authoritative volume basically followed Hu Jintao's policy programmes. The emphases were on reform of the Party to cope with the new challenges and pragmatic measures to minimize the contradictions in Chinese society. The leadership of the Party and its monopoly of political power had to be maintained, hence democracy had to wait. The Party's International Liaison Department also organized a research group to study the topic in 2008. Apparently the study report was published in a classified internal publication, hence its recommendations were more straightforward. It indicated that mistakes were inevitable in building socialism, and they should be recognized and not ignored. It firmly supported the upholding of the leadership of the Party which should

25. Lu Nanchuan, Jiang Changbin, Xu Kui and Li Jingjie, *Sulian xing wang shilun (Historical Analysis of the Rise and Fall of Soviet Union)* (Beijing: Renmin chubanshe, 2002), pp. 859–81.

enhance its organization, propaganda work and thought work among cadres, intra-Party supervision, the cultivation of cadres, etc. It repeated the same line of economic development before political reforms. It also cautioned against separatism among China's national minorities; and especially the Western world's "peaceful evolution" strategy, the "Westernization" strategy and the "division" strategy against China.²⁶ This article discussed the "conspiracies" against China in an explicit manner.

China's official think tanks not only analyze the lessons to be drawn from the collapse of the Communist regimes in Eastern Europe and the Soviet Union, they also examine relevant issues of the existing Communist regimes. There are some commentaries on North Korea, Vietnam and Cuba; apparently one cannot find many studies on Laos. North Korea is generally considered a taboo subject; at least it is not to be criticized openly in China's official media. There were stories, for example, that *Zhanlue yu guanli* (*Strategy and Management*), quite a respectable Beijing bimonthly magazine, had been forced to cease publication because it released an article critical of North Korea and attracted a protest from Pyongyang. It is an open secret that in the Six-Party talks on North Korea's denuclearization, Chinese diplomats privately have been very critical of the Kim Jong Il regime. They often indicate that China has very limited influence on its neighbor. According to David Shambaugh, Chinese researchers on North Korea often deplore the cult of personality in North Korea, and draw parallels to Maoist China during the Cultural Revolution era.²⁷

Apparently, the Chinese authorities hope that North Korea will follow China's example of economic reforms and opening to the external world. North Korean visitors to China are usually given much exposure to China's economic reform experiences by their

26. Zhonglianbu Ketizu (International Liaison Department's Specialized Topic Research Group), "Sugong kuatai he Sulian jieti gei zhizheng Gongchandang ren de jingshi" ("The CPSU's fall from power and the Soviet Union's disintegration serve as a warning to ruling Communist Party members"), *Dangjian yanjiu neican* (*Party Building Research Internal Reference Materials*), No. 4 (2001), pp. 13–15.

27. David Shambaugh, "China and the Korean Peninsula: playing for the long term," *Washington Quarterly*, Vol. 26, No. 2 (Spring 2003), pp. 43–56; and his *China's Communist Party*, pp. 82–3.

hosts. During Kim Jong Il's four visits to China between 2000 and 2006, he was shown Beijing's "Silicon Valley" in Zhongguancun, as well as Shanghai, Guangzhou and the two special economic zones of Shenzhen and Zhuhai.²⁸ Chinese leaders recognize that economic reforms in North Korea would be the best guarantee against its nuclear brinkmanship which threatens China's important foreign policy goal of securing a peaceful international environment to concentrate on its economic development. In the eyes of the Chinese leadership, North Korea seems to be an entirely negative example.

