The People’s Republic of China: The Politics of Impending Change

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Source: Palmer 2004
Population: 1,306,313,812 (July 2005 est.)
Life expectancy at birth:
72.27 years (total population)
70.65 years (men)
74.09 years (women) (2005 est.)
Literacy:
91 percent of people age 15 and over can read and write (2002 estimate)
Capital:
Beijing
Per capita income:
$5,600 (2004 est.)
China in Historical and Cultural Perspective

• Modern China came into being in 1912 with the Proclamation of the Republic of China after centuries of rule by feudal dynasties (VISUAL – Chinese Dynasty Chart.). Strong Emperors had brought about scientific breakthroughs and spectacular art. Weak ones had fueled civil wars, fragmentation and provincial warlords. When the Emperor tried to halt the lucrative British opium trade in the mid-nineteenth century, the British handily won forcing the weak Ching Dynasty to open Chinese cities to trade and to cede Hong Kong to the British. The U.S. and other western powers too demanded and received lucrative trade concessions.

Source: Palmer 2004
Chinese Dynastic Time Line
1523 BCE—1912 AD

1523-1027 BCE - **Shang or Yin Dynasty**
Capital Anyang (north central valley of the Yellow River); Chinese character system developed

1027—256 BCE - **Chou (Jou) Dynasty**
Originated in Shensi/Kansu Region; State covered Lower Huang Ho Valley; Characterized by feudal warfare; Period of great philosophers including Confucius

221-207 BCE - **Ch’in or Tsin Empire (First Empire)**
Extreme western state of the late Chou period; Controlled richest agricultural land, overcame rival states and made Shih Huang Ti, its leader, the “First Emperor”; Linked sections of the “Great Wall,” emphasized Chinese vs. barbarians, and became an all embracing state within the Great Wall; Extended reach to Tonkin in Indochina (N. Vietnam); A revolution that destroyed the feudal system and laid foundation for a centralized bureaucratic state

Source: Palmer 2004
202 BCE– 220 AD  **Han (Hsin) followed by Later Han Dynasty**

Era of conquest, discovery and expansion; China dominated east half of Asia; Most conquests made under Emperor Wu (141—87 BCE); Added southern Manchuria, southern fringe of Mongolia and Central Asian basin of Sinkiang (Chinese Turkestan); Culture enriched Chinese literature, arts, government, science and industry. Search to rediscover proscribed classics; Foundation for Confucian conquest of the Chinese mind where a reborn Confucianism acquired an authoritarian and religious tone, not just moral authority; Manuscripts were collected in the Imperial Library. Paper was made from rags.

220- 590 AD  **Dark Ages**

Han Dynasty fell because of irresponsible elements close to the Emperor and barbarian invasions; Ultimately, China absorbed its conquerors and preserved its language and literature; Confucian neglect of mysticism opened way to Buddhism and transformed Taoism into a religion; Buddhism became most influential religious thought of foreign origin.

590—618 AD  **Sui Dynasty**

Short lived dynasty that briefly reunited China. Renewed conquest of Central Asia; Invaded Formosa (Taiwan), sailed to East Indies (Indonesia); Built Great Canal; Overthrown by popular resentment to its extravagance and intolerance.
618-916 AD  **T’ang Dynasty**

Most brilliant period in traditional Chinese history; Administration broken into provinces; education encouraged; Civil service examinations stressed; Growing political power of Buddhism checked but Religious tolerance high; Laws codified; trade encouraged; Territory covered China proper, south and central Manchuria to north and Turkestan to west; Age of greatest Chinese poets, technological inventions including block printing; Corruption brought down the dynasty—corruption led to political decay and secessionism

960–1279AD  **Sung Dynasty**

Encompassed all of China south of the Great Wall. However, failed to control power of the border states. Did not include north Hapei and Shansi or parts of Manchuria; Renaissance in education and arts: age of greatest Chinese prose writers; Also age of science and mathematics perhaps brought in by Arab traders; Development of Neo-Confucianism—took what needed from Buddhism and Taoism but cast rest aside

Source: Palmer 2004
Chinese Dynastic Time Line
1523 BCE—1912 AD, cont.

