

China's Reforms at Twenty-five: Challenges for the New Leadership

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WHILE THE PRECISE starting point of China's reforms is rather difficult to pinpoint, a series of crucial events — ranging from the famous 3rd Plenum in 1978 and 5th Plenum in 1980, to the 1981 “Decisions on Some Historical Problems of the Party Since Its Inception” and the 12th Party Congress of 1982 — were perhaps collectively responsible for the evolutionary path in which China's reforms were gradually shaped as the policy platform that we know today.¹ Irrespective of the timeframe chosen, there is no denying that China's reforms in the last two and a half decades have been remarkably successful. Its impressive accomplishments are further highlighted when juxtaposed with the successive fiascos of the Maoist “egalitarian” experiments as well as with the post-socialist troubles in which Russia has found itself.

A wide range of measures and indicators are available to suggest that China's economic reforms have been a remarkable success. The 9.4% average annual GDP growth rate for the 1978 to 2000 period is very impressive as it is almost three times that of the world at large (3.3%).² China is currently the largest producer of television sets, air conditioners, cameras, and telephones. China ranks 2nd in terms of total foreign currency reserves that reached \$250 billion in late 2002. China's economy ranks 6th in terms of total GNP and total volume of foreign trade. When purchasing power parity (PPP) is used, China's economy ranks 2nd only to the United States. If China maintains an average annual growth rate of 5% or more over the next decade, it will certainly surpass Britain, France, and Germany, if not Japan also, by 2010.³

China has indeed become, as Lee Hsien Loong, Deputy Prime Minister of Singapore, aptly put it, “the biggest new variable in the global equation.”⁴ On top of being a permanent member of the United Nations' Security Council and the exclusive “nuclear club,” China is slowly but undeniably strengthening its foothold in various regional and global

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issue-areas. Regionally, during the late 1990s, it displayed leadership potentials by not devaluing its currency during the financial crisis that engulfed East Asia.⁵ China has also been very active in participating in a wide range of multilateral institutions, including ASEAN plus three, and the Four-Party Talks on Korean Peninsular issues. Furthermore, China has made efforts to create multilateral forums of its own by establishing the Boao Asian Forum and the Shanghai Cooperation Organisation (or the “Shanghai Six”).

In a nutshell, China has already become a formidable presence to be reckoned with, economically, diplomatically, politically and, to a lesser extent, militarily.⁶ China’s reforms (system restructuring and opening) have been largely successful to the extent that it is now being considered a global player capable of affecting international political and economic stability.⁷ The image of China seemingly on the verge of regime collapse and even of territorial disintegration portrayed in the aftermath of the 1989 Tiananmen Incident is slowly fading away, although different possibilities for a gigantic crisis still loom large.

¹ See, for instance, Song Xiaoming, ed., *Zhonggong dangjianshi* (The History of Communist Party-Building in China) (Beijing: Dangjian duwu chubanshe, 1996), ch. 3.

² Debates go unabated concerning the inflated nature of Chinese statistics, and many have estimated the actual GDP growth rate to be about 2% lower. If we take the figure of 7%, it is still twice as high as the average for the world. For such an assessment, see Charles Wolf Jr. *et al.*, *Asian Economic Trends and Their Security Implications* (Santa Monica: Rand Corporation, 2000), pp. 34–6. For a Chinese acknowledgment of inflated statistics, see Ge Suhong, “Xuzeng shibei de gongye chanzhi shi ruhe chulong de” (On How Inflated Industrial Output Statistics Were Manufactured), *Banyuetan neibuban* (Semi-Monthly Talks — Internal Version) No. 3 (2001): 30–1.

³ See The World Bank, *Global Economic Prospects and the Developing Countries* (Washington, DC: The World Bank, 1994); Guowuyuan fazhan yanjiu zhongxin (Development Research Centre of the State Council), “Weilai ershinian woguo jingji fazhan qianjing fenxi” (Analysis of the Future Twenty-Year Prospect for China’s Economic Development), *Diaocha yanjiu baogao* (Investigation and Research Report) No. 991 (3 Feb. 1999); *New York Times*, 3 Apr. 1999; and *Hong Kong Standard*, 30 Jan. 2000.

⁴ *South China Morning Post*, 3 Aug. 2001.

⁵ See, for instance, Barry Naughton, “China: Domestic Restructuring and a New Role in Asia,” in *The Politics of the Asian Economic Crisis*, ed. T. J. Pempel (Ithaca: Cornell University Press, 1999), pp. 203–23.

⁶ The comment by Mike Moore, then Secretary-General of WTO, that “China’s accession will make WTO a truly *world* organisation” is a good indicator of China’s presence. See *Financial Times*, 17 Sep. 2001.