Vietnam's economic reforms started a decade later than those of China. Its agricultural reforms based on the "household responsibility system" successfully stimulated production, and Vietnam became the second-largest rice exporter after Thailand. In recent years, as land prices and wages rose in the coastal provinces in China, some foreign investors have moved their labor-intensive manufacturing operations to Vietnam. Like its counterpart in Beijing, the Vietnamese Communist Party also encounters severe problems of corruption, degeneration in party discipline and ideological commitment, and the threat of "peaceful evolution." The Vietnamese Communist Party has launched similar campaigns of party-building and rectification, with very limited results.²⁹ In the elections of Party and state leaders, the Vietnamese Communist Party has introduced more democratic procedures in recent years, and these political reforms are quietly discussed among the reformers in China.³⁰

The lengthy, stable rule of the Cuban Communist Party has attracted considerable interest from the researchers in China's official think tanks. Their publications reveal an admiration for the Cuban Communist regime successfully resisting intense pressure from the

28. Philip Pan, "In China, Kim vows commitment to talks," *Washington Post*, January 19, 2006; and Joseph Kahn, "The secret's out: North Korea's leader did visit China," *New York Times*, January 19, 2006.

29. Party Building Institute of the Communist Party of China Central Organization Department, *Dangjian yanjiu zong heng tan 1999* (*Discussions on Party Building Research 1999*) (Beijing: Dangjian duwu chubanshe, 2000), pp. 344–8.

30. Chen Yanhua, "Yuenan de gaige kaifang de chengji he wenti" ("Successes and problems in Vietnam's reform and opening"), *Guoji gongyunshi yanjiu* (*Historical Research on the International Communist Movement*), No. 1 (1993), pp. 11–13.

United States. In a book released in 2004, the Building Research Institute of the Organization Department of the Party identified three important factors for the achievements of the Cuban Communist Party: combining party-building with anti-American nationalism, maintaining close ties with the people, and promoting social equality.³¹ In recent years, exchanges between the two Communist parties have been frequent. In 2004, at the fourth plenum of the Sixteenth CC of the Party, Hu Jintao praised Cuba's mass media policy, which aroused many criticisms in overseas Chinese communities.³²

Another focus regarding the Chinese leadership's concern for the survival of the Chinese Communist regime is the "color revolutions" in the former constituent republics of the Soviet Union in the early years of this century, i.e., the "rose revolution" in Georgia in 2003, the "orange revolution" in Ukraine in 2004, and the "(yellow) tulip revolution" in Kyrgyzstan in 2005. David Shambaugh believes that the Chinese leadership is very worried about the causes and implications of the "color revolutions" for the Chinese Communist regime. He identifies six major aspects of the Chinese analyses of the "color revolutions" in his survey; the nature of the "revolutions," the role of the United States, the role of international non-governmental organizations (NGOs), the potential for more "color revolutions" in Central Asia, the implications for Russia, and those for China.³³

According to the researchers of the China Institute of Contemporary International Relations, which is attached to the Ministry of State Security, the "color revolutions" represented an effort to use the halo of "revolutions" to cover up illegal regime change. These "revolutions" were perceived as post-Soviet power struggles within the states concerned.³⁴ The United States was considered the "black hand" behind these power struggles, in pursuit

31. Zhang Qiang, *Zhongguo Gongchandang zhizheng guilu yanjiu* (Research on the Communist Party of China's Law Governance) (Beijing: Dangjian duwu chubanshe, 2004), pp. 380–87.

32. Willy Wo-Lap Lam, "Zhonggong yaoxiang Guba xuexi?" ("The Communist Party of China has to learn from Cuba?"), *Apple Daily* (a Hong Kong Chinese newspaper), October 24, 2005, p. A22.

33. Shambaugh, *China's Communist Party*, p. 88.

34. "Forum on 'color revolutions' and beyond" (including contributions by individual authors), *Contemporary International Relations*, Vol. 15, No. 6 (June 2005), pp. 1–32.

of its geopolitical interests in Central Asia. This pursuit in turn was part of the competition between the United States and Russia, in the former's strategy to maintain its global hegemony.³⁵ Typically China tends to be left out in such analyses of strategic interests, except that as a Communist country, it is a target of the United States' "peaceful evolution" strategy.

International NGOs were considered to have played an important tactical role in pushing for the "color revolutions." The Soros foundations, the Eurasia Foundation, the Ford Foundation, etc. were identified; and they were linked to United States government agencies, especially intelligence agencies. These international NGOs were seen to spread propaganda about democracy and freedom, support pro-Western political groups, and train anti-government activists. Incidentally international NGOs like the National Democratic Institute, International Republican Institute, Freedom House, etc. are also accused of backing the pro-democracy movement in Hong Kong.