1260–1368AD  **Yuan Dynasty of Mongols**
    China became part of the Mongol Empire of Kublai Khan that extended across Asia from the eastern seaboard of China into European Russia

1368-1644AD  **Ming Dynasty**
    China’s last native dynasty

1644-1912AD  **Ch’ing (Ting) Dynasty**
    Manchu (Manchuria) dynasty

Source: Palmer 2004
Forbidden City
Source: Palmer 2004
Photo by Patricia H. Kushlis, 2003
China in Historical and Cultural Perspective

• The Chinese responded to the West in two contradictory ways:
  – 1. a rush to obtain western science and technology;
  – 2. anti-foreign xenophobia

Source: Palmer 2004
Confucianism

- **Confucianism**, a secular religion, is the bedrock of Chinese culture. A senior official in a Chinese mini-state, Confucius (511-479 BC) taught that good government came from heaven and it was government’s responsibility to be meritorious and responsible. The wise were to rule; and the masses to be socially responsible, loyal to their families, respectful, and strive for self-betterment. This would ensure prosperity, peace, and harmony.

Source: Palmer 2004
At the Confucian Temple, Pinyao
Photo by Linda Bigelow, 2004

Source: Palmer 2004
Sun Yat-sen and the Kuomintang

- Dr. Sun, a physician and intellectual represented the westernizers and became modern China’s first – albeit brief – leader. Most power, however, resided in the military. Sun’s philosophy consisted of three principles: democracy, nationalism and the people’s livelihood. The old China, meanwhile, had left the country with three pillars: 1. a unified Chinese state; 2. a capable bureaucracy; and 3. a sense of cultural superiority. The Kuomintang (KMT) was created by Dr. Sun’s followers. The KMT soon dominated Chinese politics, but fragmented internally and the country reverted to the warlords.

Source: Palmer 2004
Banner of Dr. Sun Yat-sen, Tiananmen Square

Source: Palmer 2004

Photo by Patricia H. Kushlis, 2003
Chiang Kai-shek

- In the mid-1920s, General Chiang took over the KMT giving it the strong organizational structure it previously lacked. He subdued Beijing. He also attempted to destroy the newly created Communist Party. By 1937, the KMT only completely controlled four provinces and was fighting the Japanese in the North.

Source: Palmer 2004
The Emergence of Two Chinas

• The Chinese Communist Party (CCP) defeated the KMT in 1949. The CCP based its strategy on cultivation of the massive peasantry and by treating KMT prisoners leniently. The civil war ended with a KMT retreat to Taiwan (Republic of China) and the Communists in control of the mainland (People’s Republic of China). Each claim to be China’s legitimate government. This thorny issue remains a flash-point today.

Source: Palmer 2004
The Communist Party of China: Its Origins

• Founded in 1921, the CCP began as a party of students and intellectuals. By 1934 the Communist forces were near collapse when Mao Zedong led his bedraggled troops on an 8,000 mile **long march** deep into the country’s interior to escape the KMT. Only 20% of Mao’s followers survived. The Soviet Union, in its quest for world communist domination, supported the CCP but ultimately the two broke ranks in the 1960s over disputed territory.

Source: Palmer 2004
Mao Poster, Tiananmen Square, Beijing

Source: Palmer 2004
Photo by Linda Bigelow, 2004
Consolidating the Communist Revolution

• Consolidating the Communist Revolution, required four steps: 1. crushing the remaining opposition; 2. transforming the revolutionary organization into governmental institutions; 3. nationalizing the economy and 4. revolutionizing the population. Mao began by slaughtering opponents or sending them to work or “reeducation” camps. He modeled the new Chinese government on the Soviet system, nationalized factories and businesses, and collectivized farms. He attempted to turn China into a totalitarian society by “thought and mind” control campaigns. His authority derived from his position as Party Chairman (Secretary General), his ability to manipulate cliques within the party and government, his support from the military, his self-transformation into a charismatic demi-god, and fear.

Source: Palmer 2004
“Power grows out of the barrel of a gun”

– Mao Zedung

Source: Palmer 2004
“Father is close, Mother is close, but neither is as close as Chairman Mao.”

- A popular song during Mao’s reign

Source: Palmer 2004
Personality and Politics: the Cult of Mao Zedong and the Great Proletarian Cultural Revolution of 1966-69


Source: Palmer 2004
The Era of Deng Xiaoping: Reform Begins

• By 1978, Deng and the party reformers had gained power but faced major problems. These included a politicized military, rigid and corrupt bureaucrats and an aging party leadership. A pragmatist, not an ideologue like Mao, Deng sought to reinstate order and stability, but like Mao, he believed the CCP must continue to rule. He instituted “guided capitalism” or major economic reforms in agriculture and industry and created special industrial zones along the coast freed of China’s suffocating bureaucracy.

