

# UNDERSTANDING CHINA

A GUIDE TO CHINA'S ECONOMY, HISTORY,  
AND POLITICAL CULTURE

JOHN BRYAN STARR



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*A Guide to China's Economy, History,  
and Political Culture*

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3RD EDITION

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JOHN BRYAN STARR

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*For the next generation—Lynne and Gordon, Kate and Rafael—and for the generation after  
that—Christopher and Caroline*

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## PREFACE

This book originated as a seminar on issues in contemporary Chinese politics that I offered at Yale University for seventeen years beginning in 1978. I am grateful to my Yale students for what I learned with and from them. Originally published in 1997, the book was revised and reissued in 2001. Given the vast changes China has experienced over the past nine years, this third edition was clearly needed if the book is to continue to serve its original purpose, that of introducing to contemporary China those who have had no prior exposure to it.

Because the audience for this book is primarily American, there are numerous comparisons between China and the United States. Some Chinese readers of earlier editions of the book have complained that these comparisons serve to underscore how far China falls short of the United States. This could not be further from my intent. Indeed, I believe that we Americans tend to take our ideal of American experience and measure the reality of Chinese experience against that ideal, often ignoring how far American practice falls short of American ideals. Thus the comparisons I make between Chinese and American data are intended to serve the same function as the small ruler in a scientific photograph, a clear indication of scale based upon something with which most of us are familiar.

Lastly, Elisabeth Sifton, my remarkably gifted editor, deserves a special word of thanks for her unvarying ability to clear a smooth and easy path through the oftentimes dense thickets of my prose.

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# INTRODUCTION

To the limited extent that Westerners pay attention to what is going on beyond their shores, China commands a disproportionate share of that attention. Moreover, those of us who have some knowledge of what is going on in China tend to have strong feelings about the country, acting as cheerleaders for its successes and as harsh critics of its failings. We find it difficult to be indifferent.

There has been a great deal of good news coming out of China in recent years. China has one of the world's fastest-growing economies. Indeed, there are those who predict that at its current rate of growth, China's will be the world's largest economy by 2030, surpassing that of the United States. Economic growth has substantially improved the standard of living for most, if not all, Chinese people. In nominal terms, per capita income is nearly fifty times what it was in 1978, the beginning of the current period of economic reform, though income in the cities is close to four times that in the countryside. Economic liberalization has been accompanied by some relaxation of the Chinese government's tight control over its population. Most Chinese people are enjoying substantially more freedom from government interference in their lives than they did before reform began.

There is also bad news. American enthusiasm for an opening and reforming China in the 1980s had the unintended effect of filtering out much of the bad news, but that filter ceased to function when, on the night of 3 June 1989, tanks clattered through Beijing, clearing the streets of demonstrators and killing many hundreds of them in the process. Since then we have been attentive to the repressive measures taken against its own people by a government deeply concerned about the consequences of political instability.

Our attentiveness to China's shortcomings in governance was amplified with the collapse of the Soviet Union in 1991. The demise of what Ronald Reagan had called the evil empire and the emergence of a new democratic state from its ashes made the resilience of authoritarianism in China all the more repugnant. To those with a Manichaean streak, who like identifying a principal adversary, the shoes just shed by the Soviet Union seemed to fit China perfectly.

Economic success has made the Chinese government—and perhaps also the Chinese people—much less malleable and easy to deal with than they once were. China has run up a trade surplus with the United States surpassing that with Japan. It demands full membership in the world economy but sometimes balks at playing by the rules. It has taken actions outside its borders that may be evidence of a worrisome new military expansionism on the part of Asia's largest power.

Complicating any attempt to resolve the contradictions that China presents was the fact that with the death of Deng Xiaoping, the country passed a milestone in its recent history and experienced all the uncertainties that accompany major change. In the end, China proved an exception to the rule that no socialist system had made a smooth transition following the death of its principal leader. There was a rocky changing of the guard when Mao Zedong, leader of the Chinese Communist Party for forty years and of the People's Republic of China since its founding, died in 1976. Having maneuvered his way through those rocky shoals, Deng tried twice to put in place a group of capable leaders whom he could trust to carry on his political program. By avoiding the top positions and by retiring early from the positions he did hold, he hoped to make himself thoroughly dispensable and thus easily and smoothly replaced. He failed on all counts; his trusted successors proved insufficient to the task. He had to abandon his efforts to retire to the distant role of *éminence grise* when student demonstrators called into question his authority and his legacy.

On his third attempt, Deng selected Jiang Zemin, who took on the posts of head of the state, of the

party, and of the People's Liberation Army. Jiang was eager to prove that his claim to be a worthy successor was more than merely transitory, but he was of a very different caliber from his predecessors. Deng's death in 1997 marked the end of a unique political generation, the generation of the leaders of the Chinese Communist revolution and the founders of the contemporary Chinese political system. Rapid change has been a permanent feature of China for the last half century. As a result, members of each political generation after Deng's have had very different lives, careers, and experiences. The people who make up those generations differ in training, perceptions, connections, and aspirations.

Although Deng was not wholly characteristic of his generation, most members of his revolutionary cohort were born in China's hinterlands, ill-educated in a formal sense, and limited in their knowledge of and experience in the world outside China. The next generation, born too late to have been active in the revolution and civil war, grew up in a China heavily dependent on the Soviet Union. They were educated in schools modeled after Soviet schools, they learned the Russian language, and many of them spent time studying or working in the Soviet Union. They are technologically adept but ideologically cautious, and instinctively bureaucratic. At the time Mao died and reforms began, they were late-middle-aged dogs who found the new tricks somewhat difficult to master.

The third generation—the generation of Hu Jintao and Wen Jiabao, the current party and state leaders—had their lives and careers shaped by the chaos of the Cultural Revolution, launched by Mao in the 1960s. This experience rendered many of them at best skeptical, at worst highly cynical. As a result, although they are significantly better educated and their opportunities to interact with the outside world are infinitely greater than those available to their elders, the new ideas they have encountered have not engendered great optimism in them. Having lost their idealism at an early age, they now find the materialism of contemporary China a comfortable fit. Although educated and trained in China, Hu and his colleagues in the highest echelons of power have developed a degree of cosmopolitanism through their contacts with Japan, Europe, and the United States. They grasp, sometimes imperfectly, what China was and what it can become and are proving reasonably successful in bridging the gaps that separate the generations. But they lack the compelling stature and vision of their predecessors.

The youngest generation has come to maturity since the post-Mao reform period began. It is made up of bright, brash, hardworking, and cosmopolitan people, but they are more self-interested than public-minded. Their goal is personal wealth, and that is best pursued in the rapidly expanding private sector. Devoting their energies to solving major problems in the public realm is largely out of the question.

