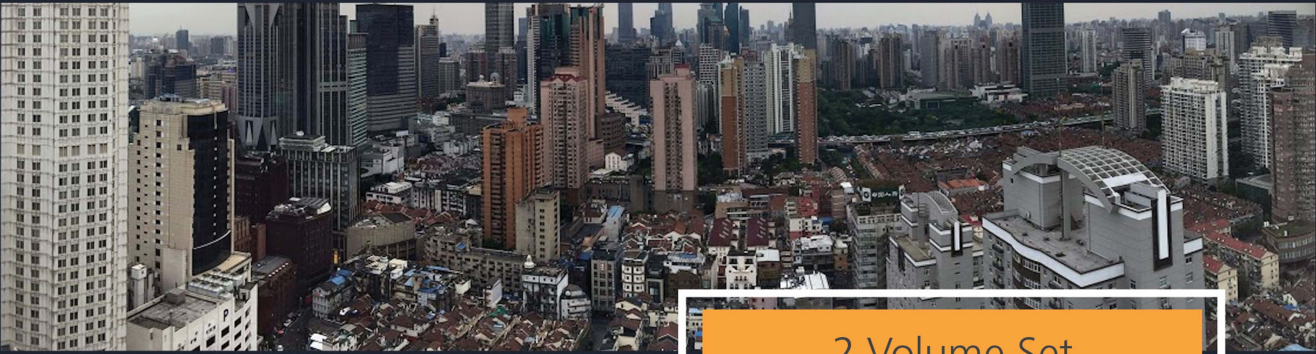


The SAGE Handbook of
Contemporary China



2 Volume Set

Edited by
Weiping Wu
and Mark Frazier



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The SAGE Handbook of Contemporary China



Volume 1

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Weiping Wu
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Introduction

Weiping Wu and Mark W. Frazier

Today's China presents a fascinating yet challenging area of scholarly inquiry. The dynamism and complexities of contemporary China, and the dramatic changes that have taken place in the Chinese economy, society, and environment in recent decades, pose numerous challenges for scholars of China who populate the broad field known as China Studies. Where does the field of China Studies stand? Given China's prominence in global affairs, is the China Studies field connecting itself sufficiently with transnational and global modes of inquiry? How should the China Studies field analyze China's broader socioeconomic dynamics, systems and levels of governance, and key institutions?

These are the motivating questions for this handbook. China Studies, like other area studies, draws from the research traditions of multiple disciplines. The diverse methodological approaches that characterize the contemporary China Studies field have led to a vibrant and eclectic tradition of academic training and research production. In this handbook, specifically, we have collectively aimed for four broad directions of inquiry, the achievement of which we hope will help increase the visibility of China Studies:

- Investigate how we can best study China;
- Explore the transformations of contemporary China that inform how we study China;
- Present the breadth and depth of the China Studies field; and
- Identify future directions for China Studies.

This handbook is anchored in one of the largest and most productive subfields of China Studies, the social sciences. Our intention is to provide an in-depth understanding of China's contemporary development that is grounded in history

and context. China's recent history of social and cultural transformation, as well as its rapid economic development, have produced a wide range of scholarship in such social science fields as politics, economy, geography, law, anthropology, sociology, urban studies and planning, as well as in history and the humanities.

It comes as no surprise that a handbook like this draws on the work of many scholars in and outside of China, to showcase the best work representative of the field. As editors, we have invited both established and rising scholars to contribute. They come from every major region where China Studies prospers: North America, Europe, Oceania, East Asia (including China), and Southeast Asia. In addition to presenting the analytical richness for a broad range of important subjects, some contributors use case studies to ground the discussion and highlight important and timely issues pertinent to the field.

CONTEMPORARY CHINA STUDIES AS A FIELD

To what extent is contemporary China Studies a coherent field of inquiry, and what are its boundaries? How has disciplinary training and specialization, particularly in research methods, influenced the way that scholars of contemporary China speak to what are at times competing audiences of China scholars more broadly, versus disciplinary colleagues? How well has the field of contemporary China Studies connected with more recent trends to cover 'global Asia' and other transnational connections? Each of these questions is of great importance to the future of contemporary China Studies as a field.

Contemporary China Studies can be defined as a broad area of inquiry into the social, economic, cultural, and political forces underlying the rapid changes in China and Chinese society since approximately the late 1970s (and understanding the connections across this period marking the onset of reform and opening). The field is also defined by China's re-emergence as a global power and the extent of its influence in regional and global affairs. The rapid social and economic changes within China, and China's rise internationally, have attracted a great many more commentators and analysts publishing in disciplinary journals, academic presses, and general audience outlets than has been the case in other fields defined by a region or a country (e.g., Latin American studies, India studies). On the 'consumption' side, the audience for the field of contemporary China Studies is vast: professionals and practitioners in various domains of expertise who have some stake in understanding developments in China for their line of work, diplomats and other policy makers, and a general public around the world whose encounters with China and Chinese citizens are multifaceted and rapidly growing.

Yet as is often the case in any academic enterprise, the questions and answers are increasingly complex, and the producers and consumers of the research tend to fragment into their own networks and communities. Even a seemingly simple question of, 'what accounts for China's record of successful economic

performance and poverty reduction?’ is of intrinsic interest to many and may offer clues for those seeking to reduce poverty elsewhere in the world. To answer it requires far more than the perspective of one discipline or subfield (e.g., development economics). The question is also illustrative of the tensions that arise for those trained in the China Studies field along with their respective disciplinary and methodological specializations. For example, how important is deep knowledge of China’s modern or even pre-modern history relevant to the sources of post-1980 economic growth? Some would say historical roots of economic growth are essential to understand, and therefore require at least reading knowledge of Chinese language primary sources, including possibly classical Chinese, if the point is to look at county gazetteers for information about commerce and production from the Qing dynasty or before. Others would say that sophisticated data collection and modeling is of far greater import than historical sources, that training in advanced econometrics and statistics must be deployed to identify the interaction of variables that account for specific economic outcomes. Another of many possible approaches would be those that seek to understand the meanings and significance that the participants, such as entrepreneurs or factory workers, attach to the phenomenon of China’s growth.

From these contending approaches to address the same or similar questions, two consequences have emerged. First, since each approach comes with its own technical language and idioms of expression shared with like-minded practitioners, the findings can be put out of reach of China Studies colleagues in other disciplines, not to mention the interested and informed public. Research published in sub-disciplinary journals is not usually read across the China Studies field as a whole. Second, highly specialized methodological approaches have tended to generate relatively narrow questions that may be more about refining measurement techniques rather than engaging with colleagues from other disciplines who also study contemporary China and even ask similar questions using different methods. This is in many respects a natural tendency in scholarship, but the process of integrating findings from different disciplines tends to fall to the wayside.

The question of comparability is also of great importance, as is the related problem of concept formation and application. A number of China scholars (as Frazier notes in Chapter 58) have begun to follow earlier examples of those who examined China–Japan or China–Russia comparisons and interactions by taking up the study, even languages in some cases, of countries viewed as analytically comparable with China. The issue of concepts applied or misapplied to China has been addressed in several state-of-the-field essays by China Studies scholars. Such essays consistently raise concern over the tendency of those in the contemporary China Studies field, in political science in particular, to import concepts from the study of other regions or countries. By contrast, few concepts are generated from within China to be ‘exported’ for application elsewhere (Harding 1984; Perry 1994; Tsai 2013). In this respect, the expectation for China Studies scholars to produce concepts that can be applicable outside of China is a standard entirely lacking in the study

of American politics or in the field of American Studies. ‘Americanists’ are not expected to generate concepts whose value is assessed on their applicability outside of the US case. As the state-of-the-field essays on China Studies also note, fashionable research methods and theories (in addition to concepts) are also frequently brought to the study of China. Yet scholars such as Kevin O’Brien (2011) have rightly asked whether theories aspiring to universal application and the research tools used to test them actually advance broader understandings of China. As he notes, ‘social science theories come and go but China will last’ (2011: 541).

Finally, there is the question of what role China Studies plays in a 21st century context in which world regions and transnational connections are spawning centers and institutes with titles such as ‘Global Asia’ or ‘Inter-Asia Connections.’ Here the emphasis is on an Asia-centric, historically and culturally rooted understanding of connections and cultural contacts that were understudied in state-centered or ‘impact of the West’ narratives that marked much of the study of Asia in academia during the Cold War. As discussed below, China’s vastly expanded presence in the world, and the multifaceted forms of connections in Asia and its various sub-regions, have greatly informed the study of the emerging field of inter-Asian studies, or to use a term once popular among intellectuals a century ago, ‘Pan-Asian’ perspectives. This transnational turn carries significant implications for the field of contemporary China Studies. It suggests, among other things, that social scientists interested in China’s expanding influence should obtain deeper training and engagement in the cultural and historical precedents of Chinese interactions in Asia.

MAPPING OUT CONTEMPORARY CHINA: CRITICAL ISSUES

Here, we address some of the central themes found in current thinking about China across a range of disciplines.

China in the World and the World in China

China’s return to global prominence over the past three to four decades has disrupted conventional approaches to studying ‘China in the World’. A book by that title a few decades ago would understandably most likely limit its focus to diplomatic and security relations between Beijing and foreign counterparts. Or it would ask about China’s nascent steps to joining international organizations, and perhaps include some chapters on the influence of the overseas Chinese (even then, attention would likely be on their influence in China proper, in the form of foreign direct investment and commercial networks). Today, such a title would have to include a full range of non-state flows, including financial entities, tourists, Chinese state-owned and private corporations, and even the hundreds of thousands of Chinese students at institutions of higher education around the world. Moreover, the crucial issues of cybersecurity and climate change, among

others once regarded as ‘non-traditional security’ problems, now need to take center stage in any survey of China in the world.

The multiple and overlapping connections that have emerged in some of these areas also suggest that ‘the world’ is also in China – notwithstanding efforts by the Chinese government to limit or block some of these flows. Many global corporations such as General Motors, Samsung, Toyota, and Apple have derived a large share of their operating profits from sales of their units based in China. They also face the prospect that losing market share in China can diminish overall revenues and share prices. But beyond the corporate sector, ‘the world in China’ also means that cultural and educational institutions, from Hollywood studios to art galleries, from Ivy League campuses to public universities, have established or seek to make a presence in China. All of these connections and the contestations that frequently arise over issues of censorship, restrictions, intellectual property transfers, and much else, are worthy of continued scholarly investigation.

The dimensions of these flows, in both directions, but especially the impact of these connections and influences on the rest of the world, reveal the gross oversimplifications in the ‘go-to’ question that comes up in any conference or publication addressing China’s role in the world: ‘What will China do with its power?’ The question is important, but inquiring into the intentions and effects of Chinese power in this way is to presume a single actor that makes strategic choices about where and how to deploy its power internationally. No clearer example is the high level of attention and anxiety surrounding the Belt and Road Initiative (BRI). As an infrastructure and aid project, the BRI has attracted vast levels of attention for its presumed master strategic plan to first build railways, dams, bridges, and ports in the Central, Southeast, and South Asian regions, then to dominate the governments and markets within these regions. But given the wide-ranging intentions and capabilities of the multiplicity of actors involved in the BRI, it is fruitless to attach a coherent plan to what will predictably be a mix of infrastructure successes and failures. The unintended consequences of BRI projects are, by definition, highly unpredictable. Beyond the BRI, studies of China in the world also have to grapple with the question of how to distinguish state-sponsored strategic intentions from autonomous decisions by households, corporations, tourists, and professional associations, among others, to go abroad for various motivations. Given this multiplicity of flows, how can the China Studies field examine China in the world in ways beyond an exclusively state-centric framework? While it’s still worth asking how the Chinese government deploys its capabilities abroad and in various regions and international forums, the impact of China and *Chinese* in the world is a promising area of future inquiry for the China Studies field.

Progress and Impact of Economic Reform

China since around 1979 presents a truly unique chronology of development. Nowhere have market economy conditions been applied with state control at

such a large scale. Most scholars agree that reform policies have had overwhelmingly positive consequences for the Chinese people. One indicator points to the largest advance in poverty alleviation in the history of humanity: 500 million people in China have been lifted from lives of subsistence agricultural production (World Bank 2014). Though there are continuing debates on whether economic transition will engender political liberalization, the majority of scholarship has focused on the former, its progress and impact in particular.

The transition from a planned to a market economy has gone through a series of phased reforms. In general, these were not the results of a grand strategy, but immediate responses to pressing problems. Throughout, two key features stand out. The first is pragmatism: criteria for success are determined by experiment rather than by ideology. The second is incrementalism: an idea is implemented locally or in a specific sector and, if successful, is gradually adopted throughout the country. As a result, fundamental structural changes have been introduced to the economic system, with genuine competition and gradual reduction of state interference.

How complete is China's economic transition? What are the prospects? Both are fair questions to ponder after close to four decades. While there is consensus on the multifaceted nature – from plan to market, from agrarian to industrial economy, from autarky to open door, and lately from export-led to consumption-based growth model, at least two schools of thought have persisted in its assessment. The more optimistic sees China as having reached a point of no return on a path generally upwards, while the more pessimistic cautions about crossroads on many fronts and a tipping point towards instability. The many shades of gray in between nonetheless present a range of challenges: capital account convertibility, state sector reform, sub-national debt, among others.

Furthermore, certain characteristics of economic transition – for example, outdated institutions and regulatory ambiguity – have produced conditions many consider to be contradictory to progress. Chief among these are increasing inequality and social stratification. When market reforms first began, poverty levels were so high that inequality was not a major concern. Around 1983–84, China was probably the most equal (especially in urban areas) that it had ever been. But since then the relationship between inequality and growth has become a top political and social issue. In addition to a persistent level of rural poverty, there are now three major groups of the emerging urban poor: unemployed and furloughed workers, migrants, and chronic poor (including people with no ability to work, no savings, and no relatives to rely on).

A major aspect of inequality relates to the millions of migrants. Migrant workers and entrepreneurs have provided substantial human impetus for the rapid modernization of cities. As a result of a matter of institutional legacy (the household registration system), except in small cities and towns, migrants have limited access to local public schools, welfare programs, state sector jobs, and the mainstream housing distribution system (Wu and Gaubatz 2012). (Proposed reform of the household registration system in the 2014 urbanization plan remains

confined to small and medium-sized cities and towns.) As the second generation of migrants grows up in cities with limited access to the urban education system, their future as an urban underclass is a serious challenge for the Chinese state. The volatility of export manufacturing, on the other hand, complicates the economic prospects of migrants. The quantity of migrants is often tied to the production level of export processing firms, which in turn is driven by the global demand for Chinese goods. Therefore, the volatility of the global economy directly affects the livelihood of migrants.

Despite massive changes to the structure of China's political economy, the country's legacy of state socialism has engendered an enduring sense of civil commitment within party cadres. The agenda of the central government has been largely characterized by the need to balance the growth of the national economy with the state's obligation to enable public wellbeing: security, inclusion, health, etc. Although the government's desire for growth and its civil responsibilities are not by definition at odds, unbridled economic growth often obstructs the public pursuit of wellbeing, especially for the poor, elderly, and other disadvantaged groups.

State and Society

The transformation of the Chinese state and Chinese society over the past four decades has deeply impacted contemporary China Studies. The image of an omnipotent and omnipresent state and a fragmented or subordinated society never held much sway under close scrutiny, even during the Maoist era. Yet social forces at no time in post-1949 China (or before, many would claim) possessed the vibrant, nationally networked array of interest groups or civil society formations that some would term as the mark of a genuinely pluralist polity to counter state power. Studies of state and society in China have generally shown, especially in the reform era, a complex interaction in which close attention must be paid to the venues, claims, scales, and strategies taken among a range of actors and organizations. Calls to 'disaggregate the state' (O'Brien 2011) have generally paid off by illustrating that a complex interaction of governance practices, coercion, responsiveness, and even representation appear in certain venues and institutions in the state and the party agencies that oversee them.

In addition, the plausible scenario in the 1990s, that insurmountable pressures on the Chinese state would bring about its erosion if not collapse, seems far less likely today, if not highly improbable. At that time, the most commonly noted pressures included inadequate fiscal capacity, elite polarization (including an erosion of civil–military relations), endemic corruption, rural unrest and anti-state mobilization, threats of inflation, risks of massive bank failures, recalcitrant provincial heads, environmental calamities, and foreign policy crises leading to armed conflict, among others. Even if one or more of these scenarios or threats does come to fruition in the 2020s or beyond and brings about some form of state failure or political collapse, the longevity and adaptability of the Chinese state and

Communist party to have navigated such massive social transformations over a forty-year stretch beginning in the late 1970s would be a remarkable achievement.

If anything, the accumulated scholarship on state–society relations in contemporary China Studies reveals the very hazards of making too much of this dichotomy. While it can be obvious in some cases who is the state and who is society, the boundary between these two and the respective sources of power dynamics are not as straightforward as one might think, and therefore theoretically compelling. Do political campaigns enhance state power or channel it in directions that strengthen it in some areas and weaken it in others? Do popular protests and other forms of social mobilization empower social forces, or can they also provide power to parts of the state while they challenge other parts of the state? An extensive literature on popular protest and official responses to it has shown the complex interactions, suggesting that the leaders even at the very top can be responsive at times. They may suspend policy or make adjustments to policies, largely out of the fear of social instability.

Finally, the question arises of how to characterize both change and continuity in state–society relations between the Maoist and reform period. Clearly the state no longer attempts to manage Chinese society through what Vivienne Shue called the ‘cellular polity’ (1988: 146). During the Maoist era, mobilizing the population for participation in politics was the norm. A heterogenous array of employment and housing forms have supplanted the work unit, and with urban transformation has come more nuanced forms of governance and regulation. Carefully managed campaigns arise on occasion but nothing on the scale of the Maoist period. Citizens with grievances can find ways to make those grievances heard by state officials, through petitioning or courts. Social media can take a political turn at times, but open forms of collective action remain extremely constrained. But then as now, the most nuanced pictures of state–society relations that emerge in scholarly accounts are those that highlight the different scales in which state power operates (central, local, etc.) and the ways that societal actors engage with a highly differentiated Chinese state.

Questions of Sustainability

To many China scholars and observers, especially those concerned with sustained growth, the unraveling of the country’s progress will likely stem from its already fragile human–environment relationship. Externalities of industrial expansion, acceleration of urban development, exhaustion of water resources (in large swaths of China), and destruction of ecological systems have become all too common. If we were to resort to the wisdom of the environmental Kuznets curve (in which such externalities reach a peak and then decline as income rises), these would be considered the inevitable byproducts of China’s economic climb. But given its explosive scope and pace, scholars have sounded alarms on the irreversible impact of growth on the environment, resources, and the global climate.

Market reform has fundamentally changed the role of urban land. Commodification of land and housing has fueled rural land conversion and urban expansion. The expansionary processes have precipitated excessive sprawl, and unsustainable

forms of habitation and transportation in cities. In fact, in many cities, the growth in urban land area has significantly exceeded that of urban population (World Bank and Australian Aid 2015), captured in public imagination by the so-called ghost cities. Urban expansion also has intensified the depletion of water and other resources, stemming from both growing demand and rapidly increasing levels of pollution. Scholars agree that the ecological footprint of the urban population enlarges with modernization, motorization, and heightened consumption. In addition, uncoordinated growth reduces agglomeration effects of planned urban space, which leads to increased transportation costs and diminished productivity.

Although considerably smaller and less modern, the Chinese city during state socialism was in many ways more socially and environmentally sustainable than today. Cities were intentionally restricted in size and conceived as centers of production. Thus, the socialist city was relatively austere, compact, and functional; construction of facilities deemed ancillary to the goals of the socialist city was controlled. By comparison, the residential and transportation choices of reform-era urban residents are vastly more energy intensive. Aside from the effect of rising income and increasing mobility, the urban landscape is moving away from the compact and pedestrian oriented cities of Mao's era. This retreat from sustainable forms of urbanism presents a paradoxically regressive circumstance of urbanization. Compared to rates of automobile ownership in Europe and North America, for instance, the motorization of China is considerably more accelerated and concentrated in urban areas (World Bank 2014).

Depletion of land resources has geopolitical and social ramifications as well. The first is on food security, a subject of growing concern. While it may be subject to debate whether China can achieve food security given the large population coupled with limited arable land, China's central government has pursued this goal as a matter of national security. The conversion of farmland to non-agricultural use during the last two decades in China has been arguably the most widespread in the country's history, and in coastal China the process has been more intense than any other regions (Long and others 2009). Such encroachment also infringes upon farmers' interests and their collective stakes in farmland. Protests against land grabs have ensued across the country, posing a significant challenge for social accord and regime stability.

China's growth model has also made its mark on the global environment. The most direct evidence is pollution of coastal water by industries and untreated wastewater, cross-border and intercontinental air pollution, and emissions of greenhouse gas (Kamal-Chaoui and others 2009). China is now the largest contributor to global warming. A fundamental problem is the enormous dependence on coal for energy. Industries such as steel, cement, and chemicals are by far the largest users. But much of the country's environmental protection effort relies on initiatives by local officials, leading to a patchwork of mitigation and adaptation. Theorizing and interpreting the impact of China's economic transition on the planet remains a top priority. It also makes us wonder: To what do we compare China? Is China like any other country?

ORGANIZATION OF THE HANDBOOK

The handbook consists of two volumes, with ten parts containing a total of 58 chapters. Part One situates the field of China Studies in history and context. Each chapter in Part One provides an overview and historiography of how scholars have conceptualized respectively the Chinese state, nation, economy, and environment, and analyzes trends in terms of different research approaches, types of sources, and trends in the study of these broad concepts.

The next eight parts cover substantive themes in contemporary China Studies. The primary aim of chapters in these parts is to reflect the wealth of research undertaken in the past three decades or so. The eight parts include economic transformations, politics and government, China on the global stage, China's foreign policy, national and nested identities, urbanization and spatial development, poverty and inequality, and social change. Three common questions motivate all the contributions, providing a consistent format:

- How should we study China in a particular topical area? This requires situating the discussion in both the larger theoretical background and China's historical context.
- What are the core issues and how have scholars conceptualized them?
- Upon an assessment of the current 'state of art' in a particular topical area, what is the direction of possible future scholarly development?

As a conclusion to the handbook, Part Ten draws together three forward-looking contributions with the aim of charting the future of the China Studies field. These provide discussion on the future of China Studies, trends in historical studies of China, and recent efforts to place China in comparative context.

To ensure a high standard of editorial oversight, we established an editorial board of six Associate Editors representing major disciplinary and interdisciplinary approaches found in China Studies. Their roles were critical, ranging from recommendation of contributors and subsequent interactions, to more importantly reviewing and critiquing drafts and revised chapters. The final product clearly has benefitted from their collective wisdom, in terms of the overall quality and individual contributions. The Associated Editors, in alphabetical order, are:

- Yanjie Bian, Sociology, University of Minnesota and Xi'an Jiaotong University, USA and China
- Kerry Brown, Political Science, King's College, UK
- Albert Hu, Economics, National University of Singapore, Singapore
- Pál Nyíri, History, Vrije Universiteit Amsterdam, The Netherlands
- Kristin Stapleton, History, University at Buffalo, SUNY, USA
- Elizabeth Wishnick, Political Science and Law, Montclair State University, USA

We invited contributors on the basis of their research profiles, but also to achieve an appropriate multidisciplinary and international mix as well as a range of different perspectives, theoretical positions, and methodological

approaches. Starting from a brief outline for each chapter, we worked with contributors to find a balance between their expertise and our general vision for the handbook. Some contributors brought on collaborators. Each chapter draft was reviewed by one Editor or Associate Editor, who provided substantive comments as well as feedback in regards to the writing and format features important for a handbook.

Showcasing the best work in contemporary China Studies, this handbook is designed as a resource to China scholars across social sciences and possibly beyond. We have aimed to provide original discussions of core issues. Even within the ambitious scope of the handbook, however, it was not possible to cover every important topic. For example, the absence of an issue such as China's increasing influence in specific world regions is by design, given the recency of the phenomenon as well as the limited (though growing) number of scholarly investigations. Given the multi-year span of the entire process, in some topical areas the situation may have moved on somewhat since the commencement of original writing around 2015–2016. Readers will, we hope, appreciate the myriad reflections on and assessments of the wealth of research undertaken in the past three to four decades on a rapidly changing China. For this vision, we owe a tremendous amount of gratitude to SAGE's Senior Publisher, Robert Rojek.

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PART I

Context: History, Economy and the Environment



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The Making of the Modern State and Quest for Modernity

Dali Yang

INTRODUCTION

The modern state system emerged in the Peace of Westphalia, which marked the conclusion of the brutal Thirty Years' War (1618–48) in Europe. Central to this new type of world order known as the Westphalian system are the principles of state sovereignty and equality (Kissinger 2014).

While the concept of the state is subject to definitions from different perspectives, Max Weber offers us the most popular definition of the state as a political organization: 'The modern state is a compulsory association which organizes domination. It has been successful in seeking to monopolize the legitimate use of physical force as a means of domination within a territory' (Weber [Gerth and Mills] 1947).

As one goes beyond Weber and looks at the making and operations of the modern state, however, the task becomes far messier (Abrams 1988; Silberman 1993; Tilly 1992). In a recent attempt at a synthesis, Bob Jessop (2016) proposed that 'just as there can be no general theory of the state, there can be no general theory of its decline, crisis, or failure.' To gain traction on studying actually existing state systems, Jessop (2016) offers a four-element definition of the state, although he immediately lists six qualifications after this definition:

The core of the state apparatus comprises a relatively unified ensemble of socially embedded, socially regularized, and strategically selective institutions and organizations [*Staatsgewalt*] whose socially accepted function is to define and enforce collectively binding decisions on the members of a society [*Staatsvolk*] in a given territorial area [*Staatsgebiet*] in the name of

the common interest or general will of an imagined political community identified with that territory [*Staatsidee*]. (Jessop 2016: 49)

Weber's classic definition of the state, with its focus on domination through the legitimate use of physical violence, reflected well on the violent origins of European state-making (Tilly 1992). In contrast, Jessop's definition a century later takes a strategic-relational approach to state power and pays more attention to claims of common interest or general will. While neither definition is perfect for the job of describing and analyzing the origins and evolution of the modern Chinese state, between them they offer valuable vantage points for our endeavor.

As one of humanity's most enduring civilizations, China had well-established patterns and a culture of autocratic rule when it had to confront with modern western states in earnest during the Qing Dynasty under Manchu rule. During this extended and humiliating confrontation, the old order collapsed with the fall of the Qing Dynasty in 1911, but this has been followed by more decades of struggles, mostly among Chinese, through which the Chinese state has been reconstituted. To anticipate the rest of this chapter, the late Qing proved to be inadequate to the task of confronting powerful imperialist powers and domestic rebellions. It suffered from declining legitimacy, was unable to reconstitute itself into a modern state, and saw the end of the dynasty. Republican China after Yuan Shikai muddled through as a weak state during the warlord era but enjoyed growing legitimacy and fitful progress in state-building during the Nationalist era. Yet this proved inadequate against the Japanese onslaught and the rise of the CCP. With its massive victory in civil war, the CCP under Mao had a huge reservoir of legitimacy as well as coercive power. While Mao expended much of that legitimacy on one political campaign after another, post-Mao leaders have been able to regain public trust on the premises of development and national rejuvenation and to constitute the Party-state. Today the Chinese state, led by the Communist Party of China, boasts the world's second largest economy. A study of the modern Chinese state is by necessity a review of the remaking of the Chinese state, still in progress today.

LATE IMPERIAL CHINA AND THE CHALLENGES OF MODERNITY

Despite much basic agreement on the contours of Chinese history following the Qin unification in 221BC, there exists interesting and important disagreement over what 'China' means or what 'Chinese civilization' is about (Ge 2011). It is useful to note that Chinese dynasties aspired to the *tianxia* or 'all-under-heaven' model and considered China as the center of the universe. In the Qin, Han, and Tang dynasties, the rulers of China achieved political, military, and cultural dominance but nonetheless the borders of the empire were not clearly fixed, as befitting the theory of *tianxia* or 'all-under-heaven' (Xu 2015). Among other things, the lack of a clear boundary is one element that clearly distinguished the

earlier Chinese empires from the modern state. Thus, in his popular *On China*, the eminent historian Xu Zhuoyun (Cho-yun Hsu) concludes that China has been ‘an ever-changing and complex community’ (Xu 2015).

With the Song Dynasty (interrupted by the Yuan, which was part of the Mongol empire), clear boundaries became the norm a necessity, because the Song had to coexist with the Liao and the Jin. The most famous of such boundaries is what is today known as the Great Wall. Most of the wall that exists today was built during the Ming Dynasty (Waldron 1990). A Han Chinese identity also began to emerge in the Song and became further enhanced by the brutality of Mongol rule. In seeking to overturn Mongol rule, Zhu Yuanzhang, the founding emperor of the Ming, marched to the north with the charge that the Mongols had misruled. Xu (2015) argues that by distinguishing between Mongol and Han Chinese rule, Zhu essentially ‘proclaimed the end of the Tianxia system in Chinese history and affirmed the Han’s ethnic affinity for the Huaxia culture.’

Historians generally consider the later Ming and Qing as belonging to the late imperial or early modern period (Rowe 2009). Our consideration of the modern Chinese state thus begins with this period. Interestingly, the Thirty Year’s War in Europe coincided with the last decades of the Ming Dynasty. Both were affected by what is today known as the Little Ice Age. The historian Timothy Brook (2010) writes, ‘No emperor of the Yuan or Ming faced climatic conditions as abnormal and severe as Chongzhen (the last emperor of the Ming, r. 1627–44) had the misfortune of doing.’ By the 1630s, the Ming, buffeted by persistent severe weather, suffered from repeated famines and epidemics. To keep the machinery of state running, the Ming levied heavier and heavier taxes, causing resentment among its subjects and providing fertile ground for rebels such as Li Zicheng, who stormed into Beijing to pronounce the founding of the Shun Dynasty. Emperor Chongzhen hanged himself, but the Shun Dynasty quickly fell to the Manchus, a hereditary professional caste which had only been assembled during Ming times but was far more ready to rule than Li Zicheng. The Qing Dynasty (1644–1911) was born.

It is now well established that the Qing Empire was a multinational polity that practiced Confucian rule primarily in the former territory of the Ming, where the Qing ruler was the Chinese emperor. Elsewhere, however, he was also the khan of khans, and Buddha reincarnate (Rawski 1998). The Qing Empire achieved its zenith in the eighteenth century, particularly during the 60-year reign of the Qianlong Emperor (r. 1735–96). As its territory and population expanded steadily and vastly, the Qing economy was indisputably the largest in the world and in fact was still the largest when the Qing was humiliated by the British in the First Opium War (1839–42) and had to sign the first of many ‘unequal’ treaties (Maddison 2006).

A stylized outline of Confucian governance would go as follows. The emperor, endowed with the mythical ‘mandate of heaven,’ exercised absolute rule that should also aim to be benevolent in accordance with Confucian teachings and

ritual (Faure 2007). The emperor governed with the support of a meritocratic elite of Confucian scholar-officials selected through a rigorous system of civil service examinations that was open to (male) talent from throughout the empire. This elite was in turn rooted in the landed class. As a result, the Confucian civil service examination system not only became the major conduit for the governing elite but also served to integrate the empire politically, economically, and culturally, though Confucian orthodoxy dominated at the expense of the spirit of innovation (Elman 2000 and 1991; Lin 1995).

Whereas in the Confucian world the political attained primacy over other spheres of life, the scholar-officials, with their moral training, would in the ideal world of Confucian rule counterbalance the emperor's despotism. In practice, the authority of the emperor had already become dominant by the Eastern Han dynasty. While few would dispute the historical importance of Confucianism, modern-day scholars including Kung-chuan Hsiao (1976) and Ying-shih Yu (2014) have underscored the importance of 'legalism' in imperial Chinese governance (Zhao 2015). Confucian ideals were often honored in their breach and all too often the practice of 'revering the emperor and belittling the ministers (君尊臣卑)' prevailed. The character of dynastic rule in late imperial China, dominated by alien rule by the Mongols and the Manchus (and the Ming inherited much of the brutality of Mongol rule), was especially autocratic, tempered as it was by the veneer of Confucian rule.

From today's perspective, the early modern dynastic states of China were modest in size and, in the words of William Rowe (2010), it was governance on the cheap, with significant continuities as well as adaptations in the organizations of imperial governments. In the 'expansionist, multinational, early modern empire' that was the Qing (Rowe 2010), the Manchu emperor governed with the assistance of the Grand Secretariat (Grand Secretaries) along with Six Boards (Revenue, Civil Office, Criminal Justice, Public Works, Rites, and War). There was also a Censorate, a system of surveillance over all governmental operations, that had become especially prominent in the Ming (Hucker 1966). Outside of the capital, the emperor appointed local officials, including governors-general and governors of provinces, prefects of prefectures, county magistrates, and various functional specialists that reported to respective Boards.

As a conquest dynasty, it is no surprise that the Manchu emperor directly controlled the military, comprised of the Bannermen and the Chinese Green Standard Army. He also further enhanced control over the communications system that had served successive dynasties, receiving information from throughout the empire and frequently issuing edicts to appointed officials and generals at the front (Wu 1969). Much thought went into the adoption of mechanisms to enhance central control and get the appointees to govern with the empire's interest in mind. In addition to the Censorate and other forms of supervision and surveillance, the well-known avoidance rule prohibiting the appointment of an official to his home province and areas in close proximity to his home province was strictly followed.

Officials were also regularly moved around rather than being allowed to sink roots. There were also various other forms of checks and balances, such as that between the governor-general and the governor.

Compelled by the need to govern an expanding territory, the Qing further substantiated and elaborated a system of provincial appointments and administrations – a development that helped to sustain the Qing for nearly 270 years (Guy 2010). Within the provinces were prefectures and counties and it is conventional wisdom that the county magistrates, as outsiders, often lacked the resources to dominate the locales. Instead, while collecting revenue and administering justice, the (roving) county magistrates must make accommodations with the local communities (the local gentry, guilds, and lineages) that took the lead on education and ritual (Chang 1955). Thus autocratic rule was tempered by Confucian teachings, ritual, and local society. Yet recent research also suggests that the emperor's reach went below the county not simply with the imposition of the *baojia* system, but there were in fact various forms of sub-county control mechanisms adopted around the country (Hu 2015).

In a multi-national empire dominated by the Manchus, ethnic relations was of paramount importance. While the Manchu emperors integrated the civil service system into the imperial system and espoused a fiction of multinational unity 'all under heaven,' they were also worried and vigilant about Han dominance (Yao 2015). To ensure the predominance of the Manchus, each of the Boards was headed by two presidents, one Manchu, one Han. The Qing emperors also set up several other institutions outside of the civil service system, especially the Grand Council (军机处 or Office of Military Planning), that effectively concentrated information and decision-making power in their own hands. When the Kangxi emperor was traveling outside of Beijing, he mostly relied on his non-Han advisers (Yao 2015). It was a system that Edward Rhoads aptly termed 'separate but unequal' (Rhoads 2000).

As a product of Manchu imperialism, the Qing Empire was extraordinarily successful for its times, with expanding territory, burgeoning population, and growing commercial prosperity. European Enlightenment thinkers initially lavished praise on Chinese-style despotism. Voltaire stated: the Chinese empire was 'the oldest of the entire world, the best governed doubtless because it was the longest lasting' (Pagden 2013). The German polymath and philosopher Leibniz showed so much admiration for the Chinese art of government in 1697 that he thought it 'necessary that Chinese missionaries should be sent us to teach the aim and practice of natural theology' (Grieder 1983).

By the mid-nineteenth century, however, the Qing Empire more than met its match in western imperialism and the Manchu reign of prosperity and stability began to crack under international and domestic pressures. In foreign policy, the Qing, like its predecessor dynasties, relished the trappings of a tributary system and treated neighboring and foreign ruling regimes as vassal states and barbarians (Fairbank and Teng 1941). Steeped in the air of superiority, the Qing emperors

and elites found it hard to treat as equals those foreigners coming from across the oceans, as Lord Macartney famously found out earlier during his mission to Emperor Qianlong in 1793–94 (Macartney 1963). Politically, diplomatically, culturally, and psychologically, the rulers of the Qing empire, like their peers in other empires, were simply not prepared for a world of modern sovereign states of equality.

Yet the Treaty of Westphalia, which brought the major European powers sovereign equality and mutual respect, also helped free them to pursue overseas ventures. By the mid-nineteenth century European powers, reaping the fruits of the Industrial Revolution, had become formidable on the global stage. Meanwhile, unlike earlier during the Enlightenment, European thinkers had by then acquired civilizational self-confidence. Whereas liberal thinkers such as John Stuart Mill and Alexis de Tocqueville championed liberty and equality at home, they also supported colonial conquest in backward or savage areas (Mehta 1999; Pitts 2009). Little of the earlier European admiration for China's 'oriental despotism' remained (Pagden 2013).

In this context, the extraordinarily arduous remaking of the Chinese state from empire to modern state began in earnest with the Opium Wars (1839–42; 1856–60) and the Taiping Rebellion (1850–64) and was partly the product of a monumental clash of empires from East and West that, one may argue, lingers to this day.