Source: Palmer 2004
The Tiananmen Square Massacre (1989)

- Deng allowed limited political reform to revive the country’s economy. As the lid came off, demonstrations grew larger and more frequent. By a reprise of “Letting 1000 Flowers Bloom” and not nipping them in the bud as Mao had done in 1957, the gate opened to a massive student-led pro-democracy demonstration on Tiananmen Square spring 1989. Deng offered minor concessions; the students refused; the geriatric, factionalized government waffled – perhaps afraid to use force in front of the world’s media there to cover Soviet Secretary General Gorbachev’s visit. When the government did send in the army, the troops fired on the barricades – massacring students. Thousands more were arrested and the western media broadcast the events live.

Source: Palmer 2004
Chinese family in Tiananmen Square
Photo by Patricia H. Kushlis, 2004

Source: Palmer 2004
Reform Revisited

- Deng met the aftermath by gaining greater party control and introducing capitalistic reforms, or market socialism that stimulated tremendous economic growth and has continued unabated since. Yet, neither Deng nor his successors sought to reinstitute Mao’s iron-grip. Although power has remained in the hands of a few, it has grown less absolute. None have wanted a repeat of Mao’s excesses. Market socialism resulted in the rebirth of the capitalist class with increasing wealth and greater foreign contacts. While capitalism and communism make unnatural bed-fellows and China shows its share of strains, the two support each other because the “capitalists have the money and the party . . . the influence.” The military (People’s Liberation Army or PLA), now a capitalist bastion, owns factories, luxury hotels, banks and other properties.

Source: Palmer 2004
Reform Revisited

• Regional disparities have increased between the wealthy coast and poorer inland. As a result, the government has been redirecting investment inland. What are China’s major problems? According to Hu Jintao, the country’s current President, they are overpopulation, a weak economic base, uneven economic and social development, and the environment. China’s per capita GDP of just over $1,000 in 2003 places it far below Taiwan’s $14,000, or Hong Kong’s $24,000. Corruption, educational reform, unemployment and provision of a social safety net preoccupy the Hu government.

Source: Palmer 2004
Ruling China: Who Gets What, When and How in the Middle Kingdom

- The leaders control China through an interlocking relationship between the CCP and the government. The CCP makes the decisions and implements them through a state bureaucracy that includes the military. Media is controlled, NGOs, interest groups and independent political parties are banned. Religious groups are viewed suspiciously. The party tries to convince the Chinese people that the party’s way is inevitable and opposition is futile. The CCP has also sought to co-opt the new capitalist class into the party as it has done with the intellectuals - two likely sources of opposition. The ultimate weapon, however, is the party’s monopoly on force which it will use, as in Tiananmen, if needed to retain power.

Source: Palmer 2004
The Political Institutions of China: The Party, the State, and the Military

• the three instruments of power

Source: Palmer 2004
Power in China: The Communist Party

- The CCP’s structure and operation resembles that of the former Communist Party of the Soviet Union (CPSU). The CCP is theoretically democratic, but in reality authoritarian. Real control is vested in the five to six-member Standing Committee of the Politburo and its President. See figure on p. 332 for structure. The Central Discipline Inspection Commission (CDIC) enforces party doctrine and has recently been charged with ferreting out corruption within party ranks. The Military Commission has oversight over the military. The National Party Congress, the least powerful institution, is largely symbolic, but is used to announce key changes in the party-line and is a show-case for the rise and fall of party officials. The party’s Central Committee is a “who’s who” of influential leaders.

Source: Palmer 2004
Power in China: The Communist Party

- The CCP is divided along geographic lines, and the party structure in each region mirrors the national. **Cells**, or small groups of three or more party members, form the base of the CCP hierarchy. They permeate society and 1) are constant reminders of the party’s “omnipotence;” 2) provide a communication channel; 3) are “missionaries” who preach the party’s doctrine; and 4) maintain party members’ morale. Effectiveness of the system depends on the effectiveness of staunch and fervent Communist **cadres**. Their loyalty and zeal are constantly challenged by the success of capitalist reform. The CCP has about 68 million members or 5% of the population of whom less than half qualify as cadres.