As China opened up to the outside world in the early 1980s, there were some assumptions about the country's future that were widely held by Western observers. The decision to allow market forces to operate in a formerly centrally controlled economy would, it was argued, require two elements to succeed: first, the absolutely free flow of information and second, the establishment of the rule of law. And from the introduction of these two elements would inevitably flow political liberalization and democratization. These arguments were reinforced when, in 2001, the International Olympic Committee awarded the 2008 Summer Olympics to Beijing. In the seven years leading up to the event, it was said, China would surely advance its pursuit of human rights. All these assumptions have proved to be wrong. As we shall see in the pages that follow, China has developed a market economy without the absolutely free flow of information and without having established the rule of law. Moreover, far from promoting the advance of human rights in China, there were some shocking violations of the rights of Chinese citizens even as the Olympics were under way in the nation's capital.

The purpose of this book is to look beyond the immediate situation and to explore four questions



First, in what way were our assumptions about the inevitable link between the free market and political liberation flawed? Second, what are the principal problems confronting China today? Third, what is the capacity of the Chinese political system to deal with these problems successfully? Finally, given the answers to these three questions, how might the political situation play itself out in the near term?

My answers to these questions, which I elaborate in the chapters that follow, are, first, if skillfully manipulated by a purposeful authoritarian regime, economic liberalization need not inevitably lead to democratic reform. Second, the serious problems that China confronts in the near term would tax the capability of the strongest and most able of governments. But, third, it is by no means clear that the capacity of the Chinese government is such as to be able to address these problems. Hence, fourth, China's near-term future is far from unambiguously bright.

More than a dozen critical issues face China's leaders. Each of them threatens the nation's ability to continue on its current trajectory of economic development. Some of them threaten the viability of the state itself. Three of them affect primarily the 45 percent of the population that lives in cities. Three of them affect primarily the remaining 55 percent of the population that lives in the towns and villages of the countryside. Four are problems that affect Chinese society as a whole, and the others concern China's relations with the outside world.

The first, and thorniest, urban problem is how to accommodate the influx of new residents from the countryside. China already has 150 million migrant workers who have flocked to the major cities in search of more lucrative employment than they are able to find at home. But these migrants are very clearly second-class citizens in the cities; indeed, they are not urban citizens at all, their population registrations remaining in the villages they have left. As a result, they are bereft of housing and most social services; overworked; irregularly paid at low hourly rates; and, when employment is scarce, herded onto trains headed back to their rural homes. Over the longer term, this problem will only become more serious. Given high unemployment and underemployment in the rural economy, Chinese planners anticipate that as many as 300 million more will move into the cities, shifting the balance between rural and urban populations to something more closely resembling that in other rapidly developing economies. Expanding housing, social services, and schools for this massive influx of people will tax the capacity and the fiscal resources of most, if not all, Chinese municipal governments.

Congestion is another urban problem requiring attention. Visitors to China shortly after the country opened to tourists will recall looking out from their hotel windows at a wide river of deliberately moving bicycles as people went to and from work. With the number of cars on China's streets having increased sixteenfold over the last seven years, the river of bicycles has been replaced by a stagnant pool of cars scarcely moving at all. While every major city has in recent years undertaken major infrastructure projects, including subway systems in many of them, congestion is outpacing all attempts at relieving it. The influx of hundreds of millions of new urban residents will of course only exacerbate this problem.

A third issue that, for the moment, affects most directly the urban population is the party-state's attempt to stem the flow of information available to its citizens. With more than three hundred million Chinese having access to the Internet, the party-state has constructed one of the world's most sophisticated systems for monitoring, filtering, and blocking information on the Web. But two countervailing forces undermine these efforts. First, China's continued economic growth depends on access to information about the global economy. All information cannot be blocked while growth is expected to continue. Second, China has produced a large and skilled community of hackers who very often seem to be at least one or two steps ahead of the party-state's efforts to outwit them.

There are serious problems in the countryside as well. First among them is the growing gap in the

standard of living between urban and rural China. Average income in the cities has always exceeded that in the countryside, but during the early years of reform the gap began to close. Beginning in the mid-1980s, the gap widened once again. While the ratio of urban to rural incomes remained relatively steady at 2.5:1 over the first twenty years of the reform period, it now stands at 3.3:1, and the gap in monetary terms today is forty-five times what it was in 1978. The gap is even wider if average rural per capita income is compared with per capita income in China's most prosperous cities. It is also wide if one takes into account the many social services—health care, education, pensions—that are available to the urban dweller but not to those who live in the countryside. The difference between rural and urban incomes used to matter very little, since country people were only dimly aware of living conditions in the cities, and even if they knew that life was better there, they were prevented by the government from moving. Neither of these conditions prevails today.

Another source of dissatisfaction in the countryside is excessive government extractions. Although the agricultural tax was nominally restricted to 5 percent of household income and is in the process of being eliminated entirely across the country, local governments' need for additional revenue leads them to impose every imaginable kind of fee, fine, toll, and levy, so that peasant households are regularly paying between 15 and 50 percent of their incomes to the local authorities. This would be unsatisfactory to most citizens under any circumstances, but it is especially galling here because a significant portion of that revenue ends up being used by local officials in ostentatious personal expenditures.

A third issue that has led rural residents to express their frustration in public demonstrations, some of them violent, is the wrongful appropriation of land without appropriate compensation. Only very recently has rural land come to be "owned" by those who live on it and farm it. But even now what we might call eminent domain is taken to extremes. Local officials appropriate farming land to build factories and housing developments and pay peasants a fraction of the resale value of that land, ordinarily pocketing the difference. Sufficiently widespread is the problem that Premier Wen Jiabao, in his address to the National People's Congress meeting in 2006, spoke of what he called land grabbing as "a historic error" that could threaten national stability.

Then there are issues that are not particular to the city or the countryside. The first is the fragile relationship between ethnic groups in China's border regions. More than nine-tenths of the population consider themselves of the same Han ethnicity, but the remaining tenth is divided among fifty-five distinct ethnic groups. In many instances, these groups occupy territory that spans the borders with China's neighbors to the north and west. Most of them inhabit what the Chinese government calls autonomous regions, but in fact they enjoy little, if any, autonomy. Increasingly, in recent years, they have come to demand genuine autonomy, often engaging in acts of violence to underscore their point, and, in some instances, eliciting international support for their cause.

The second and third issues are interrelated: How will it be possible to feed a growing population on a rapidly shrinking amount of arable land? The government is dealing with a fraction, the numerator of which is agricultural production and the denominator is population. Its task is to increase the numerator and keep the denominator as small as possible.

The government's population control program, or one-child policy, addresses the denominator. Although the government credits the policy with reducing the rate at which the population is growing, the average family in China still has 1.84 children; the one-child policy has been fully effective only when draconian measures, measures that further alienate a population already highly dissatisfied with its government, have been used to enforce it. At its current rate of growth, the Chinese population will peak at 1.4 billion by 2026, having trebled in less than a hundred years.

As for the numerator, grain production currently stands at 528 million tons per year. That is a substantial increase over what was being produced in the 1950s, but the growth rate in production has

begun to slow. Per acre yields are already impressively high, and many observers are skeptical that they can be raised much higher. Meanwhile, arable land, already a scarce commodity in China, is being taken out of cultivation with alarming speed. China feeds 20 percent of the world's population on less than 7 percent of the world's arable land; recent economic development has resulted in substantial quantities of this land being taken out of cultivation and used for factories, roads, and houses. Finally, like that of all developing societies, the Chinese diet is evolving. As the living standard improves, consumption of meat and eggs is increasing, raising the demand for grain to feed the animals. Taking all these factors into account, pessimists some years ago forecast a grain deficit in 2030 so large that it will be impossible for world grain exporters to fill it.