⁷ See, for instance, Franz Schurmann, “China Replaces Russia as America’s Global Partner,” *Pacific News Service*, 4 Nov. 2002. <<http://news.pacificnews.org>> [10 Nov. 2002].

It is suggested that the crucial leadership transition that occurred at the 16th Congress of the Chinese Communist Party (CCP) in Nov. 2002 should be placed in the broad context of the political economy of reform. To what extent Jiang Zemin can continue to wield power from backstage is a moot point so long as reform remains at the top of the Chinese leadership's agenda. That is to say, the imperative of sustained growth will undoubtedly put formidable constraints on any move that seeks to deviate from the reformist platform. In this respect, creating a balance sheet for the reforms over the last 25 years is an interesting and worthwhile endeavour, which may enable us to gain a better understanding of China's future.

The Recipe of China's Success

China's reforms over the last 25 years can be summarised in terms of the programmes on decentralisation, marketisation, ownership diversification, liberalisation, and internationalisation. First, decentralisation is the programme that has been most extensively and intensively implemented during the post-Mao reform era. By delegating administrative power and budgetary authority to sub-national levels of government, pertinent decisions have come to be made where they are to be carried out.⁸ While there have been ebbs and flows over time, provincial and sub-provincial governments have been granted a wide range of powers and functions to execute economic policies of their own. Certainly, sporadic recentralisation efforts — most notably, the “tax-sharing” reform in 1994 — have been interjected but decentralisation generally appears to be an irreversible direction.⁹

Second, marketisation denotes the process of reducing — and eventually abolishing — the role of state planning in the execution of the Chinese economy. It is widely estimated that the marketised portion of China's economy rose from 5% in 1978 to over 50% in 1999.¹⁰ That is, the Chinese state has given up much of the impossible role of “playing God” in the management of economic affairs, thus paving the way for the

⁸ The principle of “whoever invests the money gets to make the decision and bears the risk” (*shui chuzi shui juece shui chengdan fengxian*) is a good example in point. See Zeng Peiyan, ed., *Zhongguo touzi jianshe wushinian* (Fifty Years of Investment in China) (Beijing: Zhongguo jihua chubanshe, 1999), p. 250.

⁹ For a comprehensive overview of this theme, see Jae Ho Chung, “Decentralisation, Dilemmas of Control, and Diluted Effects of Reform in Post-Mao China,” in *Remaking the Chinese State: Strategies, Society and Security*, ed. Chao Chien-min and Bruce J. Dickson (London: Routledge, 2001), pp. 46–75.

¹⁰ See the figures — ranging from 50 to 71% — listed in “Guanyu Zhongguo shichanghua jincheng de yanjiu” (Study of China's Process of Marketisation), *Diaocha yanjiu baogao* No. 1747 (26 Jul. 2002): 3.

“invisible hand” of the market mechanism. For instance, whereas the number of items directly under state price control had been 1,336 prior to the reforms, by 1998 it was only 58.¹¹ Furthermore, such market-oriented principles as competition, efficiency, and governance are increasingly widely adopted and popularised in China.

Third, China’s reform programme also entailed the diversification of ownership schemes including that of privatisation. Ownership reform has been a “hot potato” in that China has refused to do away with the “socialist” tenets of state and collective property rights. The evolution of the official “positions” (*tifa*) — from limited commercialisation under the “planned commodity economy” (*you jihua de shangpin jingji*) during the mid-1980s and the “socialist market economy” (*shehuizhuyi shichang jingji*) in the early 1990s to the “coexistence of multiple ownership modes” (*duozhong suoyou zhi xingshi de bingcun*) in 1997 — points to the genuine ideological concerns on the part of the Chinese leadership.¹² Gradual and hybrid as they may have been, ownership reforms have certainly provided crucial incentives for China’s economic growth over the last two decades.

Fourth, whereas decentralisation, marketisation, and ownership diversification generally fall within the realm of administrative and economic deregulation of some sort, liberalisation entails a very different set of changes in nature. More specifically, it has involved the process of “thought liberation” (*sixiang jiefang*), which relieved the Chinese populace from the ever-present ideological grip. Without the consistent and successful implementation of this liberation of ideas, China’s reform would not have continued, let alone succeeded.¹³ Of course, other notable ingredients of post-Mao liberalisation also include the strengthened powers of the national and local people’s congresses, experiments with village elections, and the rise of new actors and modes of political participation.

¹¹ See Gui Shiyong, *Zhongguo jihua tizhi gaige* (Reform of the Planning System in China) (Beijing: Zhongguo caizheng jingji chubanshe, 1994), p. 9; and Cheng Zhiping, ed., *Zhongguo wujia wushinian* (Fifty Years of Prices in China) (Beijing: Zhongguo wujia chubanshe, 1998), p. 922.