In the eyes of the Chinese analysts, Kazakhstan appeared to have high potential for another "color revolution;" and possible targets of the United States would include Belarus, Armenia and Tajikistan.³⁶ They seemed to appreciate the Putin administration's actions in curbing the activities of the international NGOs, including banning some, expelling others, imposing tighter scrutiny by the Russian Federal Security Bureau, passing new regulatory laws by the Duma, requiring them to re-register with the government, etc.³⁷ The implicit suggestion was that the Chinese authorities could emulate these measures.

In response to the "color revolutions," the Chinese authorities adopted certain measures to limit their potential impact. In general,

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- 35. Liu Jianfei, *Meiguo yu fangong zhuyi* (*The United States and Anti-Communism*) (Beijing: Social Sciences Academic Press (China), 2001); and Liang Yuntong et al. (eds.), *Meiguo heping yanbian zhanlue* (*The United State's Strategy of Peaceful Evolution*) (Changchun: Jilin renmin chubanshe, 1992).
 - 36. Qi Zhi, "What a warning signal given by 'color revolution'!", *International Strategic Studies* (Beijing), No. 3 (2005), p. 30.
 - 37. See, for example, Peter Finn, "Revised Russian bill governing NGOs fails to mollify critics," *Washington Post*, December 22, 2005.

Chinese media did not report these events. The Chinese government also suspended a plan to allow foreign newspapers to be printed in China. It was observed that when George Soros visited China in October 2005, local media did not cover the event, and his scheduled lectures and meetings were all cancelled.³⁸ It was also said that President Vladimir Putin warned Hu Jintao at a 2005 Shanghai Cooperation Organization meeting about the subversive potential of the international NGOs; and partly as a result of this warning, the Chinese authorities began to scrutinize NGOs operating in China.³⁹

This survey of the analyses of the collapse of the Communist regimes in Eastern Europe and the Soviet Union as well as the “color revolutions” by the official think tanks in China indirectly reflects the Chinese leadership’s attitudes towards democracy and political reforms, and its policy programmes in maintaining the Party’s monopoly of political power. It is also interesting that the Singaporean model has substantial appeal to Chinese leaders, suggesting their awareness of democratic reform as a significant source of legitimacy, and the attraction of economic growth and good governance to the electorate, who are willing to give up competitive democracy in exchange for them.

5. Good Governance without Democracy

In the beginning of this new century, many scholars in China realized that China was approaching a complex and unstable stage of development. In 2003, per capita GDP in China reached US\$1,090. Some official think tanks indicated that, on the basis of the historical experiences of foreign countries (mainly Latin American countries), in the stage when per capita GDP gradually climbs from US\$1,000 to US\$3,000 per annum, social stratification will be exacerbated, the middle class and its influence will grow, various cultural trends will emerge, the gap between the rich and poor will widen, and various

38. Shambaugh, *China's Communist Party*, p. 91.

39. Ibid.

social contradictions including ethnic contradictions will sharpen. These think tanks would like to see China following the path of Japan and the “four little dragons of Asia,” making good use of this economic take-off to lay a firm foundation for subsequent economic development. On the other hand, they would like to see China avoiding the precedents of Brazil, Argentina and Mexico which were trapped in economic stagnation after the 1970s. In 1961, Argentina’s per capita GDP already reached US\$1,000; but in the following four decades and more, its per capita GDP only grew at an average annual rate of 1.9%.⁴⁰

Within China’s leadership today, it is difficult to expect a Mikhail Gorbachev-type of reformer. Chinese leaders at this stage are even reluctant to accept the direct elections of heads of townships and towns. The ideal scenario for Hu Jintao and Wen Jiabao is probably a return to the good old days of the 1950s, when cadres at all levels served the people selflessly under the leadership of the Party.