Another grave issue that affects not only the Chinese population but the rest of the world as well is that of environmental degradation. Two-thirds of all factories in China are polluting the air and water in violation of the state's environmental regulations, which are as strong as those in Western countries but only sporadically enforced by local authorities. Nine-tenths of Chinese cities do not meet Chinese clean air standards. At its current rate of economic growth, by 2025 China will produce three times the amount of greenhouse gases currently produced in the United States. Eighty percent of China's bodies of freshwater are polluted, and 90 percent of the water flowing through cities is impotable.

Finding sufficient energy to fuel China's development is a domestic problem with strong implications for its participation in the global economy. It was Deng Xiaoping's initial plan that the revenue from oil exports would more than cover the cost of massive imports of technology to help China catch up with the developed world. His calculations of both China's oil reserves and the rate of growth of domestic use of oil were flawed. China became a net importer of oil in 1994. Consumption currently measures some eight million barrels of oil per day, second in volume only to the United States. Soon China will also be the second-largest importer of oil, and its interactions with the global economy now center on finding new sources of oil to import.

Greater China—Hong Kong, Macao, and Taiwan—and the world beyond it present their own set of problems. Administering the special administrative region of Hong Kong in such a way as not to disturb the delicate equilibrium on which the remarkable success of that territory rests is of particular importance. Between the time the Sino-British agreement on Hong Kong was signed in 1984 and the actual transfer of sovereignty in 1997, considerable rancor developed on both sides; reactions in Hong Kong to the Tiananmen Square massacre in 1989 fundamentally altered China's view of that city and Hong Kong citizens' view of their future. These changes are expressed in some of the specific provisions that filled in the vague outline of Hong Kong as a special administrative region contained in the Joint Declaration of 1984. Hong Kong thrived under British administration, many argue, because of its government's light hand on the tiller of the economy. It remains an open question, even after twelve years of having Hong Kong under its control, whether the Chinese government will prove willing and able to maintain an equally light hand. It is normally heavy-handed in its own domestic affairs; even if it were willing, will it be able to lighten its touch in dealing with Hong Kong?

The relationship between Taiwan and the mainland is closely related. Hong Kong is intended to be a model of the Chinese government's ability to keep the promise of "one country, two systems" that has extended to Taiwan as well. Success in administering Hong Kong, so the argument goes, will arouse confidence on Taiwan that under Beijing's rule after reunification, its political, economic, and social systems will remain unchanged.

In 1987 the Taiwan government began a process of opening up contact with the mainland. This process has eventuated in a sizable amount of trade and investment closely linking the two economies. Informal talks between the two sides aimed at facilitating their relations began in 1993, but this process of coming together was interrupted in 1995 by a strong reaction on the Chinese side to what the Taiwan government calls its flexible diplomacy. What the Taiwan authorities depict as efforts

securing informal recognition of Taiwan's standing in the world as a political and economic power. The Beijing authorities construe as moves in the direction of a declaration of independence, which is absolutely unacceptable to them, and they have pledged to use force to ensure that it does not come about. Both Taiwan's president Lee Teng-hui's statement, in the summer of 1999, that relations across the Taiwan Strait could be conducted only on a "state-to-state" basis and the subsequent election, and his successor, of Chen Shui-bian, the candidate of a party that had earlier advocated Taiwan independence, served to heighten the tension. With Chen's administration ended by term limits and a strong victory for Ma Ying-jeou, the Nationalist Party candidate and current president, cross-strait relations have improved significantly. But the underlying question of sovereignty over the island remains unresolved.

All too closely intertwined with relations across the Taiwan Strait is China's relationship with the United States. With the Shanghai Communiqué in 1972, the United States attempted to recuse itself from this entire issue, but in the ensuing years, politicians in Beijing, Washington, and Taipei have worked to prevent that from happening. Chinese leaders have sought U.S. assistance in bringing Taiwan to accept their terms for reunification. Taiwan authorities have sought U.S. endorsement of their claim to being other than merely a province of China. And some Americans, mindful of the historical ties between the United States and the Republic of China, argue for a revival of American guarantees for Taiwan's interests.

The Taiwan question is but one of a series of conflicts between Beijing and Washington that, as the new century began, brought Sino-American relations to a low point reminiscent of the near rupture of ties following the Tiananmen massacre in 1989. Americans are repulsed by the Chinese government's violation of the human rights of its citizens and alarmed by the mounting deficit in U.S. trade with China. Chinese see the United States as reviving a Cold War policy of containing China and thwarting its taking a deserved place as a nascent world power. Two incidents reinforced this view: the NATO bombing of the Chinese embassy in Belgrade in 1999 and the collision of a U.S. reconnaissance aircraft with a Chinese fighter plane off the coast of Hainan Island in 2001. In both incidents the Chinese government encouraged the popular view that U.S. actions were taken in order to harm China. During his visit to Beijing at the end of 2009, President Obama attempted to reframe the United States–China dialogue, encouraging conversation about containing global warming and accepting the necessity of taking rather than giving advice on issues of global finance and trade, a testament to the rapidly expanding position of China in the world economy.

In addition to negotiating its relationship with Washington, Beijing must attend to its immediate neighbors—Japan, the Koreas, Southeast Asia, Pakistan, India, and Russia. What is now a complementary economic relationship with Japan is very likely to become a competitive one as China's economy expands. China's armed forces are growing and flexing their muscles, and Japan feels pressure to respond in kind. Its doing so will confirm long-standing Chinese concerns about a revival of the Japanese militarism of which China was the victim in the first half of the twentieth century. In short, the two nations must come to a new strategic and economic understanding that takes into account the altered circumstances in which both find themselves in the new millennium.

There are territorial disputes with China's neighbors in Southeast Asia that arise from Beijing's claim to sovereignty over much of the South China Sea, its island chains, and the oil that may or may not lie beneath its waters. China's relations with Pakistan, once close, have become strained, and Islamic fundamentalism has become a force within China's own Muslim population. That Pakistan and India have developed and tested nuclear weapons has complicated Beijing's approach to the South Asian peninsula.

As the United States has claimed the position of sole superpower in recent years and has acted on several occasions in ways that China regards as arbitrary and hegemonic, Beijing has begun to look toward Russia and India as potential partners in an alliance that might serve as a makeweight against unilateral actions by the United States. Russia has for some years been a source of military hardware for China. More recently, China has initiated conversations on global strategy with both Russia and India.

It is hard to imagine a government that would have the vision, the political capital, and the tenacity to address successfully this daunting agenda. The Chinese government at present is far from that ideal. It has suffered a serious loss of credibility in the eyes of its own people. It is deeply enmeshed in corruption and seems incapable of disentangling itself from it. It is weakened by rigidity in the face of change and by its absolute refusal to countenance organized opposition of any kind. It is vying for authority, often unsuccessfully, with insubordinate cities and provinces.

