ChinaWhys

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China's Political Scene

Political Risk Analysis, By Cedric Witek, 1 October 2005

China today still enjoys high growth rates and its potential is just as awesome as it has always been. The country's economic system is opening up at frantic speed, but until now has luckily stayed closed enough to avoid most of the recent shakeups that have caused a drastic slowdown in Asia and the rest of the world. Today, foreigners are free to visit the country and a tourist visa is a mere formality. Going through Chinese cities, it has now become difficult to see any signs of China's turbulent Communist history. People have traded the traditional Mao suits and workmen's overalls for varied (if slightly shabby and sombre) Western-style clothing, and large neon signs advertising multinational brands abound just like anywhere else. People are more prosperous than they have ever been in the past hundred and fifty years and for the first time, an urban middle class is starting to appear and impose its influence on civil society. But of course, China still has very serious problems, many of them the typical Dickensian issues that invariably affect rapidly developing countries. These problems are compounded by China's sheer size, and at times seem enormous, perhaps even insurmountable. Below is a list of four main "danger zones" which China needs to work on today.

1. Economic inequality and social disintegration

Business is thriving in the large coastal cities, but the countryside remains as poor as ever. The gap between rich and poor is increasing at a frightening rate, as is the difference in wealth between the affluent Eastern seaboard and the backward hinterland of the country. China's massive economic reforms have included a drastic reduction of the army's influence in business life and a slashing of the thousands of state-owned enterprises that had been dragging China's development down for so many decades, and this has produced a huge mass of jobless and demoralised workers. More short-term damage can be expected with the modernisation of the obsolete and debt-laden banking sector.

The problem now is to find new jobs for the millions of victims of this painful reorganisation of society. There are more than a hundred million unemployed in China, and their frustration at the government's inability to deal with their concerns is creating a potentially explosive pocket of dissent. Millions upon millions of Chinese migrate to the cities illegally every year in search of a better life (a change of residence in China is still subjected to a great number of bureaucratic hurdles) and find themselves jobless, without any opportunities, official support or social welfare. This growing number of "migrants" and destitute former employees in state-owned enterprises

probably poses the largest threat to China's social stability today. Urban uprisings and demonstrations, though underreported by the leadership, have dramatically increased in the last five years especially in China's northeast, colloquially referred to as the "rust belt" because it is home to so many heavy industries that have been neglected or deliberately left to rot in China's warp drive for modernisation. China will have to find a way to protect its people and economic interests against the uglier effects of globalisation, market-driven economics and international competition. Significantly, this worrying and widening gap between rich and poor is expected to be a key issue under discussion at an important meeting of the Communist Party leadership this month.

2. Excessive political rigidity

The gradual economic liberalisation of the country has definitely not been followed by political reform. The democratic faction has made itself scarce in Chinese politics since the Tiananmen massacre, and China's political scene is much less liberal and varied today than it was in the eighties. The leadership now tends to view any slight manifestation of popular dissent in a very sensitive manner. This is evidenced by unduly harsh crackdowns on harmless and scattered pro-democratic movements and China's obsession with the rise in influence of the Falun Gong, originally an inoffensive and apolitical neo-Buddhist movement. China immediately went to excessive lengths to arrest Falun Gong followers and initiate extensive demonisation campaigns against them. China has also been very wary of the Internet revolution and has been fighting a losing battle to monitor websites very closely and ensure that Chinese citizens do not become exposed to "subversive" ideas from abroad.

Two schools of thought contend as to the path that Chinese politics should follow. The first one argues that too much political freedom in the face of so much change is dangerous and could lead to the complete disintegration of the country. China's population is not believed to be mature enough to be exposed to multiparty democracy. Followers of this school point to Russia as a prime example of hasty democratisation doomed to failure, and to the speed with which popular events such as Tiananmen could spin out of control and threaten the normal functional capability of the country. The current leaders of China have obviously adopted this view. The other view, prevailingly upheld in Western countries, is that democratisation is the mark of a civilised country and a necessary precondition to the harmonious development of China and should be adopted as soon as possible.