The historian Timothy Brook (2010), one of the world's foremost scholars on the Ming, notes that, in the sixteenth and seventeenth centuries, Ming China had become increasingly tied to a maritime world-economy centered on the South China Sea, which pivoted the Ming economy offshore to connect with global supply and demand through trade with South Asia, Europe, and South America. The Qing halted this process by tightly controlling the borders and confining trade to Canton. As a consequence of the Opium Wars and others that followed, however, the Qing empire was forced to open up. Karl Marx, worshipped in today's China as the guiding spirit of the Chinese Communist Party, wrote *The Communist Manifesto* in 1848 and was a foreign correspondent for the *New York Tribune* for more than a decade, beginning in 1852. While lamenting the consumption of opium as being 'at the expense of human life and morality' and the Opium War as 'unfortunate,' Marx, in a dispatch dated June 14, 1853, saw the First Opium War's potential in bringing change to China, which he thought was in a state of 'hereditary stupidity'. Thus Marx celebrated the Opium Wars' effect on the Manchu Qing Dynasty:

Before the British arms the authority of the Manchu dynasty fell to pieces; the superstitious faith in the eternity of the Celestial Empire broke down; the barbarous and hermetic isolation from the civilized world was infringed; and an opening was made for that intercourse which has since proceeded so rapidly under the golden attractions of California and Australia. (Marx, Ledbetter and Wheen 2007: 3)

Marx wasn't very accurate in predicting European revolutions, but his quixotic prognosis on the Qing was prescient, if not for the right reason: 'That isolation

having come to a violent end by the medium of England, dissolution must follow as surely as that of any mummy carefully preserved in a hermetically sealed coffin, whenever it is brought into contact with the open air' (Marx, Ledbetter, and Wheen 2007).

The Qing didn't simply dissolve. Unable to rely on its centrally controlled but weak regular armies to quell the Taiping Rebellion (and also the Nian and Moslem Rebellions), the Qing came to lean on forces organized by the local gentry, particularly the Hunanese army, which owed its loyalty to Zeng Guofan. It was also willing to use foreign forces to join in the suppression of domestic rebellion, something that would be unimaginable in today's China. It was clear the soldiers were not fighting for the honor of the nation-state. After quelling the Taiping Rebellion, the exhausted Qing managed substantial restoration and self-strengthening, including significant developments in military industries.

By the early 1890s, the Qing Beiyang Fleet looked as formidable as the naval fleet of Japan, which had since the Meiji Restoration of 1868 undergone rapid transformation into a modern industrial state with powerful military forces. Yet in the Sino-Japanese War of 1894–95 (in Chinese, known as the Jiawu War 甲午战争), the Qing was soundly defeated and the Beiyang fleet was annihilated. As a result, the Qing had to cede Taiwan and the Liaodong Peninsula as well as to pay a huge indemnity to the Empire of Japan, and to give up suzerainty over Korea. The ramifications of these losses continue to reverberate to this day.

The utter defeat by the neighboring and far smaller Japan underscored the failure of the Qing Dynasty's half-hearted efforts to modernize and sounded the death knell of the Qing tributary system. Immediately afterward, Yuan Shikai was tasked to build a (Beiyang) New Army and he did so by learning from the German Empire. The defeat also became a catalyst for the bold reforms of 1898 that Emperor Guangxu sought to promote on the principle that 'in a true sense, there is no difference between China and the West in setting up government for the sake of the people' (Hsü 2000). These reforms were soon halted by the Empress Dowager Cixi, who put the emperor under house arrest. Several years later, following the Boxer debacle, the chastened Empress Dowager herself began to champion a broad range of significant reforms in commerce, education, police, and industry under the rubric of New Policies. A 1902 edict lifted the ban on Manchu–Han marriages. The Civil Service Examinations were finally abolished in 1905. Many of the reforms occurred under the leadership of Yuan Shikai, who was promoted to Viceroy of Zhili and Commissioner for North China Trade.

Public demands for constitutional reforms to emulate Japan escalated following Japan's dramatic victory over Russia in 1905. Sensing danger, the Empress Dowager came to see constitutionalist reforms as a bulwark against overthrow by anti-Manchu revolutionaries such as Sun Yatsen and eventually approved an outline plan for constitutional reforms in August 1908. This reform plan mandated a preparatory period of nine years but both Cixi and, mysteriously, Emperor Guangxu died in November 1908. Prince Chun (Zaifeng), regent to

Puyi (Emperor Xuantong), sought to accelerate the constitutional reforms but, in spite of popular demands for a ‘responsible cabinet’, the new cabinet Prince Chun introduced in May 1911 was clearly designed to keep power in the hands of Manchu princes. Such obtuseness only added fuel to a politically volatile environment. By October 1911, the Wuchang Uprising took place. Within weeks, seventeen out of twenty-two provinces declared their independence from the court. The Qing could no longer hold and, following careful maneuvers, the peaceful abdication of Emperor Xuantong occurred in spring 1912 to make way for a new republic.

THE REPUBLIC OF FRUSTRATIONS: THE RISE AND FALL OF THE REPUBLIC OF CHINA ON THE MAINLAND

One summer evening in 1867, Zhao Liewen (赵烈文), long-term confidante to Zeng Guofan (then leading the successful suppression of the Taiping Rebellion), joined Zeng in worrying about the fate of the Qing Dynasty. Zhao predicted when the end came it would be because ‘the empire will be bereft of leadership; all will have to fend for themselves within 50 years’ (Zhao 2013). The abdication of Emperor Xuantong happened about 45 years after the Zeng–Zhao conversation.

Yet a leader did exist during the transition, and that was Yuan Shikai, who enjoyed the support of a formidable military and bureaucratic coalition. Asked by the court to form a new cabinet in November 1911, Yuan was not eager to help prolong the Qing Dynasty and played a pivotal role in helping arrange for the emperor’s peaceful abdication. Meanwhile, the revolutionaries who advocated for the overthrow of Manchu rule chose Sun Yatsen as provisional president of the new Republic of China, but Sun and the rest of the nation thought that only Yuan possessed the resources and gravitas to fill the leadership void (非袁莫属) (Ma 2016). Sun accordingly invited Yuan to take his place as the President and Yuan accepted in March 1912. Nonetheless, Sun and his colleagues sought to constrain the president’s power with a provisional Constitution that drew on the American Constitution in spirit.

For a while the Chinese Revolution of 1911 looked like a Chinese version of the Glorious Revolution. However, following the 1913 assassination of Song Jiaoren, a rising star of the recently formed Nationalist Party (KMT), Sun Yatsen called for a second revolution, this time against Yuan Shikai. Yuan responded with a massive crackdown on Sun and his followers. In a time of national weaknesses, Yuan made persistent efforts to acquire more power and resources. Advised by the Columbia University Professor Frank Goodnow, who didn’t believe the Chinese were mature enough for democracy, Yuan eventually sought to become the Hongxian emperor in 1915 amid a perilous international environment (Japan sought to impose the notorious Twenty-one Demands on China) (Kroncke 2012).

Yuan's imperial ambitions were greeted by national condemnation, however, as in 1911, province after province declared their independence. To appease the opposition, Yuan repeatedly postponed his imperial accession ceremony and finally gave up on the monarchy in late March 1916. A few weeks later, on June 6, Yuan died at the age of 56, profoundly humiliated.

Yuan left a gigantic power vacuum behind. The military and bureaucratic coalition centered on him splintered. This time Zhao Liewen's prediction came true. Even though a nominal and impotent central government continued to exist in Beijing, China fell into provincial militarism and warlordism for more than a decade, with battles and wars galore, though this was also an era of intellectual experimentation and political diversity (Chi 1976; Fung 2010; Furth 1976; McCord 1993; Sheridan 1975). It was China's decade of state failure.

The Nationalist Party (KMT) regrouped in Canton and set up a provisional military government in 1918. Sun Yatsen was made Grand Marshal, though power in Guangdong was held by Chen Jiongmeng, who would break with Sun in 1922 but is also known for his federalist vision (Chen 1999). With Soviet support, the Chinese Communist Party got its start in 1921 and soon joined in a United Front with the KMT, which also received Soviet assistance (Pantsov and Levine 2013). Sun also sought to reorganize the KMT along Leninist lines in 1924 but couldn't complete it (Yu 1966).

Following Sun's death in March 1925, Chiang Kai-shek emerged as one of the KMT's most influential leaders and led the revolutionary army on the highly successful Northern Expedition to pacify the warlord armies and reunify the country. At the end of 1928, Generalissimo Chiang became head of the national government as well as of the KMT and commander in chief of the armed forces. Major warlords pledged their allegiance to the central government, at least nominally, though the central government had direct control over a small number of provinces only.

A left-leaning Confucian as well as converted Christian, Chiang couldn't rely on established institutions but worked hard to appeal to a broad political spectrum amid contending political forces (Taylor 2009). Ideologically, Chiang espoused Sun Yatsen's three principles of the people (Democracy, Nationalism, and People's Livelihood). Ethnically, Chiang and the KMT chose to emphasize that the Republic of China was a unitary nation-state comprised of one Chinese nation (中华民族), predominantly Han in origin but having assimilated others such as the Manchu. Such a doctrine appeared to be inclusive and yet satisfied the notion of Chinese culture being superior and therefore even conquerors of the Han had been assimilated; it also justified continuing efforts at assimilation (Fiskesjö 2006; Rhoads 2000; Zhao 2004).

Not surprisingly, Chiang persevered in efforts to build an effective national state. Most such efforts focused on the economy. On the recommendation of Sir Arthur Salter of the League of Nations, the Nationalist Government set up the National Economic Council (NEC) in 1931 and pursued major financial and

currency reforms (Young 1971). Taxes on farmers were cut. And in spite of the Great Depression and Japanese depredations, Republican China in its first decade achieved decent economic growth, with notable development in industries ranging from textiles and, heavy industry, to transportation and finance (Eastman 1986; Rawski 1989; Sih 1970). This first decade was considered the golden age of the Chinese bourgeoisie (Bergère 1989; Taylor 2009).

In government administration, the KMT regime made little progress toward the building of a modern administrative system (Tien 1972). Official ideology called for social mobilization in the localities in preparation for self-rule. In practice, local KMT Party branches focused their energy on punishing 'local bullies and evil gentry' at first and over time strangled local autonomy, thereby undermining the KMT's revolutionary commitment and eroding central state authority (Thornton 2007). Seen from the village level, a process of state involution took place, undermining the legitimacy of both local elites and the state (Duara 1988). Consolidation of civilian and military leadership occupied much of Chiang's attention. Chiang had to confront wayward warlords repeatedly and fought significant wars against anti-Chiang coalitions in 1929–30. He also had major challengers from within his own Party, especially from Wang Jingwei, until Wang left in 1939 to establish a collaborationist government in Japanese-controlled areas.

As Chiang enlisted German advice to modernize the military (Central Army), his two biggest worries were the CCP and the Japanese. During the Northern Expedition, learning that Stalin had instructed the CCP to replace KMT leaders, Chiang, together with Wang Jingwei and with the support of warlords such as Feng Yuxiang and Yan Xishan, conducted a brutal purge of CCP members in Shanghai and elsewhere in 1927 (Taylor 2009). As Chiang focused on pacifying the warlords, however, CCP remnants gained breathing room to develop soviets or base areas in mountainous regions between 1927 and 1930. In 1932–34, Chiang's government forces were eventually able to dislodge the Communist forces out of their base areas into an uncertain retreat that would later be glorified as the Long March. The Red Army, which included Mao Zedong among its leadership, escaped in October 1934 and reached Yan'an more than a year later, a shadow of its former self but now with Mao in charge.

Toward the end of the KMT's first decade in power, Chiang's combination of neo-authoritarianism and neo-traditionalism appeared to be working (Gao 2010: 20–38). China seemed to be finally leaving the post-imperial chaos behind and making headway toward the building of a modern republic. In the words of Jay Taylor (2009: 121), 'the power and authority of the Chinese central government was greater than at any time since the Taiping Uprising.' Yet any optimism was premature. Effective national control turned out to be far more elusive.

While Chiang wanted to finish off the CCP once and for all, the CCP leadership was able to rally public opinion around the growing Japanese threat and thus harness what Chalmers Johnson called peasant nationalism (Johnson 1962). Following the Xi'an Incident (December 1936), when Chiang was kidnapped by

the warlord general Zhang Xueliang working in alliance with the CCP leadership, Chiang agreed to another United Front with the CCP against Japanese aggression, a development that Stalin also wanted. Following his release, Chiang could have tried to launch another offensive against the weakly armed CCP forces but chose not to go back on his word.

By mid-1937, China was bearing the brunt of full-scale Japanese invasion. Chiang committed the best Chinese forces – German-trained and armed divisions – to the front against the Japanese killing machine in the hope that they would be able to hold the Japanese invaders off. Nationalist Chinese forces fought bravely but also suffered horrendous losses and were no match for Japanese military might. Eventually Chiang led the government to retreat to Chongqing, the wartime capital. He had to settle for a long game, tying down more than one million Japanese troops in China until allies entered the war and eventually turning the tide (Mitter 2013).

During the Sino-Japanese War, Chiang's national government sent funds each month to the CCP forces, as did Stalin's USSR. While part of the United Front against Japan, the CCP under Mao was careful to preserve and expand its strengths while the Central Army under Chiang fought valiantly and suffered the bulk of the casualties. In a secret report to Stalin written in January 1940, Zhou Enlai reported that as of August 1939 more than one million Chinese soldiers had been killed or wounded in the War against the Japanese. About 3 percent of the casualties, or 30,100, were from the Communist troops (Dallin, Stalin, and Dimitrov 2000; Taylor 2009). Chiang appeared to be aware of Mao's chicanery but the central government kept on providing funds to the CCP troops. While he hated the CCP's ideology of class struggle, he nonetheless admired its discipline and was critical of many of his own Party for showing 'selfish concerns' (Taylor 2009).

Chiang's strategic vision paid off after the United States entered the war after Pearl Harbor. With the staggering losses and sacrifices China had sustained for more than a decade, the Republic of China was on the side of the victors and Chiang was among the world's leading statesmen when Japan finally surrendered in 1945. China became one of five permanent members of the UN Security Council. The chapter of humiliation that began with the Opium War appeared to have finally been brought to a close.

Yet for Chiang and the KMT the victory over Japan proved pyrrhic. As territory in the most developed parts of the country was lost, so went most of the tax revenue base at a time when the government desperately needed funds to finance the war effort. To make up for lost revenue, fiscal extraction became more rapacious and came at the expense of legitimacy (Boecking 2017). The same could be said of conscription and government administration more broadly. Meanwhile, the CCP under Mao's leadership tightened Party discipline, including Party control over the military, and conducted a brutal purge of unwelcome elements in Yan'an that strengthened Mao's power (Gao 2000; Xiao 1999). The CCP also demonstrated a remarkable capacity to offer an alternative discourse to

appeal to the public, including the intelligentsia (Apter 1993). In this discourse, propagated through CCP-controlled media outlets, including in KMT-dominated areas and through foreign reporters such as Edgar Snow, the CCP attacked the KMT for being autocratic and corrupt and promised freedom, democracy, and constitutionalism (Xiao 1999).

Mao personally sang paeans to freedom and democracy that would be pleasing even to the ears of American visitors (Bernstein 2014). In a legendary conversation in a Yan'an cave between Mao and Huang Yanpei (黄炎培), an eminent educator and democratic leader from the KMT government in Chongqing, Huang noted that historically organizations and states (dynasties) often rose rapidly and fell swiftly in cycles. Mao answered, 'We have found a new path; we can break out of such cycles. This new path is that of democracy. Only under people's oversight will the government not slacken its efforts; only by everyone taking responsibility will the government continue to perform well when the (present) leaders are gone' (Huang 1945). The propagation of such rhetoric by Huang and others in government-controlled areas contributed to the CCP's winning of hearts and minds in the ensuing years.

With the Sino-Japanese War behind, Chiang and the KMT, in what appeared to be partly a response to CCP criticism and partly a reflection of resurgent Chinese pride, decided that it was time to follow Sun Yatsen's three-stage theory from military rule to tutelage to constitutionalism and lead the Republic of China into the phase of democratic constitutional government. A revised Republic of China Constitution was enacted by the National Assembly in December 1946 and went into effect a year later. On the surface this was a time of immense national pride. It appeared that the efforts at modern nation-building and state-building in the Republic of China were coming to fruition.

The CCP under Mao's leadership, however, boycotted the subsequent election (which elected Chiang the president). Instead, in spite of international mediation, the CCP and the KMT fought out in the epic Chinese Civil War. As is well known, the KMT-led central government started with a much larger and better-equipped military force (Chassin 1965; Spence 1990). Yet Chiang, seeking to contain what would today be considered an insurgency, contended with a regime riven with fissures and corruption and made various strategic errors (Lary 2015; Tsou 1967; Westad 2003). In the end, the KMT-led government forces were no match for the CCP's growing mass appeal, superior intelligence operations, and strong fighting spirit and strategies. On October 1, 1949, the victorious Mao led the CCP to install the People's Republic of China. Chiang and the KMT retreated to Taiwan, though the Republic of China retained its seat in the United Nations until 1971. The historian Harold Isaacs thus summed up this momentous shift in fortunes for the two contending revolutionary parties:

The Kuomintang [KMT], which had risen to the top in 1927, disappeared as a major ingredient. The Chinese Communist Party, having smothered whatever chance there might have been for the emergence of a new Chinese urban democracy, shaped itself through

hardening years of war in the remoteness of rural China onto an instrument for winning and wielding power by the absolute use of force (Isaacs 1961, 318–19).

Marx could not have imagined that the land that he ridiculed nearly a century earlier would now be dominated by a dictatorial behemoth ruling in his name.

THE COMMUNIST PARTY-STATE: THE MAO ERA

Prior to taking national power, the CCP under Mao's leadership showed great discipline as well as policy moderation as it had to contend with the KMT. As Mao got closer to taking national power, however, he announced that the new CCP-led regime would lean to one side, the side of socialism led by the Soviet Union, the CCP's long-time benefactor and guide (Mao 1959). Nonetheless, Mao and his comrades continued to adopt a coalition strategy to broaden the CCP's appeal and gain popular support on the advice of Soviet leader Joseph Stalin and at a time when fighting in parts of the country had not yet stopped (Li 2001). In September 1949, on the eve of the official founding of the People's Republic of China, the CCP leadership convened a Chinese People's Political Consultative Conference (CPPCC) and invited a substantial number of non-CCP delegates to participate in the conference. This CPPCC conference approved a *Common Program* and the *Organic Law of the Central People's Government* as the interim founding documents for the PRC state and central government.

Mao took a cavalier attitude toward institutions and made use of such legislative bodies as the CPPCC at his convenience. The *Common Program* called for a National People's Congress (NPC) to serve as embodiment of highest state power and elect the Central People's Government Committee (中央人民政府委员会). It also stipulated that before the NPC existed, the CPPCC plenary session would serve in the NPC's place. In practice, a CPPCC plenary meeting was not convened again until the NPC came into being in 1954. Thus the Central People's Government Committee (CPGC) was the highest state power between 1949 and 1954. As the CPGC Chairman, Mao was clearly the supreme leader.

The CPGC initially included the Government Administrative Council (GAC, headed by Zhou Enlai), the People's Revolutionary Military Commission (Mao), the Supreme People's Court, and the Supreme People's Procuratorate. In 1952, as China began to turn to central planning, a State Planning Commission (SPC), overseeing eight industrial ministries, was added with Soviet help and charged with the drafting and implementation of Five-Year Plans (the first five-year plan covered 1953–57).

Heeding Soviet advice, Mao invited a substantial number of non-CCP figures to join the central government (GAC) leadership, including three of six Vice Chairmen, two of four Vice Premiers, and 14 of 34 ministers (Bo 1991). Huang Yanpei, for example, was made Vice Premier and Minister of Light Industry.

Nonetheless, the CCP leadership formed Party committees and groups in every government agency to maintain firm control.

As late as October 1952, Mao resisted the formal drafting of a Constitution and wanted to wait until China had entered into socialism. Ironically, it was Joseph Stalin who cajoled Mao into agreeing that the People's Republic of China should have a Constitution. Amid the Cold War, it was necessary for socialist countries to put on the appearance of having a Constitution. Hence the Constitution of 1954 was drafted and adopted (Han 2004; Weng 2007).

The 1954 Constitution was modeled on the 1936 Soviet Constitution in terms of state organization structure and citizens' rights and duties (Teiwes 1987). The NPC is the fountain of state power and has the authority to amend the constitution and enact laws, elect the President and Vice Presidents (previously translated as Chairman and Vice Chairmen), and ratify the appointment of the State Council Premier upon nomination by the President. The President would be the head of state and Chairman of the National Defense Committee. The State Council, led by the Premier, would become synonymous with the central government (The 1954 Constitution).

The 1954 Constitution projected an image of institutional constraints on power. In practice, the CCP leadership, partly in response to complaints from Party stalwarts that too many positions were offered to non-CCP luminaries, chose to sideline the non-CCP luminaries into largely ceremonial positions on the NPC or the CPPCC. Worse was still to come for these luminaries in future political campaigns. Around the same time (1953–54), Mao, taking a page from Chinese history, abolished the six pan-regional military-administrative councils and moved the regional leaders to Beijing, away from their regional bases. The Center took direct control of the provincial-level jurisdictions.

Just as Yuan Shikai chafed against the Provisional Constitution of 1912, Mao became increasingly frustrated with the trappings and routines of the newly emerging system. For someone who set his own schedule (indeed, China's top leaders at the time learned to adapt to Mao's schedule of working at night), the ceremonial functions of the President were an onerous burden. Another form of constraint was emerging for the likes of Mao who had spent a lifetime plotting wars and battles, for central planning relied on technocrats good with numbers and details. As China moved to adopt a Soviet-style planning system, Mao initially placed the State Planning Commission directly under the GAC, reporting to him. Yet soon he was confronted with stacks of documents with mind-boggling amounts of details and often signed them off without a good grasp of the contents. He was probably relieved that the SPC became a constituent part of the State Council with the enactment of the PRC Constitution.

As the history of the CCP's struggle against the ruling KMT revealed, Mao was superbly adept at mobilizing political support for attacks against 'enemies.' Whereas China's push for a planned economy required growing bureaucratization, politically Mao was in command. Riding on the wave of revolutionary tide,

everything seemed possible. Even without central planning, there was growing state control. Following years of chaos, the imposition of control and the appearance of order were initially welcomed by most, especially as the CCP used the authority it had acquired on the battlefield to impose draconian measures to bring down inflation. On various matters, dictatorial methods appeared to be both efficient and effective. Drug addicts were forced to quit, cold turkey style. Many prostitutes rounded up in Shanghai were sent to remote Xinjiang to marry soldiers who had recently fought in the civil war and were then garrisoned in the sparsely populated frontier region.

Forged in the titanic struggle with the Nationalist government over more than two decades, the Chinese revolutionary state of the CCP, led by leaders who used to be targets of crackdowns and suppressions, now became an instrument of terror against real or imagined enemies. Mao and his comrades were bent on transforming an old society through class struggle and quickly launched one campaign after another to suppress various groups, especially 'counter-revolutionaries.' Since China, then with about 600 million people, was overwhelmingly agrarian, the pursuit of land reform, which often resulted in the killing of landlords, was of fundamental political, economic, and cultural significance; it decimated the social class that provided a major pillar for the traditional order. Many other campaigns would follow and a widely circulated list enumerates no fewer than 55 campaigns during Mao's rule (Bennett 1976; Cell 1977).

The intensity of the domestic campaigns was heightened following Mao's fateful decision to send Chinese forces to Korea to fight against American-led United Nations forces in fall 1950. This decision was accompanied by a domestic campaign to 'Resist America, Aid Korea' and it firmly put China on the opposite side of the United States, a confrontation that would not ease until Nixon's visit to China in 1972. In consequence, the US imposed an embargo on the PRC and thwarted Mao's ambition of a quick takeover of Taiwan.

With Stalin's death in 1953 and Khrushchev's attacks on Stalin's brutal rule in 1956, Mao began to move into his own orbit. In 1956, concerned about the revolts that occurred in Hungary and Poland in the post-Stalin era, Mao sought to enliven the system with the Hundred Flowers Campaign to encourage the airing of different opinions and constructive criticism. The criticism turned out to be sharper and more vociferous than Mao (Party Chairman), Vice Chairman Liu Shaoqi, and Secretary General Deng Xiaoping had anticipated. They turned on the critics and in 1957 launched the Anti-Rightist Campaign, which wrecked the careers of more than a half million people, especially those with an intellectual background or who had played a part in or collaborated with the old regime. Most importantly, the Anti-Rightist Campaign revealed how harshly the regime would deal with what today might be considered its 'critical citizens' and taught survivors to refrain from speaking up. China had become what Avery Goldstein called a 'bandwagon polity,' with officials eager to follow cues from Mao (Goldstein 1991).

Hailing from rural Hunan, which had provided a rich and stimulating intellectual milieu for numerous political leaders in China's modern history (Platt 2007), Mao found special comfort in seeking to reshape rural affairs. Most importantly, following in the footsteps of Joseph Stalin, he was a firm believer in transforming rural organizations to unleash the productive potential of peasants obsessed with owning more land of their own and thus to provide the surplus needed for industrialization and national power. This obsession of his in a 'bandwagon polity' became the fuse for what turned into the Great Leap Forward as, following the Soviet success with Sputnik, China joined the Soviet Union in efforts to catch up with capitalist economies in late 1957.

Mao's 'secret' for China to leap forward in (heavy) industrialization was by mobilizing the masses, a move that played to his strengths as revolutionary strategist but with an emphasis on producing iron and steel that even the planners found hard to resist (Bachman 1991). Nonetheless, in promoting the Great Leap Forward Mao relied on the Party faithful, including especially his trusted Party secretaries in the provinces (Yang, Xu, and Tao 2014). There was no patience for bureaucratic caution and the State Statistical Bureau was largely suspended. Rural residents were rushed into people's communes. Able bodies were mobilized to build water works and, in both urban and rural areas, to smelt iron and steel with the so-called backyard furnaces.

If the Great Leap Forward had worked, it would have enabled Mao to lead China on to a different path from that of Soviet-style planning and established Mao as the preeminent leader in the socialist bloc following Stalin's death in 1953. In reality, however, the messianic Great Leap Forward resulted in the worst famine in human history. In the aftermath of the Great Leap Famine, Mao lost 'interest' in personally steering the economy and let Liu Shaoqi, Zhou Enlai, Chen Yun, and Deng Xiaoping help lead the economic stabilization and recovery, only to become disappointed with the right-leaning tendencies of his colleagues (Yang 1996; Yang 2012). In 1962 Mao began to turn his attention to class struggle and directed his colleagues to pursue a socialist education campaign in the countryside (Baum 1975).

In the ensuing years, Mao became increasingly disgruntled with his senior colleagues, especially President Liu Shaoqi. In 1966, Mao launched the Great Proletarian Cultural Revolution (CR). A constant refrain of Mao's was against bureaucratism. The CR is best known for Mao's mobilization of Red Guards to attack Party and government apparatuses, most of which were paralyzed as 'power seizures' occurred in ministries and organizations (Harding 1991; MacFarquhar 2009; White III 1989). Numerous members of the elite as well as many others with 'bad' class backgrounds were persecuted to death, including Liu Shaoqi and former Defense Minister Peng Dehuai. Liu Shaoqi and Deng Xiaoping, in particular, were attacked for 'revisionism' and for 'taking the capitalist road'. Huang Yanpei, whom Mao had referred to as a representative of the bourgeoisie, could not have expected to fare well in this extreme political environment but

Huang died at the age of 87 before the CR had erupted. His widow, however, was subjected to much abuse and committed suicide in January 1968.

Through all this, Mao simply ignored the Constitution and laws or Party rules. For more than a decade, he refused to convene a national Party Congress. It was not until Liu Shaoqi and others had been purged that Mao finally convened such a Congress in 1969 and packed the Party Central Committee with his handpicked followers. China degenerated into personal dictatorship during the late Mao era. Luckily for China, Mao's elder son Mao Anying (the other son was mentally handicapped) was killed during the Korean War and thus not available to succeed Mao. Even then Mao allowed his nephew to gain great influence and appeared to have intended for his widow and his nephew to play major roles in national leadership following his death (Xin Ziling 2010).

With the abandonment of normal working procedures, Premier Zhou Enlai, who was also under pressure from the radicals, had to form a special group to keep the State Council functioning. When the political chaos subsided in 1969, Mao and Zhou cut more than half of the State Council ministries. Despite the Maoist rhetoric against bureaucracy, it should be noted that the life of an individual Chinese during these years was bound up with the state, through their work units or production brigades (Walder 1988). Thus Martin King Whyte notes that in practice Mao was not against bureaucracy at all (Whyte 1989).

The Chinese official verdict was that the Cultural Revolution brought China to the brink of collapse. By the time of Mao's death, China was among the world's poorest countries and a prominent example of misrule (Tsou 1986). Ironically, Mao's genius for destruction meant that China did not systematically practice Soviet-style central planning for an extended time period and this deficiency from the perspective of central planning became an advantage when China turned to the pursuit of economic reform and opening up.

THE PARTY-STATE IN THE POST-MAO ERA: MARKET REFORMS AND ADMINISTRATIVE RATIONALIZATION

Numerous volumes have been written about China's political changes and socio-economic development in the post-Mao era. Because of limited space, I will skip the politics of transition into the age of reform except to note that much of the emphasis in the immediate post-Mao years was on getting the institutions of state to function again following the turmoil and destruction of the Cultural Revolution years. To give a sense of the scale of the restoration, the number of State Council constituent organs more than doubled to reach 100 between 1977 and 1981.

The most obvious change is simply the disappearance of Mao the personal dictator. In the 1980s, politics at the top were dominated by Party elders, especially Deng Xiaoping and Chen Yun, but the elders also left much space for reformist leaders Hu Yaobang, Zhao Ziyang, and Wan Li (Tsou 1995; Vogel 2011).

Showing their distaste for and fear of Mao as Chairman, the Chinese leadership abolished the title of 'Party Chairman' in 1982 and replaced it with 'General Secretary'. With the introduction of retirement norms in the early 1980s, the formal retirement of paramount leader Deng Xiaoping in 1989, and the abolition of the Central Advisory Commission (of the Elders) in 1992, significant progress has been made to regularize the processes of leadership selection and succession. Both Jiang Zemin and Hu Jintao served two terms as president (State Chairman), though the constitutional amendment of 2018 removed the two-term limit and thus paved the way for Xi Jinping to continue beyond two terms.

The relationship between the Party and the state has been fraught with unease throughout the PRC's history (Zheng 1997). With Mao, Chairman of the CCP Central Committee, mobilizing the masses to attack the Party and state institutions during the Cultural Revolution, the CR marked an especially poisonous era in Party–state relations. At the Thirteenth Party Congress in 1987, reformist leaders, with Deng's blessing, put together a blueprint for the separation of Party and government, including gradual abolishment of party groups in government bodies and the weakening of Party organizations such as the Central Political and Legal Affairs Commission (Yang 2017a). This initiative was aborted in the aftermath of the 1989 Tiananmen Crisis. Instead, much more systematically than the Manchus/Qing resisted political reforms in the late nineteenth century, Communist Party leaders have shown no sign of loosening the Party's leash but have repeatedly invoked fears of crisis and doom to strengthen the Communist Party's predominant position in response to changing circumstances.

First and foremost, the Party leadership has kept a tight grip on the military, maintaining a tradition of Party command over the gun dating back to the Sanwa Reorganization of the military in 1927 (having a Party representative in each company unit). Mao's harsh attack on Marshall Peng Dehuai during the Great Leap Forward stemmed partly from a fear of military insubordination. During the 1980s, Deng Xiaoping chose not to take up the top Party position and was a vice premier in the government lineup but he assumed the chairmanship of the Central Military Commission and no one doubted that he was the paramount leader. After Deng's formal retirement from the CMC in 1989, the top positions of Party, State, and Military have been concentrated in the hands of the same person, with the exception of the 2002–2004 transition between Jiang Zemin and Hu Jintao. Xi Jinping has gained real power more quickly than his two predecessors. He has not only established a National Security Commission to provide overall coordination of national security affairs but has also undertaken far-reaching reorganizations of the Central Military Commission and of the military command system.

Second, through the nomenklatura system, the Central Party leadership controls top appointments of all key institutions throughout the country, including the selection of leaders of the so-called democratic parties (Chan 2004). In addition to direct leadership of the national legislature and the State Council, members of the Politburo Standing Committee also have Party organs for leadership

of Party discipline (anticorruption), propaganda, economy and finance, law and stability maintenance, foreign affairs and for various specific purposes such as Taiwan Affairs. Within the State Council, only one or two government ministries are led by token non-CCP members and some of the State Council agencies actually report to the Party's leading groups.

Through interlocking institutions and leaders, the Communist Party leadership and those of the state institutions, including the armed forces, are bound together. Thus there is much credence to the conventional idea of the Party-state. As such, today's Chinese leaders possess far more potent organizational resources than their predecessors in the Qing and Republican periods.

The configurations of the Chinese state have undergone substantial change in the post-Mao era. In a nutshell, post-Mao leaders have sought to promote institutional reforms in their quest for growth and power. Changes in the economy under the rubric of reform and opening up have in turn facilitated certain types of rationalizing institutional reforms and created demand for others in order to curb and cope with unruly markets and practices and promote socio-economic order (Yang 2004). Major government restructuring requires the approval of the National People's Congress, which has been provided regularly since the late 1980s (1988, 1993, 1998, 2003, 2008, 2013, and 2018).

These government restructuring efforts began with downsizing the bureaucracy. In the words of then Premier Zhao Ziyang, 'the problems of overstaffing institutions, overlapping and ambiguous responsibilities and low efficiency have reached an intolerable level' (Zhao 1982). As the Chinese economy became more market-oriented, the focus of government reforms also shifted toward the transformation of government functions, especially after the CCP Party Congress adopted the concept of building a socialist market economy in 1992. Ministries at the core of the planned economy, from metallurgy to petroleum, were turned into central-administered SOEs or abolished. Amid the Asian Financial Crisis in 1998, Premier Zhu Rongji slashed the number of ministries and commissions from 40 to 29. A recurring theme has been the combination and rationalization of government administrations with overlapping functions. There have also been efforts to streamline and rationalize government approvals, especially to improve the business environment but also to make lives easier for ordinary people, whether they are seeking a driver's license or applying for a passport.

While China's leaders have eliminated most industrial ministries, they have also had to devise new mechanisms to cope with the 'turmoil' and 'chaos' that have emerged with an increasingly market-oriented economy. Following a financial crisis in 1993, the Chinese leadership revamped the fiscal system in favor of the central government and also began to restructure the People's Bank of China. Over time regulatory commissions have been established for securities, insurance, and banking. As of 2017, dedicated ministerial or ministerial-ranked regulatory institutions (in parentheses are abbreviations for the corresponding American regulatory agencies) had been established in the following areas: Environmental

Protection (EPA); Quality Supervision, Inspection & Quarantine (CPSC); Work Safety [also State Administration of Coalmine Safety] (OSHA); Food and Drug (FDA); Civil Aviation (FAA). These regulatory institutions increasingly look like their American or European counterparts. The China Food and Drug Administration (CFDA), for example, was explicitly named to mimic the US FDA, which has a sterling reputation among American regulators.

Most other government ministries and administrations also possess significant regulatory functions and some, such as the Ministry of Public Security, act both as regulators and political gatekeepers (Yang 2017b).

CONTINGENCY

In examining the changes in the patterns of Chinese state organizations and political power over time, one should not be misled into thinking that all were over-determined and were inevitable. Nothing was further from the truth.

Two factors are especially worthy of attention. One is the role of leadership, which our discussions so far have touched upon. The other factor is the element of contingency. In fact, in recent years discussing the big ‘what ifs’ has become a fashionable pastime in certain Chinese circles, particularly in contemplating the difficult courses of history China might have taken had some of the pivotal leaders in Chinese history died at different times than had been the case.

To begin with, what if the Empress Dowager Cixi had died either ten years earlier or ten years later than 1908 and if the reformist Emperor Guangxu had not died suddenly in 1908. The social critic Liu Zaifu, for example, conjectured that if the Empress Dowager Cixi had died ten years earlier, then Emperor Guangxu’s Reforms of 1898 would have stood a good chance of getting implemented. If the Empress Dowager had died ten years later, she would have been able to lend her considerable political authority to the promotion of constitutional reforms. In both cases, the Great Qing might have had a real chance of evolving into a constitutional monarchy and the 1911 Revolution might not have occurred, dramatically altering the course of subsequent Chinese and global history (Interview with Liu Zaifu. Ifeng.com. November 15, 2015).

Another key individual was Yuan Shikai, the late Qing modernizer and strongman who became the President of the Republic of China. Yuan’s attempt to become the Hongxian emperor in 1915–16 turned into a debacle. Yet even the humiliated Yuan Shikai still retained enormous power and clout. What if Yuan had not died in June 1916 at the age of 56 but had stayed around to help revive the Republic and strengthen its central government?

Then there is Mao. Tang Tsou (2000), in a posthumous article ‘Interpreting the Revolution in China,’ sought to apply the rational choice framework to the study of the Chinese revolution. Yet he came away keenly aware of Mao’s crucial

role, particularly in the survival of the Red Army during the Long March. He also noted that Mao would have been killed in an air raid in spring 1948 had Chen Boda not rushed to cajole a reluctant Mao to go to the air raid shelter (Ye 1993). What would have become of the Chinese revolution had Chiang Kai-shek been successful in annihilating the Red Army? Or if Japan had not invaded China in 1937? Or if Mao had been killed in 1948?

We cannot mention Mao without discussing his elder son Mao Anying (1922–50), whom Mao apparently sought to groom to become a major player in Chinese politics. What if Mao Anying, who joined Commander-in-Chief Peng Dehuai for a short sojourn, had not perished in 1950 during the Korean War? Had he survived, Mao Anying would have been 54 at the time of his father's death and would likely be in the prime of his political career. What would China and the Chinese state be like with a Soviet-educated Mao Anying at the helm?