The Chinese Communist Party (CCP) has as little political credibility today as it has ever had since its founding in 1921. It came to power in 1949 with a tremendous reservoir of popular support. It added to that reservoir with reforms it undertook in the early 1950s, then soon lost credibility with a series of misguided movements undertaken at Mao's insistence that had disastrous consequences for the Chinese people. The Cultural Revolution had a devastating effect on the party's reputation. So complete was the loss of popular confidence that even a reversal of the party's policy line and a partial repudiation of its past mistakes were not enough to repair the damage.

Most Chinese people are quick to acknowledge that the reform policies put in place by Deng Xiaoping in 1978 have put contemporary China in a position to realize its great potential for the first time and have substantially improved their standard of living. Paradoxically, however, these successes have done little to bolster the party's reputation, probably because most people inseparably associate the party with the Marxist-Leninist rhetoric that they find so irrelevant to their lives. And Deng's own reputation suffered a serious blow when it became clear that it was he who had instructed that martial law be declared in Beijing, he who had ordered distant but loyal troops into the capital, and he who had determined that Tiananmen Square must be cleared of protesters at any cost.

It is also a paradox that the collapse of the Communist Party in the Soviet Union appears to have given the CCP's credibility an unanticipated boost. One might have expected the CCP, an illegitimate party with an illegitimate elder leader, like virtually every other Communist party in the socialist bloc, to collapse of its own weight. Unlike those other parties, however, the CCP had been remarkably effective in ensuring that no other organization in the country could take its place. There was (and is) no Solidarity, no Protestant Church, no opposition party, no nationally elected parliament. Because no other institution stood between the Chinese people and a disorder such as that which they witnessed in Eastern Europe and Russia, they accorded the party a limited vote of confidence; living under the CCP was preferable to living in anarchy.

The current leaders of the party-state are clearly mindful of the issues I have listed above and are pursuing policies designed to address them. They have ruled out political liberalization because of what they believe would be its destabilizing effect on the society and have chosen instead to introduce measures of accountability to restore honesty to the single party and to win back popular respect. In effect, they have entered into a bargain with the Chinese people: do nothing to disrupt political stability, and we will provide you with the benefits of rapid economic growth—prosperity in exchange for stability. In general, the bargain has held, but, as we shall see, in those cases where it has broken down and individuals and groups have come to see themselves as victims rather than beneficiaries of economic growth, instability quickly follows.

But the bureaucracy, the instrument that party leaders must use to implement their policies and uphold their bargain, is fundamentally (some would argue fatally) flawed. China's burgeoning economy has multiplied the already numerous opportunities for corrupt behavior on the part of government and party officials, and few have failed to take advantage of them. From village councils to the party's politburo, officials have been profiting from their positions. Campaigns are launched to stamp out the pervasive corruption, but the officials put in charge of the campaigns are themselves deeply involved in corrupt behavior; the campaigns stagnate, and even the party newspaper opines that "a certain amount of corruption is inevitable." With their eyes firmly fixed on personal gain, not the public weal, officials are hardly in a position to tackle the complex problems facing them.

The capability of China's political system is further diminished by an advanced case of arteriosclerosis. Conscious that its status is precarious, the party-state has become more and more rigid, less and less tolerant of disagreement and dissent, and more and more prone to act, often unpredictably and counterproductively, on its habits of repression. At a time of rapid economic and social change, the party has grown less flexible, less open to political reform. Always a society ruled by men, not by law, China finds itself with a group of late-middle-aged leaders who give lip service to the principle of subordinating themselves and their actions to a fully developed code of law but who when push comes to shove, ignore the law in favor of arbitrary and often self-serving action.

Meanwhile, political power and authority have shifted noticeably from the center of the party-state to its periphery. Central government and party organs have delegated power, and provincial and local governments have gained it. The economy's market reform has been accompanied by an appropriate loosening of central control. Problems arise, however, because this loosening has occurred without a clear-cut or uniform allocation of authority between the center and the regions. Each region has negotiated its own arrangements, and none is prepared to give back what it has obtained. At the same time, regional interests have begun to diverge from those of the center, and adding to these complications, regional interests are diverging among themselves. There is the possibility (albeit remote) that were any one or a combination of these political problems to reach crisis stage, the center might not hold.

The glue that the party-state has come to rely on since 1989 to hold China's political system together is the People's Liberation Army (PLA). It is the only organization with national scope that is capable of supporting a seriously weakened party-state or of taking its place. Given that fact, the party-state finds itself beholden to the military in a way that is unparalleled since the violent phase of the Cultural Revolution threatened to spin out of control in early 1967. China's military budget is growing, and it is acquiring substantial, new, and sophisticated equipment. At the same time, actions it has taken in Myanmar, in the South China Sea, in the Taiwan Strait, and elsewhere raise the question of the degree to which China's foreign policy is being made in the Foreign Ministry or by uniformed officers.

The PLA paid dearly for its decision to respond to Deng's orders in 1989 at Tiananmen Square. Its public image suffered, and it found all its carefully cultivated contacts with foreign military establishments suddenly severed, leaving it without the technology, training, or intelligence it had come to depend on. In exchange, it has received substantial budget increases each year; but only now is it beginning to rebuild its credibility and contacts, and it would be very reluctant to repeat the unhappy scenario. On the other hand, military officers are patriots—indeed, many are xenophobes—and unlikely to sit on the sidelines were China to begin to come apart at the seams or move toward anarchy. Whether or not their intervention into the political sphere would be successful is another question.

I begin this book with an exploration of China's geography, illustrating some of the natural constraints on the country's growth and pointing up the unevenness of the endowments of its regions. Then, in an act of almost unparalleled hubris, I devote a single chapter to China's very long and turbulent history, attempting to identify the patterns discernible in that history that influence the thinking of the Chinese people as they look at their current situation.

Then I describe the political system as a power grid, with central agencies constituting the vertical elements and regional agencies the horizontal elements. When center and region are at odds with each other, as is often the case, the grid thwarts rather than facilitates the implementation of central directives. A chapter on politics talks about political leadership, the characteristics of the political process (including preferences for consensus, bargaining, networking, saving face, and the prevalence of corruption), and the limited vehicles the Chinese population has at its disposal to make its interests known to the party-state (including elections, petitioning, protest, litigation, and nongovernmental organizations). Next, the description of China's economy in transition focuses on three questions: Who owns what? Who works where? And who is making the economic decisions? I then take up the tension that exists between central authorities and power centers in China's provinces and local governments.

Subsequent chapters address the problems I have briefly outlined in this introduction: urban concerns, problems in the countryside, and the problems that affect the country as a whole, such as ethnic separatism, environmental pollution, and population growth. Three chapters are devoted to the status of rights and freedoms in China: human rights and the rule of law, education and intellectual freedom, and attempts to restrict the flow of information.

In the closing section of the book, I consider China's interaction with the outside world. Separate chapters on Hong Kong and Macao and on Taiwan are followed by a chapter describing China's military. The final chapter focuses on China's strategic, economic, and political relations with its neighbors and with the United States. The conclusion takes a cautious stroke or two through the dangerous waters of predicting China's future.

