

**China's Political Trajectory:
Internal Contradictions and Inner-Party Democracy**

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Introduction

This year marks the 30th anniversary of China's policy of "reform and opening," which was initiated by Deng Xiaoping in 1978. During the past 30 years, China's meteoric economic growth, profound societal transformations, and multi-faceted integration with the outside world have been widely recognized by both policymakers and the general public in the United States. Yet, the American China studies community seems to have been struck by a prolonged and peculiar sort of political blindness. The early signs of Chinese political experiments, such as genuine local elections and regional representations at the national leadership, have largely been overlooked.¹ Some important socio-political forces unleashed by the country's transition toward a market economy, including the emergence of an entrepreneurial class and a middle class, are commonly perceived as factors that are more likely to consolidate the existing authoritarian political system than to challenge it.² The prevailing view in the United States is that, despite the economic dynamism exhibited by present-day China, the Chinese regime is still essentially a Communist system resistant to significant political change.³

Of course, China's political development in the reform era, though intriguing and potentially consequential, has been far less fundamental or systemic than changes in the economic realm. Yet, it is too simplistic to think that the earthshaking socio-economic changes that have transformed China over the past three decades have taken place within a political vacuum, with no corresponding changes in the Chinese political system. One may also ask: How is it possible that the supposedly stagnant ruling Party was able to

accomplish China's first peaceful political succession in 2002-2003? How has this widely perceived monolithic ruling elite been able to drastically and successfully alter the course of the country's socio-economic development from a single-minded emphasis on GDP growth to an approach that places greater emphasis on social cohesion and a fair distribution of wealth? Are the recent and frequent speeches by top Chinese leaders and their advisors about political democracy and inner-Party elections purely political rhetoric?⁴

Critics of the Chinese regime are right when they criticize China's widespread human rights violations, strict media censorship, and one-party rule. These problems are real, and they not only reveal serious deficiencies in the present Chinese political system but also explain why China's international reputation remains poor in the eyes of many observers around the world. Yet, even in these frequently-cited problem areas, there have recently been some remarkable, and potentially far-reaching, positive changes. Over the past decade, the Chinese term for "human rights" (*renquan*) has shed its negative connotation, transitioning from implying Western anti-China hypocrisy to gaining such a positive luster that the Chinese government has expressed a willingness to engage in a dialogue on this issue with the outside world.

Perhaps more importantly, a clause asserting that it is the government's responsibility to ensure the protection of citizens' human rights was added to China's Constitution in 2003. The issue of human rights, especially the rights of those vulnerable social groups such as migrant workers, has increasingly become a central concern in the public discourse within the People's Republic of China (PRC). Meanwhile, despite tremendous efforts by the Chinese authorities to control the media and the Internet, the

commercialization of the media and the unprecedented telecommunications revolution are making the flow of information easier and faster, bringing new perspectives to the Chinese public, and offering new voices for the increasingly pluralistic interest groups in the country.⁵

With respect to political competition, the Chinese Communist Party (CCP) is indeed not willing to give up its monopoly on political power, nor does it appear interested in moving toward a Western-style system based on a tripartite division between the executive, legislative and judicial functions of government. But this does not mean that the Chinese leadership is a monolithic elite group whose members all share the same values, outlooks, political backgrounds, and policy preferences. The political factions currently competing for power seem to represent the interests of different socio-economic classes and different geographical regions, thus creating something approximating a mechanism of checks and balances in the government decision-making process. To a certain extent, this development reflects an important transition away from the previous political system that relied on arbitrary decision-making power held by one individual leader, such as Mao or Deng, toward a system of collective leadership run by commonly accepted binding rules. However, with a few noticeable exceptions, these subtle but important political changes have not received as much scholarly research from Western scholars as they deserve.

This article focuses on two interrelated political trends in present-day China: the growing internal contradictions in the Chinese society and the experiments of inner-Party democracy in the leadership. Three decades of market reforms have not only brought forth a wealthy entrepreneurial elite group and an ever-growing Chinese middle class, but

have also created many less fortunate and increasingly marginalized socio-economic groups. At the same time, China confronts many daunting challenges including economic disparity, employment pressure, environmental degradation, and the lack of a social safety net. Consequently, Chinese leaders have come to realize that the country's political system is inadequate in dealing with the complicated, sometimes contradictory, needs of the Chinese economy and society.

By both design and necessity, the Chinese leaders have recently developed the notion of "inner-Party democracy," embracing the idea that the CCP should institutionalize checks and balances within its leadership. To a certain extent, a Chinese style bipartisanship, characterized by two informal and almost equally powerful coalitions within the CCP leadership, has already emerged. These new political trends are profoundly important for our assessment of China's political trajectory. Ultimately, China's rise to prominence in the 21st century world will depend on its strength in various domains, including political resilience and openness. A country that has military and economic might but does not have political legitimacy in the eyes of many of its own citizens cannot claim to be a rising world power.