There is some truth in both these arguments, but they are too extreme. Hasty democratisations are indeed a recipe for disaster, and there is not a single example in the world of any state having successfully become democratic without having achieved economic development first. On the other hand, too much repression causes a loss of legitimacy for the government and is unsustainable in the long run. A more reasonable middle view could be that China should allow a bit more leeway for political opposition, short of complete multiparty politics. The changes that China is going through are deep and as in all developing countries, they are unequally implemented and inevitably accompanied by large-scale abuse and corruption. These changes are bound to leave millions dissatisfied or feeling unjustly left out. These people need appropriate channels to vent their concerns, or the danger is that China will soon become a pressure cooker ready to explode. Numerous analysts reckon that this is indeed already the case. Providing

legitimate channels for popular discontent will also leave the leadership better able to monitor public sentiment and take an accurate pulse of the public opinion.

As it stands, China's leadership is reacting in an increasingly sensitive and heavy-handed manner to dissent largely because political expression is so censored that the leaders themselves have no idea of how widespread, organised or intense popular discontent really is. Thus the government ends up systematically overreacting to it, which in turn leads to more pent-up anger and a vicious circle of animosity and distrust between the leadership and the citizenry. At this rate, the possibility that large-scale unrest will erupt again, just as in Tiananmen, cannot be ruled out. This would be a disaster, and all measures should be taken to avoid it. Yet, this is not what China is presently doing.

3. International legitimacy

As China opens up, it becomes increasingly reliant on the approval and recognition of the international community. The problem is that winning such endorsement is an arduous task. Since the fall of the Soviet Union, liberal democracy and market economics have become the only approved global model for development and a much larger precondition for economic relations between countries, and China now finds itself falling short of these universally approved objectives. Things are not made easier by the fact that the country that China most has to deal with in its relations with the rich West is the United States. America has one the world's most volatile foreign policies, since it is always at the mercy of partisan politics in a divided and frequently unreasonable Congress and subjected to the whims of contradictory lobbies and interest groups whose influence in American politics rises and falls continuously. As a result, China ends up being in the position of a good-willed husband with no choice but to try to please a moody and tantrum-prone wife. China occasionally becomes exasperated by the US's constant change of attitude. When this happens, the highly volatile Sino-American relationship takes yet another jolt.

The "century of national humiliation" is an important consideration in understanding China's foreign policy. China was dragged into the modern era forcibly and traumatically by the then-imperialist West. For over a hundred years the West abused China and scoffed at its lack of modernity and sophistication. Since 1911 the country has painstakingly attempted to modernise and align its system along Western lines. It has signed hundreds of international treaties, adhered to dozens of international organisations and thrown its door wide open to foreign capital and cooperation. But since Tiananmen and the fall of the Soviet Union, the West has become more and more demanding, largely ignoring China's remarkable progress in the past twenty-five years and instead choosing to focus on its inadequacies, refusing to see China's enormous difficulties in a proper context. No matter what China does, it feels like it is never enough for the West. The Chinese are frustrated at always being seen as laggards in spite of the immense suffering they went through to build a modern nation.

This is a widespread sentiment which is shared - and conveniently exploited - by the leadership in attaining its foreign policy aims. The problem is that China's sensitivity to how the West perceives it has given the country an inflexible foreign policy. If America's policy is too volatile and unreliable, China's on the other hand is too rigid. China tends to dismiss any foreign criticism or

demands for explanation as “interference in internal affairs” and mostly refuses to discuss sensitive political and economic issues pointblank. China insists on interpreting criticism from abroad as nothing more than cynical power plays devised to undermine its image. This perception is, to a fairly limited extent and in certain suspicious circumstances, correct. But China lacks the necessary lucidity to look at Western idealism more objectively and adjust its policy accordingly. A new generation of Chinese foreign relations scholars, fortunately, may soon bring a change to that.