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# 1

## GEOGRAPHICAL INEQUALITIES

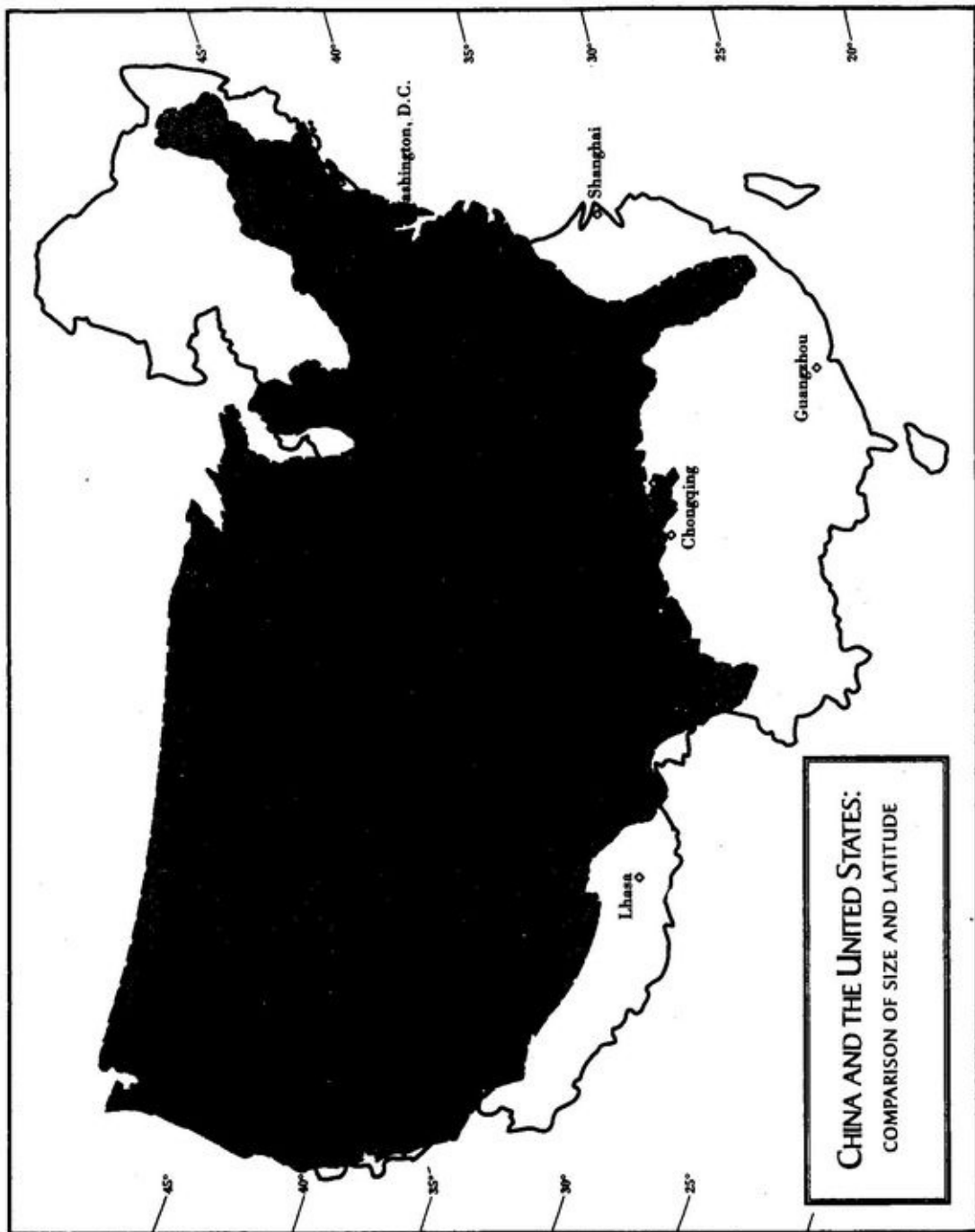
As a first step toward understanding China, one can hardly do better than to spend some time with a good atlas. It is vital that we begin by understanding China's diversity, and a key element in that diversity is its geography.

Superimposing an outline of the United States on an outline of China shows us two important geographical similarities between the two countries. China, covering some 3.7 million square miles, is nearly identical in size to the United States, which covers just over 3.6 million square miles. The two countries are located at more or less the same latitude; New York and Beijing are at roughly the same latitude, as are New Orleans and Shanghai.

A topographical map, on the other hand, shows us important geographical differences between China and the United States. Only about a third of the United States is taken up with mountains and desert, and the remainder is reasonably flat and easily habitable; but in China, these proportions are reversed. The difference in the amount of land available for cultivation in the two countries is even more striking: 40 percent in the United States versus only 10 percent in China.

In any country, rivers serve as arteries for transportation and as sources of both irrigation and energy. Silting improves the fertility of river basin fields, but flooding destroys crops and houses and often claims lives. The major river systems on the North American continent run from north to south, while China's three major river systems flow from west to east. The northernmost is the Huang He (Yellow River), which runs for more than three thousand miles from the western territory of Tibet to its mouth in Shandong Province. The river takes its name from the color of the extraordinary amount of silt it carries, deposits of which continuously raise its level; it now flows well above the level of the North China plain and is contained between high dikes.