Chinese Society: Contending Forces and Conflicting Interests

A recent report on China by the Council on Foreign Relations' Task Force observed that China is a paradox of numerous contrasts: "modern and ancient, Communist and capitalist, rich and poor, reforming and resisting change, homogenous and diverse, repressive and freewheeling, conservative and revisionist, passive and aggressive, strong and weak."⁶ Many factors – for example, China's sheer size, large

population, and lasting historical legacies –have all contributed to these dichotomies. The rapid economic transformation, especially the emerging new socio-economic forces, has also added to the complexity and growing pluralistic nature of Chinese society.

Beneficiaries of the Reform

One of the most fascinating developments in China during the reform era has been the swift rise of three related but not identical new socio-economic forces, namely, entrepreneurs, the middle class, and corporate interest groups. They are the main beneficiaries of economic reform.

By definition, entrepreneurs are the people who are characteristically engaged in risk-taking businesses in a market economy. In the Chinese context, entrepreneurs mainly refer to those business owners and/or managers of private firms; but in a broad concept, they can also be the managers of collective, public or joint venture enterprises.⁷ The upward social mobility of entrepreneurs represents a historical change in Chinese society.⁸ Traditional Chinese society, which was dominated by the gentry-scholar class, tended to devalue merchants (now called entrepreneurs). The anti-merchant discrimination reached its climax during the first few decades of the PRC. Throughout the Mao era, the role of entrepreneurs was strictly restrained. The four million private firms and stores that had existed in China prior to the 1949 Communist Revolution had all disappeared by the mid-1950s.⁹ The rapid development of rural industries, rural-urban migration, urban private enterprises and joint ventures, the adoption of a stock market and land lease, foreign trade and investment, and technological revolution, especially the birth of the Internet, have all contributed to the rise of entrepreneurs in the PRC.

The composition of Chinese entrepreneurs has been diverse and dynamic ever since their emergence in the 1980s. Yet, three distinct groups, largely based on the different means through which they have become rich, are particularly noticeable. Each of these three groups has a distinctive occupational background and each reflects a particular socio-economic environment from which it has ascended. The first group consists largely of people who became rich as the result of the rapid growth of the township and village enterprises (TVEs) in rural China or who opened private restaurants and shops in urban areas in the 1980s. The second group of entrepreneurs is comprised mainly of corrupt officials and their children. They emerged after the late 1980s, especially after Deng Xiaoping's famous southern journey in 1992. They took advantage of the two-track pricing system and made huge fortunes by issuing certificates, business permits, tax breaks, land leases, and quotas. The third group of entrepreneurs emerged during the late 1990s, largely as a result of the Internet and the rapid development of the computer industry. A new Chinese term, *zhibenjia* (knowledge capitalist), has been created to refer to this new entrepreneurial group. In contrast to the term *zibenjia* (capitalist), it suggests that at a time when information technology reshapes economy, the primary capital is knowledge. Knowledge elites, especially those who work in the IT sector, are often seen as the leading force in the so-called information age. The three major subgroups of entrepreneurs are all very active in today's China. They will likely coexist and share the country's wealth for many years to come.

According to a Chinese official source, by 2006, China had about five million private enterprises, accounting for 57% of the total business firms in the country and contributing one-third of tax revenue.¹⁰ In addition, about 45 million other people ran

their own small businesses. Many owners of private enterprises are members of the Chinese Communist Party; and their percentage in the total private entrepreneurs increased significantly during the last 15 years – from 13 percent in 1993, to 17 percent in 1995, 20 percent in 1999, 30 percent in 2002, and 34 percent in 2004.¹¹ A recent study by *Forbes* magazine revealed that 35% of the 500 richest people in China in 2006 – all of them multi-millionaires or even billionaires – are CCP members.¹²

Some of entrepreneurs may also be considered as members of China's middle class. However, urban professionals, including government employees, office workers in foreign firms, college professors, journalists, and lawyers, have constituted the main body of China's rapidly growing middle class. Ironically, China analysts generally did not recognize the existence of the Chinese middle class until the late 1990s. At the close of the 20th century, however, with a large and growing number of urban Chinese who owned their private homes and cars, analysts in both China and abroad suddenly began to take note of the existence of a Chinese middle class.¹³ In 2002 the Chinese Academy of Social Sciences (CASS) reported that the country had a middle class of 80 million people.¹⁴ A recent report by McKinsey & Co. estimates that by 2025 China's middle class will consist of about 520 million people.¹⁵

China's entrepreneurs are disproportionately distributed along the southeast coastal area. In the city of Shenzhen, for example, about 2 million people belong to the middle class. They are usually young, well-educated, and increasingly interested in opportunities for political participation.¹⁶ During the past decade, the number of registered lawyers and law school students, for example, has also increased significantly.¹⁷ In the early 1980s, there were only 3,000 lawyers in a country of over one

billion people. In 2004, China had a total of 114,000 lawyers in 11,691 registered law firms, and this number will probably double in the next few years.¹⁸ China today has 620 law schools and departments that produce roughly 100,000 law graduates a year.¹⁹ The number of enrolled students at the Law School of Beijing University in 2004, including part-time students, for example, equaled the total number of law students trained at the school for the past 50 years.²⁰ It remains to be seen whether the rapid growth of the Chinese legal profession will help expand the rule of law in China.