Source: Palmer 2004
Moving Up the Party Hierarchy

• Getting ahead happens through co-optation, e.g. members of higher committees select those from lower committees to be promoted to a higher rank based on: performance, loyalty and most importantly patronage or patron-client relationships. If the patron falls, so do his clients. Ideology plays a role because the CCP is fragmented into Maoist, conservative and reformist elements. Regional, family and historical ties also enter into the picture. Toeing the party line can be a high-wire act because the line shifts with momentary needs and changing leadership.

Source: Palmer 2004
The State Apparatus

- China has a written Constitution, a symbolic parliament (National People’s Congress), a president, a premier and a state council, or cabinet. All occupants are senior members of the CCP. The Constitution includes a number of human rights clauses, but they foremost refer to group, not individual rights. The Constitution can be amended easily. The core of the state is its massive bureaucracy mostly devoted to managing China’s huge economy. The state’s role is to execute the party’s policies. If the CCP were to weaken, as happened in Moscow to the CPSU, then the Congress could become more powerful. The premier represents the state’s most powerful position and the most influential state council portfolios are Ministries of Defense, Foreign Affairs, Finance and Planning. Ministries are important because each controls a slice of the bureaucracy allowing immense patronage opportunities.

Source: Palmer 2004
The Chinese Bureaucracy

• Corruption, inflexibility, rigidity and mismanagement are core problems of China’s massive state bureaucracy which employs seven million Chinese. Since the state owns almost everything, the bureaucracy manages almost everything – dramatically slowing economic progress. Since the bureaucracy operates at every level – from the national to the smallest village, control is difficult. Recent show trials of corrupt officials play well with the people, but true control is a different story. Centrally originated orders for all except the most important policies are diluted by the time they reach their destination: continued corruption, incompetence and pressures to help the family all play a part.

Source: Palmer 2004
The Military and Politics in China

- Required CCP control of the People’s Liberation Army (PLA) is an indispensable fact of Chinese politics. Without PLA support the party could not have come to or remain in power. Civilian and military authority is fused at all levels. Yet, in many ways the PLA mirrors the rest of the state and party: its leaders are old, fractionalized ideologically and by geography and service branch. Policy is made by the party’s Military Commission, but the number of careerists on CCP councils reflects the balance of power between the military and the party. This number ebbs and flows from 43 percent at the end of the Cultural Revolution to 8 percent in 2000. The military is being required to modernize while trimming troop strength.

Source: Palmer 2004
The Military and Politics in China

• The PLA has 2.3 million better trained and equipped active duty troops divided into seven basic military regions and China has one of the world’s most powerful militaries. A military commander and a **political commissar** jointly head each region – a structure that is mirrored at every level. The commissar keeps the CCP aware of military affairs and assures that the commander toes the party-line. The most important dimensions of the complex party-military relations are: 1) military leaders are also dedicated party members; 2) party factionalism extends into the military; 3) the military leadership appears more cohesive than the party; 4) regional commanders have exhibited signs of warlordism as they carve out personal fiefdoms; and 5) the military represents a corporate pressure group.

Source: Palmer 2004
The Military and Politics in China

• Trends suggest that the military, like the party, is becoming better educated, and more professional. Its members are better paid and less politically involved than previously although the threat of involvement is never far below the surface in the Middle Kingdom.

Source: Palmer 2004
The Actors in Chinese Politics: Elites, Groups, and Citizens

Source: Palmer 2004
Elites and Politics in China

• Until recently, the Chinese political elite was characterized by the facts that: 1) a very few individuals have wielded extraordinary power; and 2) most were old. Today, under President Hu, this is changing. All 25 Politburo members are college educated many with technical backgrounds as opposed to nine under Deng. Most are in their 60s – at least ten years younger than during Deng and most have lived in an era of peace. Further the strong man, single leader style of Mao and Deng is giving way to a greater dispersal of power as a result of increased political factionalism. China’s secondary elites – the next rungs down the party, state and military hierarchies – are becoming more technocratic and less politically doctrinaire. The new capitalist elite, particularly in the coastal regions, could challenge party dominance over time.

