Leadership Change and Chinese Political Development*

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ABSTRACT This article has three goals. The first is to characterize the nature of the current Chinese political system, culminating at the 16th Party Congress, as a combination of economic, domestic political and foreign policy reform. Economically, it represents a continuation of marketization, privatization and globalization under more centrally controlled auspices. Politically, it represents a continuation of Dengist emphases on elite civility and administrative institutionalization. And in foreign policy, it brings China to the threshold of great power status, as the old ambivalence between overthrowing the international system and assuming an important role within it nears resolution. The second purpose, viewing "Jiangism" in comparative developmental terms, conceives political development in terms of both state-building and nation-building: the greatest emphasis has been on the former. The third goal is to subject Jiangism to immanent critique by pointing out the most conspicuous emergent contradictions. These seem to include gaps between rich and poor and between east and west, a largely unsuccessful attempt to reform the nation's industrial core and its attendant financial system, and a paradoxical inability to police the state even while increasing state capacity.

Viewed as a developmental process, the 16th Party Congress, held after a two-month delay in Beijing on 8–14 November 2002, marks essentially the efflorescence and consummation of "Jiangism," that is of the political thinking and policy line of Jiang Zemin. Clearly Jiang's own political power has reached unprecedented heights, coinciding paradoxically with his long anticipated "retirement." But by Jiangism we refer not to Jiang the individual leader (who has in fact been less personally dominant than either of his two main predecessors), but to the entire Chinese reform regime or *tixi*, denoting a comprehensive doctrine that sets out clear goals for society to achieve, obstacles to be removed, and the appropriate set of institutions to lock the PRC on to a given developmental path. Just as "Maoism" has conventionally been applied to the 1948–76 period, so might "Jiangism" be coined to characterize Chinese politics from the mid-1990s to the present, acknowledging that Jiang has in fact had greater political impact on this time than anyone else.[1] He stepped down as general secretary at the 16th Party Congress in November 2002 and subsequently yielded the state presidency at the Tenth National

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1. Thus many aspects of Jiang's policy line were implemented by Zhu Rongji, for example, just as many "Maoist" policies were in fact implemented by Zhou Enlai or Liu Shaoqi. However for the purposes of this analysis such distinctions are not relevant. The "Jiang regime" can claim credit for all policies implemented under its aegis.

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People's Congress (NPC) in March 2003, but it would be premature to write Jiang Zemin's political epigraph. He has made clear that he is not eager to fade from the scene, although whether he stays on to transform, adorn or besmirch his historical legacy is an enigma only time can unravel.

An appraisal of the Jiang Zemin *tixi* presumes some basis for comparison. Since the advent of the regime in 1949 ("Liberation"), the conventionally accepted basis for comparisons has been systemic, comparing China with other socialist regimes under the rubric of "comparative communism." That this is still an informative basis for comparison is demonstrated in Wu Yu-Shan's penetrating essay. But China, by self-designation as well as by more objective indicators, has also been from the outset a developing state, a member of the Third World. With the sharp reduction in the number of consciously socialist states since the end of the Cold War in the early 1990s, and with the fading credibility of Marxist-Leninist ideology, the relevance of this international reference group may be said to have increased. Yet any attempt to evaluate Jiangism from a developmental perspective must necessarily rely upon a body of literature that is vast and at best fragmentary and elliptical. For the purposes of this article, political development is here defined in terms of three dimensions. First is the development of state capacity, as ultimately measured in its ability to foster rapid and reasonably equitable economic growth, and divided primarily into extractive capacity, regulative capacity and redistributive capacity.[2] Secondly, although growth is primary, it can easily run out of control and damage or temporarily derail the developmental process. Thus in addition, institutionalization is required, giving rise to an oscillation between political development and political decay.[3] Finally, the concept of political culture was introduced to bring mass publics into the political equation, showing on the one hand how they are moulded or socialized by the state, and on the other how their evolving desires contribute to the nation-state's collective identity.[4] This process involves a dialectic between the emancipation of the masses to participate more actively in politics and the restraint of that activity to accord with certain rules of civility, ultimately leading towards some form of "democratization."

What, then, does Jiangism stand for? To some extent it is an extension of Dengism, but at the same time Jiang has attempted to refine and adjust

2. See Gabriel Almond, "The return to the state," *APSR*, Vol. 82, No. 3 (September 1988), pp. 853–874; Robert Jackman, *Power Without Force: The Political Capacity of Nation-States* (Ann Arbor: University of Michigan Press, 1993; and Kjeld Erik Brødsgaard and Susan Young (eds.), *State Capacity in East Asia* (New York: Oxford University Press, 2000).

3. Samuel Huntington, *Political Order in Changing Societies* (New Haven: Yale University Press, 1968); Robert Scalapino, Seizaburo Sato and Jusuf Wanandi (eds.), *Asian Political Institutions* (Berkeley: Institute of East Asian Studies, 1986).

4. See Lucian Pye and Sidney Verba (eds.), *Political Culture and Political Development* (Princeton: Princeton University Press, 1965); Gabriel Almond and Sidney Verba, *The Civic Culture* (Boston: Little, Brown, 1965); Lucian Pye, *Politics, Personality and Nation-Building* (New Haven: Yale University Press, 1962); and Pye, *The Spirit of Chinese Politics* (Cambridge, MA: Harvard University Press, 1992 ed.).

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Deng's *tixi*. Though not a brilliant policy innovator, Jiang has shown skill as a compromiser and synthesizer, integrating aspects of Maoism and Dengism into a novel composite. Economically Jiang might be said to represent the "deepening" of reform, imposing greater central direction on the economy while at the same time pushing China's opening to the outside world. In the realm of politics the Jiang regime has been associated with the slogan "stability over all" (*wending ya dao yiqie*), to use the term coined by Deng in his 1989 meeting with Kissinger. Although it is true that Jiang has placed greater (at least more successful) emphasis on stability than either of his main predecessors, that characterization is not entirely fair. He has taken sizeable risks, including the mobilization of mass nationalism against his primary trade partner and security threat, and the acceptance of Draconian economic reforms prerequisite to entry into the World Trade Organization (WTO). But Jiang seeks to minimize risk by ensuring stability: no stability without change, but no enduring, positive change without stability. With regard to China's relations with the outside world, Jiang's era represents not only China's re-emergence from the ostracism imposed after Tiananmen Square but a cautious rise to great power status. This article considers each of these achievements in turn, juxtaposed with the contradictions that have recently emerged and will conceivably affect the future tenability of Jiang Zemin's current political high tide. Finally, it compares the concluding characterization of the Jiang legacy as the sum of its triumphs and flaws with the developmental schema adumbrated above.

Political Reform of the Economy

Jiang's first and most basic contribution was the continuation of reform, at a time when this was in some doubt. The political atmosphere in the wake of the crackdown at Tiananmen Square and the subsequent collapse of socialist regimes in Eastern Europe and the Soviet Union in 1989 to 1991 was that of "new cold war," precipitating a defence of surviving socialist economic institutions such as the state-owned enterprises (SOEs) and central dirigisme against "peaceful evolution" and the "capitalist road." We now know that Jiang Zemin's primary patron when he was selected as Party secretary in late May 1989 was not Deng Xiaoping, whose first choice was Li Ruihuan, but the central planning clique under Chen Yun, Bo Yibo and Li Xiannian. Jiang presumably knew this and accordingly tilted rightwards during his early years, forming a strong coalition with Li Peng and the elders, to the extent that Deng apparently toyed with the idea of dumping Jiang and rehabilitating Zhao Ziyang. When Deng made his tour to the south, however, joining forces with provincial leaders who were resisting the economic retrenchment and centralization favoured by the central planners, Jiang shifted to the right, and under the circumstances his conservative supporters could not but shift with him. Had he opted otherwise, as one can easily imagine a more "principled" character doing, the left just might have prevailed, forcing Deng's fourth and last retirement and returning the economy to

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more orthodox lines. Even had it failed, this would have opened yet another leadership split, necessitating another reshuffle of the line of succession.

