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The Bane of CCP Rule

The PRC System

The People's Republic of China calls itself a democracy. The CCP regime asserts that people's rights are fully protected, government is accountable, participation is widespread, elections are held, and more. If we are to argue that China will embrace democracy, then it is worthwhile to establish first that it is not a democracy at present.

The CCP came to power in 1949 in order to remake China. Like all Marxist parties, its goal was to uproot society and remake it in a new image. The Marxist goal of communism was effectively abandoned with the reform era. But the revolutionary nature of the Party did not change. It continues to see its purpose as chasing utopia—"a strong and prosperous, culturally advanced, democratic socialist nation" according to the state constitution—not governing for the ever-changing aims of a diverse society. CCP elites decide the direction of the nation, not the loveable and monolithic "masses." Party rhetoric is filled with words like "struggle" (*douzheng*), "enemy forces" (*didui shili*), and "victory" (*shengli*). The PRC political system was designed to control and transform society, not to facilitate its development.

The Party is constitutionally endowed with the "leadership" of China's political system. This leadership includes the right to monopolize political power, to control all state and social organizations, and to define the nature and limits of public discourse. While the CCP has undertaken extensive liberalization in the reform era, none of these three powers has been relinquished. That is, while society has been largely freed from state control, the potential writ of the state, and thus its dominating influence, remains vast. Some scholars maintain that the PRC is still a "totalitarian" state because of this simple, if bothersome, fact.[1] In international comparisons of the nature of political systems, China consistently ranks as one of the most undemocratic nations on earth.[2]

In a democracy, those in power are deemed to "represent" the society they

govern, that is to broadly reflect the considered views of their society on political issues. This is achieved through a combination of devices, from elections to public debate. Lacking such democratic means, the CCP would need to be an inherently representative party in order to justify its rule in democratic terms. Yet it is far from representative. Among its 65 million members, only 17 percent are women (compared to 49 percent nationally), 6 percent minorities (10 percent), 5 percent farmers (60 percent) and 43 percent college educated (4 percent). Most CCP members are college-educated urban Han males, "a network of bureaucratic elites with the training and connections to hang onto power."[3]

Some polls purport to show that the CCP enjoys significant popular support. Yet they are usually heavily biased in favor of educated urban elites.[4] More broad-based polling reveals deep mistrust and dislike of the CCP. In the late 1980s, the approval ratings for the CCP appear to have been at about 30 to 40 percent.[5] In the 1990s, although no reliable polls were done, that rating may have fallen further given the malaise in the countryside. One Chinese scholar describes a "widespread contempt for those wishing to join the Party, a view of officials as a self-seeking exploitative class, and pervasive political indifference."[6] Indeed, state leaders and Party planners have remarked openly that the Party faces a crisis of legitimacy.[7] In the words of Li Ruihuan, a member of the Politburo standing committee from 1989 until 2002: "People's criticism, denunciation, resistance and opposition to the Party and to leading cadres has come to the boiling point. The CCP membership has grown bigger but its strength is weaker than ever."[8]

One stop-gap solution to the legitimacy problem is to allow a certain amount of outside representation in the CCP-led system. Representative institutions can fill in some of the "democracy deficit," in authoritarian regimes by improving decisionmaking. But the problem is the same as those of trying to make the Party representative: the goals and power of the Party are nonnegotiable and thus outside help can do no more than make the Party slightly less dysfunctional and appear slightly more democratic.[9] As we shall see, some forms of participation unintentionally provide resources for change. But claims that they somehow provide a substitute for democratic participation are wrong, recalling the credulous reports by Western scholars on Yugoslavia's worker councils and community boards of the 1960s and 1970s.

The National People's Congress in particular is a pageant of legitimization and ineffectiveness. As a whole, it has never rejected a single piece of legislation nor a candidate for a cabinet position. "Many of the deputies are so old they can't stay awake during the meetings. They snore so loud we have to alert staff to do something," one delegate complained at the 2002 session.[10]

The aim of legislatures in authoritarian states, notes one scholar, "is to depoliticize public life, and at its extreme, to make it one great celebration of the regime." Such rituals "are a means of giving a sense of involvement without power, thereby blunting popular resentment at their effective political exclusion."[11]

Like political participation, China's legal system is a tool of Party dictatorship more than a restraint on it. The Party often does follow the law but this is meant to make its rule better, not to make China a more just country. When the two clash, Party rule wins. To quote one handbook for cadres: "The judicial system of China is an important tool of the people's democratic dictatorship under the leadership of the CCP. . . . In the course of handling every case, the people's courts should assiduously implement the Party's line and policies."[12]

As a result, when citizens try to control the state using the legal system, they are taking a gamble. A peasant in Guangxi was put in a labor camp for three years by angry local cadres after he sued them in a provincial court over a government farming scheme that had cost him his livelihood. A crusading lawyer for workers rights in the central province of Henan was jailed for two years without charges by local cadres who did not like the way he was making their economic work look so tawdry.[13] During the "Strike Hard" anti-crime drive which began in 1995 and brought 15,000 people a year to the gallows in the late 1990s, trial procedures were regularly waived in order to produce results. As one scholar in China puts it: "Laws in China are used as a tool of the government to control the society rather than as a tool of the society to control the government."[14]

China is thus a country with a deep democracy deficit, one that cannot be remedied without challenging the CCP's dominating role in the political system. In the absence of sufficient outside pressures, it has refused to forego this domination. But those pressures are growing. In the words of a former top Communist Party official, "the democracy deficit created by the absolute power of the Party" is pushing China toward political opening. The only question, he noted after the change of Party rulers in 2002, "is how long the new Chinese leaders will resist."[15]

A Metaphor for Transition

If the story of democracy in China since 1912 has been one of repeated failure, why should we believe that the future will be any different? What evidence is there that conditions now favor a rapid and decisive democratic transition?

Imagine a road intersection where traffic is directed by a single policeman. For many years, the flow of vehicles is minimal. The policeman asserts his prerogatives with grand flourishes, when he is not dozing off. But there is little pressure for change. Then, as more people buy cars, congestion grows. The policeman proclaims his critical role, but he has little idea of which traffic lines are longest. In any case, he favors certain cars over others, asserting that he alone understands the "fundamental interests" of all drivers.

Frustrations among the excluded drivers grow as they are forced to wait long periods to get through the intersection. Others resent the mere fact that their passage depends on the whims of an unfair and corrupt policeman. Some drivers jump medians or try to maneuver in front of others, making everyone's journey slower. Horns are sounded everywhere against the policeman and other motorists. Nearby intersections are also affected.

Finally, the crisis reaches a climax. Two angry drivers seize the podium and oust the policeman, who shuffles away with little protest, worn down by his inability to manage the congestion. Soon they are joined by others. After a brief discussion, the drivers agree that the only fair way to manage the intersection is to install a set of traffic lights keyed to the amount of traffic coming from each direction. They have heard that such schemes work well elsewhere.

Tensions remain high while the lights are installed and drivers take turns directing traffic. Once the new system goes into operation, some drivers continue to run red lights. A mini-crisis erupts one day when the lights fail. But soon everyone accepts and abides by the lights and the system is given a back-up power supply and better wiring. Drivers also agree on a new traffic abatement scheme to reduce congestion, making everyone's trip faster. Tensions subside.

This metaphor describes how social and economic change (the growing congestion) which is not accommodated fairly in the political system (the incompetent and arbitrary policeman) can lead to a democratic breakthrough (the blockade and agreement on a new scheme) given the right conditions (the use of horns, the initiative of a few drivers, the existence of an alternative scheme, and the policeman's weakness and resignation). It highlights how democracy comes about because of a stalemate in the struggle not just between rulers and ruled, but among the ruled as well (otherwise the drivers of Mercedes would take over as traffic cops, presumably favoring their kind). It reminds us that democracy is often a solution to crisis and a "conservative" move by parties who want to preserve the freedoms they had in the past. It also highlights how drivers might, and usually do, prefer a slightly off-kilter system of lights to the arbitrary waves of a very good traffic policeman. It also

points to the challenges of making democracy work later on (the operation of the lights, the abatement scheme).

It is far from certain that this stylized sequence of events will actually occur at every intersection. There are many other alternatives. The traffic policeman could sheath himself in a walled podium with electric fences and fire bazookas at offending or threatening drivers. Or he could hire some assistants to help him manage the intersection more effectively, acting as de facto traffic light sensors. In most countries, the "logic of authoritarianism" was eventually overwhelmed by the "logic of democracy." But this is a possibility, not a certainty.