We cannot but conjecture the role or absence of post-Mao leaders, especially of Deng Xiaoping. Would China's post-Mao reforms be as far-reaching and momentous had Deng had not survived the Cultural Revolution and outlasted Mao? How would China's developmental path have fared had Deng died earlier, say at the age of 84 (in 1988) instead of at the age of 93 (in 1997)?

CONCLUSION

As this survey concludes, a bit of exercise in contrast and comparison is in order. The Qing dynasty was a highly successful enterprise of colonial conquest. A growing body of historical research points to how diligently and seriously Manchu rulers took the governance of their expansive domains. These autocratic rulers also showed much political and cultural sophistication, presenting a Chinese face to the Han Chinese but other (esp. Manchu, Tibetan, Mongolian) faces to subjects in the rest of the empire (Smith 2015). Much of the legitimacy of Manchu rule lay with its acceptance and continuation of Chinese imperial rule, but the Manchu rulers adapted and devised various governance mechanisms as they expanded the Qing empire (Hostetler 2001). Some of these institutional mechanisms, however, became hindrances to Qing dynastic survival in the world of modern states and thus made it especially difficult for China as well as the Chinese state to make the transition to the modern age.

The first to adopt parliamentary elections in Asia, the Republic of China went through multiple and often painful phases of political turmoil, except for the Nanking decade under KMT leadership. A member of the victorious allies during World War II, it plunged into civil war shortly thereafter and collapsed altogether on the Chinese Mainland by the end of the 1940s. The enduring theme throughout the era of Republican China were the persistent, occasionally hopeful but ultimately futile efforts to strengthen the state, particularly the central government.

All was not lost, however, because under KMT leadership the remnant of the Republic of China rose from the ashes on Taiwan and in the 1990s became a liberal democratic polity in fulfillment of Sun Yatsen's vision. The ROC has thus weaved a sorrowful yet ultimately inspiring narrative of state building and democratic transformation, dispelling the notion that Confucian societies were culturally anti-democratic (Kim 1994).

Originally animated by a foreign ideology (Marxism-Leninism) and foreign support, the Chinese Communist Party adapted and indigenized under Mao's leadership and captured national power from the KMT. While retaining much of the territory of the Qing Empire, its approach to governance represented a far more radical break from Chinese imperial tradition. For the Mao era, CCP rule, under the rubric of class struggle, was initially destructive of all that was traditional, destroying the landed elites in the early 1950s and attacking Confucius in Mao's last years. The CCP's domination over Chinese society was totalistic in ambition if not in reality (Tsou 1986).

Marked by the calamitous Great Leap Forward and Cultural Revolution, the Mao era was one of colossal misrule. Yet the pains of that era, at a time when much of the rest of East Asia was leaping ahead economically, also served, to paraphrase François Furet, to disabuse the Chinese of the illusion of Communism and prepared the ground for the pursuit of economic reforms under newer and more cosmopolitan leaders in the post-Mao era (Furet 1999; Yang 1996).

In an era of globalization and economic liberalization, the Chinese Communist Party-state has been repurposed for the pursuit of growth, albeit on territory that, figuratively and literally, had been cleared by Maoist rule. As it has sought, in fits and starts, to reshape the Chinese economy and society, the Chinese Party-state, both intentionally and in response to the changes in the broader institutional environment, has undergone significant changes. In particular, the institutions for the planned economy were mostly rationalized while regulatory institutions in many domains have been established or reconfigured to suit a more market-driven and globally inter-connected economy. Nonetheless, the Chinese leadership has jealously guarded the CCP's political dominance, promoting more market-friendly reforms but standing guard against a liberal political vision. Order and governability, rather than democratic participation, have been the central preoccupation of the Chinese CCP leadership. This defensiveness, sometimes bordering on paranoia, stems from multiple sources, including the CCP's own underground past and the fear of 'color revolutions'. Although Hong Kong (part of the PRC since 1997) and Taiwan have contributed to the rapid economic resurgence of the Mainland with capital and ideas, they have nonetheless represented alternative models for governance and are regarded as bases for subversion, whose influence must be strictly limited (White 2016).

Fear of decay and rot within the Party has been a perennial concern of Communist Party leaders as they know the KMT's ignominy of defeat on the Mainland was to a large extent due to internal problems (Tsou 1967).

Mao was notorious for the many campaigns and purges that caused much suffering and left numerous scars in the Chinese psyche. Post-Mao leaders have been especially concerned about the corrosive effects of corruption, which tends to thrive in hybrid political economies like China's (Wedeman 2012). Following repeated campaigns to curb corruption by his predecessors, Xi Jinping, together with anti-corruption czar Wang Qishan, launched an audacious campaign beginning in 2013 to root out numerous corrupt officials in the Party, government, and the armed forces, and tighten party discipline. This massive anti-corruption drive, followed by the establishment of the National Supervisory Commission, raises the intriguing question of whether China may be following in the footsteps of more developed societies in curbing corruption (Manion 2006).

In a volume published in 2015, Qin Hui (2015), an eminent historian at Qinghua University in Beijing, reviewed China's modern history from the perspective of China's enduring and protracted history of centralized imperial autocracy since the Qin Dynasty. Qin Hui left no doubt in the readers' minds that he thought contemporary China had yet to go beyond the Qin system of autocratic rule. Qin Hui's book was promptly banned by the censors. The ban not only underscores the contemporary relevance of Qin Hui's argument but also reminds us that the remaking of the Chinese state continues to refract the tensions articulated by Weber and Jessop at the start of this chapter. In view of China's growing strengths and increasing global presence, how China reconciles these tensions has profound consequences within China and beyond.

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Nationalism and the Nation-state

Prasenjit Duara

INTRODUCTION

The study of nation and nationalism in China complicates the standard debates about nationalism in several ways. The debates include issues of whether nations are:

- historical versus modern;
- primordial versus constructed/imagined;
- formed indigenously or by circulatory forms;
- as imperialistic as national;
- ethnic versus civic;
- produced from the top-down or bottom-up;
- instrumental versus substantive.

While every expression of territorial nationalism qualifies the binary terms of these debates, there is reason to think that the Chinese case is unique in that it is among the most sustained and centralizing administrative powers in world history. As such, by examining the phenomenon in the Chinese context we also gain a general understanding of nationalism and its kinship with related identities and power structures that are both historical and contemporary.

My goal is to show that each position in the antinomies listed above can explain Chinese nationalism only in part and only when viewed within a wider

spatio-temporal framework of analysis that I develop here. In other words, these positions refer to a partial understanding of nationalism largely because they are analyzed within the national unit itself. Across the world, nations and nationalisms operate in/as multi-layered processes of continuity and change. These different temporalities are underpinned and intersected by various institutional and cultural – discursive and psychological – forces at different spatial scales.¹

The layering or imbrication of these temporalities – for example, the rhythm of seasonal changes layered by ritual cycles or the disruption of the investment cycle by the political cycle – is crucial to grasping the functional significance of various aspects of nationalism. While some of the most fundamental and enduring processes, such as the global circulation of the nation-form, are constitutive elements of every nation in the world, the latter are mediated by other more culturally or geo-specific temporalities. It is in these mediations of deeper temporalities that we can uncover the complexities of the debates about Chinese nationalism. This chapter thus begins with a discussion of the temporalities of nationalism; it goes on to examine its growth in the late-Qing and republican eras. Next, it explores the extent of continuity in its fundamental features in the PRC and concludes by discussing the nature and extent of change in the post-Mao era.

The term *nation* can be thought of as a group of people who are said to have collective bonds – produced by one or more cultural phenomena such as race, language, religion, lifeways and homeland. However, it is a term of popular usage that is too loose to have much analytical purchase. Nationalism and the nation-state are more serviceable. *Nationalism* is the valuation of the national bond over all other ties and is expressed as the identification of the national collective with a present or anticipated nation-state. The *nation-state* is the sovereign authority representing the people of the territorially bounded nation and demanding their ultimate loyalty. Two other less familiar but necessary terms for understanding the phenomenon of nationalism are the *nation-form* and the *nation-state system*. Their roles will become clearer as we proceed in the analysis.

Scholars of Chinese nationalism have often claimed that China has historically had collective bonds expressed through a written language, culture and history; that Chinese people have often sought as a nation to resist foreign invaders – such as the Mongols and Manchus, albeit unsuccessfully – and that China has had a long tradition of a centralizing state. This is a historical rather than a primordialist argument, and each of these claims can be backed by historical evidence. As we shall see, these factors certainly shaped the transition from empire to nation in China. However, what is often ignored by both historical and ‘imagined communities’ arguments is how the *nation-form* and the *nation-state system* authorized the nation-state across the world and no less in China. Nationalism was a global phenomenon before it became national.

Turning first to the system: having evolved from the Westphalian-Vatellian system of territorial states in Europe, the imperialist nation-states of the West

achieved world domination by the late 19th century. As the world's most technologically and militarily powerful political players, they ensured that all who sought to resist, compete with or challenge them would first have to transform themselves into comparable nation-states. Thus emerged what we can call the ideal-type of the *nation-form*, so nominated first by Etienne Balibar.² To be sure, this nation-form has evolved several different models – such as the civic, ethnic, linguistic and religious models – which were developed, circulated and adapted in different states and societies, but the nation-form itself has experienced significant continuities for about two hundred years. The continuity of the nation-form as well as its modular developments were institutionally secured by the system of nation-states which in its present incarnation is represented by the United Nations (dominated by an asymmetric power structure) and its various agencies. The circulatory condition of the nation-form – being diffused among and adapted by different societies – represents the most basic temporality.³

Let us consider the fundamental elements of the nation-form, established by the time it emerged as a possibility in Asia in the late 19th century. A state is seen as having a monopoly of power over a circumscribed territory and the people and resources within it, and the sovereignty of the territorial state is claimed to derive from representing the will of the people. However, the people themselves are constituted as a national people by the efforts of the state and nationalist elites. The national people are distinguished from other national peoples and cultures and often in competition or opposition to them. Thus, a self–other identity distinction is basic to the nation-form and can be understood to have emerged from the role of nations in capitalist and imperialist competition from the 19th century. Although this is not the place to enter into a global history of the relation between capitalism and nation-states,⁴ it should be recalled that the *system* of nation-states emerged primarily as a means to regulate the competition between nation-states for the pursuit of global resources and markets. Indeed, it was the inadequacies of the earlier means of regulation that led to two world wars and the emergence of the UN. Nonetheless, the self–other or identitarian dimension of nationalism continues to serve the goal of national competition, although it is not its only function.

From this perspective, Chinese nationalism and the nation-state had to undergo massive transformations to approximate the nation-form and win admission into the system of nation-states, even though it possessed important cultural and political characteristics that facilitated the transition. First, the radical overhaul of the state apparatus took half a century. From the Qing reforms in the late 19th century, and certainly from the Republican revolution of 1911, Chinese regimes tried strenuously to make Chinese laws fully compatible with the general expectation of 'civilized' nations through, for instance, the Revised Law Codification Commission, so that they could revise the Unequal Treaties that had been imposed upon them by imperialist powers. But because the political situation was beyond real control, these regimes could not implement this legal and

political system which, according to the 1926 Commission on Extraterritoriality in China, would make it a civilized nation.⁵ The revision of the ‘unequal treaties’ which took place during World War II, as Dong Wang has shown, required the establishment of educational institutions of international law, a team of highly skilled legal specialists, the implementation of new laws which often involved de-valuing the old order (e.g. removing filiality as a principal legal value) and nationalist mobilization of the population to pressure domestic and foreign governments to annul these humiliating treaties.⁶

Second, the populace which Sun Yat-sen likened to ‘a loose sheet of sand’ had to be transformed into the sleek body of a national citizenry capable of mobilization for global competition. This entailed a cultural and social revolution built upon a new historiographical foundation of a linear history. The statesmen and intellectuals of the early 20th century, such as Liang Qichao, noted that without a forward-looking, progressive sense of history, China could not begin to think of itself as a nation with a future.⁷ I have argued that modern historical writing and the nation were co-eval: such writing frequently served to plant a concept of the nation, instill a love for it – and hatred for its enemies – and create citizens who would serve the nation in this new world. In this new conception of history, the nation – its people and culture, not the dynasties and aristocracies – was the collective agent or subject of history. The linear, evolutionary movement of the nation itself had a propulsive effect since the goal of much historical writing at the time was to recover the very idea of a common, or potentially unified, people who could progress and realize their modern destiny. This effect was catalyzed by the contemporary social Darwinist vision circulating in the world in which a country was doomed to colonization and extinction if it did not become a strong nation-state (with colonies of its own).⁸

Thus, a second temporality is associated with the construction of a linear national history. This too is a fairly deep temporality underpinning the sovereignty of the nation and legitimizing many institutions and cultural practices, such as the movements and constitutional provisions against the alleged ‘superstitious and feudal practices’ that dominated and continue in important ways to pervade and provision the cultural life of the populace. The famous May 4th (1919) movement, which has been seen as the foundational event for both nationalism and communism in China, represented the repudiation of China’s past and the institutionalization of the new vision of national history among the educated youth of China. While social Darwinism no longer serves as its underpinning, the comparison and competition among nations *via* the narrative of modernization continues to serve as the lever of progress. The narrative *form* of national history – one which creates and renews the national self (in relation if not always in opposition to the Other) – continues. The historical narrative of the nation-form represents a basic temporality and is secured by globally circulating modes of constituting nations.

Thus, national histories were cast in a common mold of a linear progressive history of an emerging national subject that joined an ancient past to a modern future, often by overcoming a dark middle age of disunity and foreign contamination. The new historical consciousness synthesized ideas of progress and popular sovereignty with claims to territorial sovereignty, three basic assumptions of nationalist thought. This relationship became the means of creating a historical agent or (often juridical) subject capable of making claims to sovereign statehood. A 'people' with a supposed unified self-consciousness developed a sovereign right to the territory they allegedly originally and/or continuously occupied. Until a few decades ago, much professional history was also shaped by this paradigm.

While retaining the narrative form, the details of the narrative, including the actors or even periodization, may undergo changes. Thus while in the second half of the 20th century the revolutionary classes and their heroic representatives in China constituted the subject of history, there has been a shift to statist reformers and their representatives, reflecting political changes in the regime and the type of society that the nation-state wishes to nourish.⁹ For example, the narrative of history exemplified by Prof. Hu Sheng's 'three revolutionary climaxes,' namely the Taiping Rebellion, the Boxer Uprising and the 1911 Republican Revolution,¹⁰ has been replaced by the 'reformist' narrative of history which emerged full-blown in the 1990s. It substitutes three other events from the late 19th and early 20th centuries, namely, the Self-Strengthening movement; the 100 Days Reform movement of 1898, and the Bourgeois Revolution of 1911.¹¹ Popular uprisings are noticeably missing in this narrative, and many of the targets of the revolutionary narrative, such as Zeng Guofan and Kang Youwei, appear in an increasingly favorable light. Interestingly, as can be seen in the 2003 TV series, *Towards the Republic*, watched by hundreds of millions of viewers, this reformist narrative has become more statist. Thus, the Empress Dowager Cixi and President Yuan Shikai, *de facto* heads of state between 1900 and 1916 and long regarded as bitter opponents even of reform, are treated with great sympathy and shown to be devoted to the greater interests of the nation-state.¹² The revolutionary narrative has been overturned and the reformist nation-state itself has emerged as the subject of history.

A third temporality concerns the territoriality of the nation-state and the accompanying narrative that determined inclusion and exclusion within the national community. This narrative is closely tied to the historical narrative but is separate from it. Liang Qichao once suggested that the idea of periodization in history could be understood by likening the boundedness of periods to the boundedness of territory, both novel ideas in the early 20th century. The Qing empire was a multi-cultural empire that included not only the Han Chinese region (or inner territories of China) but a federated alliance with the Mongols, Tibetans, Muslims and the ruling dynasty's own Manchuria (which was kept off limits to the Han Chinese). These latter territories comprised over two-thirds of the Qing empire and were managed differently from China proper. During the

revolutionary process to overthrow the Qing, a fierce dispute broke out between the reformists (including Manchu reformists) and the revolutionaries over the extent of territories and populations that would be included in the new Republic dominated by the Han Chinese.

The reformists, especially the Manchu reformists, argued that the new Republic could extend territorially over the breadth of the old empire, but could reasonably do so only if there was a 'federated' version of the new state where the various minorities had equal status with the Han majority. Most of the anti-Manchu revolutionaries, including Sun Yat-sen, were inspired by the prevailing social Darwinist theory of racial superiority and not inclined to share power with the minorities in these areas. But when in 1911 they had to negotiate for the abdication of the Qing, the revolutionaries were forced to compromise with the many different interests in the political system. They were also unable to press for too much from the Manchus because of the fear of foreign imperialist intervention. Moreover, the Mongol princes (from today's Mongolia) had already declared their independence from the newly established Republic, announcing that they had only been affiliated with the Manchus and not the Chinese. Under these circumstances, the revolutionaries had to agree to treat the four nationalities – Manchus, Mongols, Tibetans and Muslims – on an equal basis with the Han. To be sure, the peripheral nationalities here referred principally to the aristocracy and banner community and their privileges, which had been preserved through the Manchu control of the recently developed national assembly (the right to freedom of worship, however, was granted to entire communities).¹³ Even so, the Republic was declared in the name of 'five nationalities,' a rhetorical development with great historical consequences.

The historical principle involved in this dispute and the enduring tension is at core the debate in nationalism between the civic and ethnic/racial models of territorial nationalism. Will the territory be dominated by a single ethnic/racial group or will there be equal (and later affirmative action) rights for minority groups? These positions have typically been associated with the French revolutionary model of the civic nation versus the Germanic model of the ethnic or racial nation. Most nationalisms represent an uneasy mix of the two principles, with the ethnic/racial or the civic dominant depending on circumstances. In other words, the territorial community of the nation-state has a relatively unstable temporality with the emphasis fluctuating between one or another.

Within the ethnic understanding of the national community, several mediating sub-principles have also appeared in different places, including language and religion, which gives the ethnic community a different shape. In China, linguistic unification (of regional and ethnically distinct languages) has been an important dimension of Chinese nationalism, but it is relatively understudied.¹⁴ More attention has been paid to the more distinctive sub-principle of Han nationalism, viz., the narrative of lineage ancestry. The clan or lineage principle of the organization of imperial society was extremely important and derived doctrinal sanction from

Confucian principles and the pervasive rituals of ancestor worship and patrilineal descent. The Republican revolutionaries of the early 20th century were extremely creative in transforming the doxic and quotidian ideas of patrilineal descent into the notion of the Han people as descended from a common ancestor. Zhang Taiyan and other revolutionaries greatly influenced by social Darwinism used the Han lineage system to construct a Han nation from a putative ancestral link to the mythical Yellow Emperor and called on the Han to struggle against the inferior Manchu race with their alien surnames.¹⁵

After the Republic was established in 1912, the revolutionaries agreed to a Republic of Five Nationalities and settled on the appellation of *zhonghua minzu* (the Chinese nationality) for the nation. Although the loyalty of the different peoples to the Republic was never fully settled – with the Mongols establishing their republic in Outer Mongolia and Tibetans and Muslims seeking independence – the Chinese nation-state has more or less retained the borders of the Manchu empire. Nonetheless, the relationship between the Han and the other nationalities is a changing and troubled one. During the Republic, from 1912 to 1949, the Han-Chinese-dominated government sought to take away in reality what they offered in theory. Apart from a single statement of support, Sun Yat-sen often denounced the idea of autonomous nationalities.¹⁶ In *China's Destiny*, Chiang Kai-shek declared that the five peoples were ‘originally of one race and lineage.’¹⁷ Certainly, the KMT administration tried to assimilate (*tonghua*) the ‘frontier peoples’ by Sinicizing language, customs, and even clothing and hairstyles.¹⁸ As we will see below, the idea of the dominant ethnic majority as the basis of the nation has returned in many ways in Chinese nationalism today.

More interesting is the Chinese idea of the multi-national state, which may be thought of as the Chinese idea of the civic nation. While scholars of the Republic and even the contemporary PRC often regard the idea as more rhetorical than substantive for reasons we have outlined above, the force of the doctrine has had important consequences not necessarily reducible to the intentions of the Chinese state. Globally, the modern multi-national state has a history that is not much over one hundred years. This form represented an effort to overcome the problems of transitioning from empire to nation in the 20th century. China was one of the first political systems to develop this solution to address the empire-to-nation problem in the world. As such it was responding to a global problem, but it did so by adapting imperial Qing conceptions of the ‘federated empire’ to the requirements of a modern polity. Soon after the Chinese revolution, several other major states also sought to respond to the common global requirement of the nation-form by adapting their imperial legacies to new approaches.¹⁹

Although reformists and revolutionaries in the first decade of the 20th century in China were discussing the globally incipient ideas of the multi-national state, particularly as developed by the Swiss theorist Johann Bluntschli, and we have seen how they arrived at the idea of the Republic of Five Nationalities, globally, the prominent version of this idea is associated with the later Soviet theory

of nationalities developed by Stalin in response to socialist debates regarding the transition in the Hapsburg empire.²⁰ To simplify, the Bolshevik position on national self-determination entailed territorial autonomy without party autonomy. Communist parties in the non-Russian territories were not particularly nationalized and the Soviet goal was to subordinate national loyalties to ‘proletarian’ interests. It is interesting to see a Japanese report in the puppet state of Manchukuo (1932–1945) that was built upon the rhetoric of the Five Nationalities Republic of 1912 in China but which took its lessons from the Soviet model. Tominaga Tadashi, the author of *Manshūkoku no minzoku mondai*, notes that the Soviet policy on nationalities fulfilled the goals of federalism and protected minority rights, while at the same time it strengthened the power of the Soviet state and the military in relation to separatism in the Tsarist empire and British influence in the region. Thus, he notes admiringly, nationalism was not suppressed but utilized positively for the goals of the state.²¹

In the Chinese Communist Party, the idea of the multi-national state, its means of inheriting the Qing empire, came to be influenced by Bolshevik ideas of anti-imperialist nationalism. It was also forged at the time when the CCP needed the assistance of the minority peoples during the revolutionary struggle and the war against the Japanese imperialists. By 1936, however, in Communist documents the nationalities were denied the right to secede from the nation-state, and in 1949 the PRC developed not a federal, but a unitary ‘geobody’ with autonomous minority regions or territories. As in the Soviet Union, the nationalities had special rights but political control was maintained by keeping the party under central control. Today, minorities constitute about 9–10% of the Chinese population (about 100 million) but, as in the Qing, their historical homelands occupy about two-thirds of the territorial expanse of China.²²

During much of the 20th century, nationalism and the nation-state in China emerged in response to outside forces. By this I mean not only the imperialist exploitation of the Chinese empire, the undeniable argument made by nationalists, but more subtly by the absorption and adaptation of the very building blocks of the nation-form from a circulatory and evolving system of nation-states. The nation-form, which has become hegemonic over the last two centuries, has had an enduring temporality secured by the parallel temporalities of linear, national histories and the principle of territorialized sovereignty.

Globally, these temporalities have become deeply embedded in the psyche of modern national citizens, although they should be seen not as structural givens in a society, but historical. Aspects of these long-lived creations change as well, but less rapidly than the second order of temporalities I have identified with the mediatory factors that are subject to change and disputation. These factors, such as language, religion, rituals, food taboos, and state and political traditions, are important because they are part of the environment of human experience and generate deep feelings among people. Thus, they are not only subject to disputation and change, they are representable and available for popular mobilization.

There is no debate in the public sphere about whether nations should have boundaries, states, and histories and should move towards national progress, although there is much debate about what these boundaries and histories, languages and religions should be.

Methodologically, a couple more points need to be made about the mediatory temporalities. These practices and institutions typically belong to the cultural and political sphere because they are representable and available for mobilization. But that is not to say that they emerge only from within the nation as presently constituted. The space of culture is much wider or smaller than the nation. I have tried to show that it was circulatory elements within East Asian cultures, viz., Japan, Korea and China, that ironically contributed to the creation of (antagonistic) national cultures in this sphere.²³ Common texts and a common lexicon of modernity circulated in all three societies. Many new texts, on international law for instance, were first translated into the Chinese language by Western missionaries and their Chinese associates in the 19th century using classical Chinese terms. This vocabulary was frequently appropriated, adapted and systematized by modernizers in Meiji Japan and then re-imported into China and Korea to create radically new meanings that, however, still appeared traditional and indigenous.

Nationalism in the region during this period was shaped both by Japanese imperialism and cultural influence and by opposition to it. Japanese adventurers, soldiers, advisors, businessmen and teachers pursued economic, cultural and imperialistic projects in China and Korea, while Chinese and Korean students, businessmen, professionals and political exiles learnt lessons about the virtues and evils of modernity in Japan. Many of the early, modern histories of China and Korea were also fashioned from Japanese understandings of both enlightenment national history and *tōyōshi* (eastern seas history). Fu Sinian noted that it was not until 1918, after the first major protests against Japanese imperialist activities took place, that Chinese historical texts stopped following the Japanese periodization of Chinese history.²⁴ Even in the realm where East Asian national histories evoke their distinctiveness, they often do so in a common mode. Just as Chinese nationalists sought to derive (invent) the Chinese nation from the mythical Yellow Emperor and the Japanese from Amaterasu, so did Shin Chae-ho (1880–1936) and other Korean nationalists seek to raise Tangun to the same status.²⁵

Ironically, each of these societies sought to distinguish the authenticity of their nation by re-signifying symbols and tropes from a common cultural historical reservoir. One such symbolic role was of the ‘self-sacrificing woman’ (Ch. *xianqi liangmu*, J. *ryōsai kenbo*, K. *hyōnmo yangch’ō*) upon whose sacrifices for the home and nation the new citizen and modern society would be built. Similarly, historical practices of self-cultivation and discipline were evoked from Confucianism and Buddhism to produce new habits of citizenship, for instance in the New Life movement of KMT China and later in Korea. Manchukuo, the Japanese puppet state in northeast China (1932–1945), exemplified an all too transparent effort to build a nation-state from this East Asian repertoire.²⁶

Thus, even while some of these mediatory factors can embed deep sentiment, they too are often shaped by circulatory forces. At the same time, these cultural practices and institutions are not mere putty that can be freely shaped to fit the deep national structures; they have vested interests and path dependencies built into them that can endure and in turn re-shape. But they possess a different temporality in that their frequency of change and adaptability exceed those of the nation-form and its sustained circulations. In the next section, where I discuss nationalism in the PRC, we will see that broadly speaking the relationships between deeper and mediatory temporalities can still be viewed. However, there are important changes in those relationships – frequently occurring in response to global changes – that will allow us to reflect upon any fundamental changes in the nation-form.

NATION-STATE AND NATIONALISM IN THE PRC

The Communist Party of China came to power riding on the crest of a massive revolutionary movement that promised social justice and egalitarianism, and equally, national liberation and nation-building. Apter and Saich have elegantly shown how in Mao's Republic in Yanan, a system of three nested narratives was inculcated in the youth and party members that revealed a necessary and logical link connecting national liberation to the role of the Communist Party and finally, and particularly, to the great leader, Mao Zedong.²⁷ Many decades ago, Chalmers Johnson revealed that the communists would not have come to power if they had not mobilized anti-Japanese nationalism among the peasantry and the youth.²⁸ Some of the most interesting subsequent work on the relationship between socialism and nationalism in the PRC, including that of Ann Anagnost, dwells on new communist rituals such as the 'speak bitterness' stagings that replay the drama of the revolution and national salvation in the PRC and are modeled on the revolutionary rituals of the Yanan period.²⁹

Continuities: Nation-Form, History and Territoriality

From the perspective of the nation-form, there were more continuities than differences between the Republic and the PRC. Despite the communist ideal of a borderless proletariat dominating society and the world (or at least the socialist world), the CCP anticipated a period of national development, described by Mao in his 1940 essay on New Democracy, in which he called on the majority of the Chinese people, whom he regarded as a progressive force, to unite against imperialism and gradually transition to a socialist society. Just as the PRC was beginning to transition to a socialist *economy* in the mid- to late-1950s, however, the Sino-Soviet split turned the political compass back to nationalism and Chinese communist nationalism now became directed not

only against the US-led capitalist camp, but also against those who came to be called Soviet revisionists. The peak of this trend in the Cultural Revolution of the late 1960s saw fierce expressions of Chinese revolutionary nationalism that almost led to a war between the Soviet Union and China, two nuclear powers. The Self (state-people)–Other identitarianism of the nation-form had come to stay, albeit through the expression of China as the embodiment of revolutionary utopianism.

Linear history became even more pronounced because of the Marxist theory of stages of economic and social development. Aided by Maoist voluntarism of the ‘people’s will,’ the Chinese communists sought to telescope the transition from a semi-feudal to a socialist and even communist society. During the Great Leap Forward in 1958, Mao declared that the will of the people could be mobilized to overtake steel production in Britain and France in 15 years. Thus, although China was at the time an anti-capitalist nation, it was still motivated by competitiveness in its ability to increase production and conquer nature. Competition is of course the principal lever of the modern theory of linear progress. Competition was also an ingredient in relations with the Soviet Union. The Soviet ‘Big Brother’ frequently patronized the Chinese as having a mode of production – the so-called Asiatic Mode of Production – which was even more backward than the Slave Mode of Production. In response and despite the rigid stagist framework in which they were working, Chinese historians undertook to show how the sprouts of capitalism and great technological advancements flourished in their historical society of which they could be justifiably proud.³⁰

With respect to the temporality of territory, the communist nation-state was just as determined to maintain the borderlands of the Qing empire as part of the new territorial nation-state as the KMT. Despite the granting of minority nationality status to the peoples of the borderlands, the powerful unitary drive of the state brought these regions under state control and undertook the transformation of the culture and landscape more strenuously than ever before. This has been aptly discussed in a recent study of contemporary Tibet by Emily Yeh. Describing the *territorialization* process of the Tibetan landscape that had been characterized by mixed modes of cultivation and pastoralism, Yeh notes that the military and political occupation authorities saw this terrain as barren (*huang*) and empty (*xu*) wastelands that had to be converted into efficient and productive resources. Simultaneously, territorialization meant the naturalization of Tibetans’ association (if not identification) with the Chinese state and the production of the sense that China’s borders represent the natural container for Tibet. At the same time, this process also produced Tibet and Tibetans as the periphery of the nation: ‘Tibetans are simultaneously excluded from the nation as an internal other always in need of improvement.’³¹

From a strategic point of view, the vast hinterlands continue to be important to the Chinese state and, as we have seen, the granting of minority nationality benefits (reflected mostly in granting of state aid) was explicable from this logic of

the modern state. Classification of the minorities that had begun under the KMT was fully developed by the PRC. Fifty-five minority nationalities were officially recognized and, together with the Han nationality, they comprised the Chinese nationality. As Thomas Mullaney says, this is a formula that may be rendered as $55+1=1$, a way of folding in the minority nationalities into a more unitary conception of the nation-state.³² At the same time, the distinctive representation of minorities, Dru Gladney suggests, has a way of transforming the image of the culturally and linguistically differentiated Han groups into a united, mono-ethnic and modern Han majority, which is part and parcel of the homogenizing force of nationalism.³³ All the same, the peripheral nationalities remained objects of evolutionist ideology and economic exploitation. During the Maoist period from 1949 to 1979, one might say that Marxist evolutionist thinking of backward and advanced peoples dominated the period, but the assimilationist urge was balanced by the need to celebrate the unity of nationalities.

The territorial concern with maximizing and defining borders became even more prominent and entrenched under the Communists, who engaged in a number of disputes and wars over borders with China's neighbors. The most well-known of these are with the Soviet Union (1969), Vietnam (1979), India (1962) and three conflicts with the Republic of China over the Taiwan Straits (1954, 1958 and 1996).³⁴ To be sure, such border warfare was common to many new nations that emerged in the post-World War II period, principally because the older colonial empires annexed and divided regions and spaces, drawing boundary lines without regard to the social, cultural and political connections and differences in these regions. But equally, the new nation-states inherited the principle of territoriality and sought to maximize their territories and territorialize – militarize and homogenize – these distant and often alien borderlands. Although many of these territorial conflicts involving China have been resolved, there are several outstanding ones (notably with India). The PRC has also recently publicized its claims aggressively in the East and South China Seas.

Mediatory Temporalities in the PRC

With regard to the mediatory temporalities, an important change may be observed in relation to the principle of community formation within the PRC over the last thirty years or so. A subtle but recognizable change has occurred in emphasis of and attitudes towards the principle of ethnicity (or nationality in Soviet terms) as the social foundation of the nation-state. This change presents a challenge to the socialist model of the civic nation-state, which was built, however rhetorically, on the fraternity of nationalities within and socialist and third-world internationalism without. As mentioned above, the Maoist state had emphasized the 'unity of nationalities' despite practical departures from the ideal. From the late 1980s and 1990s, with the end of the Cold War and as China became increasingly integrated with the capitalist world economy, the older

civilizational and cultural hierarchies and the ethnic model of privileging the culture of the Han majority began to emerge. In practice, this shift was also facilitated by the need to attract powerful overseas Chinese capitalist networks based on Chinese culturalism and Confucianism.

With the increasing participation of China in the global economy, the priorities of the national development agenda have also shifted in practice, if not in theory, to coastal cross-border spaces and to non-territorial sources of economic power; the most conspicuous of these are, of course, the overseas Chinese. In turn, this has led to a kind of trans-territorialization of nationalist ideology in China. Until 1999, roughly 60% of the foreign investment of over 40 billion dollars pouring into China annually had come from ethnic Chinese outside the mainland, from Hong Kong, Taiwan, and the overseas Chinese communities of Southeast Asia and the Americas.³⁵ Although the size of the Chinese diaspora equals about 4% of the population of the PRC, it is a huge economy in its own right; in 1999 the resources controlled by the Chinese diaspora equaled around two-thirds of the Chinese national GDP.

The economic linkages established between the overseas Chinese and the mainland have been accompanied by shifts in the spatial imagination of the nation. The ideologies of ethnic nationalism have tended to flourish at the cost, frequently, of the territorially integrated nation of the People's Republic of China (*zhonghua*). Such ideologies seek an alternative ethnic or cultural integration which may be found in the form of identification as the children of the divine ancestors Shennong and the Yellow Emperor (*yanhuang zhizi*) or the new attention to Confucianism or notions of Chinese values and Asian values. These may be seen as new formats for both identity and alliance with the diasporic communities (as well as other Asian allies) in the pursuit of global competitiveness and counter-hegemony to the West.

The breathtakingly rapid development of the south and eastern coastal regions and urban areas of China had for several decades left behind the vast hinterlands, particularly in the West, which were seen to have become objects of exploitation for natural resources.³⁶ These effects have been compounded by irredentist and nationalist movements in the West (Inner Mongolia, Xinjiang, Tibet) and (among the Korean population) in the northeast. The relative weakness of development in the western regions and among the ethnically marginalized communities also fostered the ethnic minority nationalism that we are witnessing on a daily basis today.

A second, if not novel at least more prominent, mediatory factor with a volatile temporality has appeared more recently – public outbursts of nationalism that may arise from popular or state initiatives. Sinologists are today debating whether nationalism represents a state policy that is top-down and instrumental in seeking to enhance state power or whether nationalist episodes and upsurges, for instance against the Japanese or the Belgrade bombings or African students in China, are popularly initiated and followed through. To be sure this need not

be an either/or debate; the two are dialectically interactive. While it becomes difficult to pinpoint the source and hence controllability of these nationalist simmerings or outbursts, we can nonetheless gain a good understanding of this volatility when we examine them together.³⁷

In the first place, the context of this kind of nationalist expression is somewhat different from earlier periods because the state control of education at all levels in the PRC means that the nationalist narrative has been thoroughly inculcated in the populace. As nationalist identity and sentiment penetrate society at large, particularly in China where it is one of the few realms of permissible political expression, it can be enunciated and inflected in a variety of ways, whether as culturalist, racist, localist, Maoist or Confucianist among others. These mediations, or what I also call nation-views, can be volatile and changeable and sometimes conflict with the interests of the state. Thus, for instance, the environmental movement in China, which has spread like wildfire over the last fifteen years or so, often counters state-owned corporations seeking to build gigantic dams or industrial complexes by couching its espousal of ecological conservation and preservation – of forests or of the famed Qin dynasty weir in Sichuan called the Dujiangyan – in the language of Chinese national traditions of Daoism and ecological civilization.³⁸

Another example reveals how popular nationalism can exceed the restraints the state might want to impose. In 2006–2007 there was a raging controversy in the Chinese press regarding the new Shanghai high school history textbooks produced by the municipal government in 2006, most probably in response to the anti-Japanese riots of 2005 in the city. Presumably to enhance the status of Shanghai as a global city, the textbooks played down not only class struggle and Mao Zedong but also material central to nationalist discourses, for instance, the Japanese invasion. But the idea that historical education needed to get away from ideology was fiercely criticized by a majority of those who wrote about the texts. Much more than the abandonment of revolution, these critics were particularly incensed by the abandonment of nationalism. They suggested that Shanghai, which had always been a lair for foreign lackeys, ‘can now expect to see its women sport Japanese names.’³⁹ In the summer of 2007, the new Shanghai textbooks were withdrawn from the schools.

What I am trying to suggest here is that, while the pedagogy of the nation-state does produce a loyal citizenship committed to the nation-state, it also produces the moral criteria with which to judge whether the ‘true’ goals of the nation have been achieved. As such the state too becomes subject to the judgment of its achievements. When the gap between the claims in state progress reports and citizens’ assessment of state performance widens, the nation-state has to react to the nation-views of its citizenry or perhaps even deflect this dissatisfaction by appealing to other or new expressions of state-led nationalism. Some may wonder if the new military and state aggressiveness in the South China Sea as well as the increasing clampdown in recent years on freedom of expression is not the effect of such a gap. Certainly the examples from Taiwan and Hong Kong in recent years reveal that popular nationalism (in this case directed against the PRC state) in those societies is not ready to accept a state-dominated ideology of the nation.