Deng's resuscitation of the forces of reform in 1992–93 unleashed another capital investment binge, shooting the annual GDP up to about 13 per cent, thereby unleashing another round of double-digit inflation. When Deng at the 14th Congress promoted Zhu Rongji as executive vice-premier and economic "czar" to bring the runaway economy to heel, Jiang promptly embraced him. For the next decade Jiang played high-level triangular politics, tilting between Zhu and Li Peng depending on the issue in focus. The result was a continuing but deepened reform quite different from the reform of the 1980s. On the one hand, marketization continued, dominating price formation in the commodity sector, and thanks to ruthless reform of small and medium SOEs, marketizing labour allocation as well[5] (capital alone remains essentially unmarketized and inefficiently allocated).[6] And for the first time under Jiang, despite initial hostility in the wake of the collapse of the communist bloc, privatization began to make significant headway. True, there had been some movement in this direction in the 1980s (the "responsibility fields," for example, are very close to private ownership), but the township and village enterprises are "owned" by local government agencies, and private entrepreneurship was for the most part limited to small peddlers, merchants and restaurants. In the 1990s the entire urban housing stock was sold at very low prices to residents, and the combination of "grasping the big, dropping the small" (*zhua da fang xiao*) and the ideological legitimization of private start-ups resulted in a burgeoning private sector. In 1998 China collected 46 per cent of total tax revenues from the private economy, reducing its long fiscal dependency on SOEs. With SOEs downsized, private firms have become the major source of new jobs. In recent years, private capital has accounted for 35 per cent of total capital investment and contributed 60 per cent of China's GDP growth; at the end of 2000, the non-public economy accounted for 50.8 per cent of industrial output, and it is estimated that by 2004 it will contribute more than 60 per cent of industrial output and employ 75 per cent of the workforce.[7]

Distinguishing Jiang more sharply from Deng is his greater emphasis on the role of central government apparatus in regulating and managing the reform. The decentralization of authority initiated under Deng was arrested and to some extent reversed. Whereas in the early 1980s the

5. E.g., from 1998 to 2002, state-sector employment in China's cities fell by 34 million jobs, or 30%.

6. See Thomas G. Rawski, "China's move to market: how far? What next?" in Ted Galen Carpenter and James A. Dorn (eds.), *China's Future: Constructive Partner or Emerging Threat*? (Washington, DC: Cato Institute, 2000), pp. 317–340.

7. "Feigong jingji nashui zhan Zhongguo banbi jiangshan" ("Tax payment by the non-public sector makes half off China's total tax revenues") *Qian Shao* (*Frontline*), No. 104 (September 1999), p. 135; Wang Jiahang, "Minying qiye chenwei; ziben shichang xin liangdian" ("Private enterprises have become the new spotlight in the capital market"), *Renmin ribao* (*People's Daily*), 10 September 2002; as cited in An Chen, "The new inequality," *Journal of Democracy*, January 2003, pp. 51–59.

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leadership shifted from "two down" to "one down" in the central appointment of provincial and local officials, central control of nomenklatura appointments has now been reasserted, and under Zeng Qinghong the Organization Department (*zuzhibu*) has further strengthened its role in personnel selection and management.[8] The 1993–94 comprehensive reform of China's financial and banking system included shifting from the particularistic, negotiable fiscal contract arrangement between centre and province to a tax assignment system (assigning specific categories of tax collection to each level of government) in which the central government also established its own separate tax administration. This greatly strengthened the fiscal power of the centre, whose share of budgetary revenue relative to the provinces rose from 33.7 per cent in 1993 to 55.7 per cent in 1994, with 52.4 per cent in 2001. After a long period of declining total governmental revenue, from 31.2 per cent of GDP in 1978 to a low point of 10.9 per cent in 1995, revenue collection seemed to make a modest turnaround, rising to 17.1 per cent in 2001 (though still low in relative and historic terms).[9] Central subsidies to the provinces and the SOEs were curtailed to constrain the money supply and curb inflation. The banking sector was reorganized to reassert central control over fixed capital investment, thereby facilitating the nationalization of fiscal policy and an effective countercyclical mechanism. The number of provincial subsidiaries and supra-regional subsidiaries of the People's Bank of China and the four major commercial state banks was reduced, in order to limit the power of local cadres in the allocation of credit. For the same reason, those in charge of these supra-regional subsidiaries are no longer appointed by the local authorities but by their head offices in Beijing. Aggressively tackling the old problem of an inefficient SOE sector with a "grasp the big, drop the small" policy, the leadership made clear its priorities: the centre would retain control of the "commanding heights" of the economy, the large-scale, modern SOEs (reportedly modelled after the South Korean *chaebol*) would be redesigned to thrive in the international market competition, and only the small-scale, inefficient SOEs would be privatized. And, in at least some industrial sectors, this strategy seems to have borne fruit.[10]

The third major facet of the Jiangist economic strategy has been an acceleration of China's opening to the outside world. The trade-to-GDP ratio has risen from 18.9 per cent in 1980 to 30 per cent in 1990, to 49.3

8. See John P. Burns, "Strengthening central CCP control of leadership selection: the 1990 *nomenklatura*," *The China Quarterly,* No. 138 (June 1994), pp. 458–491. The process of strengthening central control became further evident in 1995, when "Interim regulations on selection and appointment of Party and government leading cadres" was published. It was reinforced in 1998, when the personnel office (*renshibu*) under the State Council lost much of its personnel management authority to the CC Organization Department (*zuzhibu*), and further by the ten-year programme published in 2000 on deepening the cadre personnel system.

9. Dali Yang, "State capacity on the rebound," *Journal of Democracy*, January 2003, pp. 43–50.

10. See Kun-Chin Lin, "Divergent responses to oil price collapse, 1986 vs. 1998: central state and subnational actors between the plan and the market," paper presented at the Annual Meeting of the AAS, Washington DC, 4–7 April 2002.

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per cent in 2000; which is very high trade dependency for a country with a large internal market. As trade has risen, so has foreign direct investment (FDI), rising from US$3.5 billion in 1990 to $41.7 billion in 1996. When the FDI stalled in the late 1990s (declining from $45.25 billion in 1997 to 40.3 billion in 1999) in response to the Asian financial crisis and ensuing international recession, the Jiang regime, making major negotiating concessions at considerable cost to its economic interests (such as approximately 40 million urban unemployed by the turn of the millennium), successfully negotiated entry into the WTO in 2000, with a resulting upsurge of FDI: China negotiated over US$100 billion in 2002, surpassing the United States as the world's leading FDI recipient. FDI helped make China an export juggernaut, which in turn, since the devaluation, elimination of the dual-currency system and adoption of a managed float in 1994, has resulted in a perpetual current account surplus, swelling foreign exchange reserves to $268 billion by the spring of 2003. China's export sector has become increasingly dominated by foreign investment, forming an enclave insulated from the domestic economy and hence with limited multiplier effects (for example, since the 1980s Guangdong has attracted on average more than a third of China's FDI).[11] In 1985, foreign invested enterprises (FIEs) produced only one per cent of China's exports; by 2000, they produced nearly half. Trade servicing the export sector has also come to predominate among China's imports: by 2002, 80 per cent of China's imports were capital goods for the FIEs. And China's advanced technology sector is also being built largely by FDI, as domestic capital allocation continues to flow into old investment channels. The high-tech crash in the West has only accelerated the plunge of high-tech enterprises into China, responding to intensified price competition. WTO compliance, by forcing (*inter alia*) tariff reductions to an average of less than 10 per cent by 2005 and an opening of the telecom, banking and insurance sectors to foreign competition, can only reinforce China's economic globalization. Yet in some ways globalization subverts some of the regime's other priorities, such as the reassertion of central control over the political cultural and economic subsystems.