Today, Beijing asserts, in effect, that it already has a perfectly good traffic lights system, indeed one that is better than "mere" traffic lights because it magically convinces drivers to stay off the roads and helps certain important cars to get through faster, making society better off than it would be with the plebian, selfish, and uninspiring lights. Yet China's people are less convinced of that claim than ever before. Their perceptions about the need for democracy are growing. So too are their abilities to bring this change about. In this chapter and the next, we survey respectively those demands and resources—the critical background conditions for democratic transition and consolidation.

Given the riot of information available on present-day China, it is of little surprise that reasonable people differ on where those conditions are leading. Some predict imminent CCP demise, others perpetual CCP rule. The contention here is that these factors are shifting decisively in favor of democratic change. On the demand side, the costs of dictatorship are increasingly attributed by society to the lack of democratic government. The "hidden costs" of China's transition to markets without the corresponding transition to limited political power are increasingly apparent.[16] The irrational and repressive state looms larger in people's minds. The state is less able to attune itself to society's demands and when it can it is often unable to meet them. No less important, democratic government is increasingly seen as a viable alternative to the present system.

On the supply side, liberalization and institutionalization are empowering the very changes that they were introduced to keep at bay. The growth of a broad and stable middle class and an autonomous civil society armed with more information than ever, coupled with emergent legal, electoral, and parliamentary ideals of constrained state power, are nudging China in the desired direction. The emergence of a strong reform faction inside the CCP is doing the same. As one scholar notes: "Even if the Chinese people were content with their authoritarian culture, socioeconomic forces have a transforming power."[17]

Time does not favor the CCP. The world's longest-standing ruling parties—Mexico's Institutional Revolutionary Party and Russia's Communist Party—both succumbed to the parable of the traffic policeman after 70-odd years in office. The CCP will have ruled China for 70 years by 2019, surely approaching its upper limit. As one Western scholar noted: "The costs of maintaining the existing system are high and the pressures for change are enormous."[18]

State and Society

Does China want democracy? Three quarters said yes in a survey in 1988, even if definitions of democracy varied. In more recent polls, that proportion has remained virtually unchanged. Political reform regularly tops the list of "pressing matters," in the minds of citizens and cadres alike.[19] In the words of a group of scholars in Shanghai: "Economic and social development has greatly touched off the desire for the expression of mass interests and political participation. But channels and opportunities for political participation are far from adequate to accommodate these demands."[20]

Of course, as with every society, China contains a diversity of views on the need for fundamental political change. Beijing University graduates leaving to pursue a higher degree in the United States before returning to a lucrative position in China (if they return at all), will typically sing the praises of one-party rule. A landless Anhui peasant gathering scraps of cardboard along the railway tracks in Bengbu will, by contrast, have nothing good to say about the Party.

While the university graduates' opinions convince many outsiders that China is going to be the great exception to the global democratization wave, the peasant's outlook is probably a better reflection of where popular opinion stands. And unlike the past, popular opinion is increasingly in a position to make itself heard in China. As one scholar in China notes: "The growing friction between the democratic consciousness of the people and their demands to take part in politics and the delayed arrival of legal and reasonable channels of democratic participation could easily cause turmoil."[21]

Before plunging into an examination of how demands for the replacement of the CCP with a democratic system have arisen from the economic, social, international, and political spheres of present-day China, it is worthwhile making a few general points about why China's people believe the present system needs fixing.

Authoritarian regimes are inherently weak. Feedback from society is deficient, society's role in supervising power weak, and norms of elite conduct unstable.

Communist regimes have an added defect: they are ideologically as well as politically separate from society. In states like the PRC, where the regime ideology has also become a living lie, that drawback is severe. Worse than advocating ideals that society does not share, the regime advocates nothing at all. Legitimacy is then based wholly on performance, economic and otherwise.

In a democracy, society both defines the limits of the state and regulates its power. In a dictatorship like China, the state does these things and does them in the interests not of fostering individual development but of protecting its monopoly of power and privilege. As a result, society is constrained and misgoverned while the state is lawless and corrupt. What should be a creative friction between the two becomes one of destructive friction or corrosive favor-seeking. The state favors certain companies, individuals, and political groups over others and represses those who claim equality. That gives rise to a gamut of problems, as explained in our metaphor of the badly run intersection. China is essentially a badly-run intersection at present. "In China today, we need to restrict the powers of the state, and enlarge its responsibilities. Only democracy will allow us to achieve this two-fold change," writes one Chinese scholar. Or to quote a prominent reformist Party scholar:[22]

> Our present system . . . is suited to class struggle not economic development. It is suited to mass movements not the coordinating and orderly management of society's activities. It is suited to personal fiat and rule by man not to democracy and rule of law. The result is that to a large degree our economic and cultural life has been politicized, statized, administrationized. Its natural autonomy and independence has been severely limited.

The resulting tumors of dictatorship—corruption, misgovernance, injustice, instability, and repression—have sparked cries from a wide range of people for a better political system. Corruption is widespread in modern-day China, far more than in neighboring Taiwan or ex-colonial Hong Kong, with which it might be usefully compared.[23] Power without restraint corrupts, and China is full of it—businessmen, students, policemen, judges, cadres—everyone is giving or taking bribes—what one book in China called "China's pain."[24] As the exiled economist He Qinglian wrote: "Corruption has become the biggest polluter of our political and economic systems and a poisoner of our society and people. Solving this is a big issue for the CCP because in history there is not a single corrupt government that has not fallen from power."[25]

The misgovernance that hampers the country's development is no less pervasive. Policy-related errors are the norm. Half of the arable land lost to

desertification since 1949 resulted from policy mistakes. The country's banking crisis stems directly from failed state enterprise policies. Mass protests over urban housing reforms result from a lack of consultation. Attempts by China to assert a leadership role in Asia founder on the lack of transparency in its foreign and military affairs.

In major cross-country surveys of governance, such as those by the UNDP and the World Bank Institute, China fares reasonably well when compared to its peers among lower middle income countries. Government is more stable, lawful, and effective than in similar countries, but regulation, transparency, equity, participation, and corruption remain problematic. What separates China from democratic countries at similar levels of development is that governance shortcomings are attributed to the political system rather than to parties and politicians. As a result, every policy zig-zag, elite feud, massive corruption case, and unexplained decision is met with contempt for the system rather than contempt for just the players. Just to retain the same levels of allegiance from its people, the CCP would have to deliver much better governance. In the event, it cannot. As a result, localized protests and anarchy are the norm. Cadres live on a fragile day-to-day dispensation from the people. The Party admitted widespread local instability in a 2001 book on social frictions across the country.[26] One mainland author has written an entire book on what he calls "the phenomenon of irregularity" (*shifan*) in China, also known as "going off the tracks" (*yuegui*). Economic reforms without political reforms, he says, have created a game with no rules. Until the political system changes, he says, China will remain in a state of "social disorder, chaos and upheaval."[27]

The rise of "illegal" activities is a response to this failure. "As a result of the lack of channels, some people are seeking to express and participate outside the system, creating political instability. This includes the resort to protests and violence," notes one scholar.[28] Such "participation" is not a healthy part of a system that is working but a dangerous manifestation of a system that is patently not working. Unlike protests in a democracy, people in China are demanding that the system be changed, not upheld.

Restraints on freedom, meanwhile, mean that one of the world's most creative cultures is a global backwater of technological, intellectual, and cultural innovation. China's best scientists, writers, film-makers, and would-be politicians can only flourish abroad. Pervasive injustice and the systematic and widespread unfair treatment of individuals means that resentment against the system is high.

Of course, as our metaphor reminds us, not all frustrations are directly aimed at the state. Drivers feel frustrated with each other too. The retarded

state-society relationship means that society engages in internecine warfare. Writers in China write apocalyptically about the pervasive breakdown of social trust and social fabric under CCP rule. One writes of a country living "in a black hole" of social norms and expectations in the absence of a public space to debate these things. Another writes of a country "covered in lies."[29]

None of this is to diminish the modest achievements of the CCP since it began undoing the damage it wrought in the first 30 years of its rule. Since 1978, and as part of its bid to remain in power, the Party has affected a successful transition to a market economy and a more free society. It has opened China to the world and integrated it with the rest of the Asian region. The CCP-led government picks up the trash, catches robbers, issues passports, and manages a stable currency. The trains even run on time. It is better than the state of anarchy into which some nations have fallen. But is this the standard against which we should hold China?