¹² See Wang Shunsheng, *Cong bada dao shiwuda* (From the Eighth to Fifteenth Party Congress) (Fuzhou: Fujian renmin chubanshe, 1997), pp. 246–52, 299–309, 432–9, 507–14.

¹³ See Feng Chen, “Unfinished Battle in China: The Leftist Criticism of Reform and the Third Thought Emancipation,” *The China Quarterly* No. 158 (Jun. 1999): 447–67; Ma Licheng and Ling Zhijun, *Jiaofeng— dangdai zhongguo de sanci sixiang jiefang shilu* (Sword-Crossing — Records of the Three Thought Emancipations in Contemporary China) (Beijing: Jinre Zhongguo chubanshe, 1998); and Gong Yuzhi, “Guanyu jianguo yilai lishi jueyi qicao de huiyi” (Recollections of the Drafting of the ‘Decisions on Some Historical Problems of the Party’), *Lingdao canyue* (References for the Leadership) No. 18 (2001): 3–6.

Fifth is internationalisation defined here as a process of expanding contacts, exchanges, and linkages with the outside world.¹⁴ Whereas China had diplomatic relations with 99 countries in 1978, the figure rose to 162 by the end of 2001.¹⁵ By the mid-1990s, over 60% of China's territory was "opened" to the outside world. More importantly, the share of foreign trade in China's GNP rose sharply from 9.8% in 1978 to 44.7% in 2001.¹⁶ Furthermore, China has been very actively joining multilateral institutions such as, to name only the principal ones, the United Nations Development Program, International Monetary Fund, World Bank, Asian Development Bank, and World Trade Organisation (WTO) in the economic realm, and Non-Proliferation Treaty, Comprehensive Test Ban Treaty, Chemical Weapons Convention, Outer Space Treaty, Seabed Arms Control Treaty, and so on, in the military-security realm.¹⁷

Having five reform programmes is one thing and making them successful is quite another. What then made them so successful in post-Mao China? Three issues are pertinent here. The first concerns the fact that the experimentalism was closely associated with the process of "thought liberation" discussed earlier. The genuine efforts toward the "emancipation in thinking" made it possible for a variety of new ideas to be conceived, floated, and experimented with locally and then adopted later as national policy. The successful Chinese reform is attributed in significant part to the gradual and open-ended nature of its goal-setting and implementation.¹⁸

The second issue refers to the adaptability of the Chinese communist leadership, which is so often simply ignored. When the post-Mao reform package was first announced in the late 1970s, the predominant assessment of its prospect

¹⁴ I have consciously used the term "internationalisation" (*guojihua*) in order to distinguish it from "globalisation" (*quanqiuhua*) that is defined as a process of adopting and internalising the norms and standards widely used outside China. Thus, globalisation is considered as a crucial task for the new leadership.

¹⁵ See The Policy Research Office of the Foreign Ministry of the People's Republic of China, ed., *Zhongguo waijiao 2001* (China's Diplomacy in 2001) (Beijing: Shijie zhishi chubanshe, 2001), p. 714.

¹⁶ *Zhongguo tongji nianjian 1995* (Statistical Yearbook of China) (Beijing: Zhongguo tongji chubanshe, 1995), pp. 20–1, 537; and *Zhongguo tongji nianjian 2002*, pp. 23, 611.

¹⁷ See Elizabeth Economy and Michel Oksenberg, eds., *China Joins the World: Progress and Prospects* (New York: Council on Foreign Relations, 1999); and Nicholas R. Lardy, *Integrating China into the Global Economy* (Washington, DC: The Brookings Institution Press, 2002).

¹⁸ Jae Ho Chung, *Central Control and Local Discretion in China* (Oxford: Oxford University Press, 2000), chs. 2–4.

was rather pessimistic.¹⁹ To the surprise of many, however, China has managed one of the most successful reform movements ever recorded. The key seems to be that when the situation dictated, the Chinese leadership was often more than willing and ready to debate and accept different ideas as far as the goal of economic growth was concerned.

The third is perhaps the most indispensable ingredient of all — the unabated zeal for catching up and getting ahead. The nationalistic zeal for regaining world-class status has on the one hand made the Chinese leadership realise the advantages of backwardness and, on the other, generated the ultimate driving force needed to continue its strenuous journey on the path of reform. Undoubtedly, abandoning the “siege mentality” is good for a country so long weighed down with an “inferiority complex.” Whether it will also be a blessing for its neighbours as well remains to be seen, however.²⁰

The Flipside of the Reform: Challenges for the New Leaders

The accomplishments of China’s reforms represent only one side of the coin, however. Despite the eye-catching economic growth over the last 25 years, China remains big, but not necessarily strong and rich. Furthermore, reform by definition denotes top-down efforts to change the structure of vested interests, reinforcing some old problems and generating some completely new ones for the state. This is perhaps a paradox of reform in the sense that the more successful the reform programmes become, the more difficult the state finds it to rein in old interests and new problems.