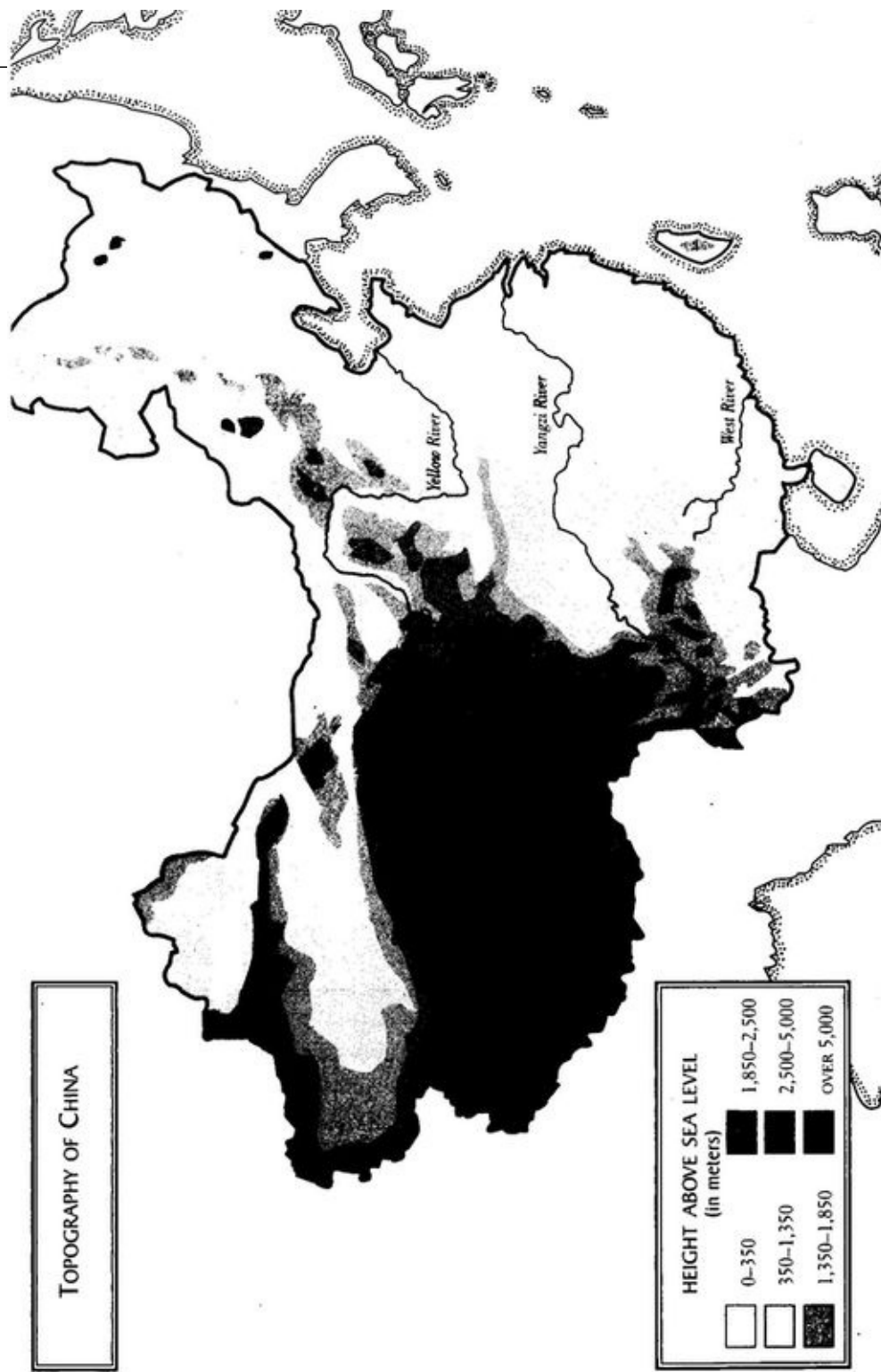


The second major river system, the Yangzi or Changjiang (Long River), also originates in Tibet. It is somewhat longer than the Yellow and has ten times the discharge. It is navigable by oceangoing ships from its mouth near Shanghai as far upstream as the city of Wuhan. About three hundred miles upstream from Wuhan lies the very large and controversial Three Gorges Dam. When fully operational in 2011, the dam will extend the navigability of the river to the city of Chongqing, produce some 100 terawatt hours of hydroelectric power, and regulate the flow of the river to control downstream flooding.

The Xi Jiang (West River) in Guangdong Province, the third of China's major river systems, is the shortest of the three, flowing 1,650 miles before merging with the Zhu Jiang (Pearl River) in the delta at the mouth of which are located Guangzhou (once more familiarly known to Westerners as Canton), Hong Kong, and Macao.

China's most fertile agricultural regions are in the deltas of the Yellow, Yangzi, and West rivers. A fourth area of high fertility is along the upper reaches of the Yangzi River in the Sichuan basin, just south of the center of the Chinese landmass.

A striking difference between the North American and the Chinese landmasses is found in the nature of their western borders. In the United States, of course, it is an ocean coast, while in China it is marked with mountains, plateaus, and deserts. This difference accounts for major dissimilarities in the prevailing climates of the two landmasses. America's weather is governed by the movement of the jet stream, carrying moisture-laden Pacific storms across the continent. China's weather is determined by monsoon winds that between December and March blow northwest to southeast; coming from the Siberian landmass, the air crossing the northwestern provinces is very dry and provides little rainfall. Then, during the summer months from April to November, the monsoon winds reverse themselves and now moving across the South China Sea, they are heavily laden with moisture, which descends to produce rainfall on China's southeastern coast; the winds are relatively dry by the time they reach the northwestern provinces. Annual rainfall on the southern coast exceeds seventy-five inches, but along the Mongolian border, it is no more than five inches.