On December 26, 2005 (the birthday of Mao Zedong), the status of the Institute of Marxism-Leninism-Mao Zedong Thought in the Chinese Academy of Social Sciences was raised to that of a school with a much expanded establishment. In the previous year, the Party center endorsed a ten-year Marxism theoretical research programme, including the writing of a series of textbooks for China’s tertiary institutions.⁴¹ In January 2005, the Party launched a mild rectification and education campaign for its seventy million members to be implemented in three stages; the basic objective was to study the theory of Deng Xiaoping, the “three represents” demand of Jiang Zemin and the scientific development perspective of Hu Jintao.⁴²

These efforts achieved limited results. Cadres and university students are not interested in studying Marxism; in recent years

40. See the author’s “Introduction: economic growth and new challenges,” in Joseph Y. S. Cheng (ed.), *Challenges and Policy Programmes of China’s New Leadership* (Hong Kong: City University of Hong Kong Press, 2007), pp. 1–2.

41. *Oriental Daily News* (a Hong Kong Chinese newspaper) and *Wen Wei Po*, November 5, 2005; *Ta Kung Pao* (a Hong Kong Chinese newspaper), November 25, 2005; and New China News Agency dispatch, November 16, 2005.

42. New China News Agency dispatches, November 28, 29 and 30, 2005, and December 20, 2005.

many universities have dropped courses on the official ideology from their curricula. However, the Party as a power elite still has its attraction. To fill the ideological vacuum, Chinese leaders have adopted many pragmatic measures, ranging from the exploitation of nationalism and promotion of the rule of law to the restoration of traditional Confucian values symbolized by Hu Jintao's advocacy of the "Eight Honors and Eight Shames."

Though the Hu Jintao administration is not interested in genuine political reforms, improvement of governance is recognized as an important objective in maintaining the legitimacy of the Chinese Communist regime. At the Sixteenth Party Congress held in 2002, the Party leadership indicated that it would establish systems governing the tenure, resignation and accountability of leaders of the Party and the state. Two years later, the Party released the "Temporary Regulations on the Resignation of Leading Cadres of the Party and State," which demands the resignation of principal officials assuming responsibility for serious mistakes and negligence in their respective spheres of work. In 2005, the "Civil Service Law" was promulgated; and accountability enforced through the resignation procedure has become part of the management system for the civil service and was stipulated in legal form.⁴³

Chinese leaders accord high priority to improving the quality of cadres so as to realize good governance and promote modernization. In the era of economic reforms and opening to the external world, educational qualifications and overseas experience are emphasized. The younger generation of cadres has also responded enthusiastically to the demand. A significant proportion of them now possess postgraduate degrees and overseas work experience. A small number of those who have returned from Western countries, giving up their successful careers abroad, have been given exceptional promotions. Since the early 1990s, this has been increasingly common in the coastal provinces; in recent years, the provinces have also adopted similar practices in cadre recruitment and promotion.

43. See the author's "Introduction: economic growth," p. 7; and New China News Agency dispatch, December 2, 2005.

Local governments whose fiscal position has been improving have been allocating substantially more resources for the training of cadres; cadres of lower-middle and middle ranks now have ample opportunities to go abroad for various types of visits.

Good governance, however, has been handicapped by the expansion of local interests. Effective implementation of the central government's policies at the local level is often difficult to realize. All types of phenomena described as "there are policies from above, and there are counter-measures from below" have been increasingly commonplace. For example, at the end of 2005, six years after the central government's announcement of a loan scheme for tertiary students, there were still eight provincial units which had not actually implemented the scheme. There was much political gossip on the resistance to Beijing's macro-economic adjustment and control policy programme by Chen Liangyu, former Party secretary of Shanghai.⁴⁴ In late 2008, there were stories of policy differences between Wang Yang, Party secretary of Guangdong, and Premier Wen Jiabao on industrial upgrading in the province; Wang Yang was said to be keen to push for the closing down of the labor-intensive, low-tech processing plants in the Pearl River Delta, but Premier Wen was more concerned with the increase in unemployment in neighboring provinces that this would cause.⁴⁵

Give the vast area and diversity in China, local conditions differ considerably. Local cadres are also under substantial pressure from local interests. To secure promotion and to demonstrate their achievements, local officials often initiate projects that are wasteful and inefficient. In the reform era, the central government has been inclined to reduce its policy and fiscal burdens, and push for decentralization. Hence local governments today often have ample fiscal resources, especially those in coastal China which mainly contribute to the revenues of the central government.