What do the Chinese themselves consider to be the remaining serious problems and obstacles to attaining sustainable growth? A total of 13 book-length studies and reports published in China since 1998 were closely indexed to produce a list of key

¹⁹ Such an early assessment is cited in Peter Nolan, *China’s Rise and Russia’s Fall: Politics, Economics and Planning in the Transition from Stalinism* (New York: St. Martin’s Press, 1995), p. 307.

²⁰ For the “siege mentality” and nationalistic zeal in the Chinese pursuit of economic development, see Wang Fei-Ling, “Self-Image and Strategic Intentions: National Confidence and Political Insecurity,” in *In the Eyes of the Dragon: China Views the World*, ed. Yong Deng and Wang Fei-Ling (Lanham: Rowman and Littlefield, 1999), pp. 21–2, 31–3; Zheng Yongnian, *Discovering Chinese Nationalism in China: Modernisation, Identity and International Relations* (Cambridge: Cambridge University Press, 1999), pp. 12, 19; and Lin Shanglin, “Xiandaihua yu wenhua rentong: zhongguo de luoji” (Modernisation and Cultural Identity: The Logic of China), in *Zhongguo shehui bianqian* (Social Changes in China), ed. Zhu Guohong *et al.* (Shanghai: Fudan daxue chubanshe, 2001), pp. 36–57.

problems as perceived by the Chinese.²¹ At least 41 problem areas were identified in these documents, and 13 were listed in five or more of these publications as crucial determinants of China's sustainable growth. They include state enterprise reform, financial sector reform, social welfare reform, organisational streamlining, unemployment, various disparity problems, rural instability, information technology, human resources, environment and resources, population growth and ageing, land and housing, and cultural revival.

It is not within the scope of this article to discuss each and every problem area listed above. In fact, several excellent studies are available on the subject.²² A few comments should be noted at this juncture, however. Firstly, many of these troubles and obstacles are closely inter-connected, making the search for an all-in-one solution much more daunting. For instance, the state enterprise reform is intimately linked with the restructuring of the financial, banking and social welfare sectors, as well as the

²¹ Dai Yuanchen, *Kuashiji de gaige* (The Cross-Century Reform) (Beijing: Jingji kexue chubanshe, 1998); Li Chengxun, ed., *2020 nian de zhongguo* (China in 2020) (Beijing: Renmin chubanshe, 1999); Bai Lue, *1999 Zhongguo jiang fasheng shida xinwen* (Ten Big News to Occur in Future China) (Beijing: Zhongguo wujia chubanshe, 1999); Zhang Jianhua, ed., *Jiejue zhongguo zaidu mianlin de jinyao wenti* (On Resolving the Crucial Problems China Faces Again) (Beijing: Jingji ribao chubanshe, 2000); Zheng Bijian and Yang Chungui, eds., *Zhongguo mianxiang 21 shiji de ruogan zhanlue wenti* (On Some Strategic Problems Concerning China's 21st Century) (Beijing: Zhonggong dangxiao chubanshe, 2000); Liu Jiawei *et al.*, *Kuashiji zhongguo gaige* (China's Cross-Century Reform) (Beijing: Zhongguo jingji chubanshe, 2000); Liu Shulin *et al.*, *Shiji de menlan* (At the Gate to the New Century) (Chengdu: Xinan caijing daxue chubanshe, 2000); "Xin shiji tiaozhan zhongguo" (The New Century Challenges China), *Banyuetan neibuban* No. 1 (2000); "Xinshiji de ruogan zhanlue wenti" (Some Strategic Problems Concerning the New Century), *Liaowang* (Outlook) No. 52 (2000): 42–7; Zhang Jianhua, ed., *Rushi hou zailun zhongguo mianlin de jinyao wenti* (On the Crucial Problems China Faces After WTO Accession) (Beijing: Jingji ribao chubanshe, 2001); Ru Xin *et al.*, eds., *2001: Zhongguo shehui xingshi fenxi yu yuce* (2001: Analyses and Predictions of Chinese Social Conditions) (Beijing: Shehui kexue wenxuan chubanshe, 2001); Lu Yongxiang, ed., *21 shiji zhongguo mianlin de 12 da tiaozhan* (Twelve Challenges China Faces in the 21st Century) (Beijing: Shijie zhishi chubanshe, 2001); and Kang Xiaoguang, "Weilai sanwunian zhongguo dalu zhengzhi wendingxing fenxi" (Analysis of Political Stability in China for the Next Three to Five Years), *Zhanlue yu guanli* (Strategy and Management) No. 3 (2002): 1–15.