Given its cultural endowment, there is no reason why China is not the Germany or Japan of Asia. Instead, it is a relative backwater by every measure except that of brute size, hardly a mark of success. Democracy would not make China perfect, but it would make it far less imperfect than dictatorship does. There is virtually no issue—be it the enforcement of business contracts, the response to health crises, the making of policy through public input, or the conduct of an effective diplomacy—that would not be improved by a successful democratic transition in China. Many if not most of the problems of China—like casino stock markets, financial crisis, environmental degradation, AIDS crisis, high suicide rates, misgovernance, and international credibility problems—are to a large extent a direct result of CCP rule. CCP rule is the biggest generator of political instability in China.

As mentioned, global experience shows that whatever a country's problems and whatever its inherited legacies, democracy almost always makes things better than they were under dictatorship. To take Asia, democracy does not turn Thailand into Singapore but it prevents it from becoming Burma. Democracy does not turn Taiwan into Japan but it prevents it from becoming North Korea. The Philippines and India, two cases of large poor countries that are whipping-boys for antidemocratic advocates, would probably have broken up long ago into failed states were it not for democracy.

Arguments by CCP propagandists and some Western observers that China is somehow "unique," in its governance needs, making dictatorship indispensable in order to bring about the same improvements in individual welfare that democracy provides elsewhere, have little grounding in comparative political experience. Comparisons between the alleged "success story" of China

and the alleged failures of India and Russia are common. If the comparisons included not only hard indicators of socioeconomics but also more human issues of fairness, dignity, equality, and social dynamism the failings of dictatorship in China would loom larger. In any case, the possibilities of those countries are different. Cultural endowments, historical legacy, and economic choice probably mean that India is living with a lower wealth potential than China under any system. The proper comparison is not India under democracy versus China under dictatorship but each country under either democracy or dictatorship. In both cases, evidence suggests democracy wins hands down. Concludes one Party reformer: "Taking the first step toward democracy is the key to China becoming a modern nation."[30]

Of course, this assumes the feasibility of democracy and successful transition to it, the subject of parts 2 and 3. For those who believe the Chinese are incapable of running a democracy, those potential gains do not exist. To quote one pessimistic Western scholar, under democracy "the political process would be dominated by a relatively small number of powerful elites, urban groups, emerging new influentials (notably private businesspeople) and foreigners; and the bulk of the population, including urban marginals, and the vast rural population, would in all probability be disenfranchised, in reality if not in form."[31] Yet that is a perfect description of China today. It is a result of dictatorship, not democracy. The rural population could not be more disenfranchised, "the world's biggest population without political representation" according to one leading scholar in China,[32] while foreign businesspeople could not be more frighteningly influential.

In any case, China's people themselves increasingly reject the view that they are incapable of sustaining a democracy. As one scholar commented after an in-depth study of a city in Henan province: "Civic, legal and equality consciousness is being quickly raised by the development of the market economy. . . . In the face of such deep changes, the system based on repression is out of step with people's expectations."[33] Or as another scholar noted: "For a China long ruled by feudal dictatorship, without democratization the modernisation drive will ultimately fail."[34]

Thus have China's people reached a point where they believe democracy is necessary for creating a healthy economy, society, and polity. The demands for civil and political liberties, writes one scholar, have generated a whole new liberal mainstream in China "strongly committed to a free society of responsible individuals." Since democracy is the only system known to ensure such liberties, he says, "the opportunity for China to finally get on the liberal democratic track is not inconsiderable."[35]

Sustaining Economic Growth

Economic growth has become the central justification for continued CCP rule since Mao's death. While the economy may decide the fate of individual governments in a democracy, in China it determines the future of the entire political system. As one Party scholar wrote: "If we are unable to unlock the productive forces of society . . . a socialist system will lose the support of the people and be in real danger of overthrow."[36]

Have there been gains in material welfare in the reform era? The answer is undoubtedly yes, using the broadest indicator of welfare, the Human Development Index calculated by the UNDP. In the two decades to 2000, China's HDI index rose by 31 percent. That gain was comparable to the 33 percent gain registered by India over the same period. While this does not sustain claims of a "China miracle," it does reflect a modest overall improvement in living standards. By 2000, the average Chinese was living to 71, compared to 63 in 1975.

The Party claims credit for China's material advance since 1978, arguing that without the firm hand of dictatorship, important infrastructure projects would have been delayed, foreign investment deterred, and market-oriented reforms impossible. Yet that argument has several flaws, all noted in China. For a start, of course, the CCP has been essentially cleaning up the mess that it created in the first three decades of its rule. Second, actual gains have been fuelled largely by one-off redistributions of capital and labor away from agriculture into industry and services, and by the marketization of the economy. This decentralization and liberalization, the withdrawal of the state from economic life, is little related to the alleged benefits of strong authoritarian rule. Third, the gains captured by income figures are certainly overstated. GDP growth has probably been overstated by a fifth in the reform era as a result of statistical exaggeration. Meanwhile, China's given level of GDP overstates the resulting welfare because of unproductive investments—ill-considered and ill-built projects as well as social and environmental degradation.

Like Bismarck and Stalin, CCP rulers pride themselves on opening new superhighways and power plants. Yet these are often badly underused. The 3,300-megawatt Ertan dam (roughly half the generating capacity of the Grand Coulee dam), loses hundreds of millions of dollars a year because most of the power it generates cannot be sold. About 90 percent of the 143 airports built by 2001 were operating at a loss. The same logic—high investment but little gains in welfare—applies to foreign investment. A total of $400 billion poured into China between 1979 and 2001. Yet this flow was largely attracted by the

country's distorted economic system—everything from a lack of finance for private enterprises to regional market barriers.[37]

The lack of open political institutions also has bred widespread economic corruption. That matters because it undermines claims that the CCP has gained legitimacy from the reform era. While the sanctioning of corruption might have made it easier for Beijing to launch reforms, it has also undercut the value of those reforms. Corruption is variously believed to be the equivalent of between 10 percent and 20 percent of GDP. Foreign investors like American foods company Pepsi and British automaker Rover both found their local partners engaged in corruption in 2002.

One result is that China's income inequality now rivals some of the most skewed countries in Latin America or Africa. Throughout the 1990s, only the richest one-fifth of people in China saw their incomes grow at rates equal to or higher than overall economic growth.[38] Poverty has fallen from around 32 percent to 11 percent of the population since reforms began. But those people did not vault into the middle class. Rather, they scraped across the imaginary line from starvation to survival. This is reflected in the measure of overall inequality, the Gini coefficient, where a figure of 0 represents perfect equality (everyone earns the same) and 1 represents perfect inequality (one person earns all the income). China's Gini expanded from 0.15 in 1978 to 0.45 by the turn of the century. Some commentators, pointing to the vast underreporting of income by the rich and the in-kind privileges and benefits they receive, put the true figure at 0.5 or even 0.6. The Party is well aware of the consequences: "If this income gap is not controlled within a certain range, it will shake people's faith in the Party and could even kill the reform effort," says a top-level report on threats to Party rule.[39] The attempts to explain-away income gaps as a result of markets rather than political unfairness increasingly fall on deaf ears. Notes one journalist in China: inequality "is the natural result of a feudal political system married to bureaucratic capitalism."[40]

The impact on workers and farmers, 70 percent of the population and the very social groups that the CCP is supposed to favor, has been dire. Wages have fallen, conditions have worsened, and job security has virtually disappeared. The official urban unemployment rate of 3 percent is reckoned to be closer to 10 percent if unregistered and temporarily laid off workers are taken into account and will reach 20 percent by 2010. In a democracy, workers can protect their interests by forming unions, lobbying politicians to maintain minimum wages and safety standards, and using the notion of social contract to garner support in an open society. All of that is prevented under CCP rule. Moreover, with no input into the political system, workers cannot influence Beijing's fondness for capital rather than labor-intensive growth, nor can they

moderate Beijing's export drive with demands for a living wage and safe work conditions. Beijing pours tens of billions of dollars into senseless "techno-nationalism" projects like a Mars mission, a high-speed magnetic levitation train, gargantuan water engineering projects, and cutting edge semiconductor factories while the majority of its urban and rural workforce endures income stagnation. Some layoffs in the state sector were inevitable with reforms. But the "democracy deficit" has made the adjustment much worse. Efficiency gains might have been more evenly distributed, the timing and method of adjustment more favorable to workers, and the national growth strategy one that provided more new job opportunities. The ineffectiveness of the state-sponsored All-China Federation of Trade Unions, now seen as a tool of tycoons, has spawned a whole underground union movement as well as frequent protests by disgruntled workers. By 2002, Beijing had 41 workers in jail for advocating worker rights. "Employers can organize business associations but workers cannot organize their own unions," complains one scholar in China.[41]

Even less can be said for the country's 850 million rural-dwellers, and especially the 600 million who still rely on farming, who have been subjected to systematic and explicit discrimination throughout PRC history. In the reform era, that has manifested itself in a yawning urban-rural income gap, which doubled to a level of five to one by the turn of the century, 60 percent of which one scholar attributed to policy rather than natural causes.[42] Yet income measures alone cannot capture the full extent of welfare losses suffered by the peasantry as a result of the PRC's Stalinesque policy of squeezing the countryside to build the cities. Controls on internal migration in place since 1955 have prevented the normal process of income equalization. The 100 million migrant workers who find their way into towns and cities cannot secure adequate education, health, or housing. Those who remain in the countryside suffer from low public investment in rural education and health and controls on their economic activities like the right to own land. According to the WHO, about 80 percent of China's health budget is spent in cities, while less than 10 percent of peasants have any health protection now versus 90 percent in the Maoist era.