While the emergence of entrepreneurs and the middle class is often considered to be a positive development, the corporate or industrial interest groups have caused much public resentment. The Chinese business interest groups consist mainly of two clusters. The first refers to those economic elites who work in the state monopolized industries such as oil, electricity, coal, telecommunications, aviation, and shipping; and the second refers to the lobby groups who work for foreign or private firms in sectors such as real estate. These lobby groups often have strong ties with local governments. In general, local governments also have vast interest in these business deals, which may result in increased tax revenues for their localities.

It has been widely reported in the Chinese media that business interest groups have routinely bribed local officials and formed a “wicked coalition” with local governments.²¹ Some Chinese observers believe that the various players associated with property development have emerged as one of the most powerful special interest groups in present-day China.²² According to Sun Liping, a sociology professor at Qinghua University, the real estate interest group has accumulated tremendous economic and social capital during the past decade.²³ Ever since the real estate bubble in Hainan in the

early 1990s, this interest group has consistently attempted to influence governmental policy and public opinion. The group includes not only property developers, real estate agents, bankers, and housing market speculators, but also some local officials and public intellectuals (economists and journalists) who promote the interests of that group.²⁴

This explains why the central government's macroeconomic control policy (*hongguan tiaokong*) has failed to achieve its intended objectives. A survey of 200 Chinese officials and scholars conducted in 2005 showed that 50 percent believed that China's socioeconomic reforms, especially the central government's macroeconomic control policies, have been constrained by "some elite groups with vested economic interests" (*jide liyi jituan*).²⁵ In 2005, for example, the real estate sector remained overheated with a 20% increase in the rate of investment despite the central government's repeated call for the cooling of investment in this area.²⁶ In the same year, the State Council sent four inspection teams to eight provinces and cities to evaluate the implementation of the central government's macroeconomic control policy in the real estate sector. According to the Chinese media, most of these provincial and municipal governments did nothing but organize study groups that discussed the State Council's policy initiatives.²⁷

Not surprisingly, a large number of corruption cases are related to land leases and real estate development. For example, among the 13 total number of provincial and ministerial level leaders who were arrested in 2003, 11 were primarily accused of illegal pursuits in land-related decisions.²⁸ Meanwhile, a large portion of mass protests directly resulted from inappropriate compensation for land confiscations and other disputes associated with commercial and industrial land use. According to a recent study by the

Institute of Rural Development of the CASS, two-thirds of protests by peasants since 2004 were caused by local officials' misdeeds in the handling of land leases.²⁹ The annual number of mass incidents in the country, including protests, riots and group petitioning, rose from 58,000 in 2003, to 74,000 in 2004, and to 87,000 in 2005 – almost 240 incidents per day! These public resentments associated with land release reveal the growing tensions and conflicts between “winners” and “losers,” between haves and have-nots, between wealthy beneficiaries and vulnerable social groups in China's economic reforms.

Economic Disparity and Vulnerable Social Groups

Despite rapid economic growth, China has been beset by the growing economic gap between urban and rural areas, coastal and inland regions, and new economies and traditional economic sectors. Within a generation, China has transformed from one of the most equitable countries in the world in terms of income distribution to one of the least equitable. Jiang Zemin's theory of “three represents,” which broadens the CCP's power base by recruiting entrepreneurs, or capitalists, into the Party, is often regarded by the public as a ploy by the ruling Party which represents only the rich and powerful.

Regional economic disparity has increased significantly in the past decade. Among China's 100 wealthiest counties in 2004, 92, including all of the top ten, were located in the coastal region. In 2003, the average revenue of 8,477 towns in the east coast region was 28.3 million yuan, in contrast to only 4.8 million yuan on average for 5,748 towns in China's western region.³⁰ The ratio of the GDP per capita between the coast and inland regions increased from 1.86 in 1991 to 2.33 in 2000 to 2.52 in 2003.