CONCLUSION

This essay on Chinese nationalism is informed by a methodological framework which interrogates the assumptions about temporality and scale that inform existing theories of nationalism. I approach nationalism as a historically dynamic or processual formation that is shaped and transformed by the interaction of different scales – the global, the regional and the ‘domestic’ – with different temporal rhythms. I have thus identified these scalar temporalities: of the nation-form constituted by an identitarian polity, territoriality and a national historical narrative, all forms that have basically been adopted from a circulatory system of nation-states, global and regional. The temporality at this scale has been more enduring than the mediating factors that are connected to and shape the on-the-ground nation-state and nationalism in any one place. Given the relative volatility of the mediatory factors, is it possible to develop explanatory categories at this level? Perhaps, but only in relation to the external factors. For instance, I have tried to explain the civic to ethnic transition of national community formation in China in relation to global political economy and the identity allegiances that it produces. But is there a way in which one might understand how the more enduring temporality of the nation-state system itself may be transformed?

In other words, given the increasing entrenchment of the system of nation-states over the last centuries, is there no possibility for it to change its basic colors? I believe that the possibility of change lies within the contradictions of the system. The rapid erosion of economic borders in recent decades has produced the globalization of the production system as well as the collective ravaging of the global environment. Interdependence has become increasingly necessary to manage the continued production of wealth (the global supply chain), but, much more importantly, the survival of the planet. China has finally begun to recognize the importance not only of national but also of collective arrangements to manage this survival. It has signed and will be pressured to sign many more agreements to contain the effects of climate change. These agreements also signify incremental modifications to the notion of national sovereignty as we have known it. What kinds of changes these might make to the bed-rock system of nation-states remains to be seen.

Notes

- 1 By temporality I refer to time as it appears and impacts social activity – or the phenomenology of time – such as the seasons, ritual or sacred times, business cycles, demographic generations or some other social or institutional complex registering patterns or velocities of change.
- 2 Etienne Balibar, ‘The Nation Form: History and Ideology’, in *Race, Nation, Class: Ambiguous Identities*, edited by Etienne Balibar and Immanuel Wallerstein, pp. 86–106. London: Verso Press, 1991.
- 3 Perhaps the most important condition underlying circulation in modern times is the capitalist system of exchange and the drive for capital accumulation. However, global circulation and exchange

- existed before capitalist accumulation became the driver and continued even in the socialist bloc during much of the 20th century.
- 4 See Prasenjit Duara, *Crisis of Global Modernity: Asian Traditions and a Sustainable Future*. Boulder, Co.: Rowman and Littlefield, 2003.
 - 5 Gerrit W. Gong, *The Standard of 'Civilization' in International Society*. Oxford: Clarendon Press, 1984, p. 157.
 - 6 Dong Wang, *China's Unequal Treaties: Narrating National History*. Boulder, Co.: Lexington Books, Rowman and Littlefield Publishers, 2005.
 - 7 Tang Xiaobing, *Global Space and the Nationalist Discourse of Modernity: The Historical Thinking of Liang Qichao*. Stanford University Press, 1996.
 - 8 Prasenjit Duara, *Rescuing History from the Nation: Questioning Narratives of Modern China*. Chicago: University of Chicago Press, 1994.
 - 9 Edward Q. Wang, 'Between Marxism and Nationalism: Chinese historiography and the Soviet influence, 1949–1963', *Journal of Contemporary China*, vol. 9, no. 23 (2000): 95–111. See also David E. Apter and Tony Saich, *Revolutionary Discourse in Mao's Republic*. Cambridge, MA: Harvard University Press, 1994.
 - 10 Hu Sheng, 'Zhongguo jindai lishide fenqi wenti' (The question of periodization in modern Chinese history) in *Lishi yanjiu* no. 1 (1959): 5–15.
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Continuity and Change: The Economy in the Twentieth Century

Chris Bramall

INTRODUCTION

The story of Chinese economic growth in the twentieth century is one of continuity and change. The central analytical challenge is to identify the respective roles of each, and to determine if either 1949 or 1978 was a true climacteric.¹ As far as the ‘liberation’ of 1949 is concerned, some see China as poised on the verge of take-off in the late 1930s, only for that take-off to be aborted by war and the introduction of an alien economic model after 1949 (Brandt 1989; Rawski 1989). Only after Mao’s death could the journey along the pre-Revolutionary growth path be resumed. For the others, the Chinese economy was going nowhere: the poor performance of agriculture was a binding constraint on growth (Riskin 1975; 1987). The 1949 Revolution was therefore the critical factor in allowing China to embark upon the process of modern economic growth. As for 1978, the conventional wisdom sees it as a clear turning point: Mao’s death and Deng’s accession ushered in an era of market-orientated economic policies which generated miraculous growth. For others, however, post-1978 policy changes were less important than the impact of the Maoist era, which laid the foundations for the rapid economic growth of the late twentieth century (Bramall 2000; Zhu 2013). In the words of Communist Party (CCP) General Secretary Xi Jinping: ‘Socialism with Chinese characteristics was opened up by the new period of reform and opening, but it was opened up on the foundation of the socialist fundamental system that had already been established and the more than 20 years in which construction had been carried out’ (cited in Fewsmith 2014: 4).

GROWTH IN THE REPUBLICAN ERA, 1911–1949

Assessing the performance of the Republican economy is problematic because we have only poor data. China's first reliable population census date was in 1953, and it is hard to back-project to the first half of the century given the devastating impact of the twelve years of war and – the key economic sector – until after the establishment of the National Agricultural Research Bureau, which published data in its *Crop Reports* from 1931 onwards. These *Reports* can be used in conjunction with the data published in Buck's (1937) well-known agricultural survey, and with data collected in Japanese-occupied territory during the war years. Even so, there is no generally accepted time series for something as basic as grain production. As for industry, the first and only general survey of factory industry was conducted in 1933 by the National Resources Commission of the Nanjing government. We have a range of estimates of industrial production made for the provinces of 'free' China in the 1940s (especially for Sichuan), as well as much detail on industrialization in Manchuria (Chao 1983; Duus et al. 1989; Myers and Peattie 1984). All this has been put together to create a time series for modern industry (Rawski 1989) but handicraft industry remains problematic; heroic efforts have been made to assemble data for key industries, notably cotton (Xu 1988; Köll 2003; Grove 2006) and silk (Bell 1999), but the statistical base is extremely fragile.

For all that, a number of attempts have been to estimate Chinese GDP growth in the Republican era. The best-known is Maddison's (1998) study, which has been used extensively for comparative work. However, Maddison was not a China specialist, and relied instead on others, not least the pioneering and exhaustive study of Liu and Yeh (1965), who estimated GDP for the 1930s and in the 1950s. Yeh (1979) later estimated GDP in 1914–18 to give us a GDP time series for the first half of the twentieth century. Subsequent work by Rawski (1989) has led to improved estimates of industrial production and alternative estimates of agricultural output.

These GDP estimates show that China was underdeveloped in the 1930s. Maddison's (1998; 2010) PPP-based estimates put per capita Chinese GDP at 10 per cent of US GDP in 1934–36 and at 26 per cent of Japanese GDP. A more detailed study by Fukao et al. (2007) placed China's per capita GDP at a similar position relative to the USA (11 per cent) but at 35 per cent of that of Japan. China's relative backwardness is therefore clear, and unsurprisingly, recent work continues to contrast Chinese stagnation with the transformative growth experienced across Europe and north America in the two centuries up to 1945 (Pomeranz 2000; Allen et al. 2011). As for broader measures of development, it is undeniable that Chinese literacy rates rose in the 1920s and 1930s. Nevertheless, the post-1949 population censuses – which show literacy rates in the early 1980s by year of birth – indicate high illiteracy rates for those born before 1949; female

illiteracy was 95 per cent for those born before 1923, and 70 per cent even for those born in the late 1930s (Bramall 2008: 194). And life expectancy may have been as low as 25 years at birth in the Chinese countryside during the early 1930s (Barclay et al. 1976).

Whilst there is much agreement about the *level* of backwardness in the 1930s, there is more debate about the rate of *change*. Much of this centres on the pace of GDP growth (Table 3.1). The traditional view, founded on the estimates of Liu and Yeh (1965) and Yeh (1979), has Chinese GDP growing at around one per cent per year in the Republican era. With population growth running at 0.5 per cent per year, the implication is that the Chinese economy was growing at a glacially slow pace. For Huang (1990), China in the 1930s offers a classic example of involution in which continually rising inputs of labour into agricultural production allowed the population to survive at a subsistence level but offered little more. In the absence of real change in agriculture, the Chinese economy was far from the point of Rostowian ‘take off’ on the eve of the war with Japan in 1937.

Three main reasons have been advanced to explain this poor performance. First, basic infrastructure was lacking; for example, China’s railway network was thin and did not reach beyond the eastern provinces. Second, the Chinese economy was only shallowly integrated into the world economy. This protected it during the Depression of the 1930s (Wright 2000), but it also meant that only the coastal region reaped much benefit from foreign trade and investment. However, and thirdly, the main reason for Chinese stagnation was the unproductive use of the surplus, the difference between output and ‘necessary’ consumption (Lippit 1974; Riskin 1975). This was blamed on parasitic landlords, who extracted a surplus via high rents and interest rates but failed to re-invest it; the classic account is offered in Tawney (1932). The upshot was persistent poverty and glaring inequalities in income and wealth, which undermined the legitimacy of the Chinese state. From this perspective, the only solution was land reform, and it was the historic role of the Chinese Communist party to carry this out in conquered territory in the late 1940s, and across the rest of the Chinese mainland in the early 1950s. At root, then, the problem was state failure, partly in terms of a failure to invest in infrastructure but also, and more fundamentally, an unwillingness on the part of the Republican government to embrace the cause of land reform.

Table 3.1 Estimates of Chinese GDP growth, 1914–36

	<i>Real growth rate (per cent per year)</i>
Maddison	1.0
Yeh	1.1
Rawski	1.9

Notes: to approximate per capita growth, subtract 0.5 from the figures in the table.

Sources: Rawski (1989: 330); Yeh (1979: 126); Maddison database at <http://www.ggd.net/maddison/oriindex.htm>

The revisionist view provided in the writings of Brandt (1989), Rawski (1989) and Kirby (1990) offers a more positive view. Although the difference in the growth rates shown in Table 3.1 appear slight from an early twenty-first century perspective, Rawski's revisions suggest an altogether more optimistic view of performance in the 1930s because they imply strong parallels between Republican China and Meiji-era Japan. For Brandt and Rawski, the Chinese economy was on course to emulate Japan because rural institutions (especially markets) were functioning well. This was evident from the correlation in price movements across regions, extensive long-distance trade and the taking-up of opportunities for non-farm work by migrant workers (Benjamin and Brandt 1997; Kung et al. 2011). Rural markets may have functioned less well than they had in (say) the high Qing (c. 1800) because of political instability (warlordism), but the Nationalist regime was gradually restoring the authority of the central government and developing infrastructure during the 1930s.

From this revisionist perspective, the success of the Communist party in bringing about the 1949 Revolution was due more to its cultivation of anti-Japanese nationalism than to resentment over rural poverty and inequality. In fact, rural growth was considerably faster than suggested by Liu and Yeh, and led to rising rural wages. Meanwhile, fledgling industries in coastal cities were growing quickly and, although the world depression of the early 1930s delivered a blow to the treaty port economy (notably Shanghai), its overall impact was relatively modest. The whole process was facilitated by the Nationalist government, which had created an effective system of indicative planning presided over by the National Resources Committee (established in 1932) and largely based on the German economic model of the 1930s. According to Wu (2011: 10): '... China ... [had] ... already developed a physical and human capital foundation by 1949 that was capable of accommodating the state-driven heavy industrialization under the new regime'. By implication, China would have experienced take-off but for Japanese invasion in 1937.

Distinguishing between these rival viewpoints is rendered more difficult by the differing performance of Chinese regions. Manchuria, a Japanese colony in the 1930s, grew quickly and established a range of heavy industries which were at the heart of Chinese industrialization after 1949 (Myers and Peattie 1984; Wright 2007). Whether, however, that growth would have been self-sustaining outside the Japanese empire is moot. There is some evidence of rapid growth across the lower Yangzi provinces of Jiangsu and Zhejiang in the 1920s and 1930s based around rural industry and commercialized agriculture (Fei 1939; Ma 2008). And war was a catalyst for economic development in some parts of western China, notably Sichuan and parts of the Yunnan provinces. In all these cases, however, it was the industrial sector which demonstrated signs of dynamism. The rural sector by contrast was universally vulnerable to flood and drought; two of many examples are the 1936–37 drought in south-west China – which halved rice production in parts of south-west China between 1935 and 1937 (Department of Agricultural

Economics 1941) – and the Yangzi valley flooding of 1931, which killed over 200,000 people (Major Disasters 1993: 258–59). Given this backcloth of poor agricultural performance, the case for take-off in the 1930s is hard to make. Nevertheless, the revisionist case cannot be wholly dismissed. The very fact that Taiwan grew so quickly in the 1950s and 1960s under Nationalist rule suggests that China might have introduced land reform, and might have embarked upon a process of take-off, but for Japanese invasion.

What is not in doubt is that the war with Japan had devastating consequences, especially for eastern China. The industrial stock of Manchuria, the heart of what modern industry China possessed, was heavily depleted by Soviet removal of much of the plant and equipment after 1945, and some of China's most productive agricultural centres were laid waste by the impact of warfare; the best demonstration of this is the famine which hit Henan, very much a border province between Nationalist- and Japanese-occupied territory, and which led to perhaps 1.5 to 3 million excess deaths out of a provincial population of 30–40 million (Garnaut 2013). It was an inauspicious inheritance for the CCP in 1949.

THE MAOIST ERA, 1949–78

There is as much disagreement about China's growth performance during the Maoist era as about growth during the Republican period.² Three competing narratives are identifiable. The traditional narrative distinguishes between (good) economic performance in the early Maoist era (1949–56), and (poor) economic performance thereafter; see for example Walder (2015). This discourse has been challenged by some on the right – for instance Dikötter (2013) – who argue that the entire Maoist era was a period of failure. A third view is offered by New Left scholars such as Gao Mobo (2008), who offer a more positive appraisal of the economic impact of Maoism.

The central difference between these competing narratives on Maoism lies in their different interpretations of the role of the state. For those on the right, it was the heavy hand of the state which explains the disastrous famine and the damage done by the Cultural Revolution. Only when the grip of the state relaxed – in the mid-1950s and after 1971 – did growth occur, and even then the Chinese state served to hinder rather than help economic growth. By contrast, the view of the state offered by the left is more benign. To be sure, the state played a role in the famine and in abetting the violence of the Cultural Revolution. But ordinary Chinese were as much agents as victims. Where peasants and local cadres resisted excessive procurements, famine deaths were few. Where ordinary Chinese participated enthusiastically in handing over grain to the state, the number of famine deaths was much higher. Similarly, the violence of the Cultural Revolution was driven as much from below as it was by central government. More significantly, those on the left see the Chinese state as laying the foundations for growth by

developing education, infrastructure, health care and rural industry during the Maoist era.

The Conventional Wisdom: Early versus Late Maoism

Much western and Chinese scholarship distinguishes between early (1949–56) and late Maoism (1956–78); a recent example is Walder (2015). The CCP also played a key role in framing this narrative, with its famous 1978 statement ‘On Questions of Party History’ (Chinese Communist Party 1981). In this account, the early 1950s was a period of great success, and the Party’s mistake was to launch a ‘premature transition’ to socialism in 1955–56. As a result, ‘... there were serious faults and errors’ during 1956–66, and the years of the Cultural Revolution (1966–76) were a disaster: ‘The cultural revolution negated many of the correct principles, policies and achievements of the 17 years after the founding of the People’s Republic’. From this perspective, collectivization (1955–56) and the launch of the Great Leap Forward (1958) together mark a clear turning point.

In explaining the difference in China’s growth record between the two eras, the conventional wisdom focuses in part upon policy mistakes. These included the attempt to accelerate growth in the late 1950s by developing rural iron and steel production, which was premature and was a key factor in causing the devastating famine of 1958–62, which killed over 30 million people. Similarly, the political instability associated with the Cultural Revolution was harmful for industrial production. Other policy errors included high levels of defence spending, especially on Third Front enterprises established in western China between 1964 and the late 1970s (Naughton 1988), and over-emphasis on grain production at the expense of cash crops (Shapiro 2001). For Walder (2015: 315), much of the blame for these failures lies with Mao Zedong himself: ‘Almost every one of Mao’s interventions after 1956 put his initial accomplishments in jeopardy’.

However, conventional wisdom advances systemic failure as the primary cause of poor performance between 1956 and 1978. More precisely, the late Maoist economic system was flawed because it was highly centralized and allowed little role for markets. By contrast, the economy was more market-orientated and open to foreign trade in the 1950s, albeit primarily with the Soviet bloc; this combination of planning and markets contributed positively to growth. Legacies from the Republican era were also important. State planning began in the 1930s as noted above, and there were also significant rural industrial legacies, which facilitated industrialization post-1949 across the Yangzi delta (Bramall 2007; Gates 1996; Grove 2006). It was, however, the economic system which provided the crucial growth dynamic. All this changed in the mid and late 1950s. The nationalization of industry was completed in the late 1950s, and that put paid to technical progress. The growth of agricultural production, carried out primarily by the private sector in the early 1950s, was halted in its tracks by collectivization in 1955–56 and the creation of large communes in 1958 (Lin and

Wen 1995). International trade was negligible after China's break with the Soviet Union in 1960, and did not really resume until the late 1970s. The introduction of a system of internal passports (the *hukou* system) limited labour mobility. As a result of these measures, and save for a brief period of liberalization in the countryside in 1961–62, the Chinese economy after 1956–57 was very similar in terms of its economic system to that of the Soviet Union, and this stifled innovation and growth. According to Walder (2015: 324): 'A wasteful industrial system was literally sucking resources away from infrastructure, housing, wages, and consumer goods production'. From a growth-accounting perspective, these late Maoist systemic failures were reflected in the declining rate of growth of total factor productivity (TFP), which is often used as a proxy for efficiency. For example, the calculations of Perkins and Rawski (2008: 839) show TFP rising by 4.7 per cent per year during 1952–57, but declining by 0.5 per cent per year between 1957 and 1978.

Challenges to the Conventional Wisdom: Continuities between Early and Late Maoism

Now there is no doubt that the period 1958 to 1968 was a period of crisis in the Chinese economy. The famine which followed the Great Leap Forward not only caused a devastating loss of life but led to a collapse in industrial production. And the Chinese economy was badly disrupted at the height of the Cultural Revolution (1966–68), even if the number of deaths from violence was small compared with the mortality toll of the great famine.

Nevertheless, the economic data suggest that the differences between early and late Maoism are far less dramatic than the conventional wisdom would have us believe. First, there was a clear trend increase in life expectancy in both periods. Between 1953 and 1957 it rose from 40 to 50 years at birth; between 1962 and 1978, it rose by a further 12 years to reach 65 years (Banister 1987: 352). Life expectancy was of course very low during the famine (falling to around 25 years in 1960) but thereafter the upward trend resumed. Secondly, if one takes out the crisis period of 1956–68 and compares growth *trends* between 1952–56 and 1968–76, the contrast is not very sharp (Figure 3.1). Maddison (1998) has GDP per head growing at 3.2 per cent per year during 1952–56 and 3.1 per cent during 1968–78. For Wu (2014), the growth rate is an identical 2.7 per cent per year in both periods. In other words, 1956–68 is an aberration; thereafter, growth resumes at about the same rate as in the mid-1950s. The official data compiled in the 1980s by China's State Statistical Bureau (now the National Bureau of Statistics) show more of a contrast – 4.8 per cent per year for the 1950s compared with 3.5 per cent for 1968–78 – but even this is not a large difference. This is especially so when we recognize that the official data inflate performance during the 1950s. Even if (as is the usual practice) the years between 1949 and 1952 are regarded as a recovery period, and therefore excluded from growth calculations,

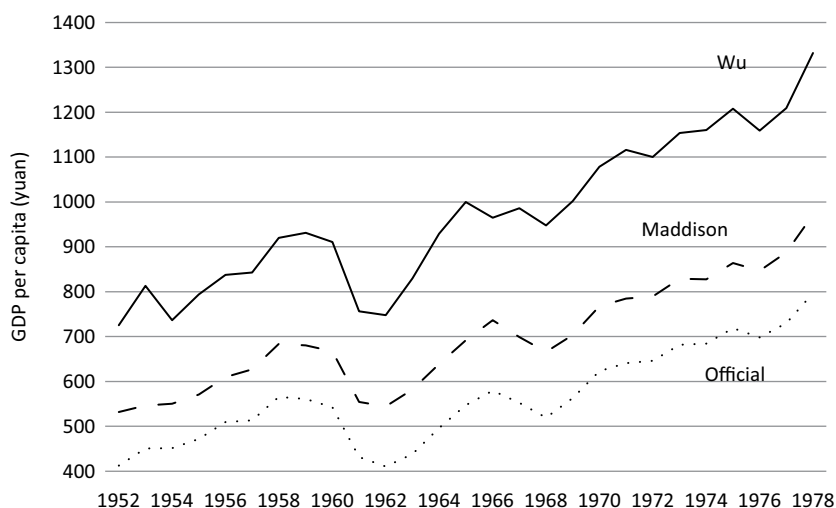


Figure 3.1 Per capita GDP, 1952–78 (1990 prices)

Notes: population growth averaged around 2.1 per cent per year in both 1952–56 and 1956–78, so the difference in per capita growth reflects differences in GDP growth itself.

Sources: Wu (2014: 90–91); Maddison database at www.ggd.net/maddison/oriindex.htm

a significant part of recorded growth between 1952 and 1956 was mythical. It simply reflected more complete reporting of output as the new regime gradually introduced a more comprehensive system of data reporting. The under-reporting problem was particularly acute in agriculture, where sown area was consistently under-estimated before 1950.

It is also worth dwelling on the fragility of the widely used concept of total factor productivity (TFP). TFP is estimated as a residual; accordingly, estimates are reliable only if there is accurate measurement of capital, human capital and labour inputs. Any measurement error in these inputs reveals itself in the residual. One problem for Maoist China in this respect is the absence of plausible data on physical capital (especially for defence-related industries) or on hours worked. Even more crucially, the estimation of GDP, and aggregate labour, capital and human capital, requires the use of prices, and the methodology requires that the prices used are equilibrium prices – that is, prices which bear some resemblance to value. The prices which prevail on world markets or within market economies are not equilibrium prices. Capital markets are distorted by speculation, and labour markets are distorted by discrimination so that wages are not a good measure of labour productivity. For Maoist China the valuation problems are even more acute because of the absence of market prices. Accordingly, the use of TFP to assess Chinese productivity during the Maoist era make little sense.

The overall conclusion that differences in economic performance between early and late Maoism have been overplayed has been developed in some of the literature. For Friedman et al. (1991), for example, agricultural performance was

poor throughout the 1950s; collectivization in 1955–56 had no decisive effect. Perhaps the best example of re-thinking performance in the 1950s is provided by the writings of Frank Dikötter (2013; 2016), who argues that the Maoist era should be seen as a unified whole. Performance was generally poor across the *entire* Maoist era; in particular, Dikötter's reading of the evidence for the 1950s is that it was a tragedy, rather than a golden age. For him, the key constraint on economic performance was the Chinese state. Prior to 1956, state encroachment was gradual and space was left for the private sector to grow. The same was true in the 1970s, especially after the death of Lin Biao (1971) led to a discrediting of the Maoist state apparatus and thence to the re-emergence of private sector activity (Dikötter 2016: 255–84). Nevertheless, economic performance was not good in either the 1950s or the 1970s.

The CCP also took an increasingly critical view of the 1950s as the 1980s and 1990s wore on. As a result, the very notion of a Leninist golden age in the 1950s, a view very much associated with veteran Party leader Chen Yun, came under increasing attack as the market-orientated policies introduced by Deng Xiaoping after 1978 gathered momentum and were seen as successful. By the time of Deng's death in 1997, the tide of Party opinion had swung so much against state-led industrial planning that Jiang Zemin was able to launch a programme of sweeping privatization.

The New Left: Reappraising the Cultural Revolution

The distinction between early and late Maoism has also been challenged from the left. On the one hand, left-leaning scholars in China and the west have long accepted the proposition recently articulated by Dikötter that economic performance in the 1950s was quite poor. In fact, performance before 1955–56 was heavily criticised within Party circles themselves at the time; led by Mao, many officials argued that the rate of growth in the rural sector prior to 1955–56 was too slow and imposed a binding constraint on industrial growth. The underlying reason – and here the view of the left deviates from that Dikötter and others – was the excessively *slow* pace of systemic change. For the left of the CCP, the rich peasant economy was preserved for too long, and this delayed collectivization – which in turn delayed both the effective mobilization of the labour force for farmland and irrigation construction, and farm mechanization (which required large farms). This case for collectivization, and by implication the rejection of the rich peasant model of the early 1950s, has been frequently put by western scholars as well, most famously so by William Hinton (1990; 2006). For Hinton, the transition to socialism during the 1950s was not premature but was far too slow.

More recently, the left has shifted its attention away from the 1950s to highlight what it sees as good economic performance in the late Maoist era. This re-thinking of late Maoism is very much associated with the New Left in China,

which numbers amongst its ranks scholars such as Wang Hui, Wang Shaoguang and Cui Zhiyuan. A number of western-based scholars have also played a significant role, notably Gao Mobo, Li Minqi, Han Dongping and Lin Chun. The same is true of some western scholars who are not China specialists, but who contrast the experiences of China and India; Amartya Sen is the most obvious example.

Several concrete arguments have been put forward in defence of the late Maoist development model. One strand has highlighted China's impressive human development record. The arguments here are relatively well-known (Sen 1989). Despite the human cost of the Great Leap Forward and the Cultural Revolution, Chinese life expectancy rose impressively in the long run, especially when juxtaposed against that of India, the obvious comparator (Drèze and Sen 2013). Similarly, China's record in improving mass education, especially in rural areas, was also very good, albeit at the cost of a lower-quality tertiary education (Peterson 1994a, 1994b). Moreover, it is unlikely that these achievements would have occurred without the late Maoist development model. First, China was far more successful in disseminating vaccines and improvements in basic hygiene (which focused on the importance of clean water) to rural areas than almost every other developing country in the 1960s and 1970s. The very fact that China regressed during the 1980s when Maoist structures were demolished testifies to the important role played by local government before 1978. Second, the educational system of the 1950s was unashamedly elitist (Pepper 1996); it was explicitly designed to limit access to secondary education, let alone tertiary education. It was the Cultural Revolution that broke with this model and ushered in an era of mass education.

A second element in the re-thinking on the left attributes many of Maoist China's economic failings to unavoidable external shocks rather than to systemic problems. For example, high levels of military spending in the late 1960s and 1970s were effectively forced upon China by perceived Soviet and American military threats. This spending could only be financed by squeezing China's rural sector via the manipulation of the internal terms of trade, which crowded out rural investment and consumption alike (Bramall 1993). One can of course argue that China did not need to spend as much on military spending, or that the threat was more a figment of the Maoist imagination than a clear and present danger. However, given US support for the Nationalists in the Chinese civil war, and some of the public utterances by the US military in relation to the war in Vietnam, it is clear that there was some basis for the Chinese response.

The third element in the critique of the conventional wisdom emphasizes the key role played by Maoist legacies in promoting post-1978 growth (Gao 1999, 2008; Han 2000, 2001; Bramall 2000, 2008). Much of China's inherited industrial capital may have been of low quality, but crucial elements in post-1978 growth were the late Maoist introduction of indigenous green revolution technology such as hybrid rice (Stone 1988); the completion of an array of ambitious irrigation projects begun in the 1950s and 1960s (Nickum 1995); and the acquisition of

skills in the newly established rural industries of the 1970s (Riskin 1978). These industries may have been loss-making in the short run (Wong 1991), but they were classic infant industries; over time, the growing participation of the population in rural enterprises led to a process of learning and capability enhancement that made possible the explosive growth of township and village enterprises in the 1980s (Bramall 2007). Recent research also suggests that the returns post-1978 to supposedly low quality rural education during the Cultural Revolution were actually quite high; according to Sicular and Yang (2015), the financial return was in the order of 11–20 per cent by the 1990s. In sum, the Maoist era was a process of learning-by-doing, and the gains manifested themselves powerfully after Mao's death. The death of Mao is therefore less of a climacteric than usually argued, and the continuities across the 1978 divide need far more recognition.

These sorts of argument are controversial. According to Sachs and Woo (1994), for example, the only important Maoist legacy was surplus labour; growth was most rapid in those areas where Maoism had least impact. Thus Manchuria grew slowly after 1978 because it closely resembled the Soviet Union in having little surplus labour and an outdated capital stock. By comparison, they claim, the Yangzi delta or the south-eastern province of Guangdong, where special economic zones were established to attract foreign investment, are best thought of as greenfield sites. Dongguan, an agricultural county in the late 1970s, offers the classic example of the transformative impact of inward investment (Yeung 2001). Sachs and Woo do exaggerate. Rural industry was already well-established across the Yangzi delta before 1978 (Whiting 2001). In fact, industrial output was growing at around 21 per cent per year in real terms in Zhejiang, and 30 per cent per year in Jiangsu, during the period 1971–78 (Bramall 2007: 23). Take the famous example of Zhejiang's Wenzhou municipality. Often hailed as the exemplar of the impact of market forces on virgin soil, Wenzhou actually has a long history of industrialization, much of it based around rural handicrafts (Bureau of Foreign Trade 1935), but some of it state-led (Nolan and Dong 1990). Furthermore, China's famous special economic zones would not have been successful without either massive state investment or the skilled labour that they drew from state-owned enterprises. Defence industrialization in Guangdong also left important legacies (Bachman 2001). Nevertheless, the Sachs and Woo arguments present a challenge for the New Left: if Maoist legacies really were so important, why did Manchuria not grow faster after 1978?

GROWTH DURING THE LATE TWENTIETH CENTURY

There is no doubt that economic growth accelerated after 1978 (Figure 3.2). Even during the years of slowest growth – 1989–91, the aftermath of the Tiananmen massacre – real GDP rose by over 3 per cent per year. During the cyclical peaks of the mid-1980s, the mid-1990s and 2006–7, the growth rate was

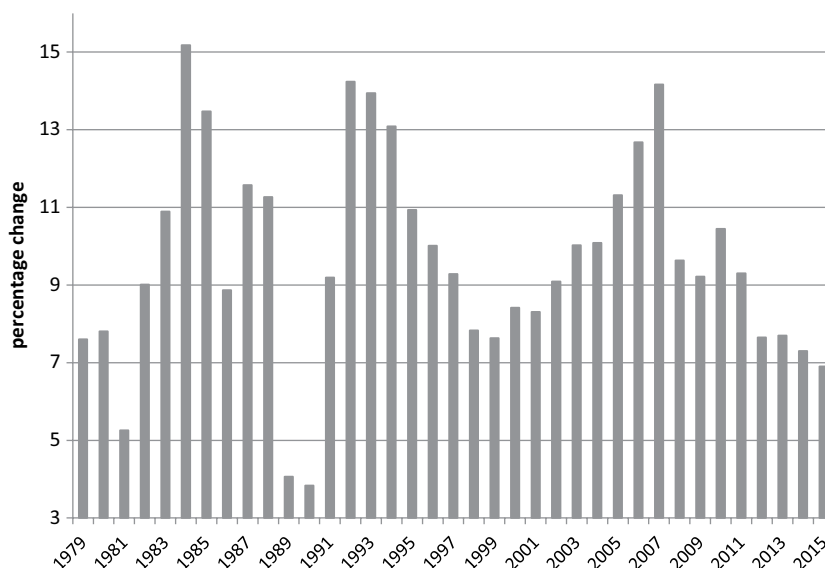


Figure 3.2 Real Chinese GDP growth, 1979–2015

Sources: National Bureau of Statistics (2015); 2015 Statistical Communiqué (2016)

well over 10 per cent. These official data probably exaggerate the growth rate; Wu's (2014) alternative estimates put the average rate of growth at 7.2 per cent per year for 1978–2012 compared with the official rate of 10 per cent (Wu 2014: 90–1). However, even accepting Wu's re-estimates, no qualitative reappraisal of China's remarkable post-1978 growth is implied.

The best-known explanation for the post-1978 growth surge centres on the role played by market forces in producing intersectoral labour re-allocation, which served to exploit comparative advantage. The work of Justin Lin (2012) epitomizes this approach. For him, China's success reflects a market-driven shift towards a comparative-advantage following development strategy: China exploited its abundant supply of labour and abandoned the capital-intensive development strategy that had been the leitmotif of Maoism. In Lin's terminology, China moved from defying comparative advantage to following comparative advantage. In concrete terms, China's comparative advantage was not in either land-intensive agriculture or capital-intensive industry; the best use of labour was in township and village enterprises in rural areas, and modern labour-intensive industries in urban areas. Such industries were competitive both at home and in export markets. Over time, China's industrial sector has become increasingly capital- and technology-intensive, but this merely reflects its changing comparative advantage; Lin's point is simply that comparative advantage is there to be exploited, not defied.

This market-based explanation of post-1978 Chinese growth is appealing and accords with some of the evidence. Chinese labour is relatively free to move

between occupations (the *hukou* system continues to impose some fetters on the rights of rural workers resident in urban areas), and many of the industries which emerged in the 1980s and 1990s were relatively labour-intensive. This fits the notion of a comparative-advantage-following strategy. Nevertheless, it is an incomplete explanation. For one thing, a key element in China's success was its slow transition from a planned to a market economy. The best examples of this gradualism are the slow rate of privatization (which had barely begun even as late as 1996), and China's limited integration into the world economy (tariff barriers were high even in the early 1990s, and capital controls remained firmly in place). It is not difficult to argue that it was China's gradualist approach that made its economic transition more successful than the 'big bang' approach adopted by Russia after 1990 (Naughton 1995; Nolan 1995). China grew gradually out of the plan, and that allowed it to combine growth with an avoidance of mass unemployment and big falls in living standards.

Second, it can be argued that the state sector has helped to promote growth during the transition process, rather than being an obstacle. Lin himself has argued that the state has played a key role in allowing China to shift resources as its comparative advantage has changed. Reliance solely on market forces to facilitate structural change would have been much less effective. Moreover, it is not difficult to find examples showing that the state was growth-promoting; for instance, the thriving rural industries of the 1980s were in many cases under local state control (Oi 1999). One can argue about whether these industries were state-owned (as distinct from controlled), and about the precise size of the private sector (Huang 2003), but the positive role played by the local state is hard to gainsay.

A third weakness in the market-led hypothesis is that the degree of state control increased, rather than diminished, after Jiang Zemin left power in 2002 – without any collapse in growth. Part of this expansion has been in the realm of welfare, especially health. However, state investment has also gone into China's national champions, a group of firms selected for support in the hope that they will emulate the success of Japanese *keiretsu* and South Korean *chaebols* (Sutherland 2003). As a result, the share of state-controlled enterprises in industrial output (somewhere between 20 and 30 per cent) has not diminished over the last 15 years. At a local level, some have credited the growth of Chongqing to the state intervention presided over by Bo Xilai, its now disgraced former Party leader (Bo and Chen 2009). In short, China is an example of *state* capitalism, and this helps to explain the distinction drawn by Ramo (2004) between the Chinese (the Beijing consensus) and American (Washington consensus) models of capitalism.

The response of the Chinese state to the global financial crisis of 2008–9 was to increase further its level of intervention in a bid to sustain growth. This Keynesian-style intervention focused on a massive programme of reconstruction in the aftermath of the Wenchuan earthquake, the development of new high-speed railways to integrate the Chinese interior, and a vast programme of house-building in the rapidly growing cities. As part of the programme of infrastructure

construction, the railway network was extended to reach Lhasa, previously the only provincial capital not linked to the railway system. It is of course perfectly legitimate to point out that China was only able to intervene on the scale that it did because of its relatively small national debt. But what is not in doubt is the continuing scale of state intervention.

The jury is out on whether China's high degree of state intervention continues to be growth-promoting. From a purely accounting perspective, GDP growth has undoubtedly slowed since 2007. The challenge is to identify the reasons for that slowdown. One approach is to portray the slowdown, the 'new normal', as an inevitable concomitant of success; China no longer enjoys the advantages of backwardness and therefore slow growth is a sign of maturity. However, others have argued that slow growth reflects economic failure. State projects have been accused of fuelling corruption and property speculation and, although China's national champions have clearly modernized quickly, rival multinational companies may have modernized even faster (Steinfeld 2010). This hypothesis of state failure is lent some support by Wu's (2014: 64) estimates of total factor productivity growth, which are negative between 2007 and 2012, compared with positive growth of four per cent per year during 2001–7.

Important though these debates are, we also need to recognize that luck played its part in China's success. For one thing, the anti-war movement in the USA ultimately forced the Nixon administration to end its involvement in Vietnam, and that in turn meant rapprochement with China in 1972. This set in train a gradual improvement in relations between the two countries, culminating in the restoration of full diplomatic relations in 1979. From China's perspective, this made possible big reductions in defence spending, notably the abandonment of the Third Front programme. The demise of the Soviet Union was equally important in lifting the military threat that had shackled the Maoist regime. Improved international relations also, of course, allowed Chinese exporters to gain access to US markets, and paved the way for the export-led growth that drove success in many of China's coastal regions. More generally, the post-1978 Chinese regime was lucky that it liberalized in an era in which barriers to international trade were diminishing; the Chinese growth strategy would have been far more difficult to implement in (say) the protectionist 1930s. In short, we do well to remember the interplay of internal and external factors in making the Chinese economic miracle.