Political Institutionalization

China's momentous shift of emphasis from revolutionary revitalization to institutionalization, from leadership by a proletarian vanguard to a ruling party, began of course with Deng Xiaoping at the Third Plenum of the 11th Party Congress in December 1978. But Deng's efforts at political institutionalization were less effective and well-integrated in practice than in theory, marred by a vicious business cycle and by recurrent political turmoil. The major contribution of the Jiang regime to the ongoing institutionalization of the political arena has been to consolidate Deng's

11. Kjeld Erik Brødsgaard, "Regional disparities in China," in Werner Draguhn and Robert Ash (eds.), *China's Economic Security* (New York: St Martin's Press, 1999).

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ideas rather than to add bold new initiatives. It may be divided into three categories: formal politics, informal politics and ideology.

Formal politics. Formal politics may be subdivided into two aspects – structural reform and personnel policy – both of which focused on efficiency-enhancing reforms rather than democratization. Structural reform included early signs of interest in a larger margin of elimination (*cha'e*) when delegates to the 16th Congress elected CC members, or for some such margin when the CC elected members of the Politburo. But there has been little headway in electoral or other democratic reforms (such as the 1998 suggestion that village-level elections be extended to townships/counties) since the 15th Party Congress.[12] Instead, the Jiang leadership has agreed to introduce "elite democracy," that is, inducting "trustworthy experts" from a broader cross-section of society into the top echelons, recruiting officials into the mid-ranking bureaucratic levels through "public exams" and other such adjustments. More recently, there have been hints of a possible renewed interest in political reform among such members of the fourth generation as Hu Jintao and Zeng Qinghong, though whether this survives the two congresses remains to be seen.

Structural reform of the central economic apparatus has been ambitious and systemic. Zhu Rongji, with Jiang's implicit support, energetically implemented a "little state, big society" downsizing in 1998–2002, reducing the administrative staff in central and provincial administration by nearly half, and county and township by 20 per cent. Were this merely a reiteration of the periodic personnel reductions that characterize bureaucratic authoritarianism (as in 1982, 1988 and 1993)[13] it could not really be considered structural reform, but the thrust of this reorganization is to make the state not only "leaner" but more suitable for a regulatory role. By 1998, most industrial ministries of the State Council had been abolished, their macreconomic regulatory functions repackaged into the new MITI-like superministry, the state Economic and Trade Commission, and the SOEs formerly attached to the ministries reassigned to the localities or set up as independent corporations. The size of the personnel of the State Council was reduced by 47 per cent, provincial administrative personnel by 50 per cent, and county and township personnel by 20 per cent. Three ways were designed to marketize the industrial ministries (*bumen*) at both the central and local levels: to turn them into business entities (corporations, enterprise groups, holding companies and so on) that are stripped of their government administrative functions; to turn them into semi-official trade associations or business councils (*hangye zonghui*); and to turn them into macro-regulatory agencies. The first group can incorporate non-state enterprises. The second group draw their

12. *Wen wei po* (*Wenhui bao*) (Hong Kong), 31 December 2001, A3; *Ming bao*, 17 January 2002, B14; Si Liang, "China makes earnest preparations for 16th Party Congress to be held in second half of this year," Zhongguo tongxun she (China News Agency) (Hong Kong), 7 January 2002.

13. See David Shambaugh, "The post-Mao state," in D. Shambaugh (ed.), *The Modern Chinese State* (New York: Cambridge University Press, 2000), pp 161–187.

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membership from the whole industry regardless of the ownership classification. And the third group are supposed to treat all firms – state-owned, collective, foreign invested and private and so on – as equals under the same market rules of competition.[14] Part of the rationale for this reorganization is simply to divest the state of unprofitable SOEs, whose average margins of return, after remaining quite high (above 25 per cent) through the 1980s, sank precipitously in the 1990s (less than 5 per cent in 1997, for example).

Jiang's personnel administration, like Deng's, focused on ingress and egress, creating vacancies and improving turnover through increasingly rigorous enforcement of term and age limits, resulting in a relatively young elite with the highest educational attainments in the history of the PRC. But despite repeated rectification campaigns and "strike hard" (*yanda*) crime crackdowns, resulting in impressive conviction statistics (and the highest execution rate in the world), the regime has been rather less successful at stemming cadre corruption. Relevant to a consideration of personnel policies is an overview of the outcome of the 16th Congress, undertaken in greater detail by Suisheng Zhao. In broad outline, though this is no longer referred to as a "generational succession," the 16th Congress has seen perhaps the most extensive transformation of China's leadership since reform was initiated 25 years ago. More than half of the CC members and alternate members were phased out in accord with age limitations, 14 of the 24 full Politburo members are new faces and only one (Hu Jintao) of the nine Politburo Standing Committee members has remained. The professional backgrounds of the new officials, albeit primarily technocratic at the Politburo level, are increasingly diverse within the CC and at lower levels. Also striking is the increasing decentralization of the leadership, with a third of the CC membership now hailing from provincial bases, 50 per cent of the Politburo and 44 per cent of the Standing Committee; though the correlation is informal, every province now has two CC "delegates" save Xinjiang and Tibet which have more.[15] The Secretariat, now led by Zeng Qinghong, had a sweeping turnover: new members include Liu Yunshan (propaganda), He Guoqiang (replacing Zeng as head of the organization department), Wang Gang (in charge of the CC General Office), General Xu Caihou (political work in the PLA) and He Yong (Party discipline).

14. Lowell Dittmer and Lance Gore, "China builds a market culture," *East Asia: An International Quarterly*, Vol. 19, No. 3 (Fall 2001), pp. 9–51.

15. Four provincially based members of the Politburo Standing Committee are Wu Guanzheng, Party secretary of Shandong province, Huang Ju, Party secretary of Shanghai, Li Changchun, Party secretary of Guangzhou province and Jia Qinglin, Party secretary of Beijing. In the Politburo, in addition to these four, are Wang Lequan (Xinjiang), Hui Liangyu (Jiangsu), Liu Qi (Beijing), Zhang Lichang (Tianjin), Zhang Dejiang (Zhejiang), Chen Liangyu (Shanghai), Zhong Yongkang (Sichuan) and Yu Zhengsheng (Hubei). Though provincial representation on the Central Committee has statistically declined from the CR period to the reform era, the 16th Congress may represent a reversal of this trend. Zhiyue Bo, *Chinese Provincial Leadership: Economic Performance and Political Mobility since 1949* (Armonk, NY: M. E. Sharpe, 2002), pp. 19–32.

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Informal politics. Informal politics consists of the use of non-official or even quasi-illegitimate means to accomplish legitimate political objectives. Its strong point has always been its superior means-ends efficiency, while its weak point has been its lack of public legitimacy.[16] While in Western sociology such informal politics as the Kaffeeklatsch is generally considered functionally conducive to formal organizational objectives, in CCP history there has often been a sharp disjunction between formal and informal politics, such that the latter were used to circumvent and undermine the formal rules of the game. Two aspects of informal politics generally considered prime suspects from this perspective – elite factionalism and leadership succession – are worth reviewing during the Jiang era.