Unlike workers, peasants do not have even a state-sponsored representative body, the formation of which has been long resisted by Beijing fearful of the political impact. They are counted only as one quarter of a person in the apportioning of seats to the national parliament. One peasant advocate in China calls the entire system "a contravention of international human rights agreements and an insult to people's dignity . . . an exploitation of people based on a lack of equality, rights and respect."[43] In the absence of organized

representation, rural China is now alive with mass protests involving tens of thousands of people. They take the form, according to one official report, of "putting up posters, destroying crops, burning haystacks, exhuming the ancestral graves of cadres, and direct attacks on Party leaders and government offices."[44] One intellectual who made a four-month trek through the villages of the Yellow River sees one solution to the plight of China's peasants: "The critical aspect of political reform at present is to push forward democratization."[45]

Now switch gears. Assume that all the injustice, inequality, waste, costs, and pure heartbreak of the marketization of China's economy between 1978 and the end of the twentieth century was somehow worthwhile. A bigger question is whether the same program is sustainable in the first decades of the twenty-first century. If the argument for democracy was not compelling at first, it is certainly compelling now. For the same democracy deficit that hampered and misdirected the gains of the first two decades of reform is now preventing China from creating sustainable growth for the coming decades. Note two scholars in China: "The biggest advocates of political reforms today are not academics and intellectuals but economists and businessmen who appreciate most keenly the need for political reforms to keep up with reforms in their areas."[46]

Here we consider five aspects of sustainability: innovation, effective regulation, safety, environmental protection, and financial health.

Gains from reallocations of labor and capital out of industry are likely to dry up as a source of growth by 2015, according to the World Bank. The gains from marketization will also end sometime in the first decade of the century. Already, growth is more and more dependent on fiscal stimulus, without which, the premier Zhu Rongji said in early 2002, the economy "might have collapsed."[47] That means China's economy will have to rely more and more on technical improvements to grow. As is well known, innovation thrives under democracy. It requires open information sources, free debate, guaranteed rights, and secure contracts—of the sort that only democracy has proven consistently able to deliver. The necessity of democracy to spur technological change was noted in a famous speech by liberal Party elder Wan Li in 1986. A prominent scholar of the Central Party School repeated the call a decade later: "The serious lagging of political reform is now a major obstacle to sustainable economic growth."[48]

Yet at present, China's technical innovation capacity is woefully low. Its best scientists and entrepreneurs go abroad—82 percent of engineering, computer science, and physics graduates from Qinghua University left the country in 2001[49]—or register their companies abroad, because of the uncertainties

of pursuing their vocations in China. Its home-grown companies, nurtured on clientelist ties to the state, find they cannot compete in world markets. All that creates a pressing demand in society for the openness and security of democracy. As one economist wrote in a state report: "There is not a single successful market economy in the world that is not also a democracy."[50]

Closely tied to innovation is the need for effective regulation. Here, reform China may have created one of the world's most badly regulated economies. Smuggling, counterfeiting, fraud, extortion, tax evasion, gangsters, and cronyism thrive on a scale never before seen. Half of the four billion contracts signed every year are fraudulent in some respect, according to official estimates. An estimated 40 percent of all products made in the country are either fake or substandard. The central government estimates that 80 percent of private entrepreneurs avoid taxes in some way. Meanwhile, two-thirds of the biggest 1,300 state enterprises keep false accounts.

The costs of this are real. Credit cards, checks, and e-commerce cannot develop. People die from fake booze. A black market in human organs thrives. Long-term private investment is stifled. Critical public investments in research, social welfare, education, and health are impossible. Public assets are privatized, plundered, and left to rot. Growth becomes almost impossible. Without free newspapers or opposition parties, the control of wrongdoing becomes stalled by closed political networks. The argument for CCP-style reforms, wrote three U.S. economists, "may be overlooking the social tensions being created by the asset-stripping, corruption and macroeconomic instability" which "may cause a popular rebellion against the regime."[51]

A strong central state could, in theory, impose order and regulations to create the "economic society" necessary for a properly functioning market economy, as Chile did in the 1970s. But in China, the decentralization of power that accompanied reforms and the rise of crony business networks both mean central edicts are a weak tool. Indeed, it is the state itself that is involved in most of the malfeasance. The only way to create the "economic society" of markets and rule of law is to limit political power. One Beijing scholar notes that the argument that dictatorship would spur growth by reducing the "transaction costs" of democracy has been turned on its head by the reality of widespread scams and inefficiencies bred by the closed political system. "The price we have paid is considerable, even massive. This is why it is urgent to begin democratic political reforms."[52]

Safety problems also stem from the lack of political oversight. Road safety is a good barometer of a state's ability to regulate a growing society. China's annual road carnage was 106,000 people in 2001, making it the world's most dangerous place to be in a vehicle, measured by deaths per vehicle on the

road, and twice as deadly as in 1985. A person is 30 times more likely to die when getting into a vehicle in China than in the United States. Other types of accident are no less frequent: workplace accidents—everything from factory fires to flooded mine shafts to firecracker explosions—took another 25,000 lives in 2001. One mainland writer compares the response to accidents with that in newly democratic South Korea. "When a bridge collapsed in Seoul in 1995, the mayor resigned and seven city officials were arrested. But in China we have a daily parade of major accidents and the only thing that happens is that the relevant officials are praised for their work in the relief effort."[53]

Ineffective regulation is perhaps seen most starkly in environmental degradation. Official and unofficial estimates put the annual losses due to pollution (both direct costs to agriculture and industry and indirect costs to health and buildings) at the equivalent of 4 to 8 percent of GDP. In addition, ecological damage (deforestation etc) is estimated variously at another 5 to 15 percent of GDP per year. This means that the economic value of China's natural assets is being reduced in a way that will constrain long-term growth.

There is also a cultural capital degradation that is harder to estimate. UNESCO officials constantly decry the degradation of the country's great cultural sites. Soaring new hotels have marred the riverside scenes of once-idyllic Guilin, while waves from tourist boats have eaten away at the river's Buddhist carvings. Cable cars have covered the country's once-sacred mountaintops.

This environmental disaster was not a necessary accompaniment to economic growth but an avoidable result of a lack of political pressure and open society. One farmer in Inner Mongolia who tried to prevent the illegal logging of hillsides near his home was arrested after he found evidence implicating local officials in the problem.[54] Scholars call the Three Gorges dam decision in 1992 a massive policy failure that relates directly to the closed political system. Saving China's environment, according to the World Bank, requires "a significant change in development strategy" that includes "public participation in environmental decision-making."[55]

Finally, the financial crisis bred by Beijing's flawed state enterprise reform strategy increasingly constrains growth prospects. By allowing corruption to steal away the best parts of the state sector, Beijing is left controlling the dregs. The state's big four banks are politically mandated to lend to these losers irrespective of performance. The result is a banking system where perhaps half of all loans are never going to be repaid. To keep savings flowing into state banks, the government mandates low interest rates and limits the activ-

ities of private and foreign banks (something unlikely to change despite WTO promises).