CONCLUSION: THE STATE AND CHINA'S DEVELOPMENT PATH

This chapter suggests that the importance of the multiple Chinese revolutions of the twentieth century – the 1911 Revolution, the 1949 Revolution, the Cultural Revolution and the coming of Deng Xiaoping – is easily overstated. The continuities in recent Chinese economic history are at least as important as the changes.

The principal continuity has been a high degree of state intervention in the economy. Begun under the auspices of the National Resources Commission in the 1930s, it expanded in the Maoist era, reaching its apogee in the late 1970s. Thereafter it has diminished, but even now the state continues to exercise a pervasive presence. A strong case can also be made for the proposition that successive regimes have built upon, rather than abandoned, the legacies of previous eras. To be sure, China enjoyed the advantages of backwardness in the early 1950s and again in the early 1980s; its very under-development ensured that the rate of return to investment was high. Nevertheless, China's economic capabilities progressively expanded in each era. Modern education expanded during the Republican era, and a railway infrastructure of sorts had been established in the eastern provinces by the mid-1930s. The Maoist era extended this railway network, and brought mass literacy to the rural population. Since 1978, China's efforts have increasingly focused on improving educational quality, and rural industrialization has played a key role in developing the industrial skills and capabilities in the countryside. Maoism may have been characterized by urban bias – certainly the per capita income gap remained high in the 1970s – but the pace of growth in the 1980s and 1990s would not have been so rapid without that prior rural industrialization.

If there is a development 'lesson' from all this, it is that economic modernization is a slow and painful process. Capability – in terms of education, skills and infrastructure – needs to be developed prior to economic take-off, and that implies stagnant material living standards during the capability-building process. The pay-off only comes in the long run. So it was for Industrial Revolution Britain, and so it has been for China.

This emphasis on continuity does not mean that change has been unimportant. Property rights remain uncertain, but they are more secure than they had been in either the 1930s, or during the 1960s and 1970s. And markets have played an important role in providing incentives and in guiding resource allocation. It is therefore hard to conceive of China growing at the pace that it has in recent decades had the Maoist command economy remained in place. But just as state intervention was not the root of all Maoist China's ills, so too the miracles of the 1980s and beyond are about much more than the play of unfettered market forces. Recognizing this interplay of continuity and change in driving growth across the century since 1930 does not make for a simple narrative, but it is more in line with Chinese realities than any other.

There is much research which remains to be done on all these questions. One challenge is to come up with better estimates of economic performance before 1949. When one thinks of how the history of Britain's industrial revolution continues to be re-written – see for example the re-interpretation offered by Broadberry et al. (2015) – it is evident that work on China in the 1920s and 1930s has barely begun. This is even more true of the Maoist era. A vast array of material has been released since China opened up in the early 1980s, but until the Chinese

government encourages genuine debate within China and, equally importantly, opens up its archives, much of what we think we know about the Maoist era remains conjecture. The same is true of the era since 1978. The Chinese party-state is keen to impose a narrative and that limits the scope for a proper analysis of economic performance and its drivers. In a very real sense, research on the Chinese economy has barely begun.

Notes

- 1 Mao's death in September 1976 led to little immediate change in economic policy. Those who argue in favour of a late 1970s climacteric therefore focus more on the Third Plenum of the Eleventh Central Committee of December 1978, which marked the consolidation of Deng Xiaoping's power and the beginnings of significant policy change.
- 2 For a range of literature, see Riskin (1987), Bramall (2008), Walder (2015) and Lin (2012).

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Geographic and Environmental Setting

David Pietz

INTRODUCTION

This chapter examines the environmental and physical geographical context of contemporary China. With an emphasis on current dynamics, the chapter assumes a China bounded by an enduring territorial expanse established in the Qing Dynasty (1644–1911). Contemporary realities are indeed shaped by long-run realities of place. The chapter will examine some of the defining features of climate, and land and water resources, and how these regional dynamics have shaped, and continue to shape, broad currents in China’s historical and contemporary experiences. The chapter will combine data and descriptive narrative melded with narrative elements that give cultural meanings to the environmental and geographic settings. The chapter will avoid overwrought environmental/geographic determinism, instead seeking to suggest the broad historical implications of these dynamics. To be sure, any attempt at exploring the complexity of the geographic and environmental setting of a country like China will necessarily mean making choices among a range of potential thematic concerns. Thus, the choice of themes is guided by what the author views as a set of the most critical issues in China’s geographic and environmental settings. Before discussing a range of environmental challenges during the contemporary period, the chapter explores China’s geographic setting in its spatial setting – from global, regional, national, and sub-national perspectives.

THE GEOGRAPHIC SETTING

A simple look at a world map suggests the enormity of China's territory. Stretching from the Pacific Ocean to beyond the Qinghai/Tibetan plateau in the west; from the border of Vietnam in the south to the border with Russia's far east, China is the fourth largest country by land mass (9.6 million square kilometers), behind only Russia, Canada, and the US. And similar to all these countries, China achieved this size as a result of intentional continental expansion during the 18th and 19th centuries. Although widely known as China's last dynasty, the Qing dynasty was also the administrative force that pushed China's political authority to territorial extent beyond that which any previous Chinese government had achieved. Expanding mostly to the west, Qing armies conquered the territory that is demarcated in contemporary maps of the People's Republic of China (PRC), and more. By the late 18th century Qing lands included present-day Mongolia, which declared 'independence' with Soviet assistance in the early 20th century, as well as smaller bands of territory in northern frontier areas. Indeed, subsequent Chinese political administrations have considered the maintenance of this Qing-era territorial bequest as one of their principle national missions. One need only observe the determination to counter any outside interference in questions of Chinese autonomy over Tibet and Xinjiang (or Taiwan for that matter) as evidence of this perceived historical mandate.

At the same time, China shares a border with sixteen other countries, more than any single country in the world. By and large, China has resolved most modern border disputes with neighboring countries, but questions of autonomy remain as some 22,000 kilometers of border remain in dispute.¹ At the same time, issues of China's sovereignty implicate regional and international interests as the government of the People's Republic continues to claim political authority over the island of Taiwan (Republic of China), as well as over an extensive swath of the South China Sea, which has bumped against competing claims from the governments of Vietnam, Brunei, and the Philippines, among others. Unresolved questions of geography will likely continue to be one critical factor in shaping China's international relationships for some time into the future.

From this sheer size comes an extraordinary diversity of peoples, landforms, and climate. Although Han Chinese are the dominant ethnic group in China by far, roughly 90 percent of the total population, China's human geography is anything but simple. As suggested above, the legacy of territorial expansion in the late Qing era was a multi-lingual, multi-ethnic, and multi-cultural empire with a broad array of non-Chinese populations in the western regions of the country. This new identity was layered atop a human geography of 'China proper' where significant groups of non-Han communities existed in the northeast, central, southern, and southwestern regions of China. Since the mid-20th century there has in fact been a lively debate about what constitutes Chinese identity. The impulse to inculcate a strong sense of Chinese identity by political elites

has necessarily impelled the construction of ethnic classifications in China that sharpened the categories of Han and other ethnic groups in China (of which there are now officially 55 ethnic categories or ‘national minorities’). In either event, community identity and the range of associated cultural practices of these communities were very much shaped by physical geography and by climate. That is not to say that we should view geography and climate in any strictly deterministic way, particularly in the contemporary period. It is probably fair to say that during this period there are a variety of forces that shape the lives of individuals and communities in China, not least of which are politics and other cultural phenomena. Nonetheless, even the outcomes of these myriad processes are critically conditioned by the physical realities of place.

China’s Regional Geographic Setting

China’s location on the eastern edge of the Eurasian sub-continent has important characteristics that have shaped its historical and contemporary experiences. To the west and north, mountains and deserts rim the country, while to the east China has a lengthy Pacific coastline. A common trope among China historians and other observers was that these features induced long-term cultural isolation. Certainly, Chinese history has witnessed alternating periods of relative cosmopolitanism and provincialism, but a continuing theme in Chinese history is the complex interplay between Han cultural patterns and patterns of the myriad non-Han Chinese groups at the western and northern frontiers. Exchanges across frontiers of economic practices, technology, and governing institutions between the more sedentary civilization of China and the pastoralist, semi-nomadic groups to the west and north could be contentious, but present a persistent political theme in Chinese history – a theme grounded in the profound differences in the physical landscape of these regions. Indeed, to the present day the government of the PRC continues the challenging negotiation of effectively integrating, for example, Tibetan and Uighur cultural areas into China’s political system.

At the same time, the vast expanses of ocean directly to the east of China and the archipelagic region to the south have presented both opportunities and challenges to China’s statecraft. An early example of China’s ‘going out’ strategy, at least in the maritime realm, were the great voyages during the early Ming Dynasty when Chinese ‘treasure ships’ plied the waters of the Pacific and Indian Oceans with a combination of diplomatic, military, and economic objectives. The shutting down of these voyages of discovery, and subsequent careful state management of maritime trade, likely contributed to the complexities that China encountered in managing external relationships when European (and later US and Japan) traders, gunboats, and diplomats arrived in China through the ‘back door’ in large numbers beginning in the early 19th century. At perhaps a more informal level, throughout the late imperial period (1500–1911), large swaths of southeast China experienced a degree of social and economic integration with a

variety of regions in Southeast Asia ranging from Vietnam, through the Indonesian Archipelago, extending to the Philippines. These ‘overseas Chinese’ communities maintained kinship ties with the mainland, and conducted a vibrant regional trade. The legacies of this regional geography of maritime exposure – a sort of interaction that might be termed ambivalent – resonates in China’s contemporary setting. The Janus-like attitude toward civilizational linkages through maritime routes is reflected in China’s management of international trade, diplomacy, and cultural exchange. The on-again, off-again receptivity to engage international networks has been a recognizable pattern over the past six decades. The careful state management, or at least consciousness, of these relationships is certainly a legacy of patterns of statecraft that necessarily were shaped by the geographic realities of China’s regional setting. At the same time, we might suggest that the very recent claims of autonomy over the islands in the South China Sea are premised in large measure by the historical presence of Chinese cultural actors and trading activity in that region.

Country Scale: Land, Climate, and Water

China’s landmass can be described as a series of topographic steps running from the eastern coastal lowlands up to the Tibetan Plateau. Five major mountain ranges demarcate each step as elevation rises from east to west culminating in the highest elevations on the Tibetan Plateau. China’s continental shelf is the first topographic step. Most of China’s coastal sea regions are above broad continental shelves that range from a few meters to slightly more than 100 meters deep. Of particular importance to China’s economy has been the fishing industry in these regions as well as significant off-shore oil and gas resources that have been developed over the past fifty years. Moving inland there are jagged lines (described elsewhere as more checkerboard patterns) of mountain ranges, between which are hills, plateaus, basins, and plains areas. Much of the iconic landscape of southern and central China is easily conjured in these regions. In the western areas of these ranges the Sichuan Basin is located – one of China’s key agricultural producing regions. Generally speaking, these middle topographic regions, along with the North China Plain, are where China’s agricultural production takes place – in valleys and plateaus with little extended plains regions (with the exception of the North China Plain and northeast China). The challenge of these landforms throughout Chinese history down to the present day has been to generate sufficient food from limited agricultural land to feed an expanding population. Throughout its history, China has done a quite remarkable job in meeting its dietary needs. Indeed, as a whole, China is a mountainous country. Nearly 70 percent of the land mass rises 900–1,000 meters above sea level, with 60 percent above 1,800 meters.. At the western terminus of the ascending topographic staircase then is the Himalayan Mountains, which form the ‘backbone’ of the Tibetan Plateau region.²

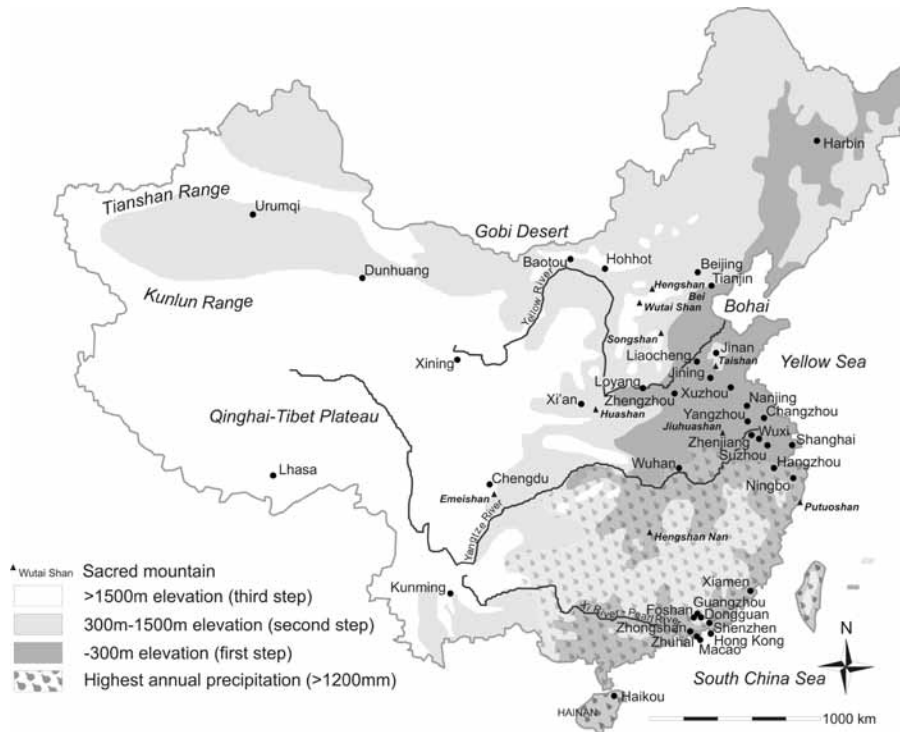


Figure 4.1 China's physical geography

Source: Weiping Wu and Piper Gaubatz, *The Chinese City* (New York: Routledge, 2012). By permission.

Operating at the same regional level as China's borders, climate regimes influence China on a broad, sub-continental scale. China's climate is impacted by patterns emanating from continental and monsoonal systems. Each system has a distinct seasonality. During the winter months, most of western and northern China is dominated by continental weather patterns that render these regions cold and dry. During the summer months, monsoon systems from the Pacific Ocean dominate the weather of south China. During July and August, these monsoonal systems push their influence into the North China Plain region when heavy downpours can quickly generate flash floods. Indeed, the majority of total annual rainfall in this important agricultural region is generated during these summer months. The demarcation between the warm, humid sub-tropical environment of the south with the cool, dry continental climate of the north lies roughly along the Qingling Mountains, which roughly parallel the Huai River in central China, between the Yellow River to the north and the Yangtze River to the south.

A critically important corollary to this north–south climate divide is the water supply differential between these two regions. To the south of the Huai River the supply of water reaches between 2,000–3,000 cubic meters per capita,

sufficient to meet consumption needs. By contrast, on the North China Plain there are six administrative regions that have per capita renewable internal water resources below 1,000 cubic meters – a supply considered by the World Bank to be the ‘water poverty mark.’³ From a different perspective, water supply per unit of farmland in North China is roughly 15 percent of the national average.⁴ The other distinguishing feature between north and south China is the total supply and variability of rainfall. As stated above, the vast majority of rainfall in North China falls during the summer months. But total annual rainfall remains well below that of the south. Consequently, the comparatively low annual amounts of precipitation, combined with summer months when massive downpours can occur, has resulted in a long history of droughts and floods. These climatic events have proved a critically important challenge for Chinese statecraft, right down to the contemporary era, of maintaining ecological equilibria in a region that is one of China’s main agricultural producing regions (see below for more on the environmental challenges of domestic food production).

In south China, favorable climatic conditions led to the development of agricultural and social patterns centered on wet rice cultivation. A combination of sufficient rainfall and the diffusion of agricultural technology, including irrigation practices and early maturing rice, led to development of commodity production that transformed the south, particularly the Yangtze River valley, into the breadbasket of China. Indeed, during much of the imperial period, the state reallocated surplus agricultural production of the south to feed administrative and military centers in north China, as well as to alleviate famine on the North China Plain. In addition to the contemporary importance of agricultural production in south China, the region’s water surplus has been appropriated by the state to support water-deficit areas of North China, including the large urban areas of Tianjin and Beijing. The long-term implications of this attempt to override climatic conditions will be of critical importance to maintaining continued agricultural, urban, and industrial growth in North China.

Western China presents a startling contrast in climatic conditions, with important implications for domestic political stability, China’s overall water supply, and for international relations. Virtually all of China’s northwest region is arid, with average annual rainfall in Xinjiang of 514 mm per year.⁵ This step climate has induced lifeways quite different from those of the dominant Han ethnic majority of China proper. At various moments in imperial and post-imperial history, Chinese states have sought to implement environmental management regimes developed in the more humid regions of east and central China. Irrigation systems and other water management schemes have altered local ecosystems that have complicated the efforts of Chinese states in the recent several decades to promote Han migrations and broad efforts to address regional economic disparity between east and west China through a variety of economic development schemes.

Similar tensions have expressed themselves in the Qinghai and Tibetan plateau regions of China's western and southwestern regions. Continental weather patterns generate mostly cold and dry conditions, but of particular importance that extends well beyond these regions is snowpack in the towering mountains and valleys of these plateau regions. Two of China proper's most important waterways, the Yangtze and Yellow Rivers, have their respective sources in western China. At the same time, the Himalayan Plateau is the 'water tower' of Asia. Most of the principle waterways of South and Southeast Asia begin in China's southwest. The Irawaddy, Ganges, Mekong, and the Brahmaputra are just a few of the aquatic lifelines that downstream communities in Vietnam, Laos, Thailand, Bangladesh, and India rely upon for resources. China's determination to capture the energy potential of these rivers in the upstream have generated political tensions as downstream riparian countries seek to maintain sufficient water supply for agricultural, municipal, and industrial purposes. Managing these transnational waterways will continue to shape China's relationships with South and Southeast Asian countries for many years to come.

Regional (or Sub-national) Scale: Topography, Resources, Land Cover, and Land Use

In the mid-1930s, Hu Huanyong, considered the father of population geography in China, conceptualized a China with two main regions. The two regions were demarcated by the Aihui–Tengchong Line (also referred to as the Heihe–Tengchong line) extending from Heilong Province in northeast China to southwest Yunnan Province. East of the diagonal line was territory that comprised 35 percent of China's land mass, but accounted for over 90 percent of the country's population. To the west, the ratios reversed: 65 percent of China's territory, with only 4 percent of the population.⁶ This 'geo-demographic line' largely holds true today to differentiate two very distinct regions in terms of population density, topography, grain production, and industrial capacity (see Figure 4.2). The eminent China scholar G. William Skinner put forth a regional approach to Chinese history based on marketing systems, but in order to achieve a broader sense of regional diversity in China, we can roughly divide China into four large regions: northeast (NE), southeast (SE), southwest (SW), and northwest (NW), with the bisecting lines running roughly at 110° longitude (East) and 35° latitude (North).⁷ This division artificially segregates a number of spatial patterns and processes that operate at a larger scale as explored above, but the demarcation serves to differentiate unique geographic identities.

The Northeast

China's northeast region is largely dominated by plains, with distinct variations in soils, land cover, and land use. To the north, the region was traditionally

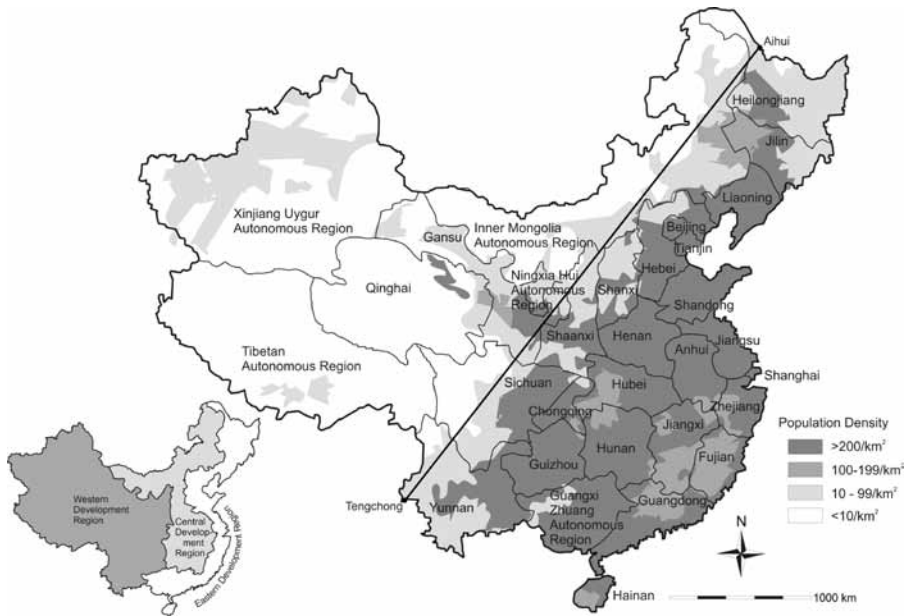


Figure 4.2 China's population distribution

Source: Weiping Wu and Piper Gaubatz, *The Chinese City* (New York: Routledge, 2012). By permission.

forested, with moderate temperatures in the summer and frigid conditions in the winter months. This region, formerly known as Manchuria and home of the conquering Manchus of the Qing dynasty, was an engine of China's economic growth during the 20th century. Endowed with resources like coal and oil (in addition to timber), the region was considered strategic by Russia and Japan. After 1949, the area continued to be an industrial center, as well as an agricultural producing region with soils and climate suitable for dryland farming.

Climate and soils change considerably in this region as one enters the North China Plain bounded by the Huai River to the north, the Yangtze River to the south, with the Yellow River running between. Indeed, the Yellow River has largely governed the geography of this region. As stated earlier, climate patterns on the North China Plain have frequently generated periods of famine as alternating episodes of drought and flooding have challenged agricultural communities. In a region on the margin of both continental and monsoon weather patterns, rainfall is generally limited, but can occur in downpours that can generate drainage problems, particularly in the lower reaches of the Yellow River basin. Indeed, a major challenge for the state is to maintain the Yellow River within its dikes. Historically, the Yellow River has indeed burst through defensive structures and has ranged from north to south creating a broad alluvial plain. With the proper application of fertilizers, these alluvial soils of the North China Plain make it one of the breadbaskets of China. But the entire ecological balance in the region was

precarious. When the rains did not arrive, drought could hit hard. During such events the state had a long tradition of easing inflationary pressures by releasing state-stored grain into the market. In contemporary China, the challenges of maintaining an ecological balance in North China is critically important to political and economic security in the region and beyond. One fundamental component of this calculus from the state's point of view is maintaining sufficient agricultural output in this region to circumvent undue reliance on imported food – a situation that China's leaders feel compromises Chinese autonomy. As suggested by these challenges of climate to agricultural production, one of the most significant features of the geographic setting of Northeast China, particularly the North China Plain, is access to water resources. Although two of China's mightiest rivers, the Yellow River and Yangtze River, flow through the region, allocating adequate quantities of clean water to maintain contemporary industrial growth, expansion of agriculture, and urbanization will continue to be a challenge for China's political elites for decades to come.

The Southeast

Combined with the northeast region, southeast China formed the eastern one-third of China dominated by Han Chinese and forming the heartland of Chinese society, economy, and culture. This eastern region is the locus of agricultural and industrial production, is the center of political authority, and is where the majority of China's large urban areas are located. When one conjures perhaps more traditional images of China, one is likely to be thinking of eastern China, particularly southeast China, where the landscape is marked by hills and mountains with lush green valleys of intensive agriculture watered with ample rainfall. Indeed, throughout history this verdant and mountainous landscape inspired rich cultural traditions in painting and poetic expression.

The southeast region incorporates the provinces of the Yangtze River valley, the southern provinces including the economic powerhouse of Guangdong Province, and the culturally and economically rich Sichuan basin on the western edges of this region. There are two rather remarkable features of the physical landscape that have shaped contemporary realities in China: first, high population densities on limited arable land; and second, the coastal areas of this region that have been engines of economic growth after 1978. Southeast China has the highest population densities in all of China. When considering the limited land resources available for extensive and large-scale agriculture, the capacity to maintain sufficient output to sustain high population densities in the contemporary period is no small achievement. By and large these successes have been due to agricultural inputs such as new strains of rice, fertilizer, and chemical pesticides/herbicides. Persistent conditions of over-employment in the rural sectors in the southeast, hastened by the accelerated demographic growth after 1949 (and all of eastern China), have been relieved in the Post-Mao era as investment and trade

policies served to promote extraordinary rates of urbanization in China. Between 1990 and 2014 annual urban population growth ranged from 2.8 percent to 4.3 percent. As large as these percentage values are, the absolute numbers of people engaged in urban migrations in China during this period is unprecedented.⁸ Much of this demographic transition in the early post-Mao period began in the southeast, with Shenzhen the iconic example of how new investment and trade regimes transformed urban spaces in China. Designated as one of four Special Economic Zones (SEZ) in 1980, all of them in southeast China, Shenzhen was established as a laboratory of sorts to experiment with novel forms of foreign investment and trade policies, all designed to expand economic growth. Shenzhen boomed, and served as a model for similar investment regimes in a variety of coastal and interior spaces by 2000. As shall be explored below, this profound shift of the economic and social landscape of southeast China has generated concerns for the physical landscape as the growth of urban areas, in all of China, has impacted the availability of agricultural land, the allocation of water across economic sectors, and of course, the quality of water and air resources.

The Southwest

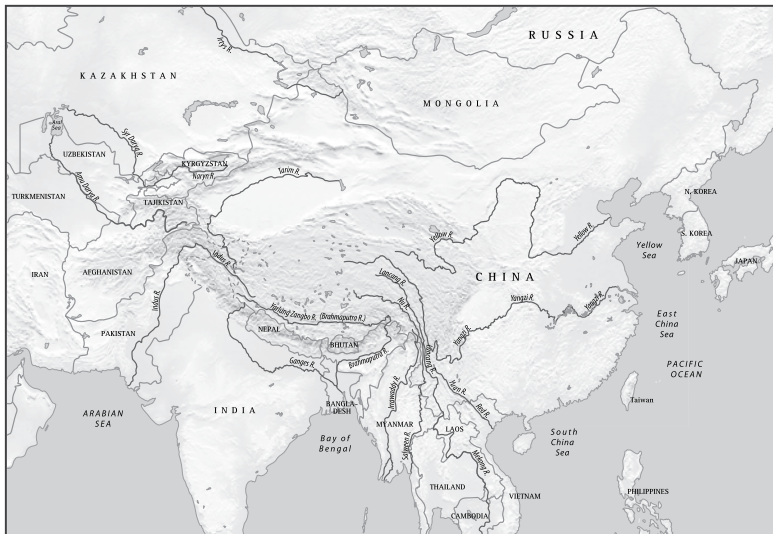
For China's political elites perhaps the fundamental contemporary geographic challenge for China's southwestern region is how to exploit the resources of the region to spur economic growth (for the region and country) and integration, while maintaining firm autonomy over a region with contrasting cultural traditions with those of Han China. These challenges are shaped by the distinctive topography of the Tibetan Plateau. Since the late 1990s, the state has expended increasing resources to better integrate the southwest region into the national economy. Perhaps the iconic project designed to achieve this goal is the impressive engineering accomplishment of the Qinghai–Tibet Railroad, inaugurated in 2006. As the world's highest railroad, traversing passes of heights of 5,000 meters, trains connect Lhasa with Xining in Qinghai Province, where lines connect to points all over the country. This particular initiative was part of a broad thrust begun in the 1990s referred to as the 'develop the west' campaign, which was designed to transcend the challenges of geography by developing the resources of the western regions in order to incorporate these regions into the national web of economic production and consumption. A corollary was, of course, the hope that economic growth and integration would promote political passivity.

There has long been speculation on the potential mineral and carbon resources on the Tibetan Plateau, but one Tibetan Plateau resource that is very much on the minds of state leaders is water. The plateau region is the source of many rivers that, because of their steep gradient flowing off the plateau, have substantial hydroelectric capacity. During the past twenty years Chinese state firms have aggressively developed water resources with a variety of hydroelectric dam projects on many of the region's major rivers, including, as referenced above,

many transnational waterways. Some leaders see electricity advancing the cause of Tibetan economic growth, but much of the electricity generated by these Himalayan rivers is transported by long-distance transmission lines to other areas of the southwest (e.g., Yunnan Province), and beyond – all the way to industrial centers in Guangdong Province. Thus, the tensions that the state has to negotiate with developing the water resources of the Tibetan Plateau region necessarily implicate a cost–benefit analysis. How can the resources of the ‘water tower of Asia’ be further balanced while maintaining a positive relationship with downstream riparian countries in South and Southeast Asia whose economies are dependent on river resources?⁹

The Northwest

Although the physical setting of most of northwest China is quite distinct from southwest China, there are similar challenges to the state in effectively incorporating this region into the Chinese political sphere. The overriding geographic and climatic feature of the northwest is aridity. In terms of human geography, the region has traditionally been dominated by non-Han communities, the most important being the Uighurs, a Turkic ethnic group that practices Islam.¹⁰ Similar to the broad dynamics pertaining on the Tibetan Plateau, political leaders in China continue to negotiate the difficult physical and social challenges of this region.



Map 10 China's Transnational Waterways

Figure 4.3 The ‘Water Tower of Asia’

Source: *The Yellow River: The Problem of Water in Modern China* by David A. Pietz, Cambridge, MA: Harvard University Press, Copyright © 2015 by the President and Fellows of Harvard College. Reprinted with permission.

Since 1949, there have been concerted efforts to bring sedentary agricultural practices to the northwest. Inspired by the Soviets, and by historical patterns of Chinese rule in the northwest, the critical goal was bringing water to the parched and sandy soils to cultivate crops like cotton. Beginning in the 1950s the state mobilized military and civilian constituencies to build an irrigation infrastructure that diverted surface water to the newly mapped and prepared fields. As in the Soviet experience, there was immediate success in growing cotton in the desert, but the long-term outcomes included river desiccation, and in some locations, soil salinization, as insufficient attention was brought to drainage in irrigated areas. These continuing battles to maintain some semblance of agricultural production, as well as to provide water for industrial and growing urban demand, is evidenced by discussions between China and Russia in early 2016 on a plan to divert water resources from the Russian far east to China's thirsty central Asian region.¹¹

Oil and minerals also feature strongly in the economic geography of China's northwest. Again, similar to the situation in the southwest region, China has invested considerable financial and moral resources in the campaign to develop the economy of western China, in part to better integrate the region in economic, and political, terms. Oil and gas reserves have yet to be evaluated definitively, but current estimates suggest significant reserves. The critical issues to further development include an effective distribution infrastructure to transport to refining and consumption centers in the east, coupled with as yet insufficient nodes of demand closer to these reserves in the western portion of the country, and a complicated geology that makes production only profitable in an environment of high global crude prices. The exploitation of significant coal and other mineral resources faces the same challenges of investment. Implicit in state and private investment in extractive industries in China's northwest is its impact on non-Han communities in the region. There is a strong sense that such investment has limited benefits to local communities, and this sentiment adds fuel to resentment of a range of cultural policies designed and enforced by Beijing that have sought to weaken the ethnic and religious identities of these indigenous communities.

THE ENVIRONMENTAL SETTING

The fact that China's profound economic restructuring and growth during the past several decades has been accompanied by significant environmental change is widely recognized. Images of sooty air and murky waters are perhaps just as prominent in the narrative of China's transformation as are gleaming office towers and bullet trains. A cursory glance at several metrics lend empirical support to the impressions of China's environmental change that images and personal and journalistic accounts impart: twenty of the world's thirty most polluted cities are located in China; the North China Plain has one-tenth the per capita supply of water deemed sufficient for normal livelihood; and the leading cause

of death of children under five is diarrhea from dirty water.¹² Indeed, the narrative of environmental destruction and constraints facing contemporary China are clearly connected with the transformative economic changes that have occurred during the past several decades. And there is much truth to this perception. The pace and nature of economic, social, and institutional change in post-Mao China has had equally rapid qualitative environmental consequences. While recognizing important dynamics of the contemporary period that have clearly influenced environmental changes in China, there are also longer-term historical forces within which these more contemporary dynamics operate. In other words, contemporary environmental challenges are embedded in historical patterns of social, economic, and institutional change in China.

Environmental Change in 20th Century China

Any broad overview of environmental change in contemporary China must seek an analytical balance that negotiates the forces of change and continuity. To be sure, a cursory glance at the range of state systems that China ‘experimented’ with in the twentieth century is suggestive of potentially dramatic change when contrasted with the imperial system. But beyond these broad differences in state systems, there was indeed significant change in economic organization, scientific and technical orientation, and political and social organization that had distinctive environmental outcomes – both in kind and degree. Many of these dynamics of change can be placed under the broad rubric of the ‘internationalization’ of China in the twentieth century.¹³

Enduring patterns of human and physical endowments, as well as state patterns, continued to shape the nature of environmental change in China during the twentieth century. The number of people in post-imperial China continued to increase. The pressures to feed this population meant further expectations to increase productivity of land resources. The historical success of increasingly intensified agricultural production to feed an expanding population may have contributed to a reluctance to rely on global grain markets during the second half of the century. In either event, China’s limited tillable land resources and the vagaries of climate continue to shape China’s actions toward the environment. Maximizing agricultural productivity and managing wide disparities in precipitation across regions has perpetuated traditional managerial practices as well as introduced innovation in the modern period (e.g., intensive chemical fertilizers).

China’s pan-twentieth century internationalization included technological innovation and exchange that had distinct consequences for its natural environment. Mark Elvin argues that

it was the West’s provision of China with access to modern techniques of government and communication that made possible the escape from the environmental prison house that late imperial China had, with sophisticated premodern ingenuity, built for itself. But for this western contribution, the huge current population of China ... would not have been possible.¹⁴

The contribution of western science and technology, and the economic and organizational forms it promoted, had a significant effect on the Chinese landscape. The material and intellectual tools of modernity brought forth the capacity in the west to leap forward in the long historical process from adaptation to, control of, the natural world. In China, while always subject to the vagaries of social, economic, and climatic forces, human manipulation of nature was achieved during the imperial period in ways that were unique in global history. Again, it might be argued that such traditions provided a receptive context to more readily accept new technological and organizational regimes from the west in the 19th and 20th centuries that represented new possibilities for manipulation of China's resources that had already deteriorated in the late imperial period.

The statist and technocratic approach to environmental management followed by the Nationalist Government in the mid-20th century continued after 1949, but this developmental approach was punctuated with periods of populist or anti-urban tenor – each reflecting differing paths toward communist modernity that played out in the decades following 1949. The Great Leap Forward was one period that valorized local, rural (anti-urban), and peasant knowledge, organization, and practices. The sending of urban youth to the countryside and the industrialization of rural China were perhaps the two most prominent examples of this celebration of the pastoral.¹⁵ Empowered by direct encouragement from Mao Zedong, local leaders aggressively organized irrigation projects by recruiting massive labor campaigns to rapidly expand agricultural production by employing the rhetoric of ‘militarization’ (*junshihua*), ‘combatization’ (*zhandouhua*), and ‘disciplinization’ (*jilihua*).¹⁶ Throughout the country, millions of farmers were recruited, regimented, and implored to turn the dry plains into lush agricultural lands. By January 1958 ‘one in six people was digging earth in China. More than 580 million cubic meters of rocks and soil were moved before the end of the year ... they could accomplish in a matter of months what their forefathers had done in thousands of years.’¹⁷ The haste with which many of these projects were completed rendered them short-lived.

Great Leap Forward policies also included mobilizing commune labor for reforestation efforts in the Northwest, rural industrialization, and the ‘Grain First’ campaign beginning in 1959. The effort to forestall further erosion of the Loess Plateau occurred before the Great Leap Forward, but plans suggesting an intensification of these efforts during the Great Leap Forward were put forth. The outcomes of these efforts are not well known, but there is some reason to believe that initial energy waned rather quickly as enervated farmers quickly abandoned an effort that seemingly did not generate immediate returns. The outcomes of rural industrialization efforts, particularly the so called ‘back-yard furnaces,’ included a significant destruction of local timber resources – much of which had been planted in and by localities under exhortation by the central government after 1949. Finally, an additional example of Great Leap Forward policies that had a

profound influence on the environment was the 'grain first' policy enunciated in 1959 as a response to reports of famine. After launching the policy of 'taking grain as the key link,' provincial and commune officials attempted to promote a 10 percent increase in grain production by extending advice that included deep-plowing, close-cropping, and additional inputs of irrigation water.¹⁸ The results of the grain-first campaign, indeed the entire matrix of practices that governed the human–environment nexus, were a disaster of unprecedented proportions. The combination of social engineering, environmental management, and agricultural practices led to the Great Leap Famine where a number of 25–30 million deaths lay at the low end of the spectrum of estimates.¹⁹

The Reform Period (1978–)

Perhaps the two most emblematic images in our collective perceptions of China in recent times are gleaming and bustling urban spaces, and defiled air and water resources. And we know there is a clear connection between the two. There are other linkages that we can cite – connections between resource constraints of the Maoist and post-Maoist period as development in the former came at the expense of the latter; between the post-Maoist period and the entire post-imperial period when high modernism justified re-orienting the natural world; and there is a connection between the post-Mao period and the imperial period where historians see parallels with the enormous wealth and population of both eras resting on a precarious ecological balance. But there are important developments in the post-Mao period that give contemporary environmental dynamics a different character (though with both having clear historical roots). The first is China's thoroughgoing integration in global international networks (a consequence of China's long process of internationalization in the twentieth century), and the growth of an explicit environmental consciousness either as a rediscovery of perceived attentiveness toward nature in traditional philosophical/ethical systems and/or a rediscovery of strains of the Romantic notions of nature introduced in China during the late 19th century.

