

WHITHER CHINA?

Changing Chinese Society

George J Gilboy

Eric Heginbotham

SINCE 2001, CHINA'S ECONOMY has continued to grow, its per capita income has risen, and its government has taken steps to address social unrest in the countryside by repealing burdensome taxes and investing in rural areas. Beijing has headed off urban unrest by investing in housing, improving public infrastructure, and building a basic social safety net. Nevertheless, many of the tensions these writers identified in 2001 have grown more pronounced, as China's political system continues to generate abuse and a wealthier, more capable society seeks to protect its interests. The Chinese Academy of Social Sciences (CASS) estimates that incidents of social unrest have risen from about 40,000 in 2001 to "over 90,000" in 2009. CASS also reports that these incidents are becoming larger, more violent, more likely to cross provincial borders, and more diverse in terms of participants and grievances.

Increased misappropriation of land, rising income inequality, and corruption are among the most contentious issues for Chinese society. China's State Development Research Center estimates that from 1996 to 2006, officials and their business cronies illegally seized more than 4,000 square miles of land per year. In that time, 80 million peasants lost their homes. Yu Jianrong, a senior government researcher, has said that land issues represent one of the most serious political crises the CCP faces.

China's wealth gaps have also grown; according to Chinese media, the country's GINI coefficient, a measure of income inequality, has risen to about 0.47. This level rivals those seen in Latin America, one of the most unequal regions in the world. The reality may be even worse than the data suggest. Wang Xiaolu, the deputy director of the National Economic Research Institute at the China Reform Foundation, estimates that every year about \$1.3 trillion in income -- equivalent to 30 percent of China's GDP -- goes unreported. More than 60 percent of the hidden income belongs to the wealthiest ten percent of China's population, mostly CCP members and their families. The use of political power to secure inordinate wealth is a source of considerable resentment, and the wealthy are keenly aware of it. They now employ more than two million bodyguards, and the private security industry has grown into a \$1.2 billion enterprise since it was established in 2002.

Biased policies and corruption, endemic to systems of concentrated political power and wealth, threaten China's economic future. Recent economic policies have directed most state lending, investment, and policy support toward politically connected state enterprises and monopolies. This has disadvantaged the very sectors that promote greater consumption, efficiency, innovation, and employment, such as light industry, the service sector, and private enterprises. China's political system permits violation of intellectual property rights and encourages employees to forge academic credentials, companies to manufacture counterfeit products, and researchers to publish fake study results. This weakens China's ability to innovate.

Even as land issues, inequality, and economic risks contribute to greater conflict and potential instability, China's society is also developing in positive ways. The CCP mistrusts any independent civil society, and state interference prevents civil society organizations from developing fully. Still, over the past decade, Chinese have joined civic organizations in droves. These include chambers of commerce, neighborhood property-owner committees, sports and recreation clubs, animal and environmental protection societies, art and culture

clubs, and philanthropic organizations. According to CASS, these groups provide important public services, and between 2001 and 2008 the number of them doubled to more than 410,000. And although the CCP has imposed a Great Firewall on the Internet, China's lively online community knows how to avoid censors, and in some cases has successfully pressed for change. Online expression regularly exposes official corruption and abuse and has pushed the government to change detention regulations after a migrant worker, Sun Zhigang, died in detention; halt the practice of using public humiliation as punishment for crimes; and fight discrimination against people with HIV/AIDS and hepatitis.

Chinese society has changed, and its party-state is changing, too. To remain in power, the CCP has become more adaptive, and it has undertaken some significant reforms. These include reforms within the CCP, as well as to the legal system and government administration. Such measures have not put China on the path toward Western-style democracy, but they do represent an evolving state-society bargain -- one with greater limits on the arbitrary use of state power, greater personal liberty for individuals, and increased space for social action.

Since 1999, when China's senior leadership amended the constitution to protect private property and allow capitalists to join the CCP, the CCP has embarked on a program of internal political reform. It has strengthened collective decision-making, established principles for balancing factional interests, developed rules for succession to leadership posts within the party, and improved the system for internal promotions so that performance is considered in addition to political factors. Although the CCP suppresses external critics, it now permits its own members to debate its political future openly, especially within the Central Party School, which trains China's future leaders.