Public confidence in state banks is weak. One result is capital flight. Estimates vary but a safe middle ground is that around $25 billion was leaving China every year at the turn of the century, most of it never to return. Another result is that finance is pushed underground. As much as half of all the money in the country's stock markets, a total of $100 billion, comes from illegal investment schemes.[56] The state's use of the 1,300 listed companies as vehicles for the enrichment of local cadres causes wild swings in official policy. It also creates dangerously unstable fiscal conditions. The amount of outstanding public debt as a percentage of GDP exceeds 100 percent if pension and implicit guarantees to the banking sector are included.

Internationally, the pressures for a better financial system are immense. Analysts expect the Renminbi to become the world's fourth most heavily traded currency once it is convertible, expected around 2010. As the steward of one of the world's major currencies, Beijing will need a predictable and open monetary policy-setting apparatus. Yet the current system fails to deliver that because financial policy is driven by the changing imperatives of sustaining Party rule.

Overall, the picture is of an economy that could profit from a heavy dose of democracy. China's economy has grown quickly but unevenly, unsustainably, and even dangerously. Crisis looms on many fronts, from peasants to pensioners, from bad loans to bad products. What might have been a South Korean or Taiwanese style emergence into a relatively equal and robust market economy has instead become a Latin American-style land of corruption and inequality. "In delaying the introduction of democratic reforms," notes one Chinese scholar, "the Chinese have missed the best chance to provide an equal start for everyone in the marketplace."[57]

It's never too late to curtail the losses of course. Many scholars in China now hearken back to Deng Xiaoping's words that political reforms are the real marker of economic success. "If the top priority of China's rulers really were stability through the difficult times of remaining economic reforms," concludes one Western scholar, "then they would already be working assiduously to democratize China."[58]

The Social Malaise

On a chill winter's day in Beijing, a father and his daughter strolled into Tiananmen Square to watch fluffy snowflakes floating to the ground. As the

snow accumulated, the girl rolled a small clump into a chair-sized ball. Her father placed a smaller one on top with a few pebbles on the front and two sticks at the sides. The first snowman of winter was born.

Within minutes, a soldier appeared. No one had approved the building of the snowman, he barked. It was therefore an "unauthorized structure"; in a single kick, his knee-high black boot toppled the frosty-looking threat. A poem later appeared on the Internet describing the event.[59]

Snow is falling on Tiananmen
Pure the snow falls, just like one of your dreams

Suddenly a soldier's voice thunders
"Making a snowman? Don't you know what place this is?"
Smashed beneath the soldier's gun
Left behind are only his cruel boot marks
Black marks imprinted everywhere
Abruptly the child's song is stilled
The world falls silent
The entire world is benumbed

Please forgive me, my child
I have failed in my duty
I am at your side
But I cannot help you
The cowardice of your father
Of tens of millions of fathers
Gave rise to that rifle's insolence

Father can give you a comic book
Father can take you to McDonald's
Father can give you a robot toy
But father cannot give you Tiananmen
He cannot give you a little fun today

How absurd will China's future be
When a snowman cannot be build in the country's heart?
China's flowers cannot let loose their child's spirit
The snowman has no right to exist
The child's spirit has no right to exist
Dreams have no right to exist
To whom does Tiananmen belong?

As philosophers from Confucius to Kant have noted, man is essentially a moral being whose life goals are defined in terms of his ability to pursue a moral conception of what is important and worthwhile. Economic benefits and market freedoms certainly help with this quest. But they are a means to an end. Just as critical, perhaps more so, are guaranteed rights and freedoms so that people can pursue their chosen dreams. Some people dream of building a snowman in Tiananmen Square.

Whatever the material gains of the reform era, they are far from proof that China's people should be happy with their rulers. While some prosperity has come to some parts of China, freedoms, rights, and justice remain highly undeveloped. If so, the philosophers tell us, people's deepest aspirations will remain at best only partly met. It is no coincidence that revolutions against tyranny often happen in economically growing countries—Poland, South Korea, Brazil. Partly that reflects the empowering of societies. But the motive for change (as opposed to the means) is also grounded in the fact that material gains alone do not satisfy human needs. To quote the UNDP: "The most benign dictatorship imaginable would not be compatible with human development because human development has to be fully owned. It cannot be granted from above."[60]

In China, the moral being is increasingly making its presence felt. While the introduction of markets did enhance freedoms, the failure to reform the political system meant that a whole new dimension of injustice arose. Material gains were unfairly distributed to corrupt cadres, privileged urban-dwellers, men, the healthy, the smartest, and the well-connected. If we view society as a fair system of cooperation, then there is a good argument that China is worse off today from a moral, and thus a fundamental, point of view. As one mainland scholar wrote: "If there is no democracy then we should discount our livelihood greatly and in fact we are living just an idiot's existence. Without democracy the significance of the Chinese people is very limited."[61]

Some, especially among the disadvantaged, express their discontent by championing a return to Maoist ideals, if not practices. Scholars and intellectuals, meanwhile, have launched a whole new "anti-GDP" discourse which rejects the idea that material gains should be the marker of success. "We need to ditch the growth-centered strategy and choose a new strategy based on social development . . . grounded in humanism and justice, one that holds high the banner of fairness and morality," writes economist He Qinglian.[62] Another scholar, writing in a book published in Beijing in 2000, calls for a return to "ethical and human-centered" development instead of "GDP as the sole criterion of truth."[63]

While the space for individual behavior has widened in the reform era, this is not the same as freedom, which means being free from the very possibility of arbitrary state interference. China's people still live with the risks of attracting state attention. As a result, they develop strategies of behavior to avoid it and develop a sense of the self as subordinate to state power. The state may interfere less, but it dominates just as before. In the U.S.-based Freedom House rankings, China, receiving a civic freedoms score of 6 (with 7 the worst and 1 the best), keeps company with the likes of Vietnam, Rwanda and Bahrain. Fear of the state, relates one mainland scholar, is "deeply ingrained . . . in the minds of the Chinese people."[64]

At the personal level, this has a devastating impact. China is among Asia's most dispirited countries, alongside North Korea and Singapore, an unlikely achievement given its rich traditions of humor, sociability, and zest for work. When you step across the border into Guangdong from Hong Kong—Cantonese societies both—the joie de vivre of life in a free society is replaced by the torpor of life under dictatorship.

Dictatorship impoverishes individual life in China by limiting the space for self-realization. The lack of individual rights creates a society of passive subjects rather than engaged citizens. One mainland scholar paints an eerie portrait of a society characterized by "disorganized hedonism, a disregard for justice and, above all, a devastating poverty of moral and cultural resources for self-critique and self-betterment."[65] A former Chinese official describes the same malady: "Under this dictatorship, on the surface everyone is happily dancing, but in their bones they are slowly becoming paralyzed. One person of great potential after another is sent off to death. . . . In the end, every one of them has been given a burial by dictatorship."[66]

Many avoid that burial by fleeing the country. About 60,000 a year emigrate to North America while an equal number leave for Hong Kong, many bound for points beyond. Untold thousands drift illegally into Southeast Asia, Russia's Far East, and Japan. China's finest writers, like Nobel laureate Gao Xingjian, live abroad. The ones who gain fame at home attract audiences by penning stories about moral turpitude, hedonism, and cynicism. "Chinese literature in the twentieth century time and again was worn out and indeed almost suffocated because politics dictated literature," Gao said in his Nobel acceptance speech. "If the writer sought to win intellectual freedom the choice was either to fall silent or to flee."

Others respond with suicide. More than 300,000 people a year take their lives in China, a rate of 21 per 100,000 people, double the rate in the U.S. and India, and comparable to Japan's much-publicized and bemoaned rate.

The highest concentration is among rural women, who suffer from the PRC's lack of enforced individual rights on several levels.

Beijing's response to demands for individual rights is shot full of contradictions. Claims that individuals are perfectly happy without rights—busily engaged in stamp trading or mahjong games—reflect the high costs of trying to exercise such rights not the lack of demand for them. The few brave individuals who try to assert such rights quickly find themselves staring at prison walls. Meanwhile, Beijing's claims that rights to subsistence must supersede political rights—even if that were empirically proven, which it is not[67]—beg the question of why the 90 percent of China's population that lives well beyond subsistence is not given more rights. Claims that "group rights" must be considered, meanwhile, disguise the fact that not all groups are allowed to organize and claim attention. China's gaping income inequalities and systematic discrimination against its largest group, peasants, gives the lie to Beijing's claim to protect groups.