²² See, among others, Elizabeth Perry and Mark Selden, eds., *Chinese Society: Change, Conflict and Resistance* (London: Routledge, 2000); and Pei Minxin, "China's Governance Crisis," *Foreign Affairs* 81, No. 5 (Sep.–Oct. 2002): 96–109.

unemployment crisis and income disparities in cities.²³ Quite similarly, the ominous portents of rural instability are closely related to population growth, rising unemployment, widening urban-rural disparity, excessive fiscal extraction, and governmental “thickening” at the local level.

Secondly, China’s reform as a whole might have already crossed the point of no return in the sense that a generation has passed since its initiation 25 years ago. Indeed, a majority of the Chinese populace has grown very much accustomed to and comfortable with the *modus operandi* of “market socialism.” Therefore, it is absolutely necessary to sustain high levels of growth in order to minimise the likelihood of political disruption and social disorder.²⁴ When the marginal utility of providing fiscal stimuli to promote growth declines significantly — or when such means are no longer sustainable due to the astronomical size of government debts — the choice becomes increasingly more difficult to find.

Thirdly, whether Beijing likes it or not, China’s reform process is increasingly influenced as much by outside actors and factors as it is engineered from within China. China’s further integration with the global economy, catalysed by its accession to WTO in 2002, will certainly accelerate this process by fusing domestic and external actors, issues, and dynamics. Over time, an increasing number of issues may also get “Tibetised,” i.e., drawing more international concerns and intervention despite China’s claim for the sole sovereign jurisdiction, as the *Falungong* movement has well demonstrated in recent years.²⁵ Thus, the era of internationalisation is passing quickly and the new Chinese leadership faces an enormous challenge of complex globalisation.

Fourthly, a variety of indicators and measures seem to suggest that the degree of system-level instability in China has been increasing over the years. The strong comeback of clan organisations, *fengshui* beliefs, and secret societies is only the tip of the iceberg. The rise of peasant riots, amounting to over 2,000 cases in 1999 alone, is another ominous sign of decay in the state’s capacity to govern. While only six provinces were known to suffer serious rural unrest problems in 1990, by 2000, there were 16. In other words, half of China’s provincial units are currently plagued with rural instability.

²³ See, for instance, Nicholas R. Lardy, *China’s Unfinished Economic Revolution* (Washington, DC: The Brookings Institution, 1998).

²⁴ The annual GDP growth rate of 7% is almost always presented as the ultimate bottom line to guarantee the generation of 8 million new jobs annually. See “Creaking Economy Needs Stronger Foundations,” *Financial Times*, 29 Oct. 2002.

²⁵ See Jae Ho Chung, “Challenging the State: *Falungong* and Regulatory Dilemmas in China,” in *Sovereignty under Challenge: How Governments Respond*, ed. John D. Montgomery and Nathan Glazer (New Brunswick: Transaction, 2002), pp. 101–2.

The conscious efforts of the so-called “peasant ring-leaders” (*nongmin lingxiu*) to organise against the state are particularly alarming to the Chinese authorities. It is also widely expected that China’s recent accession to the WTO will further worsen the situation.²⁶

The situation in the urban areas is hardly better. The breakdown of the *danwei* (work units) and *hukou* (household registration) systems, as well as the intensification of state-owned enterprise reforms, has opened up a Pandora’s box of acute problems and conflicts. The inadequacy of social welfare systems, rising unemployment, and discontented workers have led to organised protests and violent strikes by unofficial labour unions.²⁷ Spiritual movements like *Falungong* and *Zhong Gong* have provided another channel for expressing discontent.²⁸ It is estimated that the number of urban unemployed, currently over 40 million, will continue to rise and the government will have great difficulty in financing the minimum subsidies needed to guarantee their subsistence.

Projecting China’s Future: Six Scenarios

The success of China’s reforms has gone beyond anyone’s expectation. At the same time, however, a wide range of problems have also been identified as crucial obstacles to the continuation of the reforms and maintenance of the regime. As a matter of fact, the final destination of China’s reforms is still an open-ended question. There has not even been a consensus on a definition of the current state of the Chinese system.²⁹ To a considerable

²⁶ See Wang Yongqing, “Jiaqiang he gaijin nongcun sixiang zhengzhi gongzuo de sikao” (On Strengthening and Improving Work on Rural Thought), *Neibu canyue* (Internal References), 5 May 2000; “Nongmin lingxiu” (Peasant Ring-Leaders), *Banyuetan neibuban* No. 2 (2000): 8–31; Yang Shouyong and Wang Jintao, “Wendingcun weihe chule daluanzi” (Why Disorder in Stable Villages?), *Banyuetan neibuban* No. 1 (2001): 40–2; and Thomas Bernstein and Lu Xiaobo, “Taxation without Representation: Peasants, the Central and Local States in Reform China,” *The China Quarterly* No. 163 (Sep. 2000): 742–63.