Source: Palmer 2004
Groups and Politics in China

- China’s only formal pressure groups are those, like the All-China Federation of Trade Unions and the Young Pioneers (ages nine to 15), sponsored by the CCP. All professionals have their own party-sponsored organizations designed to promote members’ interests. These organizations perform five functions: 1) control by keeping tabs on key parts of Chinese society, 2) socialization in Chinese Marxist dogma, 3) communication by relaying the party line to the people and helping the leaders keep in touch with public opinion; 4) mobilization of the ranks into action on the party’s behalf and 5) recruitment of new party members. Special political interests such as the conservatism, Maoism and reformism are expressed as factions within organizations as opposed to being represented as separate pressure groups or political parties. Patron-client networks underlie the various factions. The PLA and the state and party bureaucracies each represent powerful pressure groups.

Source: Palmer 2004
Groups and Politics in China

• “Counter-revolutionary” interests, e.g. groups that challenge the regime - such as the pro-democracy activists during Tiananmen Square or more recently the 70 million strong Falun Gong cult - a blend of exercise, meditation, Taoism, Buddhism, and folk religions – suggest that opposition to the regime can quickly take root. China’s long suffering peasantry and urban workers have become increasingly active. In some respects, they are one and the same as peasants leave small plots for more lucrative work in factories. Labor strikes and peasant unrest, although illegal, are common. Taxes on peasants have been reduced and subsidies increased. Trade unions have been given greater bargaining authority. As pluralism increases, it will be more difficult for the party’s leaders to reestablish the strict authoritarianism of the past.

Source: Palmer 2004
Citizen Politics: Political Participation and Public Opinion in China

• Despite the fact the CCP tries to perpetuate the myth that its authority rests in the people, this is untrue. Yet, the leadership closely monitors the peoples’ “mood” allowing policy changes to occur before demonstrations break out and the party loses control. The Chinese citizen makes his or her will known through: 1) the wall poster; 2) gossip; 3) demonstrations; 4) opinion polls; and 5) passive withdrawal. Except in the capitalist sector, Chinese citizens do what is required, but nothing more. In a country with strong press control, rumors are pervasive, dangerous and difficult to control. Demonstrations for economic grievances have been tolerated by the regime even after Tiananmen and are not engaged in lightly. Public opinion polls are relatively new and, although reliability remains suspect, provide the CCP with an indication of what is on people’s minds. Chinese have taken to the Internet like ducks to water. The government has blocked certain words and sites from the Internet, but the power of this electronic tool has untested political potential. Newspapers have become a little more daring as they compete for private sector advertising.

Source: Palmer 2004
The Context of Chinese Politics:
Culture, Economics, and International Independence

Source: Palmer 2004
Culture and Politics in China

• Although China became Communist, Communism took on a Chinese form. The most important Chinese cultural aspect that Mao played upon was the people’s desire for strong government. Throughout Chinese history, strong governments brought peace and prosperity; weak ones civil war. The CCP built upon Confucian principles of order and obedience, compassion for the poor and selection of leaders on the basis of merit. The Communists also played the nationalist card and used the importance of cultural superiority in the minds of most Chinese – or the emperor’s perceived link between heaven and earth with China at its center. Chinese culture also shaped the CCP – its respect for age that supported a geriatric leadership, and its transformation of Mao into a new emperor-god or paramount leader.

Source: Palmer 2004
The Middle Kingdom is the traditional name for China, the kingdom between heaven and earth. In Chinese characters, the Middle Kingdom is represented by a square with a perpendicular line drawn through it.

Source: Palmer 2004
Culture as the Enemy of Modernization

• Although themselves products of Chinese culture, Mao and the CCP saw culture as an obstacle. In 1920s China, peasants comprised 80% of the population, and culture centered on the family in which members worked as a group. The family defined a person’s identity. Mao demanded loyalty to the state over that to the family, clan conflict to evolve into communal cooperation, and superstition and mysticism be replaced by scientific Marxism. In reality, most Chinese outwardly bowed to Communist dogma, but did not change their core values.

Source: Palmer 2004
Socialist Work Culture

• From 1949 until 1978, the socialist work culture ruled. This meant low productivity and poor quality control. The persistence of this culture impedes the transition to capitalism: the private sector, not government factories, produce China’s economic miracle.