The ratio of GDP per capita between Zhengjiang and Guizhou increased from 2.7 in 1991 to 5.6 in 2003.³¹ The difference in GDP per capita between Shanghai and Guizhou increased from 7.3 times in 1990 to 13 times in 2003.³² In contrast, the ratio of the GDP per capita between the highest and lowest of the 24 regions of the European Union (EU) in 2002 was 2.4, which in fact was an incentive for the EU to reduce this gap.³³

Arguably the most important sources for social disturbance in China today are the growing number of landless migrants. During the past decade, China has been engaged in probably the largest “enclosure” movement (*quandi yundong*) that the world has ever seen. A vast area of agricultural land has been “enclosed” for commercial and industrial uses. The land lease for foreign companies, infrastructure and transportation projects, and real estate development have forced a large number of people, in both urban and rural areas, to relocate. The recent wave of new “university cities” has also driven many farmers out of their homelands. According to a Chinese official source, from 1996 to 2004, China’s arable land decreased by 150 million *mu*, about 5 percent of the country’s total arable land.³⁴ Meanwhile, about 40 million people have become “landless migrants.”

By 2006, the country had a total of 119 million migrant workers, and this ever-expanding group constitutes an important force for social and political change.³⁵ Migrant laborers are unique in the Chinese context – they are considered “workers in occupation” and “farmers in identity.” Like all citizens, they want to have a decent salary, a safe work environment, basic social welfare rights, education for their children, and respect from society. But in reality, they can get hardly any of these.³⁶ They are the second-, or even the third-, class citizens in the PRC, as some Chinese scholars have described.³⁷ But as

Liu Kaiming, director of the Shenzhen social research institute, observed, China's migrant laborers are also experiencing a generational change. The new generation of migrant laborers is better educated and is more conscientious about protecting their interests.³⁸ They often use cell phones to disseminate information and are potentially more interested in political participation. They were, in fact, the main participants in worker strikes in Shenzhen and other coastal cities during the past few years.

Contradictory Needs and Concerns

These dynamic new forces in Chinese society – entrepreneurs, the middle class, and corporate interest groups on the one hand, and migrant workers and other vulnerable social groups on the other hand – will remain important for China's political and socio-economic development in the years to come. Arguably, now more than during any previous period in PRC history, the elite interest groups and the general public are aware of ways to advance and protect their economic interests. Chinese decision-makers will likely be increasingly sensitive in addressing the needs and concerns of these potentially contentious groups. The most daunting challenge for the Chinese leaders is perhaps to obtain the wisdom and leadership skills needed to achieve the best possible equilibrium between contradictory needs in the country. In a sense, the Chinese leaders need to be very delicate in balancing these contradictory concerns. They must consider the following:

- They need to accelerate the market reforms required by China's growing integration in the global economy, but at the same time they must use policy decisions to assist vulnerable areas and to establish a social safety net.

- They have to deal seriously with rampant official corruption, while at the same time avoiding chaos.
- They must respond to the growing demands from societal forces, including emerging NGOs and migrant workers, but at the same time not undermining the governing capacity of the authoritarian regime.
- They need to broaden the power base of the CCP by recruiting entrepreneurs, lawyers and other professionals, but at the same time avoid portraying the CCP as an elitist Party that represents only the interests of the rich and powerful.
- They need to give more autonomy to provincial and local governments, without undermining national integration and the governing capacity of the central government.
- They need to allocate more resources to the inland region and issue more state bonds for its development, but this should not be achieved at the expense of the more efficient coastal region.

Most importantly, they need to initiate a new leadership structure or a new political system to correspond with the ever-changing socio-economic environment, but at the same time, not undermining the one-Party rule. The idea of inner-Party democracy seems to be particularly appealing to top leaders such as Hu Jintao, Wen Jiabao and Zeng Qinghong.

Chinese Leadership: One Party, Two Coalitions

The inner-Party partisanship in the CCP, which is characterized by checks and balances between two factions or two informal coalitions in the CCP leadership, did not come to the fore simply as a result of an idea of Chinese top leaders. As a matter of fact,

two trends have contributed to this remarkable change in Chinese elite politics. Unless China dramatically reverses its course, these trends will most likely continue, if not accelerate, in the future.

Ending “Strong-Man” Politics

The first trend is a gradual transformation from an all-powerful, god-like, and charismatic single leader to a collective leadership. A review of the leadership politics of the PRC four generations (Mao, Deng, Jiang and Hu) illustrates such a profound transformation.

Throughout the Mao era, especially during the Cultural Revolution, Mao wielded enormous power. As an example, Mao treated succession as if it was his own private matter; discussion of the transition of power was taboo. The omnipresent slogan “Long Live Chairman Mao” reinforced the illusion of Mao’s “immortality.”

During the Deng era, political succession and the generational change in the Chinese leadership became a matter of public concern. Yet, because of his legendary political career, no leaders dared to challenge Deng's authority, even when he did not hold an important leadership position following the Tiananmen crisis. For many years during the 1990s, people in China and Sinologists abroad speculated about when the geriatric Deng would die, often causing stock markets in Hong Kong and China to fluctuate wildly.