²⁷ The number of labour dispute cases handled by the State Dispute Arbitration Commission increased from 23,000 strikes in 1995 to 120,000 in 1999. The figure for 2002 is estimated to be over 200,000. See David Murphy, “Urban Poverty: Nothing More to Lose,” *Far Eastern Economic Review*, 7 Nov. 2002, pp. 30–3.

²⁸ See, for instance, Zhongguo kexue cujin ziran kexue yu shehuikexue lianmeng zhanmen weiyuanhui, ed., *“Falungong” xianxiang de xinlixue buxi* (Psychological Analysis of the “Falungong” Phenomenon) (Beijing: Dangjian duwu chubanshe, 2001), pp. 44, 46; and Jason Kindopp, “China’s War on ‘Cults,’” *Current History*, Sep. 2002, pp. 259–66.

²⁹ At least 17 different terms have been coined to characterise the current Chinese system. See Richard Baum and Alexei Shevchenko, “The ‘State of the State,’” in *The Paradox of China’s Post-Mao Reform*, ed. Merle Goldman and Roderick MacFarquhar (Cambridge: Harvard University Press, 1999), pp. 333–4.

extent, the future of China would seem to be in the eyes of the beholder. That is to say, those who focus more on the structural problems tend to view China's future negatively, while those who emphasise the resilient "adaptability" of the Chinese leadership are more likely to see it more positively.³⁰

The fundamental question is two-fold. Will China be able to sustain its growth, and also manage to minimise the adverse impact of political transitions on economic development? While there certainly exists considerable pessimism concerning the first inquiry, China nevertheless possesses several favourable conditions that clearly distinguish it from Russia and East European countries, most notably the crucial advantages of state-controlled gradualism as opposed to society-led punctuations.³¹

More important is perhaps the second inquiry — how to reduce the negative effects of political change on growth. By 2006, the size of China's middle class is projected to reach 200 million. Another estimate suggests that about 40% of the population will adopt a middle-class identity by 2010.³² Will liberalisation alone be sufficient to accommodate the expanding demands for direct political participation accompanying the rising levels of economic development? What changes will become necessary and plausible for attaining political transition with minimal socio-economic disruptions? How will the factors of ethnic minorities and the unitary state system fit into the equation?³³

On the basis of the foregoing discussion, a total of six scenarios have been conceived for the future of China. The first scenario — termed here as the Yugoslavian

³⁰ For the former position, see Gordon Chang, *The Coming Collapse of China* (New York: Random House, 2001), ch. 6. And for the latter, see Bruce J. Dickson, "Cooptation and Corporatism in China: The Logic of Party Adaptation," *Political Science Quarterly* 115, No. 4 (2000–1): 517–40.

³¹ For such pessimism, see Thomas Rawski, "The Political Economy of China's Declining Growth," in *China in the Global Economy*, ed. P. J. Lloyd and Zhang Xiao-guang (Cheltenham: Edward Elgar, 2000). For the fundamental differences in their transition endowments, see Richard Layard, "Why So Much Pain? An Overview," in *Emerging from Communism: Lessons from Russia, China and Eastern Europe*, ed. Peter Boone, Stanislaw Gomulka, and Richard Layard (Cambridge: MIT Press, 1998), pp. 1–7.

³² Murphy, "Urban Poverty," p. 32; and *South China Morning Post*, 17 Jul. 2001.

³³ The ethnic composition appears to be very important given that the democratic transitions in Hungary and Poland have been more stable than those in Russia and Bulgaria. How this factor will play out in China, with the low percentage but large numbers of ethnic minority peoples, remains uncertain. See Tong Yanqi, *Transitions from State Socialism: Economic and Political Change in Hungary and China* (Lanham: Rowman and Littlefield, 1997), ch. 6; He Baogang and Guo Yingjie, *Nationalism, National Identity and Democratization in China* (Aldershot: Ashgate, 2000), ch. 7.

model (of the 1990s) — presupposes the weakest and worst of all possibilities. While such a prospect cannot be totally precluded, the collapse of China — denoting its territorial disintegration rather than the demise of the CCP — appears unlikely unless the fatal combination of rural unrest, local militarism, and foreign aggression is created simultaneously.³⁴ Then, again, the possibility of a new combination — taking advantage of cyber resources and real-time communications — cannot be completely excluded.³⁵

Second, placed next to the Yugoslavian contingency is the Indonesian model (the Suharto era), which presupposes a China that has failed to sustain economic development, let alone accomplish democratic transition. Consequently, poverty and disorder in China would pose a grave threat to its neighbours and possibly even to the international community at large.³⁶ The inefficient giant may continue to muddle through but with explosive levels of political, social, and economic instability. The Indonesian model also has critical implications for the Taiwan issue, rather analogous to the independence of East Timor.