44. *Hong Kong Economic Times* (a Hong Kong Chinese newspaper), November 18, 2005.

45. Yu Wenxue, "Dangkan zai anpi Wen Jiabao" ("Party publications again implicitly criticize Wen Jiabao"), *Open Magazine*, No. 264 (December 2008), p. 15; and Guan Jian, "Wen Wang de fenqi yu Zhonggong de nanti" ("The differences between Wen Jiabao and Wang Yang and the problem of the Communist Party of China"), *The Trend Magazine*, No. 280 (December 2008), pp. 16–17.

In the processes of rapid economic development and institutional change, institutions are far from firmly established, and the rule of law has much room for improvement. Hence there are many loopholes to be exploited by local cadres. Seasoned journalists believe that a high proportion of local governments in China behave like Chinese restaurants in Western countries, i.e., they have three sets of accounts; one for the central government, one for the local officials for administrative purposes, and one in the hands of the Party secretary only. When the central leadership is perceived to be weak or low in popularity, these phenomena of insubordination will be exacerbated.

At this stage, corruption, privileges and the abuse of power are the major threats to political stability. In January 2007, Hu Jintao discussed the strategy to combat corruption at a plenary session of the Party's Central Commission for Discipline Inspection. In the development of the market economy, commercial bribery has become the mainstream of corruption; and this was the theme of Hu's speech on the same occasion one year before. Earlier, in a State Council meeting on the combat of corruption, Premier Wen Jiabao identified construction projects, land transfers, trade in property rights, purchases and sales of medical and pharmaceutical products, government procurement, and the exploitation of natural resources and their sales networks as the areas of concentration in terms of commercial bribery. Premier Wen also ordered the state procuratorate to focus on bribery cases involving civil servants in these areas.⁴⁶

These statements on the part of the top leaders vividly reveal the seriousness of the corruption problem. In May 2007, the Party's Central Commission for Discipline Inspection released "Certain Regulations on the Strict Prohibition of Abusing the Privileges of Official Positions to Secure Improper Interests." In the same month, the National Bureau of Corruption Prevention was established as an organ directly under the State Council, affiliated to the Ministry of Supervision.⁴⁷ There is obviously no lack of documents

46. Wen Shengtang and Li Yuanze, "2007 nian Zhongguo yufang he chengzhi fubai de xingshi" ("The trends in the prevention and punishment of corruption in 2007"), in Ru Xin, Lu Xueyi and Li Peilin (eds.), *Blue Book of China's Society—Year 2008*, pp. 129–131.

47. *Ibid.*, pp. 135–136 and 139.

and institutions to combat corruption. The crux of the matter is that democracy and the rule of law violate the bottom line of the dictatorship of the Party, hence there are no effective checks and balances and the combat of corruption has to rely on political campaigns.

Leaving democracy and the rule of law aside for the time being, even the supervision and monitoring of officials by the media and the people's congress system are still not acceptable to the Chinese leadership; they are still perceived to erode the Party's monopoly of political power. The Chinese authorities today maintain a tight grip on the mass media. In the past two or three years, the suppression of media freedom, of cyber society activities, of NGOs, of dissidents etc. had been strengthened. Many of the restrictions might have been related to the preparation for the Beijing Olympics, but there were no indications of relaxation by the end of 2008. The economic difficulties triggered by the international financial tsunami and the politically sensitive anniversaries in 2009 are convenient excuses for rejecting any liberalization measures.

As the media and publications in China have to belong to or at least be affiliated in name to recognized official organs, there were attempts to cover scandals in other provinces by a number of more adventurous newspapers and magazines so as to avoid embarrassing the local authorities with administrative control over them. For example, news magazines like *Nanfang Zhoumo* (*Southern Weekly*) had established a reputation of investigatory reporting on scandals and the darker side of society outside Guangdong. In recent years, because of the deterrence measures of the Party's Central Propaganda Department, including the re-organization of the editorial board and even the termination of publication, these bold attempts to test the limits of media freedom have been in decline.