In pursuing intraparty reform, CCP officials have become more sensitive to the need to win support from within the party and from society to remain in power. Competition for wider support has encouraged some officials to endorse local experiments in political reform, but reforms that increase competition and openness also carry risks. Individual cadres pursuing political and social endorsement (and debating genuine policy differences) could fragment CCP unity. Such an outcome could lead to greater liberalization, but it could also lead to conflict. In addition, the need to compete may make some Chinese leaders more hesitant to stake out positions in favor of political system reform to begin with.

Since 2001, China has also deepened reform of its legal system, improving commercial law, private property protections, protections for citizens' rights, and professionalism in the court system. About 20,000 people receive graduate law degrees each year; China now has some 170,000 lawyers, more than 13,000 law firms, thousands of law professors, and tens of thousands of legal support staff. Many of these people support a growing rights protection (*weiquan*) movement.

The full significance of many legal and institutional reforms may take years to emerge. Since the early 2000s, urban homeowners have made greater use of rights specified in the 1994 Construction Law to participate in governing their residential areas. In 2008, some citizens cited the 2000 Legislation Law to petition the National People's Congress for greater legislative review of Ministry of Finance tax policies. Other reforms have produced more immediate results: in 2010, Chinese courts saw nearly 400,000 new domestic labor grievances (about two and a half times the total for 2007), thanks to the 2008 Labor Law.

Despite incremental progress, China's nascent legal reforms still exist side by side with official abuses, including the continued criminalization of political expression. In recent years, for example, China has jailed a number of prominent intellectuals and activists for political crimes—including the legal advocate Chen Guangcheng, the human rights activist Hu Jia,

and the lawyer Gao Zhisheng. Beijing has jailed many others, including the American geologist Xue Feng, for jeopardizing “state secrets.”

Recent government and administrative reforms have improved governance in China, and domestic and foreign business surveys such as the World Economic Forum’s 2010–11 Global Competitiveness Report confirm it. But although ongoing experiments with village elections have somewhat improved oversight and accountability at the grass-roots level, the CCP has refused to scale the experiments up to the township or county level. Experimentation with increasing public participation in township-level politics, such as budget decisions, has likewise been limited.

Where are these changes taking China’s transformation? Some in China (and even in the West) believe that continued reforms are not necessary. Beijing has, after all, maintained economic growth and basic social stability. But some Chinese leaders see risks in clinging to the status quo, as evidenced by Wen’s August 2010 speech. A variety of paths could lead China toward a more liberal political future, but none of them offers a quick and painless transition to Western-style democracy. Taiwan also has a Chinese political culture and offers a positive example of transition from a Leninist one-party state to a more democratic system. Other paths could include reforms followed by reversals, similar to those seen in Yugoslavia, Russia, or Mexico.

Chinese leaders may ultimately decide that systemic reforms are too risky and may remain unwilling to take the next steps—legitimizing independent social organization, increasing the separation of the party from the state, and opening the political system to greater input and supervision from society. Nevertheless, incremental change is almost certain to continue as the CCP seeks to navigate the dilemmas posed by a rapidly evolving Chinese society. Already, incremental improvements have made it more likely that liberalizing reforms in the future will succeed if they are attempted. Of course, each incremental adjustment also poses risks to the CCP, such as the emergence of a more politically active urban middle class or an internal party split.

Even successful political liberalization will not guarantee that China will become more peaceful or aligned with US interests. Indeed, the darker side of increased freedom and openness is already on display. Some Chinese generals are using the media to question Beijing’s foreign policies and build public support for the military. Many young, well-educated and net-savvy urbanites support a xenophobic form of Chinese nationalism. And Chinese civilians (possibly with official support) are exacerbating conflicts with China’s neighbors, such as its disputes with Japan in the East China Sea. Nevertheless, China’s continued liberalization is in the United States’ interest -- and not just because it would be a significant human achievement. A politically reformed China would be an encouraging example for other states in Asia and beyond. If consolidated, a liberal Chinese regime would be more prosperous and stable, and its political system might be better able to correct foreign policy mistakes if they do occur.

With growing relative economic and military power, Beijing now bears equal responsibility for avoiding conflict. China’s military build-up across the Taiwan Strait, its development of anti-ship ballistic missiles and new submarines, its expansive claims to territory and waters in the South and East China Seas, and its broad interpretation of rights in its exclusive economic zone are provocative and have intensified since 2001. □

Source: China Study Group update 16 Oct 2010