As elsewhere, attempts to discredit universal rights standards prove in China to be a shabby excuse for dictatorship. To quote one leading liberal in an article in a Guangzhou newspaper: "At root we are all people with the same basic desires. . . . Do the Chinese willingly live in a prison with no rights? . . . Do we wish someone else to keep our mouths shut?"[68]

Ineffective social policy and debased social capital are prominent macro-level results. Social policy covers many areas: here I consider just three: health, housing, and population. In all three, the essential problem is the same. The lack of public input into policymaking means they are either misguided or lack legitimacy or both. Implementation either fails to address problems or faces resistance.

China has achieved significant gains in overall health during the reform era. Life expectancy has risen by eight years and infant mortality has halved. Those gains largely reflect increased income, which has improved nutrition. The provision of health care for the least advantaged, however, has steadily deteriorated. China ranked 188 out of 191 in the World Health Organization's rankings of fairness in financial contributions to health care in 1997.

Beijing is unable and unwilling to respond effectively to health crises. Democracies are better at handling epidemics because of open information flows and pressure on politicians to act. The successful response to AIDS in Brazil, Thailand, and India proves the point. China, by contrast, faces the worst AIDS epidemic outside of Africa. It is expected to have 10 to 20 million AIDS victims by 2010, the most of any country. Yet the leadership's response, given a lack of public pressure, has been to ignore or downplay the problem,

a shortcoming the UN has decried with increasing alarm. The same handicaps were evident in the handling of the SARS crisis that gripped the country in the first half of 2003.

Urban housing reforms, forcing people to buy and manage their own homes rather than depend on state flats, have not been accompanied by greater social participation in the making of urban housing policy. Decisions on zoning, property taxation, utilities, and much more lack popular legitimacy. In 2001, for example, the municipal government of Guangzhou forced all residents to remove metal gates from their apartment doors claiming that the gates gave the city a bad image. After police had torn down thousands of gates, the plan was abandoned due to open resistance. The *China Youth Daily* quoted one local scholar saying that the incident proved that dictatorship not democracy is the more costly system. "My teachers used to say socialism was superior to democracy because we could make decisions fast. But what are the costs when those decisions are wrong?" he wondered.[69] Across China, housing-related issues are now one of the fastest-growing sources of open protest. This issue is bound to rise in importance as urbanization, which went from 18 percent in 1976 to 36 percent by 2000, continues.

Finally, population controls have had an unnecessarily negative impact on society. Beijing claims to have averted 340 million births from 1979 to 1998 through its controls—essentially one child for urban dwellers and a second for rural residents if the first is a daughter. Partly, the statistics are overstated since many births of females go unreported. An estimated 80 million people have no legal existence in China. More important, the results should be compared to what might have been achieved through voluntary family planning, investment in female education and opportunities, and the free provision of contraceptives. The Nobel-winning economist Amartya Sen has shown how the same results can be achieved—and have been in countries like Thailand, Indonesia, and parts of India—even while protecting individual rights.

China's draconian approach—the approach of dictatorship—has had dire collateral consequences. By 2000, the ratio of newborn boys to girls was 117 compared to 107 in 1982 and a world average of 105, mainly a result of underreporting of girls and sex selective abortion forced by the one-child policy. Birth control policy is one of the main drivers of bad relations between cadres and farmers, the subject of literally thousands of physical attacks of rural cadres responsible for fining or aborting "excess births." It is also, not incidentally, a source of major official corruption for officials who take bribes to look the other way. Whole patterns of behavior are created—cohabitation, migrant life, etc—to get around the policy, robbing the country of productive

lives. About 150,000 babies a year, mostly girls or disabled, are abandoned on the streets, a few of which are lucky enough to be adopted abroad.

Some argue that Beijing should just switch to a policy of voluntarism. But lacking the broader democratic pressures to create the necessary infrastructure—targeted poverty alleviation, a focus on women's rights and status, an end to population control as an indicator of cadre success—this seems unlikely. As with so much in modern-day China, the state cannot simply borrow "advanced techniques" from elsewhere and graft them onto its dictatorship. In the words of one expert: "Genuine voluntarism cannot live in the midst of China's regulatory and punitive administrative culture."[70]

The decline of social capital is another dimension of China' social malaise under the CCP. Crime has risen so high in the reform era that many travelers prepare special "robber purses" to hand to thieves who waylay their buses or trains. The crime rate reached 163 crimes per 100,000 people in 1998, triple the rate in 1978. Even so scholars say that this is probably a vast underreporting. There were 4,000 police killed in the 1990s versus 1,000 in the 1980s.[71] As with corruption, it is misleading to blame the rise in crime on marketization or social transition. The real problem is the lack of accompanying political reforms.[72]

Beijing's response to crime hearkens to the worst aspects of dictatorship: mass blood-letting and little due process through periodic "strike hard" campaigns. During the period 1997–2001, an average of 15,000 people a year were put to death or shot dead by police, accounting for 97 percent of the world's judicial executions in 2001.[73]

Social capital, the glue that allows members of society to undertake cooperation without formal arrangements, is a resource that underpins successful market economies as well as successful societies. It emerges through the norms and expectations of a society built by free individuals. In post-totalitarian states like China, social capital is at its lowest. The collapse of the top-down ideology and the failure to empower society to forge its own replacement creates a corrosive situation of expanding individual choice but no social norms. Notes one scholar in China: "When the state gives up direct control of people's lives, people have no idea of how to consolidate and secure their personal positions, and on what basis to have relations with other people."[74]

The results of China's degraded social capital are all-too apparent. People lie and steal as if it were the most natural thing. One Chinese scholar calls the country "a nation of hypocrites."[75] Books with titles like "China Covered in Lies" and "Can We Trust Anyone These Days?" pack newsstands. Rather than normal open channels, rent-seeking, backdoor methods, and plain screw-

ing your buddy thrive. In the words of one scholar in China: "China is now in a state where every social class has a strong feeling of being exploited by the others, leading to a situation where each class condemns the other and does not trust the other. As a result, there is no mechanism to restrain people, which inhibits political stability."[76]

Of course social capital can be built outside the political sphere from cultural sources like religion, ethnicity, tradition, or rationalism. Indeed, as in the Cultural Revolution, Chinese society seems to hang together mainly because of these things. But alone, these things cannot sustain the system without regeneration from within. Political imperatives mean that regeneration is difficult. State constraints on religion, for example, driven by a well-founded fear of morally committed and organized believers, prevent the development of civic culture. The ongoing repression of the Falun Gong group, a qigong sect that rocketed into public attention when 10,000 of its members surrounded the Zhongnanhai complex in 1999, is the best example. The official *China Society* magazine called the crackdown "stupid": "In today's China . . . there is no effective ideology. Life in a faithless, isolated, insecure society in which people cannot tell black from white is just the same as a life in hell."[77]

In the end, society can only be rebuilt through freely associating individuals recognized and treated as moral equals by the state. That is a conclusion spreading far and wide as the social malaise deepens. Notes one scholar: "China's ethical slide can only stir up renewed political debate about the need for democracy."[78]

A *Troubled Diplomacy*

While China is a poor country with little impact on shaping the norms of international behavior at present, it has a linchpin role in Asia's security and economic development and will probably enjoy a rising profile in international diplomacy in coming decades. As a constructive partner, China could, like India, enhance Asian regional security, play a prominent role in seeking global equality, hugely assist international environmental efforts, and enhance world cultural diversity. As a menace, it could cause a lot of damage. Because of its border disputes with India and Russia, claims to Taiwan and an archipelago of reefs in the South China Sea, 400 nuclear warheads, and around 30 long-range nuclear missiles, China is a potential headache the world could do without.

That means the question of whether China has a government prepared

and able to conduct a foreign policy that enhances stability and development in the world matters for everyone. At present it does not.