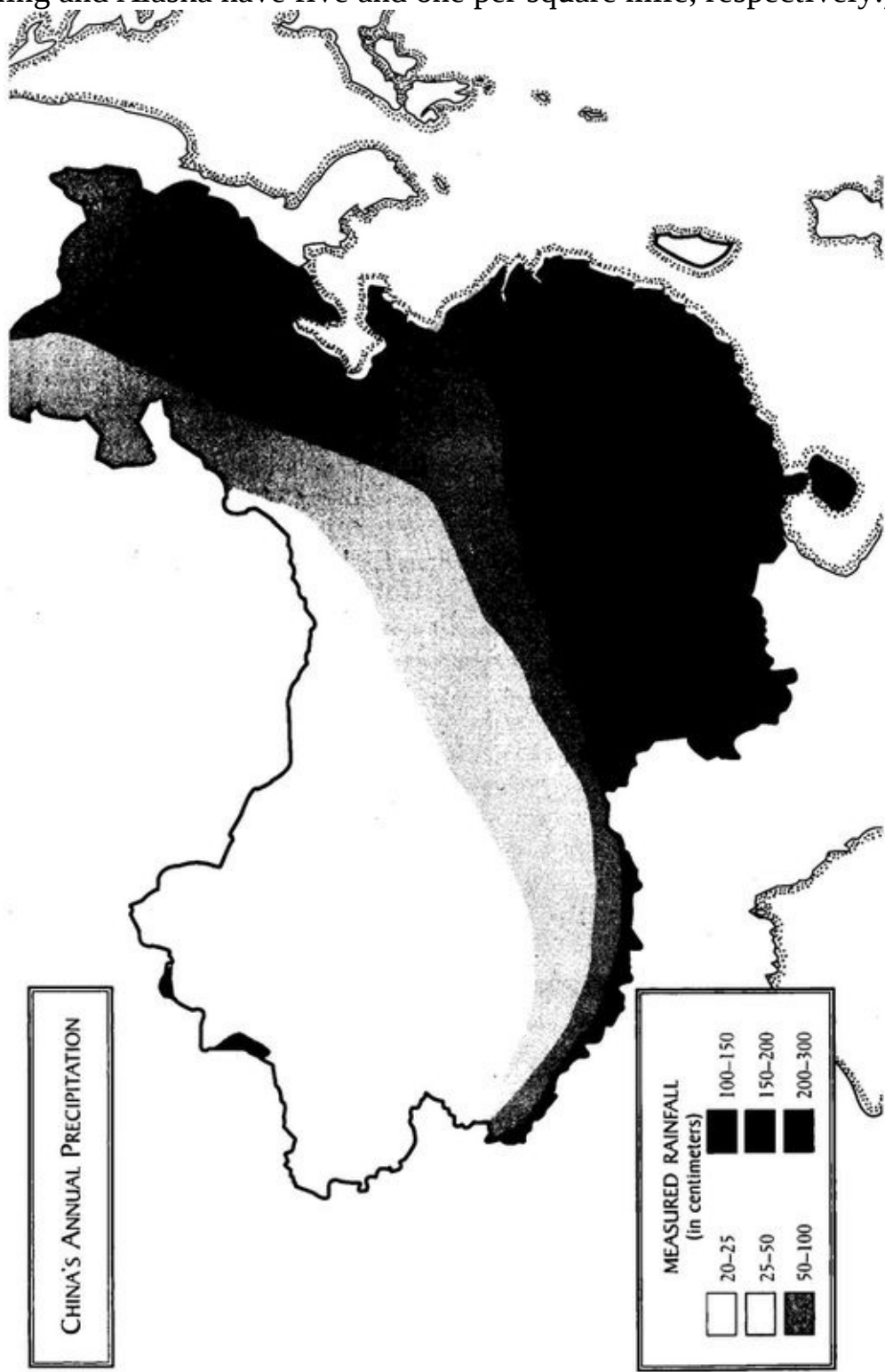


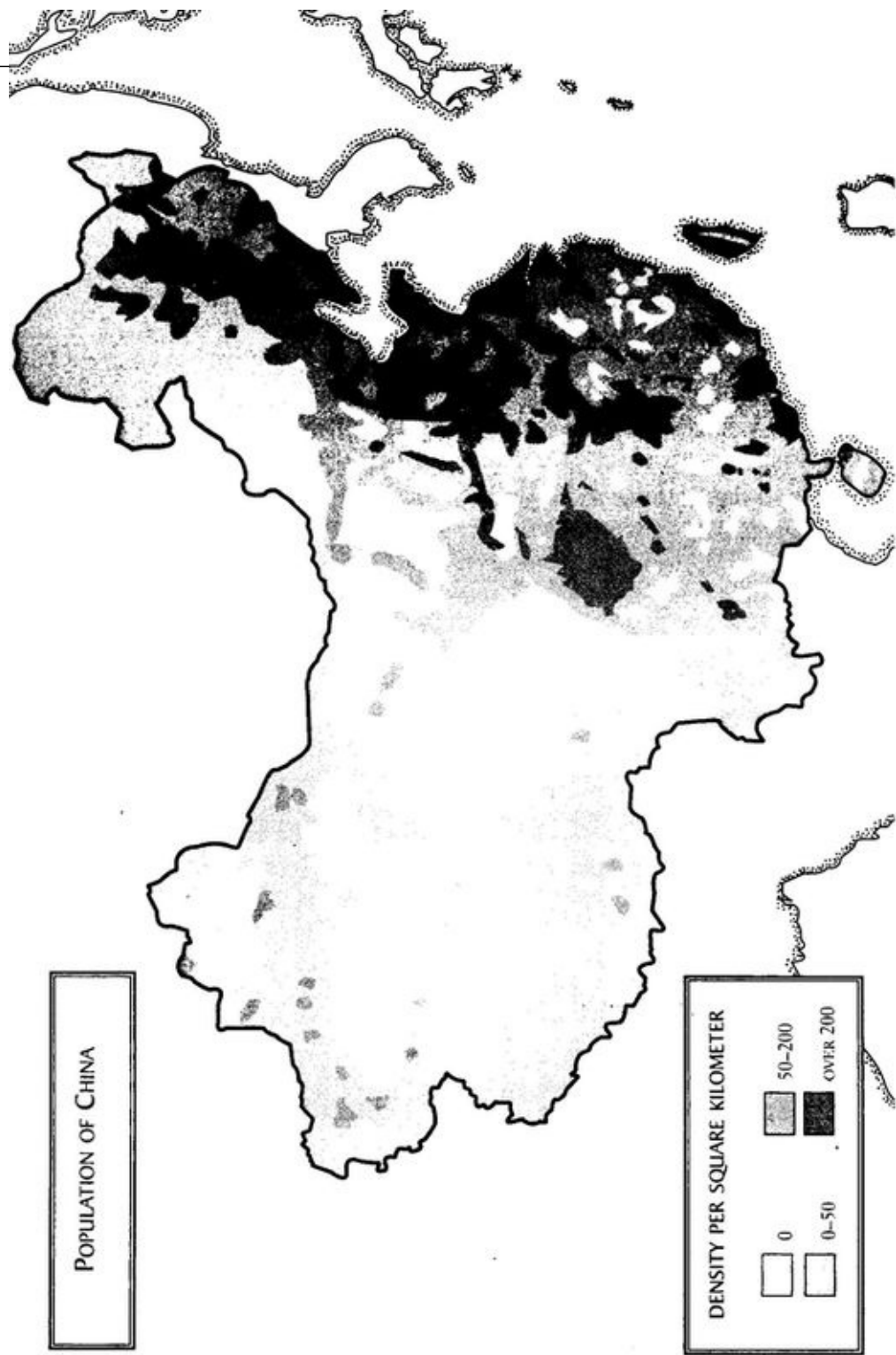
Temperatures along the southeastern coast of China are moderate enough even in the winter that there is a year-round growing season, and as many as three crops of rice can be harvested. North of the Great Wall, by contrast, the growing season is only 140 days, and farmers consider themselves fortunate to harvest a single crop of spring wheat.

Energy resources and raw materials are somewhat more equally distributed across China than is its scant supply of agricultural land, for coal is found in substantial quantities across the eastern half of the country as well as in Xinjiang, while principal onshore oil fields are located in Gansu, Xinjiang, Shanxi, Sichuan, and Heilongjiang.

The distribution of China's population accords closely with the location of fertile soil and adequate growing seasons. Approximately 75 percent of the population lives on 15 percent of the landmass.

being most heavily concentrated in the fertile river basins, where densities in excess of two thousand people per square mile are not uncommon. (This compares with a population density of fewer than four hundred people per square mile in the northeastern United States, the most highly populated area.) Compared with the river basins, western China is sparsely populated, but even these wide-open spaces have a fair number of people. The autonomous region of Xinjiang, China's largest province, is also the country's least densely populated, with some twenty-six people per square mile. (For comparison, Wyoming and Alaska have five and one per square mile, respectively.)





Nearly six hundred million people—45 percent of the Chinese population—reside in China’s 57 cities, and the density of the network of these cities generally conforms to the pattern of population density shown in the map. This is a more even distribution than is the case with many other countries at a comparable level of economic development, and for three distinct reasons.

As the territory over which China’s sovereignty extended began to expand as early as the third century B.C.E., the central government established administrative seats from which its officials exerted control over the populace. At the beginning of the nineteenth century, a network of some two thousand cities and towns covered all of what we now think of as Chinese territory, with, at the center of each, a walled compound housing the local representative of imperial authority. Each administrative seat was part of a hierarchy organized according to the respective ranks and positions of the imperial officials. Beijing, the imperial capital, stood at the apex of this hierarchy, provincial capitals formed its mid-levels, and county seats formed its base.

A second reason for the rise of urban aggregations in China was commercial. The exchange of agricultural goods and handicraft products and, subsequently, the exchange of both of these for manufactured items led to the rise of itinerant merchants, moving periodically from village to village and then to a whole stratum of society devoted entirely to commerce. While some villages were centers of commercial activity only occasionally, others, by virtue of their locations, proved more durably convenient for marketing purposes. Market days in these villages became more frequent and eventually the markets became permanent. Thus was created a hierarchy of commercial centers that was integrated with, but at the same time distinguishable from, the hierarchy of administrative centers.