Water Resources After 1978

The post-Mao reforms unleashed economic, social, and political forces that hastened the process of ecological transformations. Industrial growth, urban expansion, and intensification of agriculture further pressured scarce water resources and degraded water quality. Industrial growth in urban and rural areas has represented a significant call on water resources. Of particular consequence was the growth of Township and Village Enterprises (TVE) in the 1990s that inefficiently used water in consumer industries and generally lacked pollution control capacities. The collective effect of such industries was highlighted in the late 1990s as information on conditions in the Huai River became known domestically and

internationally and sparked a massive government clean-up of the river that, in some sections, was deemed by China's Environmental Protection Bureau too polluted for any use.²⁰ There are higher ratios of industrial wastewater in North China since there are lower flow rates than in south China, and because of the existence of an older industrial base in these regions. Thus, modern industrial growth represents a dual threat:

On the one hand there are the problems we expect to find in an underdeveloped and over-populated agricultural society such as soil erosion, deforestation and desertification. On the other hand, the rapidly growing industrial sector means that China is facing widespread pollution problems of a sophisticated nature.²¹

Complementing industrial development is profound urban growth and its impact on water demand. Urban migration has swelled the number of city dwellers equivalent to creating a new city of 1 million people every ten years.²² Urban migration has obvious implications for China's water supply infrastructure. In North China, water diversions to fast growing cities such as Tianjin, Qingdao, and Dalian from regional rivers were common developments in the 1980s and 1990s. Compounding the issue of how many mouths now to hydrate (and provide sanitary services to), is what a growing number of urbanites are putting into their bellies. Changing dietary patterns that have been marked by an increase in meat protein have resulted in significant increases in water consumption to support urban diets. To generate one kilogram of boneless beef requires feed that consumes 15,340 litres of water to grow.

The pressures on China's agriculture to feed an expanding population with changing dietary patterns have increased. Agriculture remains the single largest water consuming sector of the economy by far (75 percent). Until relatively recently China's capacity to feed itself has been impressive. Indeed, the challenges to such success are considerable: population growth, changing consumption patterns, industrial pollution, loss of arable farmland to urban sprawl, and competition from the energy sector (production of fuel crops). China's farmers have managed to increase production through expanded application of chemical fertilizers and water (irrigation). But continued expansion by these means is limited by long-term challenges that China has faced for centuries. First is the endowment of water, particularly on the North China Plain. In the face of surface-water limitations, Chinese farmers have exploited ground water resources to an unusual extent. The enormous boom of tube-wells since the 1960s has reduced groundwater resources in some areas beyond recharge levels and threatens continued exploitation by rural as well as urban users. The steady decline of organic matter and nutrient content of agricultural lands has been countered by intensified use of chemical fertilizers. But agricultural runoff is a major source of surface water pollution and eutrophication of water in China. Erosion and desertification have also quickened as aggressive farmland reclamation and general ineffectiveness of reforestation efforts begun in the 1950s.²³ Compounding the ecological

outcomes of quickened economic forces since 1978 has been the erosion of central government capacity to enforce environmental regulations. China has a fairly well articulated body of environmental law, but the capacity of the central government to compel local governments to enforce these regulations over industries in their respective bailiwick is weak. Elizabeth Economy expands this critique by arguing that resource management practices are inhibited by:

significant corruption and an authoritarian but highly decentralized political economy, which means that directives are issued but often not followed. China also suffers from poor enforcement capacity, weak price signals to encourage conservation and wastewater treatment, and a lack of transparency ... concerning large water-related projects.²⁴

Air Quality Since 1978

The environmental challenge in contemporary China that has perhaps garnered greatest global attention has been air pollution. It is fair to say that virtually every large urban area in China regularly experiences levels of atmospheric pollution considered inimical to public health. Without question, rates of urbanization and industrial growth are the principle forces behind air quality degradation.

China's rapid industrial growth rates over the past several decades have largely been fueled by coal. Coal accounts for roughly 70 percent of China's total energy consumption, and 50 percent of total global coal consumption. During this same period, the number of civilian vehicles in China has jumped from 16 million in 2000 to near 100 million in 2015. Other sectors of the economy also experienced robust growth, such as the chemical, petrochemical, cement, and steel industries. Collectively, these burgeoning economic sectors, combined with inadequate regulation, have produced serious air quality challenges that have generated serious health issues. For example, a recent study argued that particulate matter smaller than 2.5 micrometers (PM_{2.5}) represented the fourth most significant public health threat in China, and is the leading cause of malignant tumors in China. The incidence of lung cancer has also risen nearly 500 percent in the past twenty years. Other studies have suggested that between 350,000 and a half-million people die prematurely in China because of outdoor air pollution.²⁵

Faced with internal and external criticisms that were punctuated by a series of rather embarrassing 'smog outs' beginning in 2011, the government launched in 2012 a National Plan on Air Pollution Control in Key Regions in the 12th Five-Year Plan (2011–16) that call for meeting the World Health Organization's recommended limitations on fine particles (i.e., less than 2.5 micrometers). Shortly after, in 2013, the state issued the first National Action Plan on Air Pollution Prevention and Control that mandated particulate matter less than 10 micrometers be reduced by 10 percent from 2012 levels, and the number of 'blue sky' days increase year on year during the life of the plan. Similar plans have been announced to aggressively reduce emissions of sulfur dioxide and nitrogen oxides. The impulse to decrease these classes of air pollutants has been spurred

not only by domestic health considerations, but also by international pressures as regions in East Asia, as well as the Americas, have increasing evidence of air quality degradation emanating from China. De-sulphurization, catalytic reducers, and electrostatic precipitators are all elements of China's planned investments in controlling polluting emissions.²⁶

At the level of popular discourse, there is a strong undercurrent that environmental challenges like polluted air are an unavoidable concomitant to economic expansion. Thus, as this line of reasoning proceeds, China will clean up its environmental problems once a certain level of development has been achieved (often put in terms of per capita income). The model often cited here is the historical experience of the west. Although one also hears this discourse emanating from policy actors, there is at the same time a widespread recognition at local and central levels that contemporary development need not come at the expense of degraded resources. Such a recognition is reflected in China's environmental regulatory regime of strong guarantees of resource protection. The overriding problem with China's pollution mitigation, in both the realm of air and water, is the state incapacity to compel compliance with these mandates from local governments. Faced with the responsibility for implementation of environmental mitigation, as well as economic performance, local officials often eschew responsibilities of the former in the interests of the latter.²⁷

Land Use Changes Since 1978

Perhaps the single greatest concern related to water in China is food. With just seven percent of the world's arable land, China attempts to feed roughly one-quarter of the world's population. Ensuring grain self-sufficiency requires maintaining sufficient land under cultivation with access to clean surface and sub-surface water supplies. Indeed, over half of China's farmland is irrigated. During the past several decades, estimates of China's agricultural acreage have diverged rather dramatically, but a central concern of state leaders has been to limit the impact of rapid urbanization and industrial development on land resources. But this has been a difficult task. With incessant pressures of economic development, and with the limited reach of the central government in regulating unchecked urban and industrial expansion, central mandates designed to preserve farmland have been compromised. Complicating the food security calculus has been the evolution of consumption patterns that have driven changes in agricultural production. The diets of increasingly affluent urban consumers have diversified, and while farmers have moved up the value-added production chain from grains to fruits, vegetables, and nuts. Second, larger supplies of grain are necessary to feed livestock, as urban consumers increasingly incorporate animal proteins in their diets. With available grain production for human consumption stressed by land and water constraints, and production and consumption patterns influenced by the domestic market, the challenge for China to meet

its oft-stated goal of food self-sufficiency is to maximize grain production by stabilizing agricultural acreage and by maintaining access to clean irrigation water. As late as 2008, Chinese farmers produced roughly 90 percent of the country's staple agricultural products, but the pressures of demographic expansion, as well as industrial and urban expansion continue apace.

Aggressive efforts to expand cultivation, exploit forest resources, and increase livestock grazing in arid and semi-arid areas in the northeast, north, and northwest regions of China (referred to as the Three Norths) have led to desertification. One estimate has calculated that 3.3 million square kilometers has been impacted by desertification, 34 percent of China's total land.²⁸ Desertification is one of the major sources of land degradation in China. Desertification complicates the air pollution problem in major cities as dust storms sweep across the northern belt of the country. After 1949 the government embarked on afforestation campaigns modelled on other mass movements, but similar to these other efforts (e.g., irrigation campaigns of the Great Leap Forward), lack of attention to soils, climate, and geomorphology mitigated the effectiveness of forest shelterbelts. In 1978 the government renewed afforestation efforts with the Three Norths Shelterbelt Program, which sought to increase forest coverage in arid and semi-arid regions from 5 percent to 15 percent. Set to be completed in 2050, the Three-Norths project has been widely recognized as the world's largest land conservation program. Despite recent claims by the state that forest cover has risen 10 percent, there is an increasing literature from China that suggests these claims may be overstated, and perhaps more importantly, massive afforestation efforts have generated negative outcomes. These studies suggest the rate of desertification has not been ameliorated. Indeed, an increasing consensus seems to be emerging that truly effective mitigation of desertification may only be achievable by restoring natural ecological systems to these regions.²⁹

The Potential Impacts of Climate Change

During the past two decades, the state channeled substantial money to research institutions like the Academy of Sciences to forecast the potential consequences of climate change. Of particular concern in this research agenda is the fate of precipitation, glaciers, and snowpack on the Tibet–Qinghai plateau. The melt from glaciers and annual snowfall from the region feed rivers that serve 47 percent of the world's people. There is little agreement on the precise outcomes of climate change, but a growing body of Chinese and international research suggests that the Himalayan region will be substantially affected by rising temperatures. Greater runoff will initially generate increased flows, but over the long term, runoff will decrease and other potential consequences of climate change such as reduced precipitation in the Yellow River valley and North China Plain will intensify water scarcity. According to a 2007 Chinese study, Himalayan glaciers could decline by one-third by 2050, and by one-half by 2090. The

anticipated loss of water resources would have a negative impact on China's food production. A *China Daily* (Zhu, 2010) article argued that

The impact of climate change, coupled with arable land loss and water shortages, will cause a bigger grain production fluctuation and pose a threat to reaching output targets... China, which recorded a grain output of 530.8 million tons in 2009, plans to increase output to 550 million tons by 2020 to ensure grain security for the world's most populous country. China is likely to face an inadequate food supply by 2030 and its overall food production could fall by 23 percent by 2050. (http://www.chinadaily.com.cn/bizchina/greenchina/2010-11/05/content_11509160.htm)

An important reason for China to develop these Himalayan water resources is the need to address regional economic imbalances by developing the economy of western China. State leaders see hydroelectric generation as a source of cheap energy to develop Tibet and the southwest provinces, as well as a way to send electricity to industrial centers in Guangdong Province. Both private capital markets and power generation corporations with significant state ties have capitalized on improved transportation infrastructure and technical capacities to target Himalayan rivers for the development of hydroelectric facilities. Aside from their relative distance from population and industrial centers, one could not find better prospects for power generation than these rivers. Rising high out of the Tibetan plateau, the steep gradient of these rivers provides hydroelectric potential unmatched in China. As of 2007, there were over 200 dams that were under construction, or in planning stages, in Southwest China.

China controls the 'water tower of Asia.' Asia's nine largest rivers originate on the Tibetan Plateau. Rivers from this region sustain the lives of 1.3 billion people in South and Southeast Asia. For example, over 50 percent of the Brahmaputra River flows through China, but the vast majority of use occurs downstream in India, Nepal, and Bangladesh. Similarly, the Mekong runs through China, Burma, Laos, Thailand, Cambodia, and Vietnam. In the lower basin, sixty million people rely on aquatic food sources for 80 percent of their protein needs. With such awesome hold over the resource lifeline of the region, China is faced with critical decisions about how to wield that power. On the one hand, China's sensitivities to resource dependency leads it to be 'one of only three UN-member countries to reject the notion that states have the right not to be adversely affected by activities of upstream countries. Beijing asserts complete sovereignty over resources within its boundaries.' However, unilateral development of trans-boundary waterways will come at the high cost of alienating China's neighbors, one of them in possession of advanced military capabilities. Managing its trans-boundary rivers affords China an opportunity to engage in regional development forums. One regional association with which China has had an ambiguous relationship is the Mekong River Commission (MRC), created in 1957 by riparian countries to consult on issues of common interest in river development. China is not a formal member of the Commission, but has made halting steps to share upstream flow and rainfall data with MRC members. However, it has largely been resistant to consultations involving upstream reservoir management or development plans.

The Growth of Environmental Consciousness Since 1978

Within China there has been a two-fold cultural response to the critical environmental challenges presented by the post-Mao reforms. First, a significant segment of China's political and technical elite continues to be dedicated to the allure of engineering solutions to resource issues.³⁰ One only need witness the construction of the monumental Three Gorges Dam (*Sanxia*) on the Yangtze River and the proposed South-to-North Water Diversion project (*Nanshui bediao*) that is proposed to slake North China's water shortages by massive transfer of water from the Yangtze River valley (see Figure 4.4).³¹ On the other hand, there has been a growing critique of the 20th century paradigm of modernist resource management in China that has been, in part, inspired by the post-Rio Conference (1992) consensus from an emerging global civil society sector that began to re-imagine issues of sustainability. China formally endorsed the Rio proclamation, but it was largely by non-state actions (e.g., interaction with international NGOs working in China) that environmental constituencies grew in China. Although constantly negotiating a balance between state sanction and activism, these organizations in China have grown and have helped disseminate information on large-scale disasters such as the massive Lake Tai (*Taihu*) algae bloom in 2007, and the large benzene spill in the Songhua River in 2005. Indeed, a more populist approach to environmental degradation in the last several years is suggested by growing popular protest. Disputes over water-related incidents grew from 16,747 in 1986 to 94,405 in 2004.³² Such popular reactions suggest a potential domestic source of political discontent in China.

Finally, China's global integration means that its environmental conundrum has global implications. First, although earlier attempts at exploring these implications were exaggerated (Brown), the world will feel an impact on global commodity markets as China's agricultural sector cannot meet domestic food demand. Second, as the world's largest emitter of greenhouse gases, any successful global climate change compact will be premised on the successful incorporation of China into any agreement. Last, the prospect for climate change and its impact on the precarious water resources of China has garnered the keen attention of China's policy elites. Faced with the prospect of declining snowmelt from the Himalayan plateau, China has aggressively planned to manage the water resources of the region. Such manipulation of the 'water tower' of South and Southeast Asia has ignited concerns among downstream riparian nations such as Vietnam, Burma, and India.³³

CONCLUSION

China's contemporary environmental challenges are critically shaped by geography, attitudes, practices, and institutional patterns. Reflecting population dynamics, climate change, and economic opportunities, China's hyper-anthropogenic



Map 9 - Chapter 6: South to North Water Diversion Project

Figure 4.4 South-to-North Water Diversion Project

Source: *The Yellow River: The Problem of Water in Modern China* by David A. Pietz, Cambridge, MA: Harvard University Press, Copyright © 2015 by the President and Fellows of Harvard College. Reprinted with permission.

landscape left a legacy to the modern period of a technological commitment to re-arrange and manage resources to maintain the agricultural foundations of a large population, and the elimination, or at least profound reduction, of much of the natural vegetative cover of the land that led to a constant struggle with erosion, desertification, and sedimentation of waterways. These historical phenomena, and the constraints they suggest for contemporary realities, are perhaps not unique to China. Indeed, one can identify long-term processes of biological degradation and ‘elimination of biological buffers’ in a variety of historical contexts.³⁴ What perhaps distinguished China, however, is scale and, in the contemporary period, its global footprint. As a result of both historical anthropogenic change and resource endowment, China’s per capita levels of land are 36 percent of world levels, forest resources 13 percent, and water supply 25 percent.³⁵ In light of its population and its economic power it is clear that the precarious environmental basis of contemporary China suggests a certain exceptional situation. Historically, China has summoned technological and administrative innovation to reach new ecological equilibria. Such innovation will again be necessary for current disequilibria, but the consequences will have a global impact.

China's environmental challenges, acutely shaped by geographic realities, implicate national, regional, and global security dimensions. Internally, water, air, and land challenges will continue to shape economic growth in China. In turn, the health of the global economy depends on a vibrant Chinese economy. The potential consequences of environmental degradation can have an impact on political stability. Environmental frustration can be one component of a suite of grievances that can collectively contribute to political instability. A politically unstable China unquestionably translates into an entire host of concerns for global security. At the regional and international levels, global climate change will likely condition China's relations with South and Southeast Asian countries, as the challenges of managing these relationships are accentuated by the diminishing water resources of the Tibetan–Himalayan region. Incorporating China into governance organizations such as the Mekong River Commission can help stabilize this region. Globally, continued economic expansion, coupled with demographic growth and climate change, may intensify resource constraints and environmental challenges. Indeed, all these dynamics have motivated both domestic and international actors to recognize the critical importance that China can play in international agreements designed to advance local, regional, and global environmental health.

Notes

- 1 For more on borders between China and neighboring states, see Nie Hongyi, 'Explaining Chinese Solutions to Territorial Disputes with Neighbour States,' in *Chinese Journal of International Politics* 2:4 (2009), 487–523.
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- 4 For this and more on China's north–south water divide see David Pietz, *The Yellow River: The Problem of Water in Modern China* (Cambridge, MA: Harvard University Press, 2015), 20–25.
- 5 For Xinjiang climate see 'Climate: Xinjiang' (<http://en.climate-data.org/location/59096/>), accessed 05/20/2016.
- 6 See W. She, 'Hu Huanyong: Father of China's Population Geography,' in *China Population Today* 15(4):20 (August 1998).
- 7 For more on Skinner's regional systems approach see 'Presidential Address: The Structure of Chinese History,' *Journal of Asian Studies* 44:2 (Feb. 1985), 271–92.
- 8 World Bank, 'World Development Indicators' (<http://databank.worldbank.org/data/reports.aspx?source=2&country=CHN&series=&period=>), accessed 05/24/2016.
- 9 For more on the 'Water Tower of Asia' see David Pietz, *The Yellow River*, 318–19.
- 10 The Uighurs are not the only large non-Han Chinese group in northwest China. The majority of China's 10 million Hui ethnic group, most of whom also practice Islam, also reside in the region.

- 11 See 'Thirst for Water: Russia to Send Freshwater to Drought-Stricken Chinese Region,' RT (<https://www.rt.com/business/341693-russia-supply-water-china/>), accessed 05/25/2016.
- 12 World Bank, *China Quick Facts*, (<http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/EASTASIAPACIFICEXT/CHINAEXTN/0,,contentMDK:20680895~pagePK:1497618~piPK:217854~theSitePK:318950,00.html>), accessed 14/06/2011; Christine Boyle, *China's Water Quality Calamities*, www.wilsoncenter.org/sites/default/files/waterborne_Aug07.pdf.
- 13 See William Kirby and Dayong Niu, eds., *China and the World: Internationalization, Internalization, Externalization* (Zhongguo yu shijie: guojihua, neihua yu waihua), (Beijing: Hebei People's Press, 2007).
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- 15 Robert Weller, *Discovering Nature: Globalization and Environmental Culture in China and Taiwan* (Cambridge: Cambridge University Press, 2006), 59.
- 16 Frank Dikötter, *Mao's Great Famine: The History of China's Most Devastating Catastrophe, 1958–1962* (New York: Walker and Company, 2010), 47–48.
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- 18 Peter Ho, 'Mao's War against Nature? The Environmental Impact of the Grain-First Campaign in China,' *The China Journal* 50 (July, 2003), 54.
- 19 For recent analyses of the Great Leap Forward that point to higher mortality see Frank Dikötter, *Mao's Great Famine*; and Yang Jisheng, *Tombstone: The Great Chinese Famine, 1958–1962* (New York: Farrar, Straus and Giroux, reprint edition, 2013).
- 20 See Elizabeth Economy, *The River Runs Black: The Environmental Challenge to China's Economy* (Ithaca: Cornell University Press, 2005).
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- 22 For other demographic data and its impact on water see Jerry McBeath and Jenifer Huang McBeath, 'Environmental Stressors and Food Security in China,' *Journal of Chinese Political Science* 14 (2009), 49–80.
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- 24 Elizabeth Economy, 'Asia's Water Security Crisis: China, India, and the United States,' in Ashley, J. Tellis, Mercy Kuo, and Andrew Marble, eds., *Strategic Asia 2008–2009: Challenges and Choices* (Seattle: National Bureau of Asian Research, 2008), 373.
- 25 See 'China Tackles the Health Effects of Air Pollution,' *The Lancet*, 382 (December 14, 2013), 1959–1960.
- 26 *Ibid.*; also see Wang Xuxia and Hao Jiming, 'Air Quality Management in China: Issues, Challenges, and Options,' *Journal of Environmental Sciences* 24:1 (2012), 2–13; and Qiang Zhang, et al., 'Cleaning China's Air,' *Nature* 484 (April 12, 2012), 161–62.
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- 28 For more data, see Cao Shixiong, 'Why Large-Scale Afforestation Efforts in China have Failed to Solve the Desertification Problem,' *Environmental Science and Technology* (March 15, 2008), 1826–31.
- 29 *Ibid.* Also see X.M. Wang, et al., 'Has the Three Norths Forest Shelterbelt Program Solved the Desertification and Dust Storm Problems in Arid and Semiarid China?' in *Journal of Arid Environments* 74 (2010), 13–22; and 'Excessive Reliance on Afforestation in China's Arid and Semi-Arid Regions: Lessons in Ecological Restoration,' *Earth-Science Reviews* 104 (2011), 240–45.
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PART II

Economic Transformations: Introduction

Weiping Wu



In just over forty years, China's economy has undergone seminal transformations. Market institutions born out of reform policy now are the backbone. Domestic markets – capital, labor, goods, among others – have become increasingly complex. Unsurprisingly, rigorous academic investigation has ensued. Contributions to this section assert historical and analytical findings as a means to define conditions of marketization, addressing topics related to state-owned enterprises (SOEs), the rural economy, labor and financial systems, foreign investment, technology and innovation, and sustainable growth.

PATTERNS IN THE LITERATURE

The foremost subject is the tension between pro-market and pro-growth policy as weighted against the CCP's core socialist ideology. This is reflected, for instance, in the changing role of SOEs. Despite their historically inefficient and unprofitable nature, SOEs remained an important economic construct, granting the state more granular management over the domestic economy. This level of control effectively promoted the economic 'best interest' of the populace through bolstering macro-economic stability, among other means. Even after the number of SOEs was considerably thinned and reoriented towards profitability, many of

the remaining enterprises have maintained, in some form, the burden of ‘corporate social responsibility’ in addition to corporate bottom line, as pointed out by Gary Jefferson (Chapter 6).

The management of natural resources, as well as the environment, also illustrates a commitment, in some capacity, to curtail economic growth in order to assert public wellbeing. Throughout the post-reform period (2005–present), central and local governments have established a host of regulations regarding energy consumption, pollution mitigation, and environmental protection more broadly that restrict the economic capacity of domestic firms. Government actively manages industries that are energy or pollution intensive, as illustrated by Jo Inge Bekkevold and Øystein Tunsjø (Chapter 12), in order to minimize negative externalities and incentivize local governments to promote reduced energy consumption among individuals and businesses (Zheng and others 2014). In addition, attention has been drawn to the conservation of China’s forested areas and other environmental assets. Nonetheless, the foremost objective of all levels of government remains continued economic growth.

A similar tension lies in the entanglement of market institutions in Maoist holdover and protectionist policies. As products of China’s gradualist reform, many of the latter were designed to insulate the domestic economy from shocks produced by market transition and external exposure, which unsurprisingly compromise efficiency to some degree. Although some have been modified to be less cumbersome to market exchange, the effects of protectionist tendencies on financial and labor markets are evident. Institutional vestiges of Maoist China, as shown by Jenny Chan, continue to distort the country’s labor system (Chapter 8). Regulatory impediments, primarily *hukou*-related employment restrictions, have segmented the market, limiting its capacity and efficiency in addition to entrenching the urban–rural divide (Fan 2002). Scholars have also linked latent labor market problems to flaws in the country’s educational system, specifically disparities between the provision and accessibility of higher education. Likewise, Maoist holdover impedes the country’s financial markets. The slow and precautionous establishment of financial institutions – equity, bond, and interbank markets – has given way to considerable growth in financial markets. However, Min He and others caution that the expansion of these markets should not overshadow the inefficiencies long identified in the literature (Chapter 10). In addition, financial institution regulations are not conducive for wealth diversification; outside of money, and to an extent real estate, those looking to cache capital have few options.

The third pattern charts the implications of contemporary China’s burgeoning status within global economic and political systems. Abandoning its historically insular stance, China has established an increasingly assertive regional presence, and has become a preeminent global player. Identified by the central government as a matter of national importance, the pursuit of resource security, particularly fresh and ocean water rights, has engendered contentious relationships between China and East, Southeast, and South Asian regions (Chapter 12). Extensive

Chinese hydroelectric projects (existing and proposed) on several rivers, most importantly the Brahmaputra and Mekong, have sparked tension with countries that share these water resources: India, Bangladesh, Laos, Thailand, Cambodia, and Vietnam, among others (Biba 2012). Resource security has also led China to pursue resource diplomacy, coupling economic and political motivations, with numerous resource-rich countries in Asia, Africa, and Latin America (Chapter 12). Recently, China has established economic ties, the lion's share of which could be characterized as natural resource motivated, with the majority of countries on the African continent (Brautigam 2011). In addition, state-owned and private Chinese agriculture firms have become involved in a considerable number of overseas farming operations, primarily in the global south (Freeman and others 2008).

In a reverse direction, as Chinese markets become increasingly hospitable to global capital, foreign direct investment (FDI) has come to serve as an important conduit for international economic engagement. Yasheng Huang points out that FDI was an integral component of market reform success, especially within pioneering Special Economic Zones (Chapter 9). FDI has been particularly effective at intensifying economic exchange between China and overseas Chinese populations, specifically those in Hong Kong, Macau, Taiwan, and Singapore. It also increases China's capacity to compete in the global economy.

CONSISTENCIES

A series of structural consistencies have helped form the country's political economy and are intrinsically linked to the study of market reform. These themes are fundamental to a comprehensive understanding of current socioeconomic research. First, much of reform policy at its core has been consistently driven by objectives deemed necessary for economic growth. Socioeconomic necessities – the eradication of rural poverty, establishment of private enterprises, and creation of a labor market, among others – have played an immense role in shaping reform agendas. As expected, policy created to address these issues impacts institutions and populations far beyond those of the initial objectives. Early on, for instance, the central government's goal of raising rural productivity precipitated formative reform policy that would come to significantly affect the course of development for the entire country.

The need to secure capital for Chinese companies has been the primary driver of the bulk of financial regulations, and has contributed significantly to the establishment and growth of market institutions. Early on, procurement of financial, intellectual, and technological capital led to the formation of pathways for FDI to domestic firms (Chapter 9). As market reform progressed, the enduring need to finance China's burgeoning private sector has led to the gradual relaxation of equity markets; most shares on both Shanghai and Shenzhen exchanges have been transformed to enable tradability of this equity (Chapter 10).

As the economy's foundation of low technology, labor-intensive manufacturing continues to erode, the central government has found itself with few options but to reorient the economy in order to avoid a potential slow-down. Recently, it has made considerable strides in enabling the formation of a service and information economy based on innovation, as shown by Albert Hu (Chapter 11). Promotion of innovative modes of production has proliferated the expansion of infrastructure for intellectual property rights management (World Bank 2017). The policy implications of fulfilling the need for innovation have also affected change within the realm of domestic knowledge creation; over 3,500 public research institutions have been restructured and reinvigorated as a direct result (Jiang and others 2016).

The second consistency charts the fundamental importance of the dual track system. This system allowed for the characteristics of planned and market economies to coexist, allowing for continued state control over certain aspects of the economy while others became privatized. Relative to marketization in the former Soviet Union and Eastern Europe in the 1990s, Linda Yueh shows that China's dual track system was critical in the highly successful market transition by allowing for gradual implementation of reform policy and experimentation among local governments (Chapter 5). The dual track also was pivotal in granting local governments the agency to implement policy objectives while allowing the central government to retain the ability to maintain socioeconomic stability.

China's unique trajectory of market reform, on the other hand, has produced continued growth of a shadow banking system, a third feature recognized across scholarly inquiries. In addition to being the source of a host of potential problems for the state and the national economy, the proliferation of shadow markets signals significant structural deficiencies in banking and market institutions, with a broad range of implications (Elliott and others 2015). Most obviously, the magnitude of shadow market systems has serious potential to destabilize the economy. Off-budget exchange also deepens the already considerable economic inequality among different regions. Specifically poorer regions receive a disproportionately small portion of the benefits of shadow market systems. Unregulated in nature, the mitigation of these problems, and many others, through formal channels has proven difficult.

CONTRADICTIONS

The literature on China's economic transformation presents multiple divergent areas of discourse. Scholars tend to hold contending views of characteristics of various market institutions. As with much of the research on China, incomplete data sets and inconsistent data collection methods compound uncertainties. The first concerns rural China, unquestionably disadvantaged relative to urban areas. A host of indices point to the disparity – markedly lower incomes and poorer

health, inferior provision of social services and education, less economic vitality and quality of life, among others (Knight and Song 1999). This said, rural areas have been critical to the development of market socialism and have many times been the focus of more progressive reform policy than their urban counterparts. Two programs stand out: the household responsibility system produced a boom in agricultural productivity and freed surplus labor from agricultural production; subsequent excess capital and labor fueled the growth of township and village enterprises and, soon after, the factories of thriving coastal cities. Echoing many scholars, Susan Whiting and Dan Wang posit that China's industrialization has been launched and sustained from the rural population (Chapter 7). In addition, a considerable amount of rural reform preceded urban reform. Components of China's dual track system were experimented with first in rural areas, most importantly the managerial responsibility system, which furthered marketization of SOEs (Chapter 5). The practice of testing progressive policy in rural 'trials' illustrates the reformist strategies of experimentation and decentralization; to that end, this structural methodology grants extensive agency, in terms of implementation, to local governments.

Second, scholars have presented a multitude of efficiency-related conclusions, often conflicting over the magnitude or characteristics. The most fundamental of them contests how efficient Chinese markets have become since reform began. Others question the effect of fiscal decentralization on the growth of the national economy. There is also debate on the implications of farm size on agricultural productivity, which gets to the core or perceived problems with (and proposed solutions to) inefficiency in agriculture. These diverging views highlight the condition of market reform and contemporary China's political economy as one that is essentially unfamiliar, and thus undefined to scholars and open to interpretation.

AVENUES FOR FUTURE RESEARCH

Although the central government has taken great strides to eliminate, convert, or consolidate the state sector and contemporary scholarship has regularly scrutinized their poor performance, SOEs continue to command a significant portion of the Chinese economy (Chapter 6). Sustained attention is needed to study the effects that SOEs might have on the private sector as growth slows. In addition, the literature suggests that the historical role of SOEs as a vehicle for macro-economic stability will likely continue to diminish. The government's prolonged reconciliation of its desire for granular management of the economy and the pressure to leave many of those decisions up to the market provide ample opportunities for further investigation.

The rise of agribusiness, a more recent development, is another avenue for further research. Today, China's rural areas, most of which are still composed of small family farms, constitute some of the world's most densely populated

non-urban landscapes. Given the concern for food insecurity and shortage of arable land, the maximization of agricultural productivity has become a matter of national importance (Chapter 7). Consolidation of rural land for large-scale, and presumably more productive, agriculture has become a priority and begun to promote land transfers from rural households to agribusinesses (Zhang and Donaldson 2008). The socioeconomic effects of the emerging agricultural industry are under-represented in the literature, particularly the impact on agricultural productivity and issues of food security, as well as the effect on the livelihoods of the rural population and rural landscapes, among others.

In light of China's growing real estate bubble, many scholars are beginning to show concern over potentially destabilizing fallout from exorbitant levels of FDI from overseas Chinese firms. Among large economies, China is one of the foremost recipients of FDI, relative to its GDP. Over half of the country's FDI originates from overseas Chinese majority countries: Hong Kong, Taiwan, Macau, and Singapore, and is bound frequently for speculative real estate development (Chapter 9). There is opportunity for further analysis of the implications of overseas Chinese investment, especially in relation to the real estate market, and the means for mitigating effects of overheating. Somewhat related, as to the financial markets, scholars consider the explicit government intervention taken during the 2015–16 Chinese stock market scare to be imperative in preventing a full-blown financial crisis. The nature and impact of such interventions also warrant more attention.

Finally, analysis of China's political economy vis-à-vis the global economic system and the 'middle income trap' more specifically is under-represented in the literature. Although household income has risen dramatically, this trend has slowed significantly in recent years (Chapter 5). As China, Brazil, and other countries continue to occupy the 'middle income' range, there is concern among many economists and scholars that China may be systematically trapped at this level of income, unable to successfully implement the economic development necessary for higher per capita GDP. Some preliminary investigations stress the importance of understanding how various institutions, such as the domestic financial system and SOEs, affect marketization, which is seen by most scholars as a requisite for economic growth. There is opportunity for additional investigation of this issue as well as possible mitigation of stalling per capita GDP.

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Evolution of Market Reforms

Linda Yueh

INTRODUCTION

Market-based reforms in China are characterised by the principle of gradualism (Yueh 2013). Since 1979, China's transition from a centrally planned economy has been experimental and incremental in nature, with only a partial dismantling of the state-owned sector. Alongside top-down central policy dictates, at the same time, there has also been a large degree of decentralisation of policymaking and enterprise-level decision making, coupled with a covertly permissive attitude towards experimentation (Naughton 1995). This latter aspect was seen at the inception of the reform era in the creation of Special Economic Zones (SEZs), which began in coastal areas as market-driven export processing zones, but quickly spread nationwide. China also implemented a 'dual track' reform process which permitted the growth of the non-state sector alongside the state sector, via an initially limited allowance of private economic activity (Fan 1994). The dual track resulted in transfers from the non-state sector which supported the declining state sector, so that partial reforms can eventually result in a melding of the two tracks without generating macroeconomic instability. In other words, the creation of a parallel track of private companies alongside mainly loss-making state-owned enterprises (SOEs) enabled transfers from the profitable enterprises to the state-owned ones that sustained economic and social stability, as SOEs provided a social safety net (Bai et al. 2000). This support of SOEs prevented large-scale unemployment alongside the reform of the state-owned sector through the initial reform period – at least until the late 1990s. This has

also led to a perception of China's reform path as being one 'without losers' – at least in its early stages (Lau, Qian, and Roland 2001).

For China, the driver of reform was, and is, economic necessity, but not dire need because China did not experience the same dramatic declines experienced in other transition economies on the eve of reform in 1979. For instance, the need for foreign direct investment (FDI) and technology meant that China experimented with opening up to the global economy at the very start of the reform period.

Moreover, the maintenance of stability – societal and political – has long been a paramount requirement as the reforms proceeded. The gradualist approach requires sufficient control over the process of liberalisation itself so that the marketised or even privately owned segments do not overwhelm the pre-existing state-owned parts of the economy. If instability should occur, then the 'Big Bang' transition of the former Soviet Union might ensue, which has proved to be destabilising, though perhaps theoretically more efficient by removing the inefficient state-owned sector from the beginning (Murphy, Shleifer, and Vishny 1992).

China faced a further challenge in establishing a market economy. From a theoretical vantage point, it is generally accepted that a market economy requires property rights and sanctity of contract (or enforcement of contract) in order to operate efficiently. Notwithstanding these anomalies in the China case (Allen, Qian, and Qian 2005), part of the rationale for the development of a formal legal system in the late 1970s was to create the substantive and institutional basis for a well-functioning market economy and enable commercial disputes to be resolved in an orderly and predictable manner. The massive inflow of foreign direct investment starting in the early 1980s – and the expectations of foreign investors – was a significant driver in the formation of a commercial legal system (Yueh 2011). This was exemplified by one of the first six major laws promulgated in 1979: the 'Law on Chinese–foreign Equity Joint Ventures'. Realising that foreign investors needed legally defined investment vehicles, various joint venture laws were adopted to facilitate economic growth via opening to international trade and investment, all the while limiting the reach of FDI to Special Economic Zones and keeping the new institutional form out of the reach of private Chinese businesses (Huang 2003). The influence of foreign expectations has become even more relevant with the phenomenon of Chinese corporate issuers seeking financing on international capital markets, the fast growth of FDI after service sector liberalisation with World Trade Organization (WTO) accession in 2001, and the notable interest in portfolio investment in the Chinese capital market in the 2010s.

These themes of maintaining stability while addressing economic necessity characterise the policy-led reform of the state-owned sector and the subsequent development of a private sector. While permitting reforms as a vehicle for achieving growth, the new legal system provided a critical institutional basis for contract

enforcement and dispute resolution (Yueh 2011). For instance, the collectively owned township and village enterprises (TVEs) in rural areas arose due to the need for light industrial goods after decades of heavy industry-biased central planning and as an avenue to absorb surplus labour in the agricultural sector, one of the key challenges for a developing country like China (Oi 1999). Permitting the institutional corporate form of TVEs pursuant to laws and regulations governing such publicly owned enterprises allowed the economy to generate economic growth without incurring instability since TVEs also served the dual purpose of reallocating labour.

It's a similar path for state-owned enterprises. The reform of SOEs starting in the early to mid-1980s followed from the lack of competitiveness of the SOEs. Those reforms were then 'legalised' in 1988 with the promulgation of an SOE Law (Law on Industrial Enterprises Owned Wholly by the People), already somewhat out of date at the time of promulgation.