Source: Palmer 2004
Political Economy and Politics in China

- Mao and other CCP leaders believed political power came from economic power and the control of the means of production. They also saw class conflict as historically inevitable. Marxism’s appeal made sense in a backward society with a wide gap between the rich and the poor. Once in power, Mao involuntarily collectivized agriculture, nationalized industry and centralized economic planning. The result: passive resistance, low productivity, bad economic decisions and a climate of fear. Neoclassical economists blame not just Mao, but Marxism’s distortion of the free market. Marxist-oriented economists criticize China’s inadequate preparation for socialism as well as the west’s unwillingness to open its markets and provide technology. Regardless, after Mao, its leaders have increasingly turned to capitalism to meet the people’s needs. Demands, however, also increase because of rising expectations and the need to produce 12 million new jobs each year. Capitalism and the new capitalists are transforming the political system itself.

Source: Palmer 2004
Malthus and Population Growth

• The Distributional Question: Classical theory, welfare and socialism.
  – What explained rising food prices and rents?
  – 1813: crop failures and war.
    • Corn Laws and the dominance of the landed interest
  – Diminishing returns in agriculture
  – The ‘Stationary State’: Malthusian nightmare or socialist paradise?

• The Malthusian population problem.
  – Humans increase in the ratio of 1, 2, 4, 8, 16, 32, 64
  – Food increases in the ratio of 1, 2, 3, 4, 5, 6, 7, 8

• The question of welfare: ‘charity’ as cruelty
  – “Preventive checks”
    • Reform of the Poor laws
    • ‘Moral restraint’
  – “Positive checks”
    • Goodness of natural disasters, famine et al

Source: Palmer 2004
One child policy

• Five births per woman in the early 1970s.
• One child policy in 1979.
• Today fertility rate is below “net reproduction rate”
  – 1.7 births per woman
• Unintended consequences
  – In one generation from now the size labor force remains the same or decreases a bit.
  – Decline in the human capital
    • 15-24 age group will decline by 20% and 65+ age group will at least double between 2005 and 2030.
    • China’s population will start to decline in 2030.
  – Emergence of “4-2-1 family”
  – Today 123 baby boys are born for every 100 girls.
    • Imbalance in the marriage market.

Source: Palmer 2004
Financial Crisis

• Last year some economists were confident that much of Asia – in particular China and India – would be able to avoid a deep recession
  – even amid the current breakdown of the global financial system and the resultant collapse of international trade and investment.

• A rosy picture was painted of a region that would fare much better than during the 1997 Asian financial crisis.
  – China was almost unaffected in 1997

• Asian Development Bank projections for 2009 show a 3.4% decline of Gross Domestic Product in Asia (outside of Japan), down from 6.3% growth in 2008.
  – By contrast, IMF data show that even during the peak of the 1997 financial crisis Asia continued to grow by around 3.7 percent!

Source: Palmer 2004
Financial Crisis in China

• The World Bank expected a 6.5% economic growth in 2009.
• Government – 8 % and National Bureau of Statistics reported 8.7 %.
  – this looks like a dream figure from a US perspective.
  – from a Chinese perspective 6.5 % actually represents a quite dramatic decline from the 9% growth in 2008.
  – Countries in different level of development grow differently.
    • Hence, their optimal growth level is not the same.
• Most importantly, lower growth may be insufficient to cope with China’s growing unemployment.
  – The government estimates that 20 million migrant workers lost their jobs or were unable to find employment in 2008.
    • and it got worse in 2009.
  – China’s Academy of Social Sciences reports that 7.8 million graduates will search for jobs this year.
  – Of these, up to 40 percent - around 3 million – will not find jobs.
  – Pieter Bottelier, a respected China expert, projects that, overall, 48 million Chinese may be looking for jobs this year, while the number of newly created jobs is likely to be less than 7 million.

Source: Palmer 2004
Financial Crisis in China

• China’s dependence on international trade has doubled since 1998, from 30 percent of GDP to as high as 60 percent in 2008.
  – the global crisis deepens and hits demand in the US and Europe as well as in emerging economies.
  – In 2009 Chinese exports suffered the biggest slide in a decade.
    • Trade dropped 14 percent in 2009 and trade surplus by 34 %.
      – 26 percent in February
      – while its imports fell almost 24 percent.

• The stimulus packages
  – the U.S. - 8 percent of GDP
  – Japan 6 percent
  – Germany 3 percent
  – Singapore 3.2 percent
  – China 7.1 percent
    • What sets China apart from its Asian neighbors is that high fiscal reserves and a very low level of debt provide ample resources to continue priming the economy.