In both areas, there is evidence that informal politics has shown greater mutability than formal politics, but that the pattern of change has generally been adaptive to modernization objectives: informal arrangements are not simply institutionalized into formal ones, but adapted and transformed. Informal change has thus become a leading indicator of later organizational formalization. Take the faction: the internal structure has remained basically unchanged, based on vertical ties of personal loyalty to a patron. But factional loyalty has slackened and become more fungible amid the heightened personnel mobility of the reform era. During the Maoist era, factions were ideologically as well as personally defined, and remained fiercely loyal in what could become a fierce "game to win all or to lose all."[17] During the Deng era, factionalism underwent several changes. Although there was an ideological dimension to the contest between the Deng supporters and the surviving Maoists, the elimination of Hua Guofeng and his followers was followed by an ideological consensus in support of the policy of "reform and opening to the outside world." Factions were henceforth organized around policy lines qua bureaucratic interests rather than ideology, pitting a coalition of radical marketizers against a coalition of bureaucratic gradualists, and with only a few exceptions (the Gang of Four, all of whom died in prison), factional conflict was generally pursued with greater civility. But although there was generally a greater correspondence between factional allegiance, bureaucratic interest and policy preference during the Deng era, the gap between informal and formal organization paradoxically widened. This is because the Deng leadership, caught in a contradiction

16. Consider the informal division of labour between Jiang Zemin and Zhu Rongji, in which Zhu took public charge of government downsizing, SOE and banking reform and other such Draconian policies while Jiang quietly backed him up. This seemed to be working well in 1997–98, but when Zhu drew a blank in his April 1999 visit to the US in quest of a WTO negotiating breakthrough, Li Peng, Zeng Qinghong and others seemed eager to take advantage of this setback to eliminate him, jeopardizing China's whole campaign to join WTO; only Jiang's backing forestalled that. Informal political arrangements are vulnerable to public exposure.

17. See Andrew J. Nathan, "A factionalism model for CCP politics," *The China Quarterly*, No. 53 (January–March 1973), p. 36 ff. and Tang Tsou, "Chinese politics at the top: factionalism or informal politics? Balance-of-power politics or a game to win all?" *The China Journal*, No. 34 (July 1995), pp. 95–157.

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between its desire to institutionalize term limits by personal example and a need to retain the power necessary to implement reforms, retained informal power while relinquishing formal office. From their informal positions as factional patrons, Deng and his "sitting committee" could intervene at will and trump any decisions of the Politburo with which they disagreed, as they did most notoriously during the spring 1989 Tiananmen Square protest movement.

Jiang Zemin continued many of Deng's measures to bring factionalism under control. The code of civility was further extended to opposing faction leaders, who have (with the exception of Chen Xitong, who was purged and jailed) been permitted to disagree discreetly with the majority faction and to retire without ideological recrimination if eased out of the leadership. Neither Yang Shangkun nor Qiao Shi was placed under house arrest, but remained free to travel and even make speeches implicitly critical of Jiang's policies.[18] Ideology is no longer a factor in factional showdowns, having been replaced by "corruption."[19] Factionalism has assumed two distinctive features in the Jiang era. First, the gap between informal and formal organization that had opened to such alarming dimensions during the Deng era has been to a large extent closed. The "sitting committee" of retired senior veterans, willing to return to active leadership whenever duty called, has been all but eliminated, by a combination of Jiang's skilful handling of these *eminences grises* and the fact that most of them finally died. And in contrast to Deng Xiaoping, who retired from formal positions while continuing to exercise informal influence, Jiang has avidly pursued as many formal positions as possible in both Party and state hierarchies. Secondly, not only ideology but also policy and bureaucratic interest seem to have dissipated as a basis for factional organization. Factions are no longer identified with distinctive policy platforms; rather, competing factional manoeuvres seem to be oriented exclusively around personnel issues. This is perhaps a result of the attainment of a greater sense of leadership consensus on the package of economic reform and political stability since the purge of Zhao Ziyang and his followers in 1989. Even as the jockeying for position preparatory to the 16th Congress illustrated that factionalism had by no means disappeared, there has been a remarkable vacuum of policy disputes.

What is distinctive about Chinese Communist leadership succession arrangements? First, China is unusual in the amount of anticipatory attention devoted to this particular rite of passage. Throughout CCP history, succession has been a source of inordinate concern and occasional outbursts of concentrated, disruptive strife. The reason elite

18. Thus Qiao Shi, who reluctantly set the precedent for retirement at age 70 at the 15th Congress, toured the country in early 2002 giving speeches against lifetime tenure even as a letter campaign was being waged against Jiang's retirement at age 76. Yet Qiao still served as a member of the preparatory committee for the 16th Party Congress.

19. This might be considered evidence of the growing prevalence of the rule of law, were it not for the capricious way the crackdown has been applied (see the case of Jiang's friend Jia Qinglin, who despite the Yuanhua scandal that exploded under his auspices in Fujian province was promoted to the Politburo Standing Committee at the 16th CC).

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fights outnumber completed successions relates to a second feature peculiar to the Chinese case: the marked preference for pre-mortem succession arrangements. Owing perhaps to a political tradition of dynastic succession in the absence of primogeniture, the Chinese leadership has invested a great deal of political capital in the preliminary making and recurrent reconsideration of anticipatory succession arrangements. Thus the Gao–Rao split in the mid-1950s emerged in the context of Mao's express desire to retreat to a less active role and put others on the "first front," and the decade-long Cultural Revolution involved the rotation of first Liu Shaoqi, then Lin Biao, then (more tentatively) Wang Hongwen and finally Hua Guofeng, into the precarious role of heir apparent. Notwithstanding Deng Xiaoping's avowed determination to institutionalize the process, he himself made two abortive selections (Hu Yaobang and Zhao Ziyang) before finally settling on Jiang Zemin. Most other socialist systems have been content to defer the issue post-mortem (such as Stalin's succession to Lenin, Khrushchev's to Stalin, Honecker's to Ulbricht, Gorbachev's to Andropov, via Chernenko).

The history of the CCP succession issue may be divided into three eras: pre-Mao, the Maoist succession and post-Mao. During the pre-Mao era, succession crises were nasty, brutish and short. Succession was pre-mortem and invariably involuntary, consisting of a confrontation between a discredited incumbent and the rest of the Politburo, who would ultimately force him out with the backstage support of the Comintern. The decisive difference of Mao's era concerned the charismatic personality of the incumbent, which derived from the improbable crowning success of his leadership, which against all odds succeeded in banishing the defeated Nationalist regime and establishing uncontested sovereignty over the mainland for the first time since the Qing. Mao's record after liberation was more mixed, but his regime can plausibly claim to have lastingly transformed the Chinese political spectrum and to have established China as a world power. Yet ironically the Maoist succession scenario was the worst in CCP history, consisting of incessant pre-mortem intrigue, coup plots and power struggles, only to culminate in a post-mortem succession crisis anyway, in which Mao's default successor proved too weak to survive. For the first time in CCP history, the incumbent intervened repeatedly in pre-mortem succession arrangements, as a way of manipulating and balancing off would-be rivals.