³⁴ China differs significantly from the former Soviet Union in terms of ethnic minority population, history of national integration, respective reform strategy, and so on. Thus, a simple analogy of collapse would not hold well for China. See Lu Nanquan *et al.*, eds., *Sulian xingwang shilun* (Historical Analyses of the Rise and Fall of the Soviet Union) (Beijing: Renmin chubanshe, 2002), part 5. Historically, China's "dynastic cycles" were repeated when peasant revolts, local militarism, and external threat coincided. Sporadic small-scale rural instabilities are a fact of life in China today. But whether they will become tightly and horizontally organised so as to pose a serious threat to the regime remains an open question. See Thomas Bernstein, "Instability in Rural China," in *Is China Unstable? Assessing the Factors*, ed. David Shambaugh (Washington, DC: The Sigur Center for Asian Studies, 1998), pp. 93–110. Local militarism seems similarly unlikely. For Beijing's various mechanisms against the rise of independent local military forces, see David Shambaugh, "China's Military in Transition: Politics, Professionalism, Procurement and Power Projection," *The China Quarterly* No. 146 (Jun. 1996): 283. Finally, the Chinese perceptions of their international strategic environments need no elaboration. For a Chinese critique of the "China collapse" thesis, see Li Xiaohua, "Jiexi 'zhongguo weixielun' yu 'Zhongguo bengkuilun' de shenhua" (Demystifying the 'China Threat' and 'China Collapse' Theses), *Dangdai yatai* (Contemporary Asia-Pacific) No. 11 (1999): 19–24.

³⁵ See, for instance, Tiffany Danitz and Warren P. Strobel, "Networking Dissent: Cyber Activists Use the Internet to Promote Democracy in Burma," in *Networks and Netwars*, ed. John Arquilla and David Ronfeldt (Santa Monica: Rand Corporation, 2001), pp. 129–69.

³⁶ The dangers of a frail China are noted in Bruce Cumings, "The More Things Change, the More They Remain the Same: The World, the United States, and the People's Republic of China, 1949–1999," in *China Briefing 2000: The Continuing Transformation*, ed. Tyrene White (Armonk: M. E. Sharpe, 2000), p. 298.

Third, next on the continuum lies the Indian scenario in which China manages to attain a democratic transition but fails to sustain economic development for some reasons, one of which may be a grave financial crisis such as the one that afflicted East Asia in the late 1990s.³⁷ The outcome would be a democratic but stagnant and discontented China that, like India, will nevertheless constitute a formidable regional presence to be reckoned with. While India is currently transforming its economic posture rapidly, the change actually makes the analogy more plausible.³⁸

Fourth, a variant scenario may be termed the China model because of the practical difficulty of finding an existing example other than China. While the so-called East Asian development model or a variant of developmental authoritarianism may share some threads of the argument, the sheer size of China and its relentless search for indigenous — non-Western, quasi-socialist — forms of political change puts it in a league of its own. The final destination of the search remains veiled, but China's preoccupation with local innovation and adaptation certainly goes beyond mere rhetoric.³⁹

Fifth, a much more successful contingency presupposes a China that is both economically advanced and on a par with OECD nations and politically democratized to a full extent. This scenario, possibly termed the French model, depicts China as a top-notch country just short of being a hegemonic power, which is nevertheless capable of vetoing the hegemon once in a while. Although the German model is also conceivable, the Chinese seem to feel more comfortable with the French scenario and tend to compare Japan more to Germany.⁴⁰

Finally, the most successful yet daunting scenario would project China as a hegemon or hegemonic competitor. All the debates about the "China threat," in fact,

³⁷ Another possibility may be the severe constraints imposed on China in terms of energy and food resources. See Thomas M. Kane and Lawrence W. Serewicz, "China's Hunger: The Consequences of a Rising Demand for Food and Energy," *Parameters* (published by the US Army War College, Autumn 2001). <<http://carlisle-www.army.mil/usawe/Parameters/01autumn/Kane.htm>> [11 Oct. 2001].