Jiang Zemin has neither the charisma nor the revolutionary experience that Deng had. To a large extent, Jiang has remained in power since 1989 primarily through coalition building and political compromise. During the 2002 Party Congress, for

example, the political spotlight focused on Jiang's scheduled retirement. The bifurcation of the military and civilian leaders also contributed to the end of both "strong-man politics" and "the soldier as a king-maker."

Hu Jintao's generation of leaders relies even more on power sharing and consensus building. Hu is known for his low profile personality, and his skills in coalition building reflect a defining characteristic of the fourth generation of Chinese leaders. During the past few years some foreign observers have even wondered whether "Hu is in charge." To a certain extent, Hu is largely the "first among equals" in his generation of leaders. He could even appoint his protégés to be his successor. Instead, a model of dual successors was introduced at the 17th Party Congress.³⁹

The shift in Chinese public sentiment from "whether Mao would ever die" to "when will Deng die" to "when will Jiang retire" to "whether Hu is in charge?" shows the consistent trend toward a more collective leadership replacing "strong-man" politics. As result of this change, political negotiation and compromise in the leadership are taking place far more often than before.

Increasing Institutional Restraints

Nepotism in various forms (e.g. blood ties, school ties, regional identities, bureaucratic affiliations, or patron-client ties) has played a profoundly important role in the selection of leaders during the reform era. But, at the same time, especially since the 1990's, institutional mechanisms such as formal regulations and informal norms have been more effectively implemented to curtail various forms of favoritism. These institutional developments include:

- *“Elections with more candidates than seats” (cha’e xuanju)*. For example, if the CCP Central Committee plans to elect 200 full members, it will offer five percent more candidates (210) on the ballot.
- *Term limits*. With some exceptions, a term limit of five years has been established for top posts in both the Party and the government. An individual leader cannot hold the same position for more than two terms.
- *Age limits for retirement*. Based on CCP regulations or norms, leaders above a certain level cannot exceed a set age limit. For example, all the members who were born before 1940 retired from the Central Committee at the 17th Party Congress.
- *Regional representation on the CCP Central Committee*. On the CCP Central Committee, each of the thirty-one provincial-level administrations has two full members.
- *“Law of avoidance” in selection of local top leaders*. For example, provincial Party secretaries are often non-native outsiders who were transferred from another province or the central government.

These institutional rules and norms generate a sense of consistency and fairness in the selection of leaders. Consequently, no individual, faction, institution, or region can dominate the power structure. These developments have reinforced the norm of checks and balances in the Chinese leadership and affected elite behaviors. New leaders are far more interested in seeking legitimacy through institutional channels than were their predecessors.

Three Features of Factional Dynamics

Institutional development in China does not reduce factional tensions, instead, it makes factional politics more dynamic. These new factional dynamics have three main features: 1) the two coalitions represent two different socio-political and geographical constituencies; 2) they have somewhat contrasting policy initiatives and priorities; and 3) they compete with each other over some issue areas but cooperate on the others.

The Elitist Coalition Vs the Populist Coalition: Social and Geographical Contrasts

These two coalitions cannot be simplistically divided into ideological predispositions such as liberals and conservatives, or reformers and hardliners. More appropriate labels would call the coalition led by former Party chief Jiang and his protégé, Vice President Zeng Qinghong, the “elitist coalition” and the other coalition, led by current Party chief Hu and Premier Wen Jiabao, the “populist coalition.”⁴⁰ The elitist coalition and the populist coalition represent two starkly different socio-political and geographical constituencies. These differences are largely reflected in their leaders’ distinct personal careers and political associations.

The core faction of the elitist coalition consists of *princelings*, children of former high-ranking officials. Many have advanced their careers in the areas of finance, trade, foreign affairs, IT industries, and education. Some are returnees from studying abroad, (*haiguipai*). These leaders in the elitist coalition often represent the interests of economic and cultural elites as well as the most economically advanced coastal regions. Jiang, Zeng and Xi Jinping (one of the dual possible successors to Hu) all come from the privileged families of high-ranking officials and advanced their political careers in

Shanghai. Like his mentor Zeng, Xi has also spent almost all his leadership career working in coastal regions such as Fujian, Zhejiang, and Shanghai.

In contrast, none of the top three populist leaders, Hu, Wen and Li Keqing (the other possible successor to Hu), has strong political family ties and all spent many years working in China's poorest areas. Hu has spent most of his adult life in some of the poorest provinces in China's inland region – 14 years in Gansu, three years in Guizhou, and about four years in Tibet. Similarly, Wen spent the 15 years after college graduation working in extremely arduous conditions, also mainly in Gansu. Li Keqiang worked in Henan and Liaoning for almost ten years before moving to Beijing in 2007. The fact that Hu, Wen and Li come from China's poorest regions suggests that they are more sensitive to the needs and concerns of the inland provinces and weaker social groups.