It was in the shadow of this nightmare that the Deng Xiaoping regime introduced sweeping reforms in succession arrangements. Yet Deng's innovations were to some extent compromised by his own leadership style. Though he eliminated most of the trappings of the cult of personality, working to allay the impression that the paramount leader is indispensable and that his replacement necessarily involves a "crisis," Deng continued to view monocratic leadership as essential, referring to himself as the "core" of the second generation. Deng therefore asserted the right to select his own successor, and like Mao, he used the selection tactically to manipulate the loyalty of the rest of the leadership. To his heir apparent he would assign all the most delicate and high-risk jobs, such as

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rejuvenation of the central leadership (for Hu Yaobang in 1983–85) or price reform (for Zhao Ziyang in 1988), basking in credit in the event of success but otherwise scapegoating the successor. But Deng did introduce two important innovations. The first was term limits: for all government positions, the revised constitution stipulated a limit of two five-year terms. Secondly, taking into account that his second comeback had been built upon an older generation of officialdom not ideally qualified to lead China into the second millennium, Deng conceived of succession as a generational necessity, attempting to institutionalize the orderly replacement of a whole generation of veteran incumbents.[20] At the provincial and local levels the introduction of term limits and retirement packages has on the whole been quite successful.[21] At the top, the picture has been ambiguous: Deng Xiaoping arranged for his orderly retirement from formal positions of authority but then made a mockery of his own arrangements by intervening to replace his own successor designates. Yet he did then finally succeed in stage-managing the CCP's first orderly pre-mortem succession, ceding all formal power in 1989 and relinquishing informal influence (at the brink of death) in late 1994.

Jiang inherited expectations for a second generational succession, along with the supposition that he would step down from all posts in accordance with the informal rule of an age limit of 70 for Party leadership posts, in the wake of the preparatory meeting for the 15th Congress at which that rule was used to facilitate the retirement of his rival Qiao Shi. Jiang managed the generational succession of his colleagues quite smoothly, but about his own retirement he remained publicly Delphic. Recurrently during the 1997–2002 period Jiang would float organizational proposals apparently designed to perpetuate his influence – a return to the chairmanship system, the introduction of a Chinese National Security Commission, the promotion of his resourceful secretary, Zeng Qinghong – but these proposals were rejected. In the August 2001 Beidaihe meetings, the leadership seemed to have reached a consensus for across-the-board retirement of all over 70, with 68-year-old Li Ruihuan offering to retire along with Jiang. Then in the spring of 2002 a series of petitions and letters from PLA officers and provincial officials began to flood Zhongnanhai, beseeching Jiang to stay on. But Jiang's colleagues maintained that if any stayed all should stay. Perceiving that his own retirement was his strongest card, Jiang skilfully played this to induce his colleagues to step down with him. He proceeded first to accept Li Ruihuan's offer to retire at a special Politburo meeting on 26 October. At the Party Congress on 13 November, it was then announced that the only member of the Standing Committee who would stand for re-election to the CC would be Hu Jintao. Jiang then appointed five of his

20. A good synopsis of Deng's reforms of the succession process may be found in Peter N. S. Lee, "The informal politics of leadership succession in post-Mao China," in Lowell Dittmer, Fukui and Peter N. S. Lee (eds.), *Informal Politics in East Asia* (New York: Cambridge University Press, 2000), pp. 165–183.

21. See Melanie Manion, *Retirement of Revolutionaries in China: Public Policies, Social Norms, Private Interests* (Princeton, NJ: Princeton University Press, 1993), passim.

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protégés to the new nine-man Politburo Standing Committee (Huang Ju, Wu Bangguo, Jia Qinglin, Zeng Qinghong and Li Changchun), ensuring that he would continue to command a majority. Then, to the surprise of congressional delegates who had just learned of the Standing Committee's collective retirement, he allowed himself to be nominated (by General Zhang Wannian, a retiring member, in a highly irregular "special motion") as continuing chair of the CC Central Military Commission (CMC), because of alleged risks of allowing an untested leadership to deal with the delicate Taiwan and Sino-US issues. This would allow Jiang to attend Poliltburo meetings in a non-voting capacity, and Hu subsequently promised in (leaked) internal leadership briefings that Jiang would preview all "important" Politburo decisions. In subsequent visits with foreign visitors Jiang indicated that he intends to serve the entire five-year term.[22] That should ensure his continuing prominence in the national security arena even after his March 2003 retirement as chief of state, dropping to second in the protocol ranking.[23] While this can in fact be justified by the current dearth of high-level diplomatic experience, it gives rise to the old "two centres" problem that has long bedeviled the CCP, in this case putting the military beyond the control of the leader of the CCP. It also violates the rules of retirement imposed on other officials (including all other members of the CMC) with increasing uniformity, and leaves China's leadership-watchers waiting for the other shoe to drop.

Ideology. Although foreign China-watchers have long discounted the importance of ideology and many CCP leaders have obliquely confirmed this in their concern about a "crisis of faith," Jiang obviously considers ideology a useful mechanism for public agenda setting as well as legitimation and has striven to make his own contribution to the canon. Jiang's contributions have been inspired by a conviction that for ideology to regain credibility it must bear some plausible relationship to the economic transformation of China. Jiang introduced the "three represents" (*san ge daibiao*) – that the Party should represent the advanced culture, advanced relations of production and the interests of the broad masses of the people (with no explicit mention of the proletariat, let alone class struggle) – in February 2000 during a trip to Guangdong, and expatiated on this formula in a series of talks, culminating at the Fifth Plenum of the 15th Congress in October, which ranked it among the guiding doxa: "The Communist Party should stick to Marxism-Leninism, Mao Zedong Thought and Deng Xiaoping Theory, and follow the "Three Represents," the official Xinhua news agency declared in its report.[24] In his speech on the 80th anniversary of the Party's birth on 1 July 2001, Jiang spelled out the political implications, proposing that the criteria for

22. Susan V. Lawrence, in *Far Eastern Economic Review*, 28 November 2002.
23. Tokyo *Kyodo*, 20 November 2002; Chinese Newsnet (*Duowei*), 19 December 2002.
24. *Agence France Presse*, 17 September 2001. At the 16th Congress, the "three represents" was duly enshrined in the Party statute – albeit without personal reference to Jiang. *Washington Post*, 21 July 2001; *CNN*, 28 July 2002.

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recruitment into the Party be broadened to include members of the middle classes, even members of the bourgeoisie.[25] This is not the first time entrepreneurs had gained entry to the Party: taking advantage of the close historical connection between the economy and the party-state, cadres (or their family members) have quite frequently "plunged into the sea" (*xia hai*) of commerce, while retaining their foothold in the Party. But this had never been admitted in such explicit fashion, and Jiang's formula initially raised a firestorm among the left, who not only objected to the Party's abandonment of the working classes but viewed this as a vehicle for Jiang's personality cult, which crested at his retirement.[26]

Yet as John Wilson Lewis has pointed out, it would be myopic to focus exclusively on the power-political implications while completely disregarding Jiang's vision for the Party's future. The ideas he has introduced, though hardly novel (they stand in lineal descent to Liu Shaoqi's "productive forces theory" (*shengchanlun*) and "whole people's state," Deng Xiaoping's repudiation of class struggle, and Zhao Ziyang's "primary stage of socialism"), represent the search for a new basis of legitimacy for a Party that can no longer rely on charismatic leadership or even necessarily on economic performance. The idea of co-opting political, economic and intellectual elites in a new Establishment has deep resonance in Chinese culture, with obvious appeal to a leadership no longer sure of its *raison d'être*. The chief reservation about the "three represents," articulated not only by the New Left but in subtler and more qualified terms by such leading intellectuals as Kang Xiaoguang and Hu Angang, is that this fusion of elites will abandon China's working classes at a time of growing unemployment and economic inequality.[27] To this the Jiangists protest that opening the Party to the middle classes is not meant to be exclusive. The central theme of Jiang's work report to Congress (which makes no mention of Deng's Four Cardinal Principles) is the goal of *quanmian jianshe xiaokang shehui* (build a well-off society in an all-round way), with the emphasis on *quanmian*, or all-round, signalling, perhaps, a leadership consensus that the time has come to adjust Deng's strategy of growth where conditions are most favourable in favour of a more inclusive and geographically dispersed investment pattern. This is suggested not only by the programme to develop the west launched in 1999, but by the visits to less developed regions undertaken

25. *Chung Kung Yen Chiu*, September 2001.