³⁸ The juxtaposition of democracy and discontent is borrowed from Atul Kohli, *Democracy and Discontent: India's Growing Crisis of Governability* (Cambridge: Cambridge University Press, 1990). The changing posture of India in recent years is well presented in Stephen P. Cohen, *Emerging Power, India* (Washington, DC: The Brookings Institution, 2001), ch. 10.

³⁹ See David Zweig, "Undemocratic Capitalism: China and the Limits of Economism," *The National Interest* No. 56 (Summer 1999): 63–72; and Harvey Nelson, "The Future of the Chinese State," in *The Modern Chinese State*, ed. David Shambaugh (Cambridge: Cambridge University Press, 2000), pp. 230–6.

⁴⁰ See, for instance, "Ruguo riben chengwei yazhou de deguo" (If Japan Should Become Asia's Germany), *Shijie zhishi* (World Knowledge) No. 9 (2001): 17.

originate from the assessment that China is or will become capable of constituting such a force against the United States.⁴¹ Will China become stronger than it is now? Definitely. Will China's strength be threatening? It depends upon from whose viewpoint you look, since perception is the most crucial determinant of all.⁴²

A much more interesting question is if China will be willing and able to become a hegemonic competitor. The attainment of a hegemonic status requires economic power, military prowess, and the willingness to exert influence by using such powers, as well as the recognition as such on the part of other actors in the system. Granted that China will achieve economic, political, and military powers that command the respect of the world, will China necessarily engage in a fierce competition for hegemony with the United States? China has not been shy about assigning great-power status to itself and, when the time comes, it may as well compete for hegemonic status.⁴³

Hegemony, however, requires more than power, prowess, and willingness. A hegemonic competitor must also possess a crucial additional attribute called "soft power" — an ability to generate voluntary compliance on the part of other actors in the system. In the case of the United States as the hegemon, the source of its soft power has resided largely in the powerful norms of democracy, human rights, and free market, which have become widely subscribed to by many nations around the globe. Will China be able to develop its own agenda and platform upon which it can compete with the United States?

While there has been a relatively small audience for it, China has nevertheless sought to develop its own normative platform. Such a platform includes the principles of no first-use of nuclear weapons, no use of nuclear weapons against non-nuclear

⁴¹ See, among others, Richard Bernstein and Ross H. Munro, *The Coming Conflict with China* (New York: Knopf, 1997); Bill Gertz, *The China Threat: How the People's Republic of China Targets America* (Washington, DC: Regnery, 2000); and Steven W. Mosher, *Hegemon: China's Plan to Dominate Asia and the World* (San Francisco: Encounter, 2000).

⁴² See, for instance, Alastair I. Johnston and Robert Ross, eds., *Engaging China: The Management of an Emerging Power* (London: Routledge, 1999); and Jae Ho Chung, "South Korea between Eagle and Dragon: Perceptual Ambivalence and Strategic Dilemma," *Asian Survey* 41, No. 5 (Sep./Oct. 2001): 779–88.

⁴³ While China denies any intention of becoming a hegemon, it is nevertheless willing to accept, without reservation, the great-power (*daguo*) status. See Tao Wenzhao, ed., *Jujue baquan — yu 2049 nian zhongguo duihua* (Rejecting Hegemony — Communicating with China in 2049) (Beijing: Zhongguo jingji chubanshe, 1998); Ye Zicheng, "Zhongguo shixing daguo waijiao zhanlue shi zai bixing" (It is Inevitable that China Conduct Great-Power Diplomacy), *Shijie jingji yu zhengzhi* (World Economy and Politics) No. 1 (2000): 10.

powers, no dispatching or stationing of Chinese military forces in foreign soil (except for peace-keeping operations under the auspices of the United Nations), the relativist position on human rights, search for China's own definition and process of democratic transition, and so on.⁴⁴

Among the six scenarios presented above, which would be most likely? First, as noted earlier, the ultimate answer lies in the eyes of the beholder, as the current assessment of China's future closely resembles the image of a glass that is half full and half empty. Second, the six scenarios do not have to be mutually exclusive. That is, it seems that some of these scenarios could possibly be conceived as a sequential process that has been evolving in China since the demise of the Qing Dynasty. Third, at the same time, the danger of a premature repetition of history always looms large as far as China is concerned, where domestic governability has always mattered more than the (lack of) interaction with the outside world. After all, it is quite probable that China's future will be much more surprising than we generally take for granted. This is precisely why the role of the new leadership under Hu Jintao will be no less significant than that under Deng Xiaoping and Jiang Zemin.

⁴⁴ For China's zeal concerning its own normative platform, see Rosemary Foot, *The Practice of Power: US Relations with China Since 1949* (Oxford: Oxford University Press, 1995), pp. 264–5.

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