The core faction of the populist coalition is the Chinese Communist Youth League (CCYL), the so-called *tuanpai* who worked in the national or provincial leadership in the League in the early 1980s when Hu Jintao was in charge of the organization. Hu's *tuanpai* officials alone occupy 86 seats in the 371-member Central Committee selected at the 17th Party Congress in October 2007, accounting for 23% of this decision-making body. Most of the members of the populist coalition advanced their political careers through local and provincial administrations, often in poor inland provinces, and many have worked in the areas of youth affairs, rural administration, Party organization, propaganda, united front work, and legal affairs. Like many members of the populist coalition, both Hu and Wen worked in the field of Party organizational work for many years.

In the newly formed Politburo and Secretariat of the 17th Central Committee, there are eight members now in their 50s. These eight leaders can be equally divided into two groups in terms of their factional affiliations. Four leaders, Li Keqiang, Li Yuanchao, Wang Yang, and Ling Jihua, are in the populist camp. All advanced their careers primarily from the CCYL and are known as long-time protégés of Hu Jintao. The other four, Xi Jinping, Wang Qishan, Bo Xilai, and Wang Huning, belong to the elitist camp. The first three are princelings, while Wang Huning is a member of the Shanghai Gang. These four leaders are all protégés of Jiang Zemin and Zeng Qinghong.

A vicious power struggle between these two camps is, of course, hardly inevitable. Political competition in China is by no means a zero-sum game. Fifth Generation leaders are smart enough to understand that they are all “in the same boat.” It is, therefore, in their best interest to demonstrate political solidarity when facing enormous economic and socio-political challenges. The diverse demographic and political backgrounds of China’s top leaders can also be seen as a positive development that may contribute to political pluralism in the country. Collective leadership, one might even argue, is not only a mechanism of power-sharing through checks and balances among competing political camps, but also entails a more dynamic and institutionalized decision-making process through which political leaders come to represent various social and geographic constituencies and thus develop better policies to meet new and complicated socio-economic environments.

From Jiang to Hu: A Policy Shift

The Jiang era was known for the rapid development of Shanghai. Jiang allocated a disproportionately large amount of economic resources to Shanghai and other coastal cities while allowing many inland provinces to lag behind. Additionally, China has paid the enormous cost of environmental and ecological degradation for its narrow-minded focus on economic growth.

Hu quickly sensed that his mandate was to fix the serious problems associated with Jiang's leadership. Over the last few years, Hu has outlined his development strategy under new catch phrases such as "scientific development," and the "harmonious society." In fact he has already changed China's course of development in three important ways: 1) from obsession with GDP growth to greater concern about social justice, 2) from the single-minded emphasis on coastal development to a more balanced regional development strategy, and 3) from a policy in favor of entrepreneurs and other elites to a populist approach that protects the interests of farmers, migrant workers, the urban unemployed, and other vulnerable social groups. The emphasis on more balanced regional development has already placed some inland cities such as Chongqing and Xi'an on the fast track to economic growth. For example, a new industrial renovation project in Chongqing has a fixed asset investment of 350 billion *yuan* (US\$43.5 billion) over the next five years.⁴¹

In their first term, Hu and Wen took many popular actions: reducing the tax burden on farmers, abolishing discriminatory regulations against migrants, ordering business firms and local governments to pay their debts to migrant workers, shaking hands with AIDS patients, visiting the families of coalmine explosion victims, and

launching a nation-wide donation campaign to help those in need. These policy changes and public gestures by Hu and Wen suggest that current top Chinese leaders are not only aware of the tensions and problems confronting the country, but also are willing to respond to them in a timely and often proactive fashion.

Competition, Cooperation and Complicated Interdependence

While these two coalitions represent different regional and socio-economic interests as well as divergent policy priorities, both have valid socio-political concerns. Neither the elitist coalition nor the populist coalition is willing to, or capable of, defeating the other. These two coalitions compete against each other in some areas, and cooperate in others. This dynamic is creating a complicated factional interdependence.

Each coalition has its own strengths that the other does not possess. *Tuanpai* officials are well-endowed in terms of organizational and propaganda skills and often possess experience in rural administration, especially in poor inland regions, although they are usually less qualified to handle the international economy. *Tuanpai* officials' credentials may not have been valuable in the Jiang era that stressed foreign investment and economic globalization, but are essential at a time when the Hu administration emphasizes the need to focus on social problems and political tensions among various interest groups. My recent study of 22 prominent *tuanpai* leaders found that none of them has had work experience in foreign trade, foreign investment, finance, or banking.⁴²

The divergent work experiences and administrative skills of these two coalitions suggest that the *tuanpai* and the princelings need each other. *Tuanpai* officials' lack of credentials in economics, especially in foreign trade and finance, is an inherent

disadvantage for this powerful elite group. Consequently, Hu's *tuanpai* officials must cooperate – and share power – with other elite groups. This highlights the fact that, although Hu is in charge, other political forces may be able to restrain his power. This tension creates a healthy political dynamic that may help prevent Hu and his protégés from wielding excessive power or achieving social fairness at the expense of economic development. To a great extent, both coalitions share a common purpose: to ensure the survival of the CCP rule at home and retain China's status as a major international player abroad. This makes Chinese bipartisanship sustainable. In my judgment, this “one Party, two factions” formula will likely remain a dominant feature of Chinese elite politics for the next 10 to 15 years.