26. In April 2000, the Party published a book entitled *Mao Zedong, Deng Xiaoping and Jiang Zemin on Ideological and Political Work*, and in late 1999 the CC Secretariat formed a committee to edit *The Selected Works of Jiang Zemin;* by late 2001, compilation and editing had been completed, followed by publication upon convocation of the Party Congress.

27. Kang Xiaoguang, "Weilai 3–5 nian Zhongguo dalu zhengzhi wendingxing fenxi" ("An analysis of political stability in mainland China over the next three to five years"), in *Zhanlüe yu guanli* (*Strategy and Management*) (Beijing), No. 6 (1 June 2002), pp. 1–15; also see Wang Shaoguang, Hu Angang and Ding Yuanzhu, "Zui yanzhong de jinggao: jingji fanrong beihou ti shehui bu wending" ("Most urgent warning: social instability behind economic prosperity"), *Zhanlüe yu guanli*, No. 4 (April 2002), pp. 1–17.

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by Hu Jintao and Wen Jiabao since adjournment of the 16th Party Congress.[28]

It is however legitimate to wonder whether Jiang's attempt to guide China's modernization via a new ideological "line" may not be technologically dated. Deng's opening of the country to the outside world has been accompanied by extensive print and electronic penetration, leading many to express serious doubts about the feasibility of any attempt to isolate a socialist political culture and maintain unanimity (*yiyuanhua*). Media control has been noticeably fragmented by reform: no private ownership is yet permitted, but managements have become fiscally autarkic, and practically every government organ, social group or party now has its own outlet. So far it would appear that fragmentation has resulted in socio-economic but not political liberalization.[29] The byword is that the party-state's monopoly of political interpretation must not be challenged. The social proliferation of non-governmental organizations (NGOs), peaking at 163,000 registered groups in 1998, inspired Western hopes in a rebirth of civil society, but new regulatory laws were passed the same year reducing that number by a fifth and eliminating "redundant" or "badly managed" groups. The prairie fire-like spread of the internet in China, reportedly now exceeding 59 million users and surpassing Japan as the second largest network after the United States, has led to forecasts of a technologically driven liberalization, but again, the regime has shielded the Chinese internet behind a "great firewall" of considerable sophistication.[30] The success of these defensive efforts may be measured in the virtual disappearance of public *falun gong* activities in China, and by the failure of any of the numerous rural and urban strikes and protests now sweeping the country to develop links with one another, in stark contrast to previous such protest movements. As for the internet, some of its most celebrated political incarnations have been as an instrument of intense Chinese nationalism (such as in the wake of the April 2001 EP-3 incident). Can pluralism grow amid this struggle

28. E.g. in November 2002, Hu Jintao made the first visit of a Party secretary to Inner Mongolian Autonomous Region, and gave a speech at Xibaipo emphasizing "hard struggle and plain living," heavily laced with quotes from the works of Mao. In December he convened a Politburo meeting on poverty, and in January convened a Central Conference on rural work. In the same month, revision of the rules for rural household legislation appeared to simplify procedures for peasant migrants to leave their place of residence and to enhance their rights in the cities to which they migrate. Though perhaps largely symbolic, these measures seemed to signal the leadership's resolve to close the widening gap between rich and poor, between the coast and the interior.

29. Guoguang Wu, "One head, many mouths: diversifying press structure in reform China," in Chin-Chuan Lee (ed.), *Power, Money, and Media: Communication Patterns and Bureaucratic Control in Cultural China* (Evanston, IL: Northwestern University Press, 2000), pp. 45–68; Daniel C. Lynch, *After the Propaganda State: Media, Politics, and "Thought Work" in Reformed China* (Stanford, CA: Stanford University Press, 1999).

30. E.g. Edward Yang, "The internet: beyond the great firewall," *China Economic Quarterly*, 11 November 2002; Jonathan Zittrain and Benjamin Edelman, "Empirical analysis of internet filtering in China" (Harvard Law School, Berkman Center for Internet and Society, December 2002); Michael S. Chase and James C. Mulvenon, *You've Got Dissent! Chinese Dissident Use of the Internet and Beijing's Counter-Strategies* (Santa Monica, CA: RAND Corp., 2002).

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between technologically driven commercialism and energetic bureaucratic protectionism?

Relations with the Outside World

Jiang Zemin's smooth accession to power was not accompanied by a crisis forcing the leadership to adapt, nor has Jiang expressed any interest in foreign policy innovation, claiming only to maintain Deng's line. The fundamental reform line of peace and development was retained, as was the primacy of domestic economic construction. Yet Chinese foreign policy under Jiang's leadership has evinced at least two distinctive features. First, China for the first time openly pursued great power diplomacy (*daguo zhanlüe*), cautiously departing from Deng Xiaoping's 1989 advice to "hide our capacities while biding our time" (*taoguang yanghui*). Secondly, after years of suspicion of "bourgeois" international governmental organizations (IGOs), China has become an avid participant in multilateral diplomacy.

China's attempt to join the great game of international power politics has taken two forms. The first is an enhanced interest in military security: after a decade of spending decreases, the post-Tiananmen military budget began to increase, according to official figures, by 11 to 23 per cent per year, outpacing GDP growth, a rate of escalation that has now been maintained for more than a decade. Much of this money has been spent on purchasing advanced aircraft, tanks, missiles and other weaponry from Russia, which in the context of the collapse of its economy badly needed customers. Coterminous with military modernization has been a quest for means to exercise that power in the rational pursuit of Chinese national interests. Since its renunciation of the export of revolution in the late 1970s China had become essentially a status quo power, with the exceptions of its claim on the Spratlys and the unresolved Taiwan Strait embroilment. Thus its willingness to assert its military power was demonstrated in its use of naval vessels to fortify the Spratlys, to patrol Diaoyu Island, or (most notoriously) in the combination of combined arms exercises and missile "tests" conducted in response to Lee Teng-hui's July 1995 Cornell visit. Whereas in the heyday of the Sino-Soviet dispute China welcomed a strong US presence in the western Pacific, the Japanese–American Security Alliance is now regarded with greater suspicion, though there is no explicit Sino-Japanese security dilemma. Since the turn of the millennium, China has de-emphasized the provocative use of force, in the light of the current strategic asymmetry with a more assertive US. And except for its still solid friendship with Russia, the pursuit of great power diplomacy via "strategic partnerships" has been quietly abandoned. The question of how to employ its growing arsenal rationally may surface more in another decade or so.

China's involvement in international government organizations (IGOs) was in effect precluded during the first 22 years of its existence, as the Kuomintang regime, though defeated and driven into exile on a tiny offshore island, continued to occupy one of the five permanent seats of

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the UN Security Council and to represent "China" in all manner of IGOs. During its first decade, the PRC participated in the full repertoire of communist IGOs, but with the Sino-Soviet split these became polemicized and Beijing stopped attending. Estranged from both superpowers in a bipolar world, maintaining membership in a largely self-defined revolutionary Third World, China became something of a hermit kingdom in the 1960s. Upon its admission to the United Nations in late 1971 as an unintended beneficiary of Washington's triangular diplomacy, China's membership in IGOs expanded from one to 21 between 1971 and 1977. With the launching of Deng Xiaoping's reform and opening policy in 1977–89, IGO membership rose to 37. After the end of the Cold War, China affiliated with an increasing range of IGOs (from 37 to 52 in 1989–97), now going beyond the UN framework to include Asian regional organizations. And, as the universe of international non-governmental organizations (INGOs) exploded upon the collapse of the Cold War, China's affiliation with them expanded even more rapidly, rising from 58 to 71 in 1966–77, to 677 in 1989 and 1,136 in 1997. By 1989, China belonged to 12 per cent of all IGOs (300), and by 1997 belonged to 20 per cent of the new total; in 1989, it belonged to 15 per cent of all INGOs, and by 1997 had likewise increased to 20 per cent of a new total of 5,585. By the latter date China, with Russia and Indonesia, ranked eleventh in belonging to the most IGOs in the world, with 45. The United States ranked ninth, with 47.