Another major obstacle in trusting China for the West is its political system. The usual opacity and lack of procedural accountability in China’s politics invariably makes changes of leadership messy, uncertain and traumatic. The possibility can never be excluded, given clever political maneuvering, that the conservative faction of the leadership will one day gain the upper hand and throw China’s lever of progress into reverse. Since there is very little open political debate at the top of the power structure, Chinese politics work largely by way of hidden messages, hints and a large dose of symbolism and foreshadowing. One announcement by the leadership might be “the real thing” as far as its true intentions are concerned, whilst another contradictory statement may be made solely for the purpose of placating the ire of uncertainly defined opposition groups. The dismissal of a minor conservative official could be a warning to his superiors, a symbol of official discontent towards a certain behavioural pattern, a sign of impending crackdowns, or anything at all. China analysts endlessly try to make sense of all this, by carefully scrutinizing contexts, watching out for corroborative signs in other strata of Chinese society, etc. Analysing Chinese politics is like trying to monitor the health condition of an unknown alien organism of infinite complexity. A difficult and worrying exercise indeed, and one that does nothing to improve China’s image as a stable and reliable country.

4. Regional and domestic security concerns

Aside from traditional worries about human rights, lack of democracy and the like, China’s progress is impeded by plenty of security concerns. Domestically, numerous Western countries question the legitimacy of Chinese sovereignty over such territories as Xinjiang, which is inhabited by a significant non-Chinese Muslim population resolutely opposed to Chinese rule, and Tibet. Governments of Western countries, when they can, avoid directly addressing the issue of self-determination for these provinces in their dialogue with China, but Western public opinion is generally strongly supportive of Tibetan independence, and occasionally becomes forceful enough to cause embarrassing questions for China at the governmental level. China traditionally responds to these questions in a hostile manner, and this creates a negative dynamic in China’s quest to improve relations with the West. China will have to find a tactful way of defusing these diplomatic landmines, and be very careful to improve the lifestyles of Tibetans and Xinjiang Uyghurs so as to peacefully and gradually placate their demands for independence (if at all possible). Any violent repression by the leadership in any of these “doubtful” provinces would be quickly noticed by the West and result in a drastic deterioration of bilateral ties.

Far more worrying for China, however, is the question of Taiwan. Although the KMT government in Taiwan officially gave up its intention to “retake the mainland from the Communist bandits” in 1991, the Communist Party in the PRC has never stopped claiming that the Republic of China is illegitimate and that Taiwan is a part of China. An integral part of China’s diplomatic efforts since

1978 has been to isolate Taiwan internationally by vetoing all its attempts at international recognition (such as membership in global organisations) and making the establishment of diplomatic ties with the PRC conditional upon a withdrawal of official support for Taiwan. And China's moves have not stopped at that: the PRC has tried in the past to undermine the legitimacy of elections in Taiwan and influence their outcome by launching missiles in the Taiwan Straits and threateningly mobilising its troops. Officially, China condemns the use of force in international relations, but intimidating Taiwan is not reckoned to fit into this definition because the PRC has long declared the Taiwan issue to be an "internal matter". China has always made it clear that it would use force to recover Taiwan if the de facto island state decided to declare independence (so far the only point on which Taiwan and the PRC have seen eye to eye is that there is only one China and Taiwan is part of it).

These intimidation attempts, predictably, have merely tended to drive the Taiwanese public more resolutely against the PRC. In 2000, the KMT was defeated for the first time in national elections to give way to a pro-independence party. Though "cross-straits relations" (as Sino-Taiwanese ties are officially referred to) have by and large not faced particularly significant problems since then, the current potential for conflict remains high. Also, Taiwan is not at all considered an "internal matter" by the US, who has had to counterbalance its withdrawal of diplomatic recognition for Taiwan with a military alliance. The Taiwan Relations Act, passed by Congress in 1979, obliges the US to provide military assistance to Taiwan and defend the island in case of aggression. This is a constant bone of contention between China and America. Taiwan also enjoys very good unofficial relations with all other powerful countries in Asia, most notably Japan.