Whereas the administrative centers were laid out from the top down in a reasonably orderly fashion so as to exert imperial control as uniformly as possible over China's hinterlands, the network of market towns grew naturally from the bottom up. The former were called *cheng*, a word that also means "wall" and that conjures up an image of a formally laid-out and enclosed urban space; market towns were called *zhen*, which connotes an outpost or a garrison without a formal layout or walls. Administrative centers were large—the smallest had a population of between three and ten thousand—while the market towns were much smaller, the lowest ranking among them being mere hamlets of a few as five hundred people, half or more of whom were full-time farmers.

The third force that gave rise to urban agglomeration in China came much later in the country's history and resulted from the government's unsuccessful effort to prevent or at least to limit foreigners' commercial and cultural contact with China. One result of the series of defeats that the Chinese endured in the modern period at the hands of Westerners superior in modern armaments and the tactics to employ them was that for the first time in its history China was forced open to the influence and influx of non-Chinese. Because Western nations were themselves in rivalry with one another for slices of what came to be called the Chinese melon, the Chinese used this rivalry to their advantage in order to restrict the points of Sino-Western contact to a few locations called treaty ports. Unlike administrative and market towns, treaty ports were part of neither a hierarchy nor an effective network. To the extent that the Chinese government was able to control their designation, they were situated where contact between Chinese people and nefarious foreigners would be minimal and easily controlled. To the extent that Western powers succeeded in imposing their preferences, the treaty ports sprang up where Western entrepreneurs found maximal ease of access to what they sought in China: cheap labor, cheap raw materials, cheap maritime transport, and abundant consumers.

Today even the smallest of China's 570 cities seem very large to Americans; at the other end of the scale, 170 cities in China have more than one million people. There are only nine cities with more than a million people in the United States.

***Table 1:* CHINA'S FIFTEEN LARGEST CITIES**

	<b><i>Population (in millions)</i></b>	<b><i>Four Largest U.S. Cities and Their Populations (in millions)</i></b>
Chongqing	32.4	
Shanghai	13.8	
Beijing	12.1	
Chengdu	11.1	

Harbin	9.9	
Tianjin	9.6	
Wuhan	8.3	
		New York 8.2
Guangzhou	7.7	
Qingdao	7.6	
Xian	7.6	
Changchun	7.5	
Zhengzhou	7.1	
Shenyang	7.1	
Nanning	6.8	
Nanjing	6.2	
		Los Angeles 3.8
		Chicago 2.7
		Houston 2.0

(Sources: *China Statistical Yearbook 2008* and U.S. Census Bureau 2006-2007) ([www.census.gov](http://www.census.gov))

China is by modern standards inadequately interconnected, with less than 1.6 million miles of highways and roads, about 85 percent of which are paved—roughly half the highway network in the United States. Moreover, the roads are unequally distributed: dense in China’s eastern provinces and sparse in the west. About three-quarters of the country’s freight traffic and more than 90 percent of its passenger traffic are carried on these roads and highways, and highway construction is a high priority in the country’s economic development program. Close to a hundred thousand miles of new highways, much of it at the expense of China’s limited supply of arable land, are being added annually.

The rail network covers about forty-eight thousand miles, 40 percent of which is double tracked (The United States currently has a rail network three times that size.) This rail system carries about 3 percent of the country’s freight and passenger traffic (coal accounting for nearly half the freight). As China’s economy expands, its railways are operating at or close to capacity and are meeting less than 60 percent of the demand for rail transport. Major construction is under way to add six thousand miles of track to the system. The largest of these projects, a second north-south rail corridor connecting Beijing and Guangzhou and paralleling the existing line to the east, was opened to traffic in 1999. Building high-speed rail lines connecting China’s major cities is a current priority. Nonetheless

projections suggest that the railroad system's share of passenger and freight traffic will decline about 30 percent each over the next fifteen years, with highways and airlines attracting away passengers and trucking absorbing the difference in freight traffic.

China's system of navigable inland waterways, both rivers and canals, is nearly twice as long as its rail network. About 12 percent of freight traffic and 1 percent of passenger traffic move on inland waterways.

The twelve hundred domestic commercial air routes in China (a number that shows an increase by a factor of six in the thirty years since the economic reforms began) now cover about a third of the distance covered by highways, though the volume of air transport remains small. Until the mid-1980s, air transport was handled by a single state-owned corporation, the Civil Air Administration of China (CAAC). Between 1985 and 1995, CAAC was broken up into more than a dozen local companies, which have taken over domestic and some international routes; CAAC, operating under the name Air China, is now an exclusively international airline. A shortage of equipment and trained personnel has hampered the expansion of air transportation, which in any case has a dauntingly bad safety record. Currently, less than 1 percent of China's passenger travel and a tiny fraction of its freight movements are completed by air. As with the network of roads and highways, so with waterways, railways, and air routes: eastern China is well linked; western China is much less accessible.

Mountains and deserts rendered interaction with China's neighbors to the north and west problematic throughout the nation's history, and for most of that time, the ocean on the east was also a barrier rather than an avenue for interaction. Capable of an autarkic existence, China cut itself off from contact with the outside world for much of its long history. Exceptions to this habit of isolation are seen with the expansion of maritime trade during the Tang and Song dynasties, in the tenth and eleventh centuries, and with the opening of the overland Silk Road, connecting China to central Asia and the Middle East, during the Yuan dynasty in the thirteenth century.

In the nineteenth century, the European nations, Japan, and the United States began to push open China's closed door. They initially came to buy tea and silk; later they began to think of China as a potential market for Western manufactures and a source of inexpensive labor to produce those goods. Almost all the intercourse into which China was reluctantly forced took place at ports on the eastern littoral, a pattern that was revived when China rejoined the world economy in the late 1970s. The preponderance of China's now extensive interaction with the outside world occurs in the major coastal cities that were once treaty ports—Tianjin, Dalian, Shanghai, Fuzhou, Xiamen, and Guangzhou. To be sure, there is cross-border economic interaction with Russia and the former Soviet Central Asian republics to the north and west and with Myanmar and Vietnam in the south. But this economic activity pales by comparison with the volume of transactions initiated in the coastal provinces.

In ethnic terms, the Chinese population is unusually uniform. Despite great cultural differences among various groups, more than nine-tenths of the population consider themselves of the same Han ethnicity. The remaining population is divided among fifty-five distinct minority nationalities, each with its own language. This small fraction of the total population, however, inhabits nearly two-thirds of the Chinese landmass, including northern, western, and southern China.

Beneath the ethnic uniformity of the Han Chinese population lies a strong sense of local loyalty that is reinforced by language, cuisine, and a remarkably persistent regional stereotyping. The Chinese term *difang guannian*, best translated as "sense of place," has great importance in the individual Chinese psyche, despite the homogenizing tendencies of a rapidly modernizing society. Ask a



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