The Party also controls the people's congress system by ensuring the presence of a majority of Party members at all levels of the system. The Party groups in all people's congresses can therefore impose Party discipline to ensure their functioning in accordance with the Party line. To avoid challenges to the Party leadership and to protect the image of the Party and its leaders, the people's congresses at all levels have yet to exercise effectively their

supervision of government officials at the corresponding levels. After the Tiananmen Incident, the “monopolistic leadership of the Party” has been emphasized, and the Party secretary usually also serves as the chairman of the standing committee of the people’s congress at the same level. Under such circumstances, the people’s congress system finds it even more difficult to serve as a checks and balances mechanism and to assume a supervisory role.

A few top leaders in China have warned that corruption may lead to the demise of the Party and the state. Economic slowdown, the widening of the gap between rich and poor, and corruption together constitute a recipe for social instability. The limitations of the Chinese leadership’s strategy to combat corruption exactly expose the crisis in maintaining the dictatorship of the Party on a long-term basis.

6. Conclusion

Some observations may be made on the basis of the above discussions of the political developments since the Tiananmen Incident. In the first place, the pursuit of democracy in the foreseeable future will still be a severe challenge. It is difficult to anticipate top-down political reforms initiated by the governing political elite or a pro-democracy movement launched by the people at the grassroots level. Impressive economic growth has raised the living standards of the vast majority of the people; more important still, they remain optimistic regarding the prospects of future improvements in their quality of life. Hence Chinese leaders’ attitude of “stability takes precedence over everything else” and their efforts to maintain an annual economic growth rate of 8% are in conformity with the people’s orientation to avoid changes. Basically the status quo today is acceptable, and people are reluctant to risk it to fight for political reforms.

There is a significant difference at the elite level between today’s situation and that during the Tiananmen Incident. At the end of the 1980s, the majority of the intelligentsia were not yet able to enjoy the fruits of economic growth, as reflected by the popular sayings in the 1980s through early 1990s “atomic bomb experts earned less

than those selling tea-eggs; surgeons' incomes are less than those of barbers who work as individual entrepreneurs." Today a considerable segment of the intelligentsia are cadres, enterprise managers and professionals; they are part of the vested-interest strata. As Jonathan Unger observes, if another Tiananmen Incident were to occur in the future, these members of the intelligentsia may well stand on the side of the Chinese authorities.⁴⁸ The official think tanks' advice quoted above, that Chinese leaders have to treat the intelligentsia well, has certainly been followed.

The basic strategy of the Chinese leadership to maintain the Party's monopoly of political power includes promoting economic growth, building a social security net for the underprivileged groups, and absorbing the elites of various sectors into the vested-interest strata. Chinese leaders are eager to pursue good governance if the measures concerned do not adversely affect the leadership of the Party. Chinese leaders today have an accurate assessment of the situation. They know how to exploit tools like opinion polls, "the Golden Shield Project" (for the control of the Internet), etc. to strengthen their political control. The central government in possession of vast financial resources is in a better position to handle challenges. Finally, the Chinese authorities understand their weaknesses, hence they try to defuse crises and avoid violent suppressions.

The major changes in the social structure brought about by rapid economic growth, and the sharpening of social contradictions and conflicts of interest caused by the imbalances in development have generated an accumulation of grievances, reflected by the increasing numbers and expanding scale of mass incidents in the country. Official sources admitted that while there was a decline in their number in 2005, the figure rose again in 2006 to more than 60,000 mass incidents and exceeding 80,000 in 2007. It was also acknowledged that the situation in 2008 and 2009 would not be optimistic.⁴⁹ *Cheng Ming* magazine in Hong Kong reported that in

48. Jonathan Unger, "China's conservative middle class," *Far Eastern Economic Review*, Vol. 169, No. 3 (April 2006), pp. 27–31.