Of particular note during the 1990s has been China's increased interest in regional organizations, coinciding with the collapse of the strategic triangle and the end of the Cold War, which reduced China's global leverage. In 1986, China became a full member of the Asian Development Bank, for the first time not expelling Taiwan but permitting its continued membership under a name change to "Taipei, China." China joined the Asian Pacific Economic Co-operation (APEC) forum (founded in 1989) in 1989, agreeing to Taiwan's admission under the same formula. Although China initially viewed the launching by the Association of Southeast Asian Nations (ASEAN) of its expanded ASEAN Regional Forum (ARF) in 1994 with some reservations, by 1997 it had become an active participant both in ARF and in the "track II" unofficial dialogue process that complements official deliberations. And when ASEAN launched the Asian European Meetings (ASEM) in March 1996 in Bangkok, Premier Li Peng attended the inaugural meeting. China was represented at all subsequent meetings, donated US$500,000 to the ASEM Trust Fund and offered to host the foreign ministers' meeting in Beijing in 2001. Most recently, the PRC has been a founding member and host of the Shanghai Co-operative Organization (SCO), the only international security organization in which the US is not a participant, involving co-operation between China and Russia and the Central Asian states of Uzbekistan, Tajikistan, Kyrgyzstan and Kazakhstan. Beijing also took a leading role in the formation of ASEAN + 3 (the ASEAN ten plus China, Japan and South Korea), which promises to become the leading IGO in the East Asian region. Thus has China progressed from being a

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cautious joiner to taking the initiative in multilateral regional diplomacy, striving to bolster its emerging self-conception as a "responsible great power" and regional leader.

Conclusions

It is still too early to say definitively what the 16th Party Congress will signify in Chinese history: in view of the incompletion of the succession, Su Ge may be correct in calling it a relay race rather than a turning point. Bearing in mind Hegel's cautionary dictum that the owl of Minerva spreads its wings only in the dusk, our purpose at this point is not to torture the past into revealing the future but simply to summarize and assess the direction of ongoing trends. We begin with a critique of the past, confronting dominant Jiangist themes with emergent contradictions. In conclusion we return to the developmental schema outlined above, focusing on the development of state capacity, institutionalization and the transformation of political culture.

The great achievement of Jiangism was to continue vigorous reform of the economy, at a time of acute misgivings about the Dengist reform programme. Marketization was driven forward under Jiang to become almost comprehensive in the Chinese economy, while privatization gradually acquired legal sanction and has made substantial headway. This has been done under more centralized political direction than during Deng's period, without any interest in reviving central planning. The financial and fiscal reforms of the mid-1990s made it possible for much more rational, effective and universal ("national") fiscal and monetary policies to be put into effect. Central assertion of control over revenue policies has strengthened the government in its attempts to implement redistributive policies (such as a national welfare policy and unemployment assistance policies)[31] and to allay the growth of the budgetary deficit. It also enabled the state to introduce, beginning in mid-1999, an ambitious plan to develop China's western region (*xibu da kaifa*) to compensate for the lopsided gains made by the eastern seaboard in the wake of China's opening to the outside world. This plan was approved by the NPC in 2001 as part of the Tenth Five-Year Plan and has resulted in several gigantic, centrally funded infrastructure investment projects, including the Three Gorges Dam, the even larger planned central canal between the Chang (Yangtze) River and the Huang (Yellow) River (*nanshui-beisong*), and the world's highest railway system (between Qinghai and Tibet). Continuing central control of capital investment enabled the state not only to achieve a "soft landing" from the post-southern tour hyperinflation but also to eliminate the vicious boom-bust business cycle and put the economy on a path of steady GDP growth averaging around 8 per cent per annum. Economic centralization proved to be a useful preliminary to the massive exposure to international

31. E.g. people receiving social security rose from fewer than 900,000 in 1997 to 12.35 million in January 2002, according to official statistics.

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markets that began in the early 1990s and culminated at the end of the decade with entry into the WTO, permitting the influx of whole new industrial sectors and the rebuilding of much of China's urban infrastructure with minimal turmoil, despite greatly accelerated population mobility, both lateral and vertical.

The policies that are perceived to have been most successful are likely to be continued, as the Chinese leadership is quite self-conscious about learning from its experience. Marketization is generally felt to have been successful and fair, whereas privatization has aroused more mixed feelings. Housing reform has been an outstanding success, cutting prices to affordable levels and privatizing a majority of urban residential housing by the turn of the millennium, thereby creating a quasi-middle class of satisfied homeowners. But the privatization of industrial assets has proceeded through informal contacts, arousing considerable resentment. While there is a growing class of entrepreneurs, the heights of the industrial economy are still controlled by party-state cadres or their families. Corruption has become a very serious problem, accounting for 10–20 per cent of national GDP, according to various estimates, resulting in some $20 billion in annual flight capital.[32] Yet according to Chinese figures only 7 per cent of all CCP members proved to have been engaged in wrongdoing are criminally prosecuted, and the prosecution of high-level cases is popularly dismissed as a political purge. Corruption could be tolerated when the tide of economic growth seemed to be benefiting everyone, but since the early 1990s reform seems to have become a more zero-sum game, as the gap between economic winners and losers widened.

There has been a quite extensive and effective campaign to eliminate poverty. According to official estimates, the number living on less than US$0.66 per day fell from 260 million in 1978 to 42 million in 1998. But that may represent only marginal improvement, for according to the World Bank, 106 million people (12 per cent of the rural population) still live on less than $1.00 per day.[33] Farmers lost between 300 and 400 million *yuan* between 1997 and 2000 because of an accumulated 22 per cent drop in prices for their products during that period, while at the same time they had to pay increased illegal levies to local authorities; in the cities, 48 million workers were laid off in the context of SOE reform between 1995 and 2000. According to long-term research on income distribution by the Economic Institute of Nankai University, the Gini coefficient rose from 35 to 40 from 1988 to 1997 (where 100 represents perfect income inequality and 0 represents perfect equality). China during the Maoist period had one of the most equal distributions in the world, but reform China is on a par with such countries as the Philippines (Gini 46.2, 1997) or Peru (46.2, 1996).[34] And (with the exception of the unemployed and laid-off workers) that inequality is more inter-regional

32. Minxin Pei, "The long march against graft," *Financial Times*, 9 December 2002.

33. The World Bank, *The World Bank and China* (Washington, DC: World Bank, 2000), pp. 1–2.

34. Wang Shaoguang, Hu Angang and Ding Yuanzhu, "Behind China's wealth gap," *South China Morning Post*; An Chen, "New inequality."

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than intra-regional: urban areas are on the whole richer than rural areas, and the east coast is richer than the western interior provinces. Thus for example the per capita income of Shanghai is ten times that of Guizhou, and Shenzhen is 20 times as rich.[35] Normally, inter-regional income inequality can be considered less politically explosive than intra-regional inequality because it can be assumed to be less visible, particularly given the low rates of upward mobility, but in the light of greatly accelerated regional migration of some 100 million former peasants in search of improved life chances this may well be changing, creating a heightened sense of envy and resentment. At least that is what China's urban population seems to infer when they accuse economic migrants of driving up urban crime rates.