Source: Palmer 2004
Opportunities and challenges

• China could move sooner than most other countries to economic recovery.
  – This could facilitate attempts to implement real ‘upgrading through innovation’ strategies.
  – Political economy of reforms:
    • Slower recovery but not too slow!
      – A relatively quick recovery could also undermine such efforts as so many vested interests in state-owned enterprises and the national security apparatus are pushing for the status quo.
      – Efforts to promote new domestic industries like next generation vehicles and creating a domestic solar market.
      – China’s stimulus package also includes substantial investments in healthcare and education.
        • General v. specific intervention.
• The freefall in global demand, combined with widespread excess capacity, is giving rise to price deflation and reduced wages,
  – This in turn will constrain China’s own consumption.
  – This could well strengthen the hand of those in China’s leadership who favor depreciation in China’s currency exchange rate relative to countries with a less flexible labor market.
    • Such as the U.S.

Source: Palmer 2004
“It doesn’t matter if the cat is black or white as long as it catches mice.”

- Deng Xiaoping

Source: Palmer 2004
International Interdependence and the Politics of China

• The West’s hostility to Mao’s victory in 1949 helped reinforce a “siege mentality” developed during the CCP’s early years. Relations with the U.S. only began to improve in the mid-1970s, after the Sino-Soviet split and America’s willingness to recognize the PRC as the country’s legitimate government. Continued U.S. military support for Taiwan (ROC) remains a sticking point in the relationship, but underpinning it is the longer term Chinese challenge to the U.S. position as the dominant military power in the Asia-Pacific. The Chinese economic miracle has turned the country into the world’s largest producer of export goods, but what is less seen is that China is also one of world’s largest importers of raw materials and hi-tech products. The Chinese have supported the Bush Administration’s war on terror, but have used it as an excuse for clamping down on its own restive populations – in particular the Muslim Uighurs in the country’s extreme west.

Source: Palmer 2004
Challenges of the Present and Prospects for the Future

Source: Palmer 2004
Democracy and Stability

- China meets no requirements of western-style democracy, yet several factors point to receding authoritarianism. The most important is the link between capitalist and political reforms. The growing vibrant private sector will - at some point – be strong enough to challenge the authority of the CCP. Workers and peasants have become less passive, local elections are held in the villages, the middle class is growing, the democracy movement does not disappear, and students continue to press for more open society. These same characteristics place strains on the CCP to deliver and could ultimately threaten stability. The leadership knows it needs to improve the situation but not to the point where it loses control. Unemployment, crime, regional, ethnic and religious conflicts have increased.

Source: Palmer 2004
Human Rights

• Chinese view human rights primarily in terms of group, not individual rights. The CCP continues to rule by force, the political opposition is routinely sent to labor camps as are restive ethnic minorities – particularly the Buddhist Tibetans and the Muslim Uighurs, the two major ethnic minorities in the country’s north and south west. China’s draconian birth control policies have been relaxed somewhat since the days of “one family/one child” but they are not gone entirely. Stringent population control is checking the rate of population increase, but has also resulted in abortion of females and a surplus of boys. China leads the world in execution of criminals followed by the U.S., Iran and Vietnam.

Source: Palmer 2004
Economic Growth and Quality of Life

• In comparison with pre-Communist China, Communism in China has been a huge success. Since the beginning of its transition to capitalism 25 years ago, the quality of Chinese life has improved immeasurably as the economic miracle has moved inland.

Source: Palmer 2004
The Environment

• Industrialization, unfortunately, has played havoc with the environment. Pollution figures are staggering. Acid rain caused $2.8 billion damage to Chinese farms and forests - much of it because of China’s reliance on coal. By 1999, nine of the world’s ten worst polluted cities were in China. China has also turned to nuclear power generation, but the country’s nuclear technology is neither sophisticated nor does it store spent waste safely. Urban sprawl eats up scarce arable farmland. The automobile is replacing the bicycle placing more strain on the country’s resources and weak road infrastructure. The picture is similar with respect to water. A project to build an 860 mile aqueduct to transport water from the south to the arid north is viewed in the West as a nightmare. So too are two enormous dam projects – the Three Gorges Dam on the Yangtze River and a 13 dam project across the Yuan River.

Source: Palmer 2004
Prospects for the Future

• China is one of the world’s most rapidly changing economies. How well the CCP will make the full transition to capitalism remains under intense debate among Sinologists.

Source: Palmer 2004