Concluding Thoughts

Inner-Party democracy is not true democracy, but it may pave the way for a more fundamental change in the Chinese political system. The democratic transition of the world's most populous nation, if it occurs, will certainly be no easy task. At present, political power in China is monopolized by the CCP, which prohibits the formation of competing political parties or an independent judiciary. In the absence of a broad-based and well-organized political opposition in the PRC, it is unlikely that the country will develop a multi-party political system in the near future. This fact actually makes the ongoing experiments with inner-Party bipartisanship even more important.

Despite its dynamics, the Chinese inner-Party bipartisanship has some serious limitations. Factional politics and political coalitions within the Party, although not completely opaque to the public, lack transparency. Unlike factional politics in

democracies such as the LDP-hegemony period in Japan, factional politics within the CCP are not yet legitimated by the Party constitution. Chinese bipartisanship may provide checks and balances in the Chinese political system and thereby revitalize the CCP leadership. But the CCP cannot survive indefinitely, partly because societal forces will become increasingly active in the Chinese political process, and partly because inner-Party bipartisanship itself will lead to further political changes. Due to the incremental nature of this institutional development, this split can potentially be achieved in a nonviolent way. Elections and competition within the CCP might one day be extended to general elections in the country.

The next ten to fifteen years will test the political instincts, strategic vision, wisdom, humility, and capabilities of the Chinese leadership. These two coalitions in the upcoming Fifth Generation have been allotted an equal number of the seats in China's most important decision-making organs, indicating the intensity of factional competition, especially for the upcoming political succession. In a far more important sense, this period will also test whether China can make a major step towards a more institutionalized transition to power-sharing. One must hope that the next generation of Chinese leaders is up to this task. If it fails, this most populous country – and the entire world – will be profoundly affected.

Notes:

¹ For example, since the 15th National Party Congress held in 1997, each and every one of the provincial-level Party Committees has two representatives serving as full members on the Central Committee of the Chinese Communist Party formed at the Congress.

² Bruce J. Dickson, *Red Capitalists in China: The Party, Private Entrepreneurs, and Prospects for Political Change* (New York: Cambridge University Press, 2003).

³ The recently published book by James Mann largely presents this assessment. See James Mann, *The China Fantasy: How Our Leaders Explain Away Chinese Repression* (New York: Viking, 2007). Also see Minxin Pei, *China's Trapped Transition: The Limits of Developmental Autocracy* (Cambridge, Mass.: Harvard University Press, 2006); Andrew J. Nathan, "China's Changing of the Guard: Authoritarian Resilience," *Journal of Democracy* 14, no.1 (January 2003), pp. 6-17; and Andrew J. Nathan, "Present at the Stagnation: Is China's Development Stalled?" *Foreign Affairs* (July/August 2006), pp. 177-182.

⁴ Chris Buckley, "Elite China Think-tank Issues Political Reform Blueprint," <http://www.reuters.com>, accessed February 18, 2008.

⁵ John L. Thornton recently observed that, as independent Chinese publications seek readers and advertisers, they report stories that are of interest to the public, and, like their counterparts in the West, they have discovered that investigative journalism sells. John L. Thornton, "Long Time Coming: The Prospects for Democracy in China." *Foreign Affairs* (January/February 2008), pp. 2-22.

⁶ Carla A. Hills and Dennis C. Blair, *U.S.-China Relations: An Affirmative Agenda, A Responsible Course*. Independent Task Force Report, Council on Foreign Relations, No. 59 (Spring 2007), p. 12.

⁷ Chinese scholars define an entrepreneur as "a manager and/or owner of private property – a person who has managed to possess property either through capitalization of personal income, or through the private operation of a collective, public or joint venture enterprise." Zhang Houyi, "The Position of the Private Entrepreneur Stratum in China's Social Structure." *Social Sciences in China* 16, No. 4 (1995): 33.

⁸ Victor Nee, "The Emergence of a Market Society: Changing Mechanisms of Stratification in China." *American Journal of Sociology* 101, no. 4 (January 1996): 910.

⁹ *China News Analysis*, No. 1501, January. 1, 1994, p. 2.

¹⁰ http://news.xinhuanet.com/politics/2007-10/12/content_6870696.htm.

¹¹ *Xingdao ribao*, December 13, 2004, 1.