The mirror-image of the CCP's domestic goals of reordering and controlling society are its global goals of reordering the world system and dominating Asia. The CCP has defined its main aims in diplomacy as realizing by mid-century a *qiang guo meng*, or "strong country dream." It seeks to create "a new world order" and draws under its tattered standard outcast regimes like Zimbabwe, Cuba, and Burma. All this is at odds with the expectations of a responsible power in the twenty-first century. That notion is a state that helps to maintain global peace, uphold human rights and promote democracy. Beijing's outmoded view of competitive and inviolable state power clashes loudly with prevailing international norms. It seeks to join the world community while rejecting world norms and rules. As a result, it faces a constant "crisis of international respectability."[79]

Putting aside the interests of the world, this is a major concern for China itself because powers that run amok in the world system are usually brought to heel in a way that makes them suffer the most. By portraying itself as an aggrieved power demanding respect lest it cause trouble, Beijing encourages the rest of the world to treat it with "caution and circumspection."[80] As one Chinese writer notes: "China needs to make a fundamental choice: whether or not to stand on the side of world freedom and democracy, which represents the mainstream and direction of our time."[81]

Of course, Beijing is not alone in debating international norms. In Asia, for example, India, Malaysia, and Indonesia, to name a few, are constantly seeking to influence global norms, as they should. An open policy process allays fears of neighbors—a big reason why nobody fears India even though it frequently spouts anti-Western bombast. China's outlier foreign policy might be less of a concern if its political system were more democratic. Since it is not, it turns what might be constructive criticism into destructive dissonance. As one liberal reformer put it: "If we don't launch political reform, we'll bring upon ourselves the dread and disgust of the world."[82]

A democratic government, as Kant first began to outline, tends to make and implement foreign policy the same way it does domestic policy. Multiple voices contend and debate in an open setting until a consensus is reached and cooperation and peace sought with neighbors in the interests of making individual lives better. Kant's democratic peace—the proposition that democracies do not fight one another—is one of the few iron laws of social science.

China's undemocratic system produces the opposite: secrecy, extremism, and aggression. As in domestic politics, the CCP imperative of identifying

and crushing enemies and admitting of no weakness makes it a bad diplomat. Without the legitimization provided by regular elections, the regime must seek popular support through external aggression. In the experience of the last British governor of Hong Kong, Chris Patten, China's diplomats acted like "guerilla fighters" rather than negotiators: "The Chinese system meant that their negotiators would have no room to question their instructions, would not always know the overall strategy behind the negotiations, and would have only one order and that would be to attack, to surrender no ground, and to come back with a clear-cut victory."[83]

Journalists and scholars are rewarded not for questioning state diplomacy but for fanning nationalist flames. Those who do the opposite find themselves imprisoned or the subject of virulent official attacks. The military, meanwhile, which dominates security policy and comes to the fore anytime there is a more general foreign policy crisis, "displays a distinctly insular and non-cosmopolitan worldview."[84] In short, the lack of a democratic system makes everyone a hard-liner.

Some argue that the PRC system allows for a consistency in foreign policy not subject to mere "domestic interests." Yet the consistency on things like noninterference and UN policies is a sign of a weak state. China has little choice if it wants to retain some voice. But that could easily change as its power grows, as the occasionally lamentable behavior of the United States shows. Second, consistency is of value only when the policy is consistently positive for the world system. China's is not: it consistently threatens Taiwan, consistently maintains ties to rogue regimes, and consistently scuppers UN attempts to uphold globally accepted human rights standards. It's a consistency the world could do without. Far better would be an open if erratic policy that was more constructive. As we shall see, even a more aggressive China in democratic transition might be preferable.

The failures of CCP diplomacy can be seen best in its border empire: the two inland regions conquered by the Qing dynasty—Muslim Xinjiang and Buddhist Tibet—and coastal entrepôts claimed by Beijing after their decolonization—Hong Kong and Taiwan. Empires are difficult to maintain at the best of times given scarce resources and antipathy toward the colonizer. The difficulties are compounded by the fact that China is not a world leader, or representative of the world's advanced ideas. That means Beijing is forced to rely solely on old-fashioned, and expensive, coercion. Yet the cost—not just financially as in Tibet and Xinjiang but also politically as in Taiwan and Hong Kong—is a huge drain on the state and its people.

Today, Xinjiang is rocked by constant bombings and riots against Chinese rule, more than 1,000 "violent incidents," in 2001 alone.[85] Tibet is less in

turmoil but is a bigger black mark on Beijing's global profile, "the single most negative factor as far as China's international image is concerned" according to one European parliamentarian.[86] Taiwan, meanwhile, is the biggest sore point in U.S.-China ties and a major threat to China's domestic well-being since an attack on the island would almost certainly cause sanctions on China. In Hong Kong, where voters regularly cast two-third of their ballots for pro-democracy candidates, rule from Beijing since 1997 has resulted in a clear deterioration of rights and a concomitant increase in domestic unrest.

A democratic nation limits these costs either by granting the colonies independence or by providing them with enough autonomy to accept imperial rule. Democracy has ensured national unity in diverse countries like India, the Philippines, South Africa, Spain, and Canada. By contrast, autocratic empires break up when the center's resolve weakens, as it did in Yugoslavia, Russia, and Indonesia. Beijing unwittingly portrays itself as the world's last great autocratic empire by citing those examples to justify CCP rule. Yet it cannot pursue a "democratic foreign policy," in its near empire because that would redound at home.

It was not always so, of course. In the early days of communist China, Mao and Zhou Enlai were indifferent to the future reclamation of Taiwan and Hong Kong and imagined a Tibet and Xinjiang living in high autonomy with a voluntary federation-like relationship with China. Yet as the communist state veered toward tyranny in the late 1950s, the external manifestation was a hardening of positions on empire. The KMT had gone through the same U-turn in the 1930s. Today, democracy is the only solution left to the crisis of CCP rule in these places. No amount of PRC leniency or concessions will resolve the illegitimate nature of PRC political power in the eyes of the colonized. Beijing leaders implicitly acknowledge the legitimacy problem in noting that, in the Tibet case, unrest rose in the 1950s and 1980s when accommodating policies were pursued.[87]

Within the rest of Asia, China's "strong country dream" generates significant unease. One example is the Shanghai Cooperation Organization, a regional security pact set up by Beijing in 1996 with its four Central Asian neighbors and Russia. Central Asian members fear that Beijing's agenda is to control their oil resources and isolate them from the West. Russia fears expanded PRC influence in Central Asia. As a result, two members have since negotiated bilateral security pacts with the United States, while the organization played virtually no role in the U.S.-led anti-terrorist war on its doorstep in 2001–2002. One scholar calls the group "stillborn."[88]

Suspicions of China's intentions also explain why Singapore, Thailand, and the Philippines maintain loose but clear alliances with the United States.

The region's countries have not been reassured by Beijing's behavior in the South China Sea, where it asserts ridiculous claims to sovereignty over reefs and islets as far as 2,000 kilometers (1,240 miles) south of Hong Kong, and backs them up with military expeditions and installations. Like its near empire, Beijing cannot admit of a democratic solution to these claims without undermining its rule at home.

It is in relations with Japan, however, that the costs of CCP rule are greatest. Japan brings out the worst of CCP: jealous and racist cultural resentment at a Confucian land populated by "pirates and midgets" that is richer and more successful than itself; rabid anti-foreign nationalism unable to seek reconciliation for the wounds of World War II; and fear-mongering portrayal of renewed Japanese militarism to justify its own stern rule at home.

Like other Asian nations, China suffered extensive loss of human life and property from Japan's war in the region in World War II. However, unlike other countries, notably South Korea, China cannot accept Japan's apologies and seek reconciliation, because its founding legitimacy was grounded partly in the war against Japan—its national anthem is an anti-Japanese folk song written in 1935. War history is used, and abused, to legitimate CCP rule. Schoolchildren are not told of Japan's frequent apologies, and adults are not reminded that the United States and the KMT helped force Japan out of China. In a country where most museums are shabby and uncared for, the Anti-Japanese War Museum in suburban Beijing spares no expense. Chinese do not know that Japan is the country's largest aid donor or that it built Beijing's new airport. Beijing's claims that Japanese militarism is reviving ignore the cause of cautious Japanese rearmament: concerns of a rising and aggressive China which are not allayed by its opaque political system.

The costs are enormous. Asia's potentially greatest economic relationship is dogged by suspicions. Japanese companies suffer waves of consumer activism over small issues because the CCP has created a society that believes the war ended yesterday and Japan is not contrite. Meanwhile, Japan and its people cannot even begin to imagine China as a responsible partner in Asian security. Like Taiwan, Japan can only hope, and argue, for a democratic government in China, while worrying that a CCP-led China may follow the warlike path of so many nationalistic authoritarian regimes before it.

With this background in mind, China's relations with the West, and the United States in particular, seem more amenable to understanding. Beijing's relations with every country are troubled primarily by its political system and the imperatives on which it is built. While other countries can act intelligently to manage that and contain its impact, it would be foolish to believe that any country, certainly not a West whose very existence is considered a chal-

lenge to the CCP's post-1989 ethnocentric chauvinism, could have good relations with Beijing. U.S. analysts trying to understand and improve ties to China would do better to look at the pathologies of authoritarian regimes than at wrongly essentialized cultural differences or the shortcomings of foreign policy-making in a democracy. As a leading U.S. State Department official put it: "It is no accident that our closest relationships—our true partnerships—are with fellow democracies. Societies that are like-minded are more likely to see the world similarly."[89]

The same goes for China's relations with Europe. Beijing imagines the European Union as a Western bloc without all the human rights hang-ups of the United States. At times, Europe—in particular France—fulfills that promise. But more often—whether its Swedish attempts to mediate Tibet, Catholic countries' concern about religious freedoms, or post-communist Eastern European leaders promoting democratic change—the hope is dashed by the same normative concerns that drive U.S. policy.