Thus reform has become a more socially divisive process. Meanwhile, state capacity to rectify this growing sense of discontent (over the past five years there has been a 30 per cent growth in labour disputes) remains relatively weak, despite attempts to strengthen it during Jiang's period. Even after the 1994 tax reform, governments at all levels collected only 17 per cent of national GDP in taxes, whereas the United States, one of the lowest revenue collectors among OECD members, collects 29.8 per cent. China's four leading state banks, inured by the legacy of central planning to easy lending policies to a fixed set of SOEs, are burdened with non-performing loans amounting to 35–50 per cent of GDP. Zhu Rongji's 1998 pledge to eliminate the debt overhang within three years via Asset Management Corporations has been notoriously unsuccessful, leaving the banking sector vulnerable to a financial panic of the sort that occurred in the summer of 1988. The banks are backed by the sovereign authority of the central government, but during the economic deflation that accompanied the Asian financial crisis the central government's budget grew by an estimated 27 per cent per year, and has now reached 3 per cent of GDP, the internationally recognized danger signal.

The major political contribution of the Jiang administration has been to meet crisis with change, but change braced by stability, with an emphasis on administrative competence and a political culture of consensus and co-operation. After a decade of nearly incessant personnel adjustments the central government has emerged as a more efficient and market-compatible manager of modernization, led by a younger and more educated elite. The 16th Party Congress represents a culmination of these trends. The most serious risk confronting the regime in the foreseeable future is the possibility that the reforms have simply not been radical enough, that "socialism with Chinese characteristics" has been overtaken by a combination of growing regional inequality, elite corruption, bureaucratism and fiscal overload. Although the fourth generation elite may be equal to the challenge, the incomplete succession at the top has the potential to create a cleavage that may prevent a concerted response. In the past, mass mobilization against inequality and corruption coinciding with an elite split was likely to precipitate major crisis. Thus the prospect warrants closer consideration.

35. Brødsgaard, "Disparities," pp. 5–15.

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As Yu-Shan Wu points out, the risk is a re-emergence of the old gap between informal and formal politics, with a new regime under the formal leadership of Hu and Wen, while Jiang exerts informal leadership from the position of CMC chair. This type of duopoly first made its appearance when Mao stepped down from his position as chief of state to the "second front" in 1959, leaving Liu Shaoqi and Deng Xiaoping to manage routine affairs; it reappeared when Deng Xiaoping stepped down from the Politburo in 1987 as part of a planned generational succession. Under Deng, the gulf between formal and informal elites became even greater as he was joined by a whole cohort of senior cadres – the so-called eight immortals – prepared to join him to intervene in the decision-making process whenever it seemed to stall. The current arrangement, with only one background string-puller, is redolent of the monarchical regency (such as the Empress Dowager), yet it is by no means without merit, promising to fuse the experience and wisdom of the older generation with the youth, energy and entrepreneurial zeal of the younger. There is some doubt about this regency's tenability, as the power of the "sitting committee" appears to have been weakened by Jiang's own manoeuvres, and Jiang lacks the charisma of either of his successors. Yet his informal power has never been greater, thanks to the retirement of the third generation cohort and to his factional patronage. Hence the developing relationship between the "two centres" will bear careful monitoring. It harbours three structural weaknesses: first, at best, it is likely to be a holding pattern that defers radical reforms, as previous heirs apparent who undertook independent policy initiatives (such as Liu Shaoqi, Lin Biao) have been repudiated by their patrons; secondly, the arrangement is crisis-prone, as unexpected contingencies beg the volatile question of who is to decide; and thirdly, if a split between centres materializes, either because of diverging world-views or in response to crisis, past precedent strongly suggests that the most likely winner is the incumbent, reopening the old issue of succession.

In the realm of foreign policy, the Jiang Zemin leadership has made a quite momentous shift in the past few years from regarding the rest of the world as surrounding and thwarting justified Chinese aspirations to seeing China as a part of the new world order, and indeed in a fairly powerful and satisfied position within it (with the painful exception of Taiwan). This greater sense of maturity is partly in response to China's acknowledged economic and diplomatic primacy in the region, and partly because of China's increasing recognition of its interest in and identification with the economically developed countries of the world since terrorism on behalf of the world's dispossessed became an issue on 11 September 2001. Jiang was China's first leader to tap raw nationalism as a political asset to bolster his support at the beginning of his term when he was still politically vulnerable, and to learn since that time the political risks of doing so. For the time being, his failure to bequeath foreign policy experience to the fourth generation has helped underpin Jiang's aspirations to prolong his role on the world stage. If Jiang agrees (as expected) to yield to Hu Jintao his chairmanship of the Politburo's "small groups,"

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such as the Foreign Affairs Small Group and the Taiwan Affairs Small Group, this may provide ample ambit for the fourth generation to acquire the necessary diplomatic experience for full succession with minimal disruption of China's successful current foreign policy "line."

In conclusion, the 16th Party Congress represents a consummation of the thinking and political set-up (*tixi*) of Jiang Zemin, whose achievement, widely underestimated, has been considerable. To draw up a preliminary balance sheet, based on our previous outline, three main features emerge. First, the development of state capacity has clearly been a top priority of the Jiang regime, as indicated in its improving ability to manage rapid economic growth amid ongoing marketization and privatization. Responding to the sharply reduced extractive capacity that has resulted from industrial devolution and political decentralization, the regime reorganized the fiscal apparatus in 1993–94 to increase that capacity substantially, though it still remains feeble in relative and historical terms. And the ongoing reorganization and restructuring of the State Council has improved the state's regulative capacity, though the regulation of cadre malfeasance remains weak. Surprisingly attenuated is the state's once mighty redistributive capacity: the leadership has been slow to recognize the emergence of regional inequalities and its response has thus far been anaemic. Efforts to alleviate poverty have focused on subvention rather than retraining, giving the needy fish but not fishing poles. And the launching of such infrastructural megaprojects as the Three Gorges Dam can provide a one-shot fiscal stimulus, but whether they represent the best way to enhance the long-term developmental capacity of the western region remains controversial.

Secondly, probably the greatest achievement of the Jiang regime has been in its promotion of political institutionalization. Though the recent focus has understandably been on the smoothness of the generational transition, no less impressive has been the consistently smooth, even masterful management of political and economic change over the past 15 years, marking major progress from previous administrations. Instead of exploiting informal politics to undermine formal political conventions, Jiang typically uses the informal as a leading indicator before institutionalizing change. Factionalism has become less lethal, less binding, and less ideologically or policy dependent. The established stability of tenure arrangements, personnel mobility, meeting schedules and other procedural matters has established a sound baseline for the further enhancement of state capacity and the development of the rule of administrative law, marred only by Jiang's personal exemption.

Finally, the Jiang regime's contribution to Chinese political culture has been relatively modest, though not entirely nugatory. Like Deng, Jiang has lowered expectations from the complete cultural transformation demanded by the Maoists, and even the campaign for a "socialist spiritual civilization" seems to have had modest impact. Amid tacitly accepted ideological decay, the CCP increasingly relies upon a combination of nationalism and Chinese traditional values. The cultivation of civility and legality has made progress, thanks to the suppression of violent dissent

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and growing market regulation rather than to deliberate ideological socialization efforts. Yet until the regime ventures to allow the opportunity for the masses actually to demonstrate their civility, if not in multi-party democracy then in some other form of institutionalized but minimally spontaneous political discourse, the relationship between masses and elites will remain guarded and latently explosive.

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