In the 1990s, permitting corporatisation under the rubric of 'share experimental' enterprises was meant to make Chinese firms more efficient and ameliorate the adverse internal incentives whereby state-ownership weakened the profit motive (Jefferson and Su 2006). These policy initiatives were supported first by local level regulations governing local establishments of companies limited by shares, then national standards for the same legal form, and only rather late in the day by the promulgation of the Company Law in 1993, which was completely amended in 2006 to reflect a seriously altered environment with the WTO opening in 2001.

Once private firms were a significant part of the landscape, which occurred gradually under the dual track reform system, there was a need for rules to govern them. So, the reform of the Contract Law in 1999 subsumed the various corporate laws that had governed foreign firms separately from domestic ones, so that one legal regime governed all firms by the 2000s. Similarly, recognising *getihu* or self-employment or sole proprietorships was necessary to ease the impact of the large-scale redundancies from SOEs and facilitate the emergence of a dual track of private economic activity in the mid and late 1990s (Yueh 2011). The 1999 Contract Law also, for the first time, granted individuals and not just legal entities the right to contract and gain security in entering into economic transactions.

Furthermore, after WTO accession and the promised opening of the service sector, China adopted a series of regulatory measures (Lardy 1998). These were also passed to try and address the non-performing loans in a weak banking sector, which is often a source of macroeconomic instability in transition economies. The new regulations were overseen by a trio of agencies: the China Banking Regulatory Commission (CBRC), China Securities Regulatory Commission (CSRC), and China Insurance Regulatory Commission (CIRC), which provided an institutional base for the governance of the developing financial sector (Yueh 2011).

In each instance, economic necessity drove policy reform, while also requiring stability so that a market could come into being and develop. Not only the Company Law, but the Mergers and Acquisitions (M&A) Law of 2003, the

Bankruptcy Law of 2006 (significantly revising the previous law of 1986 that pertained to SOEs), and the Anti-Monopoly Law passed in 2007 all established the bases for more complex market development to bolster economic reforms that relied increasingly on governing a decentralised economy. For instance, after the passage of the M&A Law, China's first overseas commercial investments and acquisitions took place, e.g., TCL acquiring the RCA brand from Thomson in 2004 and Lenovo's purchase of IBM's PC business in 2005. Similarly, regulators like the CSRC, CIRC, and CBRC led reform of capital markets by enacting regulations, such as the 2010 rules allowing shorting of stocks for the first time on the stock exchanges. This pragmatic approach to reforming the market context has characterised the multiple facets of China's transition into a market-based economy since 1979.

ECONOMIC TRANSITION

From the start of the reform period, the policies of the 1980s were propelled largely by economic necessity to reform the inefficient state-owned sector and raise productivity in order to generate economic growth (Naughton 1995). These included the allowance of TVEs as part of rural reforms at the end of the 1970s and the 1982 Household Responsibility System (HRS), which gave farmers incentives to produce by allowing them to retain profits after meeting their quotas (Oi 1989).

The 'no encouragement, no ban' approach to market-oriented reforms described by Naughton (1995) was nowhere more apparent than at the start of rural reforms. The HRS was initially banned until it was widely practised by farmers. TVEs arose to sell light industrial goods neglected by urban SOEs and also became a source of absorption of surplus labour in agriculture. The issue of surplus labour in rural areas, particularly in agriculture, was pressing, particularly before the gradual loosening of such migration controls in the 1990s. TVEs served to employ workers such that 10 per cent of rural employment in the late 1970s and early 1980s were in those rural industries, which rose to one in five in the 2000s.

The combination of instilling incentives in farmers by allowing them to retain and sell at market prices output above the quota (the pre-determined amount to be remitted to the state) and rural industrialisation with TVEs producing what SOEs were not mandated to produce helped generate remarkable growth in the early 1980s such that China's take-off indeed started in the rural areas (Oi 1999).

The success of these initiatives, which modified the communal property precept in various ways, propelled the Chinese authorities to begin to improve the property rights system, albeit very gradually, to sustain the momentum of growth (Jefferson and Rawski 2002). In 1984, a land lease programme was trialled. Two years later, the Land Administration Law was passed that formalised the leasing

system that had been negotiated in 1984 with farmers. It extended the leasing of land from five to 15 years initially, which slowly enhanced the land security that should increase the incentive to improve the land and bolster agriculture production while keeping ownership in public hands.

This 'dual track' – whereby the administrative track exists alongside a new market track – became the model adopted in 1984, known as the 'Dual Track (Plan and Market) System', and was applied to SOEs to incentivise their output. The Third Plenum of the 12th Party Congress implemented the dual track pricing system and gave SOEs autonomy to sell above quota output at market prices and retain the proceeds for profit. A profit tax was introduced to replace the remittance of profit to the state. This Contract Responsibility System (CRS) relied on managerial responses to the link between pay and firm output and gave SOEs some leverage over managers, including the payment of bonuses. Interestingly, not only was the 'dual track' system modelled on the rural reforms, the managerial responsibility system adopted in 1985 and 1988 in urban areas was also trialled in rural areas. In 1982, the Ministry of Commerce issued regulations allowing farmers to participate in the selection of cooperative managers and to receive dividends from profits.

Urban reforms thus began in the mid-1980s and were initially considered to be successful in creating a profit incentive in SOEs that were otherwise used to producing to a plan (Groves et al. 1995). Following on, the late 1980s also witnessed a trend of liberalisation geared at supporting the partially reformed market. In 1985, direct banking was permitted. Bank loans replaced central government grants to SOEs to make investment decisions more responsive to market signals. Previously, SOEs would ask for funds, with a tendency toward over-investment as the true cost of the capital was never realised. In 1986, the General Principles of Civil Law was passed. The statute was intended to provide the basic legal principles for operating in a market economy. However, it failed to provide for important areas of law, such as contract, tort, and property. There was a 1981 Economic Contract Law pertaining to transactions between SOEs, but it was largely ineffectual in governing beyond that narrow relationship. For instance, the Economic Contract Law did not apply to private firms like *getihu* until 1993, when it was amended. Instead, the Civil Law provided the principles under which sole proprietors operated. In 1986 the Bankruptcy Law was passed, with the goal of improving SOE performance by instilling the threat of closure. However, this disciplining device was ineffective since the state was the ultimate owner who would rescue a failing SOE for reasons such as preserving employment. The overhaul of the bankruptcy regime in 2006, when there were non-state enterprises which needed legislation governing bankruptcy, was unsurprising.

The creation of a market track led to the recognition in the 13th Party Congress in 1987 that private economic activity was a necessary supplement to the state sector. The non-state track, which included foreign firms, was the source of the growth that generated the transfers which enabled the gradual reform of SOEs

(Jefferson, Hu, and Su 2006). Otherwise, more dramatic steps would have been needed given the extent of the losses within the inefficient state system. However, the recognition granted to private firms was grudging at best. In 1988, the Constitution was amended to reflect the existence of a private sector. Alongside that amendment, the Provisional Regulations on Private Enterprises were passed, which allowed certain persons (farmers, urban unemployed, retired) to form private enterprises. That law offered very little in terms of allowing private firms to develop, but rather viewed such businesses as supplementary to the primary state-controlled economy. Nevertheless, during the 1980s, although halting, China's economic transition was underway.

The push for a corporate law in China arose out of necessity too, so as to provide an institutional form for the corporatisation of SOEs, transforming them into shareholding companies (some of which became publicly listed) as the preferred alternative to mass privatisation by voucher or other means used largely unsuccessfully in other transition economies of the former Soviet Union in the early 1990s (Lau, Qian, and Roland 2001). The rapidity of those reforms was never to China's taste. China had started reforms in the previous decade and did not subscribe to the mass privatisation adopted in those countries during that time, and thus avoided the subsequent decade of negative growth in Eastern Europe and the former Soviet bloc.

The creation of the stock markets in Shanghai and Shenzhen in 1990 and 1991, respectively, provided the bourses upon which 'share issue privatised' firms could list and become publicly traded. The particular nature of these reforms meant that the state did not give up all ownership; rather, the partial reform which permeates China's overall transition is also found here. However, SOE inefficiency took a toll on the state-owned banking system, funding their losses, and resulted in significant amounts of non-performing loans (NPLs) in the banks, made worse by the increased competition from a burgeoning non-state (private, TVE, and foreign invested enterprise (FIE)) sector.

By the early 1990s, an estimated two-thirds of all SOEs were loss-making (Fan 1994). The initial success of the CRS had faded. Although output had been stimulated by the 'dual track' system whereby above-quota output could be sold and retained as profit and generated higher wages for managers and workers, the lack of reform of inputs meant that inefficiency reigned. The 'soft budget constraints' which characterised SOEs in that state ownership meant that although output was incentivised, there was no curbing of the reliance on the government to provide cheap capital and allocated labour. To a large extent, the 'multi-tasking role' of SOEs where they aimed to maximise profit but also to maintain full employment in the economy meant that state support was expected (Bai et al. 2000). Higher output growth instead created a perverse incentive to demand ever more inputs with which to produce output. In other words, SOE output may be growing but inefficiencies were worsening, leading to significant losses requiring state support that generated NPLs in the state-owned banking system which were estimated at around a staggering one-third of GDP in the 1990s (Fan 2003).

A product of the gradual transition is that the stock exchanges are unusual institutions that reflected the partial reform tendencies of the state. As a compromise of sorts to retain state ownership, the stock market had several classes of shares: state shares, legal person shares, and common shares. State and legal person shares were not publicly tradable so that state ownership could be preserved. Legal person shares could only be held by legal person institutions or corporations, which referred to state institutions like the state pension fund or state-owned enterprises. The floating or tradable common shares were further divided into 'A' shares denominated in RMB for domestic investors and 'B' shares which are for foreign investors. Unsurprisingly in the presence of considerable capital controls, the 'A' share market dominated while foreign investors were not allowed to participate in the main share market until after WTO accession. In 1997, with the handover of Hong Kong back to China from the British government, 'H' shares listed in the Special Administrative Region (SAR) of Hong Kong formed a further class of stocks. All shares had the same voting rights, but two-thirds of the mainland market were non-tradable as a result of the large amount of state and legal person shares.

That was not the only anomaly of the exchanges. It was only SOEs which could be listed in the early days of the bourses and it was not until 1998 that the first five privately controlled firms were traded. Even those SOEs which undertook initial public offerings (IPOs) were selected by governmental authorities, so that the emergence of publicly traded companies was gradual (Sun and Tobin 2009). Provinces were granted annual quotas to select SOEs for listing. IPOs meant the ability to raise capital and tap into the rapidly growing amount of household savings in China that was confined to domestic investment due to external capital controls. With the housing market not privatised until 1998, the stock market became the preferred avenue for asset investment, rising steadily throughout the 1990s despite their rather odd complexion. Nevertheless, they served the purpose of facilitating SOE reform in that share issue privatisation (SIP), including publicly traded corporations, was underway by the early 1990s.

This gradual reform of SOEs occurred during a period of greater market liberalisation. Starting in the late 1980s and early 1990s, China's wholesale and retail markets were increasingly freed from state control. The growth of TVEs in this segment and increasingly of *getihu* (sole proprietors) operated alongside SOEs.

The consumer market began to develop around this time. In 1992, food prices were no longer administered and the end of the 'dual track' pricing system was evident. This stands in stark contrast to the food vouchers that had existed until then. The development of this market was undoubtedly related to the 'open door' policy taking off (discussed in a later section) and the incursion of multinational firms into sectors such as the mobile and telecommunications market supplying phones and services to a burgeoning middle class in urban areas. The fast growing domestic market further attracted a different type of foreign investment, with wholly foreign-owned enterprises (WFOEs) as another FDI vehicle more geared

at retail establishments like food stores (as compared with manufacturing joint ventures or JVs) gaining in importance (Yueh 2010).

However, maintaining stability and domestic industrial capacity meant that certain industries, such as automobiles, were still allowing FDI restricted to joint ventures (JVs). This ongoing concern about technology and industrial strength was evident since the mid-1990s' focus on gaining technology and developing the institutional bases for competitive industries that increasingly included better legal protection of property rights and contracts.

By the mid-1990s, marketisation and the legal reforms accompanying the developing market economy had begun to take hold. The government juggled several aspects of this process, including speeding up the reform of SOEs that included full privatisation for the first time, as well as securing better property rights to foster innovation and develop a sounder legal footing for its expanding non-state owned enterprise sector (Yueh 2013). At the same time, China was nearing the end of its 15 year negotiation to enter the WTO, which offered not just trade benefits but also required certain legal reforms such as transparency of laws and adoption of an international IPR system, adding even more urgency to the evident intent to promote more domestic capacity for innovation and industrial upgrading and accessing foreign know-how to raise domestic productivity, which is covered in a later section.

LABOUR MARKET REFORMS

It wasn't just enterprises and capital markets; the other factor market crucial to economic growth also underwent significant change.

As part of economic reforms in urban areas which were intensely implemented after 1984, the labour market was reformed, including yielding more discretion to enterprises for wage setting and permitting the retention of profits. Before the 1980s, state labour agencies exercised a virtual monopoly over the allocation of urban labour (see e.g., Bian 1994). Governmental planning, rather than the market, dictated the supply of and demand for labour. Allocations to enterprises were aimed at avoiding unemployment. Job assignments were made without much reference to the needs of enterprises or the characteristics of workers. The initial job assignment was crucial as the first job was typically the only job, the so-called 'iron rice bowl'.

When reforms started in the mid-1980s, the state monopoly of labour allocation was replaced by a somewhat more decentralised system. Central and local labour authorities continued to plan the labour requirements of state and large collective-owned enterprises and remained responsible for the placement of college graduates. However, labour exchanges began to be established for the registration of job vacancies, job placements, and training. By the 1990s, recruitment quotas for state enterprises were abolished and firms were largely allowed to choose their employees.

In the latter part of the 1990s, the attempts to resolve the problem of inefficiency in the state sector included downsizing and layoffs of workers by a quarter or more within five years (1997–2001). This was a drastic change from the official policy of full employment. *Xiagang* workers were laid-off workers who were officially registered as part of their enterprise or work unit, but did not go to work or receive a wage. They remained on the books of the firm and received a low income (funded in three parts – by the employer, the local government, and the unemployment insurance scheme), but did not have to work. *Xiagang* employees retained their status for three years, or less if they were recruited by another registered urban employment unit. Although all were registered as *xiagang* by their work unit and officially entitled to minimum income support, some workers often did not receive any such support in practice.

This classification was newly created as part of the five year restructuring programme of reforming inefficient SOEs begun in 1997. These layoffs epitomise the reforms in the labour market from the mid to the late 1990s related to labour market and wage reforms. These labour market reforms paved the way for the labour market to be largely market-driven in the 2000s, where even the household registration or *hukou* system that had prevented official migration between provinces was relaxed such that a private employment system could take hold in China.

Accompanying the reform of the labour market, there was a series of wage reforms. In 1985, the Ministry of Labour determined that the budget to be allocated for wages would be linked to the economic performance of SOEs and collectively owned enterprises. It was to be measured by enterprise profitability or a combined indicator of economic returns. The indicators would vary by region and reflect local economic conditions, such as unemployment, the consumer price index, and regional growth. The goal was to provide profit-oriented incentives. Under the previous system, these enterprises turned over all profits to the state and paid workers with wages redistributed by the state. Except for a small amount of bonus funds linked to limited above-quota output, there was little incentive to be profitable. With these reforms, however, wage budgets were linked to an enterprise's profitability and performance. Basic wages and profit quotas were projected from an enterprise's performance from the previous three years and the firms were allowed to retain, after taxes, above-quota profits for investment in plant capacity, employee welfare programmes, and 'floating' salaries (i.e., bonus-type, temporary salary increases). These incentives appeared to have stimulated profit-oriented behaviour in state-owned enterprises initially (see e.g., Groves et al. 1995).

In 1992, the State Council issued a circular stating that enterprises were permitted to set their internal wage structure within the confine of the overall wage budget established by the government. There were two methods available to enterprises. The first was that wages would be linked to enterprise performance. If the wage bill exceeded the governmental standard wage bill implied by the aggregate positions established by the Ministry of Labour, the enterprise must pay a Wage Adjustment Tax of 33 per cent to the Department of Taxation.

The government's standard wage is not the same as the minimum wage. The standard wage, for instance, varies by occupation and region. The second method was for the enterprise to propose a wage budget and then submit it for approval to the Ministries of Labour and Finance, which then considered the proposal in the context of the consumer price index and local wages. The primary difference was that if an enterprise chooses the latter method, it is not liable for the Wage Adjustment Tax. These policies were designed to ensure that profits accrue to the state, but also that profit-oriented incentives are maintained.

Beginning in 1994, enterprises that were publicly listed companies, that is, companies which have issued shares that are listed on one of the two stock exchanges in China (Shenzhen or Shanghai), were permitted to set their own wages subject to two standards. The first was that the growth rate of total wages must be lower than that of after-tax profitability, and the second was that per capita wage growth was to be lower than labour productivity growth. In addition, the Ministry of Labour suggested to enterprises that wages were set not only according to occupation and rank, but also based on skills and productivity.

Finally, there was an overhaul which was part of the Ninth Five Year Plan in 1996. Previously, there had been six components of the wage in enterprises: basic wage, bonuses, benefits and subsidies, overtime wages, supplementary wages, and an 'other' component, primarily based on hardship. These categories have been replaced by two components of wages, fixed (*guding*) and variable (*huo*). The fixed portion includes the basic wage, seniority wage, insurance (medical, unemployment, and pensions), and a housing fund. The system of allocated housing was largely abolished around 1998 and replaced with a housing fund. A deduction from an employee's pay cheque was paid into the fund and matched by the enterprise. The variable portion includes bonuses, based on both individual productivity and enterprise profitability. Enterprises continue to pay for training and other in-kind compensation, such as firm outings and gifts of daily goods. The standard work week was designated as 40 hours with 50 per cent overtime pay on weekends and 300 per cent overtime pay on national holidays, such as Lunar New Year, for hourly workers. These reforms were intended to create a more market-oriented wage structure, transforming the labour market. They have brought China's wage system largely in line with market-based compensation structures consisting of a fixed salary and bonuses. These two sets of reforms of the labour market – employment and wages – have laid the foundation for a more market-driven labour system in China for the first time, which is necessary as the country increasingly competes globally for the best talent.

'OPEN DOOR' POLICY

At the very start of reforms in 1978, China understood the importance of undertaking a gradual opening of its economy to international trade and investment.

It did so in a restricted manner by creating export processing zones (known as SEZs) with a focus on long-term FDI and not short-term portfolio flows, also known as 'hot money'. The aim from the start was to attract advanced know-how and technology from foreign firms to help develop export capacity and domestic innovation. It was not to allow foreign firms to dominate an under-developed market in China or to permit speculative capital from derailing the nascent capital market which was still dominated by a state-owned banking system with virtually no capital market to speak of.

Unlike domestic firms, foreign investors required more certainty in contracting to plough their monies into factories in China. Thus, as mentioned before, the first piece of corporate law in China was the 1979 Law on Chinese–Foreign Equity Joint Ventures. In 1980, the two initial SEZs were created in Guangdong and Fujian provinces, with another two added in a year later also in the south. Dramatic expansion of these export-processing zones, which attracted FDI by offering concessions on tax and preferential treatment, did not occur until Deng Xiaoping's southern tour of 1992, whereby nearly all provinces had a SEZ by the end of the 1990s (Lardy 1998).

Perhaps unsurprisingly given China's abundant and low cost labour, FDI poured in from the start. Multinational corporations sought out China for its low wages to give them a cost advantage, utilising China's comparative advantage as would be expected by firms that range over the world seeking ways to specialise across and divide their production chains across borders in order to maximise profit by taking advantage of what different globally linked countries had to offer. Straightaway in 1981, foreign-invested enterprises began to produce for export in China. FIEs produced 29 per cent of China's exports in 1994, 40 per cent in 1996, 50 per cent in the year of WTO accession in 2001, and shot up even further to nearly 60 per cent afterwards. The average flow of inward FDI per annum of some \$50–60 billion per annum is fairly remarkable and rivals that of more developed major economies.

China started this process early in the reform period. In 1984, Economic and Trade Development Zones (ETDZ) or 'Open Port Cities' (OPC) were created. The 'Open Port Cities' were originally created to address the perceived shortcomings of the initial SEZs. These OPCs became ETDZs in 1985. These new zones aimed, and were considered, to be more successful than the SEZs in attracting investments beyond low tech goods such as clothing/textiles, and instead brought in particularly consumer electronics and computer goods. They are located along China's eastern coast and granted preferential investment terms as well as import treatment. There are officially 12 ETDZs sanctioned by the central government, but there are thought to be many more such areas under local authority governance (Lin, Cai, and Zhou 2003).

In a similar pattern to the initial FDI laws that were created to offer investment rules for foreign companies, the 1987 Technology Contract Law codified the terms of utilising foreign technologies through provisions governing the

technology transfer agreements signed by JVs. It also allowed for dispute resolution when disputes arose, which was helpful in light of China's under-developed legal system. The promulgation of laws doesn't necessarily equate to an effective rule of law.

The better articulated law governing technology contracts was needed to support the new phase of FDI policy geared ever more at attracting technology. The criteria for approval was guided by the aims of FDI policy, which is to attract technology and know-how in order to increase productivity while at the same time controlling the market incursions of FIEs to allow domestic firms to develop and learn from the more advanced foreign multinationals. The Chinese authorities sought FDI that had superior technology and proven demand as an export product. This also resulted in a preference for JVs over WFOEs, which stemmed from the desire to gain positive 'spillovers' from FDI, that is, benefits to China beyond what is internalised in the gains to the foreign firm. In JVs, the Chinese partner would usually contribute the factory and workers, while the foreign partner provided, the capital and technology. These partnering arrangements allowed for formal transfers of technology as well as informal 'spillovers' where learning occurs by Chinese employees working alongside foreign managers. This is less likely to occur with WFOEs.

Often, the JV contract included a technology transfer agreement that granted the Chinese party access to and use of the proprietary know-how of the foreign partner as part of the consideration to form the joint venture (Yueh 2013). This was a cheaper form of gaining know-how than licensing the proprietary technology and thus offered China the opportunity to 'catch up' by cheaply adopting existing advanced technology that would boost its productivity and therefore growth rate. Before IPR regimes were tightened by the harmonisation of protection of proprietary knowledge with the formation of the WTO in 1995, this was a not uncommon practice among developing countries that had the leverage with foreign firms to extract such benefits in exchange for permitting multinational corporations to operate. Further liberalisation followed.

In 1992, another iteration known as Free Trade Zones (FTZs) were created to facilitate the take-off of the 'open door' policy. FTZs are specially designated urban areas selected for receiving preferential trading privileges. The investment incentives in FTZs are extremely attractive since exports and imports are free of any taxes or tariffs so long as the goods are not sold in China. Items intended for re-sale in China were, by contrast, subject to high tariff rates. The best-known FTZs are Shanghai's Pudong district, particularly Waigaoqiao, Tianjin Harbour, Shenzhen's Futian, Dalian, and Haikou on Hainan Island.

China continued its push to attract more advanced technologies by developing High-Technology Development Zones (HTDZs) in 1995, just three years after the successful creation of FTZs that generated an influx of FDI. The intent of the HTDZs was to increase China's research and development (R&D) capabilities through fostering both domestic and foreign investment. With the exception of

the three inner provinces (Xinjiang, Tibet, and Ningxia Autonomous Regions), every province has at least one of the 53 HTDZs. Each zone includes a number of 'industrial parks' and 'science and technology parks' open to domestic and foreign high-tech investors. The actual number is higher as numerous zones sprang up that have not been sanctioned by the State Council, as had happened also with the ETDZs.

HTDZs comprise of cities or certain areas of urban China, such as the well-known 'Haidian' district in Beijing, often likened to Silicon Valley, particularly given its proximity to leading research universities such as Peking University and Tsinghua University. These zones are intended to promote industrial applications of technology and tend to be located in proximity to existing or planned research institutions, or research and development centres. A characteristic of the HTDZs is the '3-in-1' development system, whereby every zone must include a university-based research centre, an innovation centre to utilise applied technology for product development, and a partnership with a commercial enterprise to manufacture and market the products. Foreign investors continue to be offered preferential treatment as an incentive to establish high tech joint ventures in these zones. The HTDZs are designed to contribute to China's science and technology infrastructure, though there is a question as to whether domestic firms have gained in innovative ability as a result of FDI. Although more than 50 per cent of China's exports have been produced by foreign-invested enterprises, an estimated 80 per cent of China's high tech goods are produced by FIEs (Yueh 2013). This mid-1990s focus on technology was mirrored in innovation policies governing domestic firms, including the passage of intellectual property rights (IPRs) laws, to facilitate the absorption of FDI and develop indigenous innovative capacity.

The policy aim of maintaining stability during economic transition meant that there would be a limit to the incursion of FDI into the domestic markets, while domestic industries 'learned' and developed. Examining the carefully wrought trade liberalisation that occurred throughout this period, the 'open door' policy was successful in boosting exports as well as imports. China quickly rose throughout the 1980s to increase its global market share in manufactured goods trade by six-fold in a decade and to become the world's largest trader within another decade by 2009.

As mentioned earlier, China started negotiating for entry into the WTO in 1986 and succeeded 15 years later. Within seven years of first opening to the global economy, China aimed to join the world trading system and continued to pursue trade agreements afterwards. Immediately after WTO accession in 2001, China agreed two FTAs in 2002 with Hong Kong and Macao (known as CEPAs or Closer Economic Partnership Arrangements). These were Special Administrative Regions (SARs) of China, so the early cementing of the trade relationship was not surprising.

Finally, the 2000s' period of intense marketisation included Chinese firms 'going global' and thus permitting greater capital outflows (Yueh 2013). China's

'going out' policy was launched in 2000 with the aim of establishing Chinese firms as global players, including SOEs and the state-owned commercial banks (SCBs). Chinese firms could learn by operating in more developed economies and benefit from the competitive pressures of selling in global markets. The benefits of economies of scale could also be realised as well as international specialisation as Chinese firms could locate their production and distribution chains worldwide in the same way that foreign multinationals have in China as part of global supply chains. The policy resulted in international IPOs (initial public offerings) of large companies such as the state-owned bank ICBC and also the flagship carrier, Air China, on the New York and London stock exchanges. It also led to the first ever overseas commercial acquisition by a Chinese company in 2004. China's TCL purchased the Thomson brand of France, while a year later and the largest deal at the time for a Chinese firm, a much better known, Lenovo (known as Legend pre-M&A), bought IBM's PC business. These deals were unlike the SOE-led overseas investments in energy and commodities which continued to take place. These were, in effect, the first overtures of domestic firms seeking to expand overseas and a maturation of Chinese corporations aiming to become multinational firms.

With global integration, moreover, the demands of overseas listings in New York and London meant a further need for corporate governance measures and reforms. The incursion of multinational corporations into China after WTO accession, particularly in financial services, also called for legal reforms to govern the emerging capital markets. Whereas the mid/late 1990s was characterised by focused marketisation, WTO accession in 2001 marked a new era where international rules and norms also came into play.

Indeed, international trade and limited financial liberalisation were significant, but only part of what it meant for China to become globally integrated. Opening its own markets and abiding by WTO principles were facets of its accession, which had notable implications for the development of China's business sector. To join the WTO, China agreed to reduce tariffs across the board on imports of manufactured goods to below 10 per cent and heralded a period where its own exports, particularly in labour-intensive products like textiles and clothing, could be sold worldwide as part of the multilateral trading system that covered the near totality of international trade and certainly vast swathes of manufactures which themselves accounted for over 80 per cent of world trade. Joining the global trade body, though, was more involved, as the rules-based organisation mandated changes in China's governance of its business sector in a number of ways; some of these were due to the WTO's own principles, such as non-discrimination, but some were also because of the concessions granted by China in negotiating with each of the existing WTO members for entry. For instance, China agreed to eliminate geographical restrictions such that foreign firms can operate in more than one province, whereas previously it resisted such expansion so that a firm with offices in Beijing could not transact in Shanghai.

In other areas, China is bound by its own terms of accession. One of the WTO's articles pertains to a harmonised intellectual property regime that caused China to significantly revise its own patent and related laws, particularly in terms of implementation. Again, China signed up to the WTO's IPR rule, known as the TRIPs (trade-related aspects of intellectual property) agreement, upon entry, so it agreed to be bound by its tenets despite having an under-developed legal system when other developing countries, such as India, were able to defer the implementation of TRIPs (Clarke 2003).

This was in spite of a lagging legal IPR system that had been in effect since the mid-1980s. China's patent law was enacted in 1984 and promulgated in 1985. In 1992, it was revised to extend the length of patent protection from 15 to 20 years for invention patents and from 5 to 10 years for process patents, e.g., model and design patents. In 2000, it was further revised in anticipation of accession to the World Trade Organization, which occurred a year later. Indeed, in 2001, China adopted TRIPs as part of its WTO obligations, whereby its IPR standards were harmonised with international rules. Since the passage of the patent laws, there have been dozens of regulations and guidelines adopted to promote innovation. The patent law amendments also included conditions on the granting of compulsory licences and prohibiting the unauthorised importation of products which infringe on the patents. The mid-1990s focus on technology, coupled with forced improvements to its IPR system with WTO accession, reflects a convergence of policies and laws that may well allow China to achieve a sustained rate of growth. In many respects, institutional change accompanied China's entry into the world economy.

DEVELOPING A PRIVATE MARKET ECONOMY

Following from the corporatisation policy of 1992 (share issue privatisation) and 1993 (restructuring into LLCs or limited liability companies as well as joint stock companies), the *zhuada fanxiao* ('save the large, let go of the small') policy was enacted in 1994, which effectively privatised the small and medium-sized SOEs and created a large private corporate sector in China. Notable fiscal reform in the same year centralised finances such that the support offered by local governments and local state-owned banks toward local SOEs was diluted, which aided the reforms.

From over 10 million SOEs in 1994, the total fell by a quarter a year later. By 1997, SOE reform was truly under way when the state allowed redundancies to occur (Li and Sato 2006). From 1997 to 2001, a quarter of the urban labour was laid-off, though the figures did not appear in the official urban unemployment rate due to the status of *xiagang* given to such workers, which designated them as nominally laid-off but still registered with their work unit and receiving small amounts of payment while they looked for work.

This significant reform meant that SOEs could be privatized once their employment role was diminished. In 1998, SOEs had shrunk from 7.9 million in the previous year to 165,000. The share of total industrial output did not register a similarly dramatic decline. SOE share of output fell from 33.7 per cent to 29.8 per cent, on account of the large remaining SOEs. These include energy and commodity companies, utilities, and state-owned commercial banks.

Far from disappearing such that China would become a fully private economy, SOEs were consolidated and national (state-owned) champions like the National Oil Companies (NOCs) were promoted. In 1999, the NOCs were reorganised into three firms, each responsible for a specific segment of the oil market, such as CNOOC geared at offshore exploration. In 2001, the same occurred with the steel industry. The state-owned banks were reformed by a 1995 law and readied for IPOs even whilst the state retained a majority share.

Thus, the SOE share of output hovered at around 30 per cent of GDP throughout the late 1990s and 2000s, rather than disappearing altogether. However, as these are largely capital-intensive industries, the share of urban employment of SOEs declined continuously until they accounted for less than 10 per cent of urban workers, a far cry from the days when SOEs were maintained despite their losses to meet the government's goal of full employment. This in turn meant a growth of the non-state sector and increased marketisation in the economy, which led to an increasingly decentralised market in the mid to late 1990s.

This large-scale move to corporatise or *gongsihua* therefore encompassed all firms in China, even the *getihu* or the self-employed and certainly the foreign and other domestic firms in China, including SOEs which underwent significant restructuring as corporations in the 9th Five Year Plan, which was completed towards the end of the 1990s. The need for a legal framework to govern these corporatised firms was apparent by the efforts to create such a system.

In 1997, there was even a Price Law that was passed in an effort to establish the principle that the great majority of prices was to be set by the market, i.e., to be decided by firms according to market forces of supply and demand. However, it contained provisions to prevent excessively high and low prices, indicating that the legacy of the administered economy remained. Much more importantly, in 1998, the Revised Land Administration Law was passed. It updated the 1984 and 1986 laws by extending the term of land leases from 15 to 30 years. This allowed for much greater security in the holding of leasehold property rights, which enabled landowners to invest and improve their holdings. It stopped short of privatising land but the longer leasehold offered greater security, particularly after the 2007 Property Law that granted equal protection to private and public property. For grassland and forest land, the leases were made even longer to 50 and 70 years, respectively, by the 2002 Rural Land Contracting Law. However, the state retained ownership of land so this partial reform of an important property right was no different than the overall reform path.

The parallel decision to reform urban housing in 1998 eventually gave the owners of newly privatised housing similarly long 50-year leaseholds.

Housing had previously been allocated by SOEs as part of the benefits expected with the 'iron rice bowl'. That included a job for life and all social securities including pensions to be provided by the work unit or *danwei*. The decision to significantly restructure SOEs in the mid-1990s led to the removal of the housing benefit. By 2001, SOE employees had largely purchased their flats at preferential prices. The security afforded by the leasehold system led to the rapid growth of the real estate market in China, later a source of concern along with stocks as the main asset classes.

The impetus for improved protection of property rights in the mid and late 1990s stemmed not only from the will of the state as part of its gradual marketisation strategy, but also those who now owned firms, stocks, and housing. As stakeholders, they formed an interested constituency to push for better protection of their property, which is a common phenomenon in the development of other corporate law jurisdictions such as the US and Europe (Coffee 2001). This was most evident in the area of securities, where a series of frauds led to public outrage and the subsequent establishment of a regulator some eight years after the opening of the stock market (Chen 2003). As such, the laws of the late 1990s and the 2000s were also reflections of the demand for legal reform by interested constituents to increase the security and protection of their property.

URBAN–RURAL DIVIDE AND THE RISE OF INEQUALITY

Fast economic growth was not without social cost. The resultant rural–urban divide also led to rising inequality in China during transition even as there was dramatic poverty reduction. Chen and Ravallion (2007) conducted a detailed analysis of the causes of the fall in poverty in China and concluded that growth of the agricultural sector accounted for three-quarters of the total decline in poverty in China from 1981 to 2001. By contrast, they found that globalisation and opening to international trade were not as important. In fact, given that China's 'open door policy' was not implemented until after 1992 and then with restrictions, it is perhaps not surprising as half of the fall in the poverty rate occurred in the first half of the 1980s when China was still a largely closed economy.

The picture of inequality stands in contrast to China's record on poverty. Recall that in a centrally planned economy, economic activity is directed by the state. China thus industrialised under central direction and became oriented toward heavy industry. This approach resulted in an 'urban bias' policy that extended into the reform period, in which urban residents in the industrialising sector were favoured. Industrialisation in China was achieved through a 'price scissors' policy whereby agricultural food prices were kept low, while industrial goods prices were kept high so that the rural sector in a sense allowed for the development of the urban sector. This unsurprisingly resulted in a growing rural–urban income gap, where the Gini coefficient measuring absolute income inequality in

China rose from around 0.3 to around 0.45. As one comparison, China is about as unequal as the free-market US.

In a sense, where the reforms in China produced a pro-poor outcome, other policies have contributed to worsening inequality. By initially focusing on the bulk of the population in the rural areas which were predominantly agrarian, China unleashed market-oriented forces which gave incentives to farmers to produce and gain returns on their labour. Although it was accompanied by urbanisation and industrialisation, China managed to prevent the expected migration of rural residents to urban areas. In other words, the farmers farmed the land instead of moving to the urban industrial sector with higher wages. In other developing countries, this process often leads to urban over-crowding and unemployment. China, by contrast, maintained strict controls over migration through the *hukou* or household registration system, which restricted the movement of both rural and urban residents. In some ways, this worked because rural reforms were undertaken first. Though, as urban incomes began to substantially outpace rural incomes, rural–urban migration occurred in any case, leading to an estimated 70–200 million migrants moving to urban areas in the 1990s and 2000s.

This was exacerbated by the gradual opening of the Chinese economy through creating Special Economic Zones, which were located first in the coastal provinces. As a result of the market-orientation of these areas, the three coastal regions of China account for the bulk (three-quarters) of total GDP (e.g., the Bohai river region, Pearl River delta, and Yangtze River delta).

Therefore, the adoption of rural reforms first resulted in the decline in overall poverty. However, the policy of industrialisation to create an industrial base for China and the imposition of the household registration system to segregate the rural and urban areas at the same time caused income inequality to rise rapidly. Chen and Ravallion (2007) estimated that the total proportion of the poor in China would have been just 1.5 per cent instead of 8 per cent if China's growth had occurred on a more equitable basis. The rise in the so-called 'new' urban poverty in the late 1990s added a further dimension to the incidence of poverty. Previously, the 'iron rice bowl' protected urban workers, but restructuring state-owned enterprises led to layoffs and a new class of urban poor for the first time (see Li and Sato 2006). Still, the latest estimates by the World Bank and others indicate that China's poverty rate is declining nevertheless, and may fall below 3 per cent by 2030, which would be in line with other major economies that have effectively eliminated extreme poverty or those living on less than \$1.90 per day, adjusted for purchasing power parity.

CONCLUSION

China's market-oriented reforms have fundamentally transformed the world's most populous nation. Reforming the state-owned sector, opening up to the

global economy, and implementing urban and rural reforms have all been integral parts of China's transition. A growing urban–rural divide as well as inequality are among the challenges still facing China as it continues its market reforms, but nevertheless the evolution of market reforms thus far has been fairly remarkable for its stability and growth outcomes.