49. Li Peilin and Chen Guangjin, "China's social development," p. 10.

2008, there were over 127,400 mass incidents involving more than 12 million people.⁵⁰

The mass incident in Wengan, Guizhou, at the end of June 2008 attracted the attention of some leading sociologists in China. They observed that this was an accident (an alleged rape and murder case mishandled by the local public security bureau), but it spread rapidly and soon mobilized tens of thousands of people who had no direct interest in the matter. The sociologists explained that grievances had been accumulated for quite a while and people sought an outlet to express their dissatisfaction. The incident also revealed that though local officials might have mishandled the case, once higher-level officials were involved, the latter would emphasize calming the anger of the masses to defuse the crisis. The official mass media would highlight that the Chinese authorities had improved their capabilities of handling accidental mass incidents.⁵¹

Before the Tiananmen Incident, direct elections of village heads and village committees had already been introduced, but to date there has been no breakthrough in the implementation of direct elections at the township/town level. This is because township/town heads are basic-level cadres; their direct elections would compromise the fundamental principle of the appointment of cadres by the Party which in turn is the key to the exercise of Party leadership. Community-level elections were introduced in the urban sector in the second half of the 1990s, but again they have not led to important breakthroughs. Apparently the Chinese leadership has no overall plan and road-map for political reforms. In view of the resistance posed by various types of vested interests, reform experiments such as the urban community-level elections are unlikely to make significant progress.

In Japan, in response to the long-term predominance of the Liberal Democratic Party, Ozawa Ichiro proposed that its internal factions may split the governing party into two conservative parties

50. Mu Muying, "Qunian qunti kangzheng shijian yu shierwan jian—Zhou Yongkang chengren guanbiminan" ("Mass protest incidents exceeding 120,000 last year—Zhou Yongkang admitted that cadres' bad performance caused rebellions"), *Cheng Ming Monthly*, No. 376 (February 2009) and *The Trend*, No. 281 (January 2009) (combined issue), pp. 10–11.

51. Li Peilin and Chen Guangjin, "China's social development," p. 6.

engaging in competition.⁵² This kind of scenario is unlikely to appear in China. The Communist Party of China is probably not highly united by ideological commitment and discipline, but the strong common interest and consensus on the maintenance of its monopoly of political power are likely to prevent its split in the foreseeable future.

Many types of consultative mechanisms will continue to develop. Even a Leninist party has to establish its mass organizations; in the Yanan period the Party already promoted the Maoist “mass line.” At this stage, consultative mechanisms will have their new packaging. Chinese leaders now demand cadres at all levels to win public opinion support; good governance aims to secure legitimacy and requires evidence of people’s approval. Senior cadres today are already adept at Western politicians’ political showmanship; no one will deny that Premier Wen Jiabao has set an outstanding example.

The success of the Chinese leadership’s strategies discussed above is, to a considerable extent, a result of the lessons drawn from the Tiananmen Incident as well as the subsequent dramatic changes in Eastern Europe and the break up of the Soviet Union. Today the “Beijing consensus”⁵³ has been able to compete effectively with the “Washington consensus”⁵⁴ in many Third World countries, demonstrating the attraction of China’s development model. But the ultimate question remains: can a power elite maintain its monopoly of political power on a long-term basis by relying on economic growth, social security and the absorption of the intelligentsia? This is not “serving the people,” but rather using services in exchange for the people’s fundamental political rights. History shows that people are intelligent in making their political choices; they are not mere economic animals; and they demand the dignity to be their own masters. These are the significant historical lessons of the Tiananmen Incident.

52. Ichiro Ozawa, *Blueprint for a New Japan: The Rethinking of a Nation*, edited by Eric Gower (Tokyo and New York: Kodansha International, 1994).

53. Joshua Cooper Ramo, *The Beijing Consensus* (London: The Foreign Policy Centre, 2004), pp. 11–13.

54. John Williamson, “What Washington means by policy reform,” in John Williamson (ed.), *Latin American Adjustment: How Much Has Happened?* (Washington, DC: Institute for International Economics, 1990), pp. 8–19.