In the end, Beijing cannot escape the fact that its political system is incompatible with strong relations with the majority of the world's countries. As leading liberal Bao Tong notes: "China's need for democracy is all the more pressing because it has a growing world role and responsibility in an unstable region."[90]

Political Dysfunction

A state's capacity to govern is determined not only by its ability to manage and enforce its writ over society—the subject of the previous three sections. It also depends on the internal cohesion of the state: its ability to cooperate, divide up tasks, and maintain the allegiance of officials. Merely keeping the political system from tearing itself apart is a mighty task for communist regimes, which have proven to be particularly vulnerable to internal dysfunction. In their Alice in Wonderland world, what is "rational" for a given cadre is usually anything but good for the polity. Lacking popular accountability, decision-making processes are often held in thro to personal rivalries. This problem worsens as widely-respected elders of the revolutionary era die off, as China's did in the 1990s. With no one holding the right of final decision, power disperses. The political parallel to the looting of China's state economy is the parcelling out of political power to complex networks within the Party and state. Among the grossest manifestations of this in the PRC are factionalism, corruption, and regionalism.

The spread of factions based on family-like loyalties is a key weakness. Personal factions exist in democracies too but they are much less threatening.

Democratic leaders who promote cronies are accountable to electors and to the glare of media and opposition scrutiny for the results. The CCP, by contrast, must assert that all promotions are based on merit alone. Since that is patently untrue in so many cases, legitimacy suffers. So does governance: incompetents are promoted while policy becomes hostage to factional battles for power.[91]

While the Party has constructed a façade of rules-based elite politics since Mao, much evidence suggests little has changed. In the Jiang Zemin era alone (1989 to 2002), no less than six Politburo members were purged after losing out in factional battles. Of the nine new members of the Politburo standing committee chosen in 2002, only two reached their positions on the strength of merit.[92] What norms exist—like the idea that top leaders should retire at 70—are unwritten and subject to frequent violation or misuse.

Lower down in the political system, the same dynamics are at work. Since local officials are evaluated and promoted based on the views of their superiors "most cadres spend their time chasing promotions and not governing," noted one Chinese scholar after a study of a city in Henan province.[93] The term "self-operators in the Party" (*dangnei getihu*) refers to cadres who spend most of their time building up their personal networks. Each has an army of private secretaries, policy aides, and other hangers-on who shuttle back and forth to Beijing holding secret meetings with potential allies. Party journals frequently admonish cadres for worrying more about their *guanxi* (personal connections) than their governance. One scholar of China believes the failure to reign in factions "could yet prove to be a fatal flaw," in the PRC.[94]

Political corruption is another fatal flaw. In the ten years to 2002, more than 1.5 million cadres were punished for corruption, an average of about 430 per day. About one in seven of them was sent to jail. Corruption pervades inner political life—bribes are paid for promotions, housing assignments, official trips abroad, anything that requires another cadre's chop. "Money politics," that smear hurled at Taiwan and the United States by the CCP to besmirch democracy, is so pervasive as to be the norm in China.

Just about every government department has an "overseas student," an official who has absconded with state funds and fled abroad. Internal figures said there were 7,236 such officials by early 1999 who had taken a total of $16 billion of state funds out of the country.[95] Entire housing developments in the United States are populated by the spouses and children of corrupt cadres. As a female cadre in the novel *Heaven's Wrath*, an allegorical novel about a major corruption scandal in Beijing says when asked where she gets her money:[96]

> My friends say there is no place like China when it comes to getting money from the state. In other places, even the president has to account for every guest he has over for dinner because there are opposition parties watching him. Not so in China. The Communist Party rules everything and arrests anyone who confronts them. Those of us who have officials as our sugar daddies know this best of all. I don't want to leave China. It has been very good to me.

Of course, the immediate cause of corruption is the economic powers put in the hands of cadres by reforms. But even in unreformed communist states, corruption was widespread, reminding us that the root cause is unconstrained political power. Blaming market reforms is a cop-out. Corruption was no less widespread in the pre-reform era, when cadres sold scarce grain on the black market and took money to exempt youths from mandatory rustication. Its monetary explosion after Mao should properly be pinned on the failure to introduce political reforms alongside market reforms, not the market reforms themselves.[97]

Political corruption introduces extreme dysfunction into governance. It means that incentives are oriented toward who pays and who receives. That explains any number of governance problems—from unenforced industrial safety standards to silenced people's congresses. Factional networks can easily sidetrack corruption investigations—as almost certainly happened when Jiang Zemin protected a former Party secretary of Fujian province from a smuggling scandal in 2001. As former top leader Li Ruihuan charged:[98]

> We in the CCP cannot seem to implement successful supervision of ourselves. . . . Over the course of twelve years we have eight or nine documents, but still no top leader is willing to reveal his income or property, or that of his spouse or children. Why did an advanced political party . . . come to this pass? . . . If we want to change the situation and to effectively prevent and check corruption, we must constrain and supervise power

Or as a former CCP official put it: "What are power holders and rich men in China afraid of? They are afraid of openness, transparency, revelations, journalist interviews, public condemnation, direct elections, legislatures, hearings, testimonies, public trials, the leaking of insider scandals. In a word, the corrupt fear democracy. Without democracy, corruption will never be curtailed. Just chanting anti-corruption without democracy is like going fishing in the middle of the forest."[99]

The scourge of regionalism, finally, does not refer to the assertion of re-

gional interests. That is normal in any political system. Rather it refers to the informal and ad hoc response by local governments to the central government's unpredictable and opportunistic use of its powers, which in the unitary government structure of China remain absolute. Lacking any federal structure in which powers are shared, and any constitutional provisions to back that up, central-local politics in China are characterized by a constant battle over how far and how absolutely Beijing's powers should extend. The situation is exacerbated by the uniquely inefficient parallel "party-government" structure that provides means for both central and local cadres to further frustrate policies they dislike or impose policies they prefer. Officials from interior provinces cannot make formal submissions for a change in coastal development strategy based on policy aims of redistribution. Instead, they resort to fearmongering to raise the specter of social and ethnic instability in order to attract economic development funds. Beijing responds with threats of its own, or by employing factional networks to quiet local officials. "The main sources of whatever unity exists," writes one scholar, "are political blustering and Party networking from the center, hardly a formula to inspire loyalty and confidence."[100]

Regionalism also means that Beijing has a remarkably vague idea of what exactly it governs. Estimates of things like arable land, industrial output, and local finances are pure guesswork. Beijing often sends "work teams" to the provinces to check on fire standards, uncover off-balance sheet "piggy banks," and crack open local smuggling rackets. As in ancient times, statistics and information are political tools, closely guarded and manipulated by officials at all levels in their own interests. Local cadres cover up instances of misgovernance with alacrity: When a state journalist reported on a sham irrigation scheme built by officials in one township to impress upper level officials, he was jailed for 13 years on trumped up charges.[101] One mayor in Hubei province was praised in the official press for creating extraordinary economic growth and eliminating poverty. Then it was discovered that his claims were all bogus. Two accurate figures were eventually tabulated however: the value of bribes that he pocketed ($100,000) and the number of young women that he bedded (107).[102]

Here as elsewhere, the democracy deficit stands in the way of solutions. Being unaccountable, the central government is not willing to create a federal structure in the interests of good governance. Even if it were, federalism could not be grafted easily onto China's political system. For one, the constitutional guarantees would be weak and the threat of Party-imposed fiat omnipresent. In addition, handing absolute powers from one level of government to another would not solve the fundamental problem, namely that power is uncon-

strained. Concludes one mainland scholar: "Federalism would require political reforms to expand popular participation and elections at the local level."[103]

In politics, then, as in the economy, in society and in its dealings with the world, China could use a big dose of democracy. It would not be an elixir. But it would be a useful tonic. That is a view gaining wide acceptance in the country as scholars, journalists, social and business elites, and not a few Party reformers gasp at the costs being exacted by the delayed political transition. In the next chapter, we survey the forces that will bring it about.