¹² See "Hu Run's List of the 500 Richest People in China in 2006."

[Http://news.xinhuanet.com](http://news.xinhuanet.com). October 11, 2006.

¹³ According to the Chinese official media, China will "have 140 million automobiles plying its roads by 2020, seven times more than the number in 2004." See http://www.chinadaily.com.cn/english/doc/2004-09/04/content_371641.htm.

¹⁴ Lu Xueyi, *Dandai zhongguo shehuijiecong yanjiu baogao* (Research report on social strata in contemporary China), (Beijing: Shehui kexuewenxian chubanshe, 2002), pp. 254-256.

¹⁵ Quoted from *Zhongguo jingying bao* (China Business Daily), July 9, 2006, p. 1. According to this McKinsey report, in 2006, the percentage of the Chinese urban families

that have an annual income below 25,000 yuan will drop from 77% in 2006 to 10% in 2025. For a comprehensive discussion of the definition of the middle class in China, see Zhou Xiaohong and others. *Zhongguo zhongchan jieji diaocha* (A survey of the Chinese middle class). Beijing: Shehui wenxian chubanshe, 2005.

¹⁶ *Yangcheng wanbao* (Guangzhou Evening News), February 19, 2007.

¹⁷ Ji Shuoming and Wang Jianming, “*Zhongguo weiquan lushi fazhixianfeng*” (China’s lawyers for human rights protection: Vanguard of the Rule of Law). *Yazhou zhoukan* (Asia Week), December 19, 2005.

¹⁸ Jean-Pierre Cabestan, “*Zhongguo de sifa gaige*” (China’s Judicial Reform) (news.bbc.co.uk/hi/chinese/china_news/newsid_2149000/21492061.stm, [July 27, 2002]).

¹⁹ Jerome Cohen, “Can, and Should, the Rule of Law be Transplanted Outside the West?” paper presented at the Annual Meeting of the Association of American Law Schools, Washington, D.C., January 4, 2007.

²⁰ *Renmin ribao* (People’s daily), May 19, 2004, p. 15.

²¹ *Zhongguo xinwen zhoukan* (China Newsweek), January 13, 2006, *Liaowang* (Outlook), December 5, 2005, and also see <http://www.chinesenewsnet.com>, December 12, 2005.

²² The other powerful interest groups include the monopoly industries such as telecommunications, oil, electricity, and automotive. They have a huge stake in government policies. See Sun Liping, “*Zhongguo jinru liyi boyi de shidai*” (China is entering the era of the conflict of interests),” <http://chinesenewsnet.com>, February 6, 2006.

²³ Sun, “*Zhongguo jinru liyi boyi de shidai.*”

²⁴ Jin Sanyong, “*Zhongyang difang cunzai mingxian boyi*” (The open game that the central and local governments play). See <http://www.zisi.net>, February 10, 2006.

²⁵ China’s Reform Institute (Hainan) conducted this survey. See <http://chinanews.com>, January 19, 2006.

²⁶ See <http://www.news.soufun.com>, February 10, 2006.

²⁷ *Ibid.*

²⁸ *Ibid.*

²⁹ *Qianshao* (Frontier), No. 10 (2005), p. 83.

³⁰ Ru Xin, Lu Xueyi, and Li Peilin, eds. *2005 Zhongguo shehui xingshi fenxi yu yuce* (Analysis and forecast on China’s social development, 2005). Beijing: Social Sciences Academic Press, 2004, p. 7.

³¹ *Ibid.*, p. 86.

³² *Ibid.*, p. 180.

³³ *Ibid.*

³⁴ *Liaowang dongfang zhoukan*, December 30, 2004, p. 35.

³⁵ This is based on the data from China’s Ministry of Agriculture, see (cnc.nfcmag.com/ReadNews-12400.html. [July 15, 2007]).

³⁶ *Zhongguo xinwen zhoukan* (China news weekly), December 28, 2004, p. 1.

³⁷ www.chinesenewsnet.com. December 28, 2004.

³⁸ *Zhongguo xinwen zhoukan* (China news weekly), December 28, 2004, p. 1.

³⁹ Cheng Li, “China: Riding Two Horses at Once.” *Foreign Policy Online*. October 2007.

⁴⁰ A part of this discussion is based on my article on intra-party partisanship in the CCP. For a full discussion of the concept of intra-party partisanship, see Cheng Li, “The New Bipartisanship within the Chinese Communist Party.” *Orbis*, (Summer 2005): 387-400.

⁴¹ *Diyi Caijing ribao* (The First Economics and Finance Daily). February 6, 2006. And also see <http://finance.sina.com.cn/g/20060206/01222317519.shtml>.

⁴² Cheng Li, “Hu’s Policy Shift and the *Tuanpai*’s Coming-of-Age.” *China Leadership Monitor*, Issue No. 15 (Summer 2005).