The Taiwan issue interlocks with much wider regional security concerns in East Asia. The US has been the local police force in the region since 1945, when it started occupying Japan and establishing naval bases all around the Pacific Rim in an effort to contain Soviet influence. This American commitment to preserving Asian security increased after the Korean War, when the US left 37,000 permanent troops stationed in South Korea, where they remain still. However, since the end of the Cold War the US has indicated a willingness to gradually withdraw from its military role in East Asia. But doing so would unleash a series of distressing problems. Responsibility for regional security has to be bequeathed upon somebody else before the US can go. The obvious candidate for a long time was Japan, an ally of the US and at least a de facto democracy, but there is massive opposition to the idea around Asia. Most Asian countries remember the years of unspeakable suffering they had to endure during the Japanese occupation from 1942 to 1945 and strongly fear a repeat performance, especially since Japan has steadfastly refused to admit to most of its atrocious conduct in Asia during World War II. China and the two Koreas in particular are the most vocal opponents of a greater regional security role for Japan. Last but not least, the majority of Japanese public opinion is still adamantly against their country engaging in any conduct vaguely interpreted as "militaristic", which is seen as an infringement of Japan's peace-embracing constitution (which forbids the country to maintain an army other than for defensive purposes).

The next obvious possibility is China, which is also vying for an enlarged influence in the policing of Asia. But the US is very reluctant to leave security matters in the hands of a country that remains, in their eyes, an unpredictable dictatorship. This would also leave Taiwan exposed to open aggression, and put South Korea in a dangerous position: China is the only official ally of

North Korea, and it is unlikely that the South Koreans would allow their local defence requirements to be dictated by a country so close to their explosive neighbour to the North. Logically however, in the long term China is the only individual country able to take up these responsibilities. Its sheer size and influence make it a natural choice for the post. But these diplomatic hurdles have yet to be surmounted, and it is unlikely to happen any time soon. As things stand, everybody has instead had to make do with a fragile balance fostered by an uneasy and volatile multilateral cooperation, with the US as the ultimate watchdog.

5. Risks to watch

- Rising internal social instability combined with the possible rise in influence of a potential political opposition may bring serious disruptions in business activity: these could include violent industrial action, protests and general loss of confidence in China as an investment destination. At worst, and in the longer term, this instability may also bring about an erosion of government functions and institutions which could result in widespread social unrest.

- China's new extended influence on the US economy (and to a lesser extent on other economies as well) will almost certainly bring considerable tensions between China and the US in the foreseeable future. These could be further exacerbated by China's expansion of relationships with such countries as Iran, Venezuela and Zimbabwe, mostly for energy purposes. This may cause significant difficulties for investors in China, especially if the US seeks to impose trading restrictions which do not fall under the jurisdiction of the WTO.

- Although Hu Jintao and Taiwan's President Chen Shuibian have proved deft at not offending each other, Taiwan continues to be a sword hanging over China's head. President Hu still threatens to use force upon Taiwan if it were to declare independence, and Chen's refusal to pledge to the One-China Policy means future talks are deadlocked. Many observers believe that Chen is hiding a quiet policy of inching towards independence behind a smokescreen of conciliatory rhetoric. With a pro-independence candidate still firmly in power for the first time in 50 years and a complete breakdown in dialogue between the "two Chinas", the possibility that military hostilities could finally erupt, through misunderstanding and misinterpretation, is becoming theoretically more likely than ever.

- Although the economy will continue to liberalise and a greater transparency in business practices can be expected in the middle term, reforms will continue to be implemented unequally and China will remain a largely inadequate regulatory environment. As a result, there will still be plenty of "grey areas" left for large-scale corruption and fraud to occur, especially as the privatisation of state assets continues. The dim prospect for any substantial political reform will also mean that the judiciary power will remain subservient to the executive, which will continue to favour clever local operators with useful political connections.

- Intellectual property infringements will not abate despite increasing crackdowns, partly due to greed but also because piracy still provides a substantial source of income for China’s under-employed, and because average Chinese purchasing power is still not on par with global market prices.