Of course, continuing reforms are needed. Political will to continue with reforms, particularly with respect to the state-owned sector, will be important, and yet that is the area where special interests may hold back progress. As state-owned enterprises dominate the banking system, there are consequences for continued growth since banks are not allocating credit sufficiently to the private sector given the needs of the remaining large state-owned firms. Even so, reforming state-owned banks and SOEs face considerable political obstacles given the vested interests running the state-owned sector, and this is the main constraint facing the continuation of market-oriented reforms in China. There is also a pressing need for marketisation to continue or else China may not become prosperous and will instead become trapped as a middle-income country.

Will market-based reforms continue? That's the question facing China after its initially successful three decades of growth. Can the economy overcome the so-called 'middle income country trap' whereby an economy can't grow fast enough to become rich? A better understanding of how institutions have played a role in supporting markets in China would be fruitful since further legal and regulatory reform are needed as China liberalises its currency and capital account. This is consistent with the current focus on institutions in economic growth. In China's case, though, how important are informal institutions such as trust in an under-developed legal system?

Another important future path of research is around innovation. Does China have the market structure, namely, financing and IP protection, to promote technological breakthroughs which propel economic growth? What are the determinants of innovation for a transition economy such as China? This is a gap in the literature that will be important to assess whether China will continue to grow well.

Research has indeed been occurring in these areas, with an emphasis on the importance of informal institutions in the evolution of China's market reforms, as well as work on what drives innovation by firms. Much more research is needed to shed light on where the market reforms in China are headed and whether the economy can continue to grow and reduce poverty and inequality.

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State-Owned Enterprise: Reform, Performance and Prospects

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INTRODUCTION

This chapter pursues four objectives. The first, set forth in the following section, is to offer a succinct overview of the governance and statistical dimensions of China's state-owned enterprise (SOE) sector. This overview provides a useful context for the remainder of the chapter. The second objective is to set forth an analytical framework, or model, of the phenomenon of the state-owned enterprise, intended to provide a helpful perspective for understanding the current functions and challenges of China's SOEs. The third objective is to summarize the distinct phases of China's state-owned enterprise reform. With this background, the chapter then summarizes key highlights of the literature and commentary on China's most recent economic reform initiatives and the prospects for substantially restructuring China's enterprise sector. This chapter concludes by offering some perspective on what is at stake in recent efforts to advance China's state-owned enterprise reform; this last section also suggests a research agenda that closely relates to the on-going challenges of China's SOEs.

GOVERNANCE AND STATISTICAL OVERVIEW

This overview consists of two parts: the governance and charter or mission of China's state-owned enterprise sector and a summary of the structural role and dimensions of SOEs in China's economy.

Governance and Charter

The website of China's State Asset Supervision and Administration Commission (SASAC), which reports to China's State Council, sets forth nine key functions of the commission.² The most notable of these are: (i) 'performs investor's responsibilities, supervises and manages the state-owned assets of the enterprises under the supervision of the Central Government (excluding financial enterprises)...'; (ii) 'guides and pushes forward the reform and restructuring of state-owned enterprises (including their sale, mergers and acquisition), advances the establishment of modern enterprise systems in SOEs, improves corporate governance, and propels the strategic adjustment of the layout and structure of the state economy'; and (iii) 'appoints and removes the top executives of the supervised enterprises...'

The SASAC website further sets forth the 'Policies, Laws & Regulations: Guidelines to the State-owned Enterprises Directly under the Central Government on Fulfilling Corporate Social Responsibilities.' These Guidelines are intended to 'give impetus' to the centrally supervised SOEs (i.e., the CSOEs), the largest state-owned enterprises in China's key industries, 'to earnestly fulfill corporate social responsibilities (CSR) ... for promoting the socialist harmonious society and ... thoroughly implement(ing) China's new ideas about economic development, social progress and environmental protection.' The CSOEs also 'have a vital bearing on national security.'³

While SASAC's guidelines for CSOEs explicitly relate to the large centrally managed SOEs, it is clear that SASAC also retains authority for the supervision of China's local SOEs. According to SASAC's mandate, 'SASAC ... directs and supervises the management work of local state-owned assets according to law.' In practice, while it is likely that local governments exercise substantially autonomous direct day-to-day control over local SOEs, at least in principle, the local sub-jurisdictions are subject to the fiduciary and corporate social responsibility principles set forth by the Central Government.

SASAC's statement of 'corporate social responsibilities' clearly distinguishes the 'mission and responsibility' of the CSOE from that of the canonical corporation in a conventional capitalist economy, such as the United States, in which the sole purpose of the corporation is to maximize shareholder profit. This deviation of the CSOEs from the singular mission of the capitalist corporation, instead loading the CSOE with a multiplicity of social responsibilities, of course complicates the task of understanding the appropriate ownership structure and of evaluating the performance of the China's centrally controlled SOEs. Given this quasi-public mission, a measure of state-ownership may be necessary and appropriate.

Structure: Share of the Total Economy

A substantial number of state-owned and state-controlled enterprises operate outside the industrial sector in fields ranging from banking and insurance to

Table 6.1 Ownership composition: number of enterprises and percentage of industrial sales/output

<i>Number of enterprises</i>			<i>Share of sales/output (%)</i>				
<i>All industry, number of enterprises</i>	<i>Of which: state-owned and state controlled</i>		<i>State-owned and state controlled</i>	<i>Share-holding corporations</i>	<i>Foreign and HMT-invested</i>	<i>Collective enterprises</i>	<i>Other, including private</i>
1978	348,400	83,700	80.8	0.0	0.0	19.2	0.0
1994	10,200,000	102,200	37.4	4.2	9.5	37.7	11.3
1998	7,974,600	64,737	28.2	7.8	14.9	38.4	10.7
	(165,080)#	(64,737)#	(52.3)#	(3.6)#	(24.3)#	(11.1)#	(8.7)#
2004	301,961#	35,597	35.9	n.a.*	32.7	5.7	25.7*
2014	378,599	19,022	20.6	9.0	21.6	0.1	48.7

Sources: NBS, Science and Technology Yearbook, various years; figures for # and for 2004, 2014 and 2016 are for above 'designated size' (or scale) enterprises only; from 1998-2010 above designated size included all state-owned enterprises, regardless of size, and all non-state-owned enterprises with annual revenues of over 5 million yuan; since 2010 the threshold has been 20 million yuan. *the figure for non-state-owned shareholding corporations is not available; it is included in the 'other' column

hotels. The four largest commercial banks are all state-owned. The largest of the industrial CSOEs reside within one or another of the approximately 106 state-owned enterprises administered by SASAC; however, most of the SOEs in China are supervised by local governments. Although their numbers are a small minority of the country's total number of SOEs, the CSOEs control the vast majority of the assets of the state-owned and state-controlled sector.

As shown in Table 6.1, according to the annual Statistical Yearbook prepared by China's National Bureau of Statistics (2015), in 2014 Chinese industry included 18,808 state-owned and state-controlled enterprises. Table 6.1 further shows the proportion of industrial output produced by each of the major ownership categories. In 1998, among all industrial enterprises, including the collectives that reported their peak share in that year, SOEs and state-controlled enterprises accounted for 28.2% of China's total industrial output. However, among only the larger above 'designated size' enterprises, the SOE accounted for over 50% of industrial output. By 2004, that output share had fallen to 35.9% and 12 years later, in 2016, to 2.6%.

Table 6.2 reports the total number of enterprises, total assets, revenue from principal business, and total profit for total industry and for the state-owned and state-controlled enterprises. Table 6.3 calculates and reports the shares of total industry held by the state industry sector, as well as the respective profit rates for state and total industry measured as the ratio of total profits to total assets.

The comparisons reported in Table 6.3 show substantial declines in the state industrial shares over this 18-year time frame. From 1998 to 2016, the SOE share of total industry enterprises falls from 40% to 5%; the asset share declines from 69% to 39%; the revenue share from 52% to 21%, and the profit share from 36%

Table 6.2 Chinese industry, enterprise performance measures (yuan figures in 100 million)

<i>All above scale enterprises</i>					<i>State-owned and state-controlled enterprises</i>			
<i>No. of enterprises</i>	<i>Total assets</i>	<i>Revenue from principal business</i>	<i>Total profit</i>		<i>No. of enterprises</i>	<i>Total assets</i>	<i>Revenue from principal business</i>	<i>Total profit</i>
1998	165080	108822	64149	1458	64737	74916	33566	525
2000	162885	126211	84152	4393	53489	84015	42203	2408
2005	271835	244784	248544	14803	27477	117630	85574	6520
2010	452872	592882	697744	53050	20253	247760	194340	14738
2014	377888	956777	1107032	68155	18808	371309	262692	14508
2016	378549	1085866	1158999	71921	19022	417704	238990	12324

Source: NBS (2017), Table 12.3

Source: NBS (2017), Table 13.5

Table 6.3 Share of overall measures (%)

	<i>No. of enterprises</i>	<i>Total assets</i>	<i>Revenue from principal business</i>	<i>Total profit</i>	<i>Overall profit rate</i>	<i>SOE profit rate</i>
1998	39.2	68.8	52.4	36.0	1.3	0.1
2000	32.8	66.6	50.2	54.8	3.5	2.9
2005	10.1	48.1	34.4	44.0	6.0	5.5
2010	4.5	41.8	27.9	27.8	8.9	5.9
2014	5.0	38.8	27.5	21.3	7.1	3.9
2016	5.0	38.5	20.6	17.1	6.6	3.0

Source: Calculated from data reported in Table 2

to 17%. The last two columns of Table 6.3 show that over the same period, profit rates fluctuated considerably, both within total industry and within state industry. Both sectors exhibit dramatic increases in their profit performance during the latter part of the 1990s and the early half of the 2000s.

The increase and convergence of returns to China's industrial investments began in the mid-1990s, largely as a result of the massive lay-off of workers from-SOEs and subsequent sale of many of the weaker SOEs, as China prepared for its accession to the World Trade Organization that materialized in 2001. While we see a relative convergence of profitability in 2005, thereafter, we rates of return between total industry and the state sector diverge around 2010, becoming more acute during 2010–2016, falling to less than one-half that of total industry.

This relative decline is likely due to the massive investments in the state sector resulting from role that state-owned industry played in leading China's

substantial stimulus of 2008–2009. That the state-owned industrial output share remained relatively constant at about 28% over the period 2010–2014 is evidence of the enlarged role China's industrial SOEs played in the post-2008 period with the associated pause in SOE reform.

Notwithstanding the overall long-term decline in the state-owned share of industrial output and profits, several of China's key industries continue to be dominated by large CSOEs. As shown in Table 6.4, fully 19 of China's 20 largest companies are state-owned or state-controlled. In 2014, only one – the Noble Group, headquartered in Hong Kong – was non-state owned. Across all of the 98 Chinese firms listed in the Fortune Global 500, about one-third of their sales were associated with the energy sector, one-third with the finance sector, and the remaining third consisted of the engineering and construction, telecommunications, and motor vehicles and parts industries.

By 2016, China's state-owned enterprise sector had become dramatically restructured relative to two years earlier. While it had come to represent a more compact and concentrated slice of the Chinese economy, its strategic importance both persisted and expanded in certain industries. Most of the institutional concerns and weaknesses that had prompted SOE reform in earlier periods have persisted to the present.

STATE-OWNED ENTERPRISES: THE PUBLIC GOOD PROBLEM

Possibly, the most succinct and insightful way of understanding the problem of China's state-owned enterprise problem is to appreciate their resemblance to a fundamental economic phenomenon – that of the commons that often transition to a canonical public good.⁴ The commons–public good problem is an iconic, ubiquitous, and enduring problem associated with the operation of state-owned enterprises. As suggested by SASAC's corporate responsibility guidelines in the previous section, having China's CSOEs exhibit a public good quality need not be inimical to the public interest. Indeed, using CSOEs to promote '... the socialist harmonious society and ... to thoroughly implement China's new ideas about economic development, social progress and environmental protection' may serve as a legitimate public purpose. Whether pursuing such a public purpose or encountering surreptitious private greed, SOEs are liable to suffer from the draining of assets for purposes other than their commercial goals. What follows is a description of the way in which in the case of unsanctioned extractions of assets, the public good feature of China's SOE sector functions to the detriment of China's financial system and macroeconomy.

As commons and/or public goods, the assets of the SOEs become substantially *non-excludable*, which results when agents that hold responsibility fail to effectively monitor the assets of the SOEs. Given the condition of weak

Table 6.4 Largest Chinese corporations (ranked by Fortune) (non-state owned in bold italics)

Rank	Fortune 500 rank	Name	Headquarters	2014 revenue US\$ billion	2014 profits US\$ billion	Industry
1	3	Sinopec	Beijing	457.201	8.932	Oil
2	4	China National Petroleum	Beijing	432.007	18.504	Oil
3	7	State Grid Corporation	Beijing	333.386	7.982	Utilities
4	25	Industrial and Commercial Bank of China	Beijing	148.802	42.718	Banking
5	38	China Construction Bank	Beijing	125.397	34.912	Banking
6	47	Agricultural Bank of China	Beijing	115.392	27.050	Banking
7	52	China State Construction Engineering	Beijing	110.811	1.853	Construction
8	55	China Mobile	Beijing	107.647	9.197	Telecommunications
9	59	Bank of China	Beijing	105.622	25.520	Banking
10	76	Noble Group	Hong Kong	97.878	0.234	Conglomerate
11	79	China National Offshore Oil	Beijing	95.971	7.700	Oil
12	80	China Railway Construction	Beijing	95.746	0.986	Construction
13	85	SAIC Motor	Shanghai	92.024	4.034	Automotive
14	86	China Railway Group	Beijing	91.152	1.524	Construction
15	98	China Life Insurance	Beijing	80.909	0.594	Insurance
16	107	Sinochem Group	Beijing	75.939	0.755	Oil/Chemicals
17	111	FAW Group	Changchun	75.005	3.263	Automotive
18	113	Dongfeng Motor Group	Wuhan	74.008	1.48	Automotive
19	115	China Southern Power Grid	Guangzhou	72.697	1.325	Utilities
20	122	China Development Bank	Beijing	71.305	12.949	Banking

monitoring, SOEs could simply function as a commons, in which, as with say an unmonitored forest, the resources of the entity disappear over time, say as a result of individuals felling trees for lumber or firewood. However, as public goods, not only are the assets of SOEs non-excludable, they are also *non-diminishable* or *non-rivalous*. Non-diminishability results when the state intervenes to replenish assets that have been siphoned off by inept monitoring or corruption.

The non-excludability condition results from conditions such as weak managerial oversight, lack of accountability, and corruption, which depress levels of productivity and profitability relative to firms producing similar goods and services operating under other forms of governance. One example of weak oversight and accountability is the following account:

The National Audit Office recently uncovered fraud in 11 SOEs, finding that some managers spent company funds on luxury goods and entertainment. This is in addition to 35 cases of bribery and embezzlement uncovered earlier this year. Corruption associated with SOEs and, more broadly, state assets owned by the 'princelings' and other cronies has recently been exposed in a comprehensive state crackdown on corruption.⁵

Cheng (2004) finds that China's state-owned enterprises (SOEs) have been harmed greatly by corrupt practices committed by insiders, especially those by the general managers. That article explores why SOE general managers abuse their power and how they manage to do so. First, the author argues that given the limited compensation provided by SOEs, many managers have strong incentives to enrich themselves by absconding with cash or other SOE resources. This incentive has been enabled, in turn, by the decentralization of governance power to SOE managers, itself an important reform policy. Hence, mismatched compensation within a system of institutional weaknesses, including weak supervision, facilitates corrupt practices as well as other poor management practices.

The non-diminishability problem results from the chronic tendency for China's political economy to replenish the diminished resources of the SOEs. This occurs through direct subsidies from various levels of government, including through lending from the banking sector, primarily the four large commercial banks, which are themselves state owned. The result is that due to the non-excludability of un-creditworthy borrowers, the state-owned banks themselves accumulate losses in the form of non-performing loans. To close the loop, China's central government has two potential sources from which to generate the income required to replenish the extracted assets. One is to provide subsidies to the banks or to the enterprises directly through the diversion of tax revenue, thereby imposing higher taxes on the public or diverting government spending from other public purposes. The second method entails the printing of money by the central bank, the People's Bank of China, which can be used to replenish the outflow of bad loans from the state-owned banking system, thereby creating the risk of imposing an inflation tax on the rest of the economy.⁶

Standard & Poor's estimated that at the end of 1999 the proportion of non-performing loans in China's state commercial banks was in the range of 50% to 70%. The People's Bank of China reported that the proportion was at least 25%. To partially remedy this problem, in 2000 the government organized a recapitalization of the state commercial banks in which non-performing loans with a nominal value equivalent to \$157 billion were transferred from the state banks to state agencies, called *asset management companies*, in exchange for government securities.⁷ These back-up agencies were intended to perform the function of investment banks that are mandated to restructure and sell off the non-performing loans held by the state-owned banks. Thus, by replenishing the diminished resources of the state-owned banking system, the banking system too acquires the properties of a public good.

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One way to understand the public good problem is to view the typical SOE within the context of Coase's seminal article, 'The Problem of Social Cost' (1960). In the absence of the two key conditions that frame the Coase Theorem, the functioning of SOEs resembles those of public goods. The two absent conditions are, first, clearly assigned property rights and, second, low transaction costs. State ownership, also known as enterprises that are 'owned by all the people' (*quanmin suoyouzhi*), precludes a clear assignment of property rights and low transaction costs. Arguably, when 'all the people' own the asset, no one effectively assumes responsibility for managing the asset. This diffusion of authority creates serious 'principal-agent' problems for effectively managing and preserving the state-owned assets.

Furthermore, by itself, state ownership creates insuperable transaction costs for SOEs retained by the state, thereby impeding their sale to agents capable of achieving the 'highest and best use' of the assets. Whereas in a well-developed market economy the sale or restructuring of a privately-owned firm is likely or feasible when it is poorly managed, in China the relevant agents for SOEs (e.g. SASAC) face limited rights to negotiate and consummate the sale and exchange of the poorly managed state-owned asset. Also for a given SOE under the supervision of a state authority, when a form of embezzlement or bribery does occur, the presence of an underdeveloped and under-resourced legal system, compounded

by political influence, further interferes with the functioning of market-based outcomes. By rendering the sale of a badly managed SOE infeasible, transaction cost or barriers to transfer reduce the opportunity cost of inefficient and corrupt management. These conditions together conspire to sustain the condition of the public good character of the canonical SOE.

And yet, as mentioned at the beginning of this section, SOEs may function as legitimately sanctioned public goods or public purposes. In their article, 'A Multi-Task Theory of State-Owned Enterprise Reform,' Bai et al. (2001: 2) emphasize the public good contribution of China's SOEs during the country's transition from plan to market:

During transition, maintaining employment and providing a social safety net to the unemployed are important to social stability, which in turn is crucial for the productivity of the whole economy. Because independent institutions for social safety are lacking and firms with strong profit incentives have little incentive to promote social stability due to its public good nature, state-owned enterprises (SOEs) are needed to continue their role in providing social welfare. Charged with the multi-tasks of efficient production as well as social welfare provision, SOEs continue to be given low profit incentives and consequently their financial performance continues to be poor.

Hence, in the absence of the construction of a comprehensive social insurance system covering unemployment, health, and disability insurance, Bai et al. suggest that the premature dismantling of SOEs may contribute to China's social instability and overall economic productivity.

Furthermore, the Chinese government has designated certain industries as 'strategic,' such as defense and energy, or 'pillar' industries, such as the automotive and telecommunications industries, with the implication that state ownership and/or direct subsidies play a constructive role in these industries. Such industries may, for example, serve national industrial or geopolitical goals, including national security or technological advance, that in themselves constitute public purposes in the sense that the goals cannot be suitably provided exclusively within the context of the private market. This public purpose motive will be addressed in a later section of this paper. In this section, we have sought to situate the state-owned enterprises within the overall structure and functioning of China's economic system. The bottom line is that boundaries need to be placed on the public good feature of the country's SOEs so as to limit the corrosive features of SOEs while enabling them to effectively serve the legitimate public purposes of an advanced, institutionally complete, and disciplined market system.

REFORM OVERVIEW: THREE STAGES

This section outlines three discrete phases of China's SOE reform: (i) entry and competition (1980–95), (ii) 'retain the large; release the small' initiative (1996–2007), and (iii) restructuring the large enterprises (2008 to present).

Stage I. Entry and Competition

As shown in Table 6.1, during 1978 to 1994, the number of reported industrial enterprises grew dramatically from 348,400 to 10.02 million, the peak count for industrial enterprises during the post 1980-reform period. In 1978, the 83,700 SOEs accounted for 78% of China's gross industrial output; the 264,700 collective enterprises accounted for most of the balance of China's industrial sector output. Sixteen years later, in 1994, among the 10.02 million enterprises, the number of SOEs had grown only modestly to 102,200, whereas the number of collectives, including township and village enterprises, expanded to 1.86 million, and the number of 'individual-owned' and 'other' enterprises surged to over 800,000. These represented 37.4%, 37.7%, and 11.3% of total gross output respectively.

This rapid surge in new entry was produced in substantial part by the dual track system, which opened the door to the marketization of much of China's domestic economy. Marketization and competition were further heightened by the liberalization of trade and foreign investment, during which China's trade ratio surged from 13% in 1980 to 38% in 1995, even as China's real GDP had grown by more than sixfold.⁸ Hence, while the state sector dominated industrial output during the early 1980s, as a result of China's domestic market liberalization and opening to foreign trade and investment, the SOE share of the total number of industrial enterprises fell from 24.0% in 1980 to 10.2% in 1994 as their share in industrial output over the same period fell from 78.0% in 1978 (NBS, 1986, pp. 233, 273) to 37.4% (1995, p. 401, Table 12-1).

Arguably, no single paragraph captures the critical role of this competitive impulse in China's economic transformation more vividly than that of Douglas North (1994, p. 362):

While idle curiosity will result in learning, the rate of learning will reflect the intensity of competition among organizations. Competition ... induces organizations to engage in learning to survive. The degree of competition can and does vary. The greater the degree of monopoly power, the lower is the incentive to learn ...

New entry and rising competition led to the dramatic decline in state sector profitability shown in Table 6.3. As Jefferson and Rawski (1994a, 1994b) demonstrate, during this early period, in accord with North, by making the search for new forms of technology and governance and the resultant learning essential for survival, competition was the critical driver of SOE reform. They show that the same increase in competition that eroded profitability led to rising productivity. Groves et al. (1994, 1995) further document the efficacy of reforms designed to incentivize managers through material rewards and increased autonomy. By 1995, within the population of SOEs, winners and losers had begun to emerge, thereby demonstrating the ability of reform to strengthen managerial incentives to substantially improve the performance of a subset of state-owned enterprises.

Stage II. Retain the Large; Release the Small

Following 1995, motivated in part by the determination to ready China for membership in the World Trade Organization, China initiated two transformative reforms. The first was *'xiagang,'* the furlough of workers, which led to the dramatic layoff and decline in the size of the SOE workforce. Between 1995 and 2001, the year China joined the WTO, the number of jobs in the urban state sector fell by 36 million, from 59% to 32% of total urban employment.⁹ The second transformative initiative was the 1996 *'jueda fangxiao'* edict in which the State Council endorsed a policy to retain the large SOEs while authorizing the transfer outside the state sector of the majority of smaller SOEs. A year later, the State Council approved a huge formal shift of SOE ownership from the central government to municipalities, with the explicit goal of expediting conversions to non-state ownership.

Subsequently, this second reform period saw the emergence of growing SOE sales and merger and acquisition activity. In their article, 'China's Emerging Market for Property Rights,' Jefferson and Rawski (2002) describe the development of a market for China's SOEs resulting in the transfer of state-owned assets. This article chronicles the development and promulgation of specific laws, regulations, and policies that served to clarify the ownership rights of state-owned assets, thus further enabling their sale and exchange among state agencies and private actors within China's emerging market for corporate assets.

The result of the 'retain the large; release the small' initiative combined with the evolution of China's legal and regulatory corporate environment was the sale or ownership restructuring of tens of thousands of former SOEs. As shown in Table 6.1, by 2004, the number of above-scale state-owned and state-controlled enterprises had fallen from 64,737 in 1998, the first year in which the NBS reported the 'above scale' enterprise data,¹⁰ to nearly half that number, i.e., 35,597, in 2004.¹¹ According to Gan et al (2008), between 1995 and 2005, close to 100,000 firms with 11.4 trillion RMB worth of assets were privatized. Together these comprised two-thirds of China's SOEs and state assets, 'making China's privatization by far the largest in human history.' The impacts on performance were palpable.

Using the 'above scale' industrial firm-level data, three studies largely concur on the impact of the reform on SOE firm performance. Jefferson, Rawski, and Zhang (2008) find substantial productivity gains during 1998 to 2005 for both SOEs and private firms. Hsieh and Zheng (2015) confirm this result for 1998–2007 and further find that surge in SOE-firm productivity resulting in significant part due to the fact that the exiting firms were typically smaller, exhibiting lower productivity than the surviving SOEs.¹² They further estimate that during this period, reforms of the state sector were responsible for 24% of China's aggregate TFP growth. Finally, Brandt et al. (2012) conclude that for the full sample of above-scale enterprises, over this period approximately one-half of total TFP

growth resulted from the restructuring exit–entry dynamic of China’s manufacturing sector, both SOEs and non-SOEs. Clearly, the ‘retain the large; release the small’ initiative had a substantial effect on China’s enterprise sector. Table 6.3 shows that after bottoming out in the mid-to-late 1990’s, profits from the state sector rise rather continuously, showing near convergence with non-state-owned firms in 2005.

Still, notwithstanding the extensive restructuring, productivity and profitability gains, and reduction in the number of firms and their share of total industrial output, serious efficiency problems persisted. At the center, a more limited number of highly mega-firms emerged with concentrations of economic and political power that aggravated resource and market distortions across the economy. Naughton (2008, p. 8) conducted an assessment of the prospects for deep, sustained reform of the CSOEs that emerged from the ‘retain the large; release the small’ initiative. According to Naughton:

Efforts to subject these firms to increased transparency and greater regularity have paid some dividends to be sure. But efforts to restrict their money and resources have had no effect whatsoever Central state firms can present themselves as national champions, and in this respect at least can draw on a measure of public support SASAC’s mandate is to ‘own’ these corporations and to manage them in the public interest. SASAC is thus ally *and* adversary of the central enterprises.

Stage III. Restructuring the Large SOEs – 2008 to Present

The profile of surviving SOEs shows that the reform of China’s centrally state-owned and state-controlled enterprises has proceeded along two important avenues. The first is their consolidation into a limited number of merged mega-firms, presently numbered at 106. As previously referenced in Table 6.2, among China’s 20 largest companies, 19 are currently state-owned or state-controlled firms, for which the majority state-owned shares are mostly publicly traded on the Hong Kong or other international exchanges. Among the Chinese companies on the Fortune 2014 Global 500 list, 98 companies are based in China, including those headquartered in Hong Kong. According to Fortune News, that number places China second only to the US, which has 128 companies on the list. Comparing these 2015 figures with the recent past, China’s rise is even more spectacular. China had just 46 companies appearing on the list in 2010 and only 10 in 2000. The US, on the other hand, has trended in the other direction: 139 American companies made the list in 2010 and 179 in 2000. Notably, of the 98 Chinese companies on the list, 22 are private.¹³

Notwithstanding this concentration of CSOE activity in 106 mega-firms, SOEs continue to pervade the Chinese economy, extending well outside the industrial and financial sectors. China State Construction Engineering, for example, is the largest home builder in the world, with a wide range of subsidiaries involved in domestic and international subsidies, including those specializing in public facilities and highways. In the view of Chen Zhiwu,¹⁴ the impact of the SOEs on

private enterprise is becoming more damaging as the economy's growth slows. Chen expresses the widely held view that notwithstanding the restructuring of China's state-owned economy over the past decades, 'Many of China's structural distortions, both economic and otherwise, are due to the dominating positions of the SOEs.'

The second key reform initiative for China's CSOEs materialized on September 13, 2015, when China's CCP and State Council issued guidelines that update and extend the government's effort to achieve meaningful reform of its SOEs.¹⁵ The more notable highlights of these guidelines are:

- SOEs will be divided into two categories – for-profit entities with a mandate to provide public goods and services – and for-profit entities, dedicated to commercial operations.
- The new guidelines include specific provisions: i) SOE boards of directors are intended to have more autonomy, in part facilitated by restrictions on government agency intervention; ii) managers will be more strictly supervised while professional quality and compensation will be upgraded; and iii) mixed ownership will be encouraged through public offerings, share sales to employees, and means for non-state companies to employ convertible bonds, rights swaps, and other measures to acquire SOE assets.
- The timeline for achieving major reforms is 2020.

As shown below, the 2015 reforms have led to varied reaction regarding their likely effect.

ASSESSING THE 2015 REFORM GUIDELINES

In her Brookings-sponsored paper, Leutert (2016) emphasizes the potentially transformative significance of the September 2015 guidelines: 'Categorizing SOEs into a public class (*gongyilei*) and a commercial class (*shangyelei*) is a transformative move at the heart of the new reforms. Firms will be divided by function into those dedicated to public welfare and those seeking profit.' Leutert, however, sets forth three specific challenges, or tensions, for the implementation of the 2015 guidelines. These are:

- *determining how and when to grant market forces a greater role*: the government must effectively manage the tension between continuing government-directed mergers that are likely to lead to greater market concentration while opening protected sectors to more robust competition;
- *aligning mismatched managerial interests and incentives*: while the Xi administration's top-down practice of appointing, removing, and reshuffling top company leaders may curtail the amount of malfeasance and corruption in some CSOEs, it undermines a key reform guideline entailing the devolution of greater autonomy to boards of directors who are charged with exercising better oversight and strengthening managerial incentives;
- *changing the internal bureaucracy and culture of large SOEs*: the size and complexity of the CSOEs, combined with their privileged competitive advantages, are a serious impediment to transforming the deeply embedded cadre culture of SOEs that frustrates internal reform.

Indeed, as presaged by Naughton in 2008, even public pronouncements within China responding to the 2015 Guidelines exhibit ambivalence. The call to promote ‘mixed ownership’ of SOEs – a euphemism for partial privatization – is followed by caution to protect against the ‘leaching away of state asset,’ a reference to worries about national wealth being sold off on the cheap.¹⁶ The plan wants to increase financial returns but also calls for strengthening party control. Hence the guidelines and much of the related commentary acknowledges the tensions, enumerated by Luetert above, that may persist in hindering restructuring progress.

As Luetert suggests in her assessment, even the commercial-oriented firms will arguably be critical for support of various public policy goals, such as fostering indigenous innovation, supporting social stability, and advancing key economic initiatives, such as the Silk Road ‘One Belt, One Road’ initiative. All of the CSOEs are also credible candidates as National Champions enabling China to be on the global map in the highly visible finance, telecommunications, automobile manufacturing, aerospace, and defense industries. Retaining these National Champion candidates within the pool of CSOEs enables the government to employ subsidies, pursue mergers and acquisitions, block competition, and perform other measures intended to ‘advance the interests of the nation.’

Journalists who follow China’s SOE reform progress express mixed expectations regarding the success of the State Council’s 2015 restructuring guidelines. Gabriel Wildau of the *Financial Times* offered a rather pessimistic assessment. In her article, ‘China’s state-owned zombie economy,’¹⁷ Wildau (2016) argues that rather than undertake the break-up and sale of unprofitable enterprises, most of the emphasis has been on consolidation. Wildau writes, ‘merging centrally owned firms will increase their market share at the risk of long-term competitiveness and efficiency gains.’ According to Wildau, SASAC has only

cautiously experimented with ‘mixed ownership,’ a euphemism for selling minority shares while retaining majority control. Far from shrinking its role in the economy, the leadership believes the answer lies in strengthening the ruling party’s grip on state assets, while making SOEs more competitive.

Wildau observes that ‘mega mergers are also seen as a way to eliminate “malicious competition” between state groups,’ such as that between the country’s two largest manufacturers of railway equipment in 2014, likely intended to strengthen the leadership’s Silk Road initiative.

The Economist elaborates on the problem of rotating management assignments in which managers of SOEs are rotated within the same industry, notably airlines, energy, and banks. This practice, observes *The Economist*, ‘makes a mockery of competition, as does the fact that China’s state firms are rarely targeted by antitrust authorities.’

Contrasting with these pessimistic assessments by Wildau and *The Economist* above, other assessments by *The Economist* are more optimistic. Writing on

August 30, 2014, more than a year before the 2015 guidelines,¹⁸ *The Economist* contends, 'China is in the midst of the biggest attempt in more than a decade to fix the country's brand of state capitalism.' In support of its assertion, *The Economist* recounts the following examples:

- Sinopec, Asia's biggest refiner, is close to selling a \$16 billion stake in its retail unit, a potentially lucrative opening for private investors.
- CITIC Group, China's biggest conglomerate, is poised to become a publicly traded company by injecting its assets into a subsidiary on the Hong Kong stock exchange, for \$37 billion. Within the financial sector, Citic Group laid down a model for SOE reform last year when it injected \$37bn worth of unlisted assets into a Hong Kong-listed subsidiary.
- After its initial reluctance, SASAC announced reforms at six companies. They are to experiment with larger private stakes and greater independence for directors.

The optimistic assessment of *The Economist* may not be misplaced. To a significant degree each of these expectations has in fact come to pass. Such incremental progress may represent the ability of SASAC to make progress '... slowly and tentatively as it grinds against the formidable power of large, wealthy, and politically connected organizations' (Naughton, 2008, p. 8).

RESTRUCTURING CHINA'S REMAINING SOEs: CORPORATE REFORM vs. INSTITUTIONAL REFORM?

As shown above, one notable feature of the literature that addresses China's recent initiatives to reform its SOE sector is that a large portion of the commentary and analysis originates with news-related periodicals, including *The Economist*, *Forbes*, the *Financial Times*, and the *Wall Street Journal*, as well as news and perspectives published by analysts associated with financial organizations and public policy institutes. This shift from academic research to media outlets and non-academic policy sources is likely the result of several conditions. First, with the shrinking number of SOEs and the fact that more than 90% of their assets are held by the 98 firms in the Forbes Global 500 Companies, the SOE reform story is increasingly that of a relatively small number of highly visible firms for which information is more readily available. Furthermore, most of the major SOEs are either publicly traded or are anticipated to be in the queue for public offerings and other forms of financial transactions with the outside world. Given the scale of the assets involved and the potential for sizeable commercial transactions, the global financial community is eager to receive timely information and analysis relating to China's reform innovations. That China's state-owned enterprises have come to acquire such interest and scrutiny by the financial community and financial press is itself a powerful statement of the extent and consequence of China's SOE reform over the past three decades.

However, certain of the academic literature has taken a different slant on the 2015 Guidelines. While the media and public policy institute literature has largely focused on the prospects for implementing the corporate reform agenda embedded in the 2015 Guidelines, the academic literature has focused more on the issue of whether the goals set forth in the Guidelines, even if pursued in a diligent and demonstrable manner, can truly improve the performance of the SOE sector. Based on the restructuring experience of the past two decades, several researchers are skeptical that the principal–agent problem – and by extension the public good problem – can be alleviated through mixed ownership involving minority ownership interests being effectively represented through the agency of independent directors.

Among those emphasizing the overriding importance of the legal and regulatory environment in which all firms operate – whether state, mixed, or privately owned – are Milhoup and Zheng (undated). After surveying the ownership structure and relative performance of a substantial number of large Chinese firms of various ownership forms spanning the continuum of state-owned to private-owned firms, they stress the importance of ‘market-neutral institutions’ over individual firm ownership.

... Ownership of the firm *as such* provides relatively little information about the incentives of management, the innovative capacity of the firm (and whether it is directed at generating consumer surplus or capturing state rents), or the degree of autonomy the firm enjoys from the state But because the Chinese party-state retains (relatively undefined) residual control rights in firms of all (ownership) types, corporate ‘ownership’ is less central to understanding the attributes of the Chinese firm as compared to firms operating under market-neutral institutions and relatively robust constraints on state intervention.

While Gan and his colleagues (2008) find that ownership does matter – they find that only manager-owned forms show substantial performance improvement – they agree with Milhoup-Zheng that *mixed* ownership is not a solution to the chronic principal–agent problem in China’s corporate system. Using a unique hand-collected nationwide survey of a sample of generally small and medium-sized enterprises, Gan et al. (2008, p. 1) conclude:

... privatization in China has improved performance, but only for firms bought by managers (MBOs). Consistent with improved performance, MBO firms are less likely to be influenced by the state in their daily operation and are more likely to take various restructuring measures. We also find city governments with stronger fiscal disciplines and with less political burdens of disposing of laid-off workers tend to use the MBO method to privatize.

One reason why configurations of mixed, minority ownership may not succeed is the lack of efficacy of representatives of minority ownership, i.e., the independent director. In 2001, the China Securities Regulatory Commission (CSRC) issued its *Guidance Opinion on the Establishment of an Independent Director System in Listed Companies*, covering all companies listed on Chinese stock exchanges

(but not Chinese companies listed overseas). As explained by Clarke (2006), the Opinion constitutes the most comprehensive measure taken to date by the CSRC – or indeed by any Chinese governmental authority – to regulate internal corporate governance through the institution of the independent director.

Clarke's assessment (2006) of the impact of the growing practice of appointing independent members of the corporate board, notably those that were publicly traded, dates back to the mid-1990s. The article, based on a review of the empirical research on the relationship between independent directors and corporate performance in the United States, as well as in China, finds that the research yields similar conclusions: there is no strong link. Clark concludes that proponents of the institution of independent directors misconceive the nature of the corporate governance problem in China, as well as the requirements for the effective functioning of independent directors in the United States. Specifically, according to Clarke, the usual complements and substitutes for shareholder monitoring as a means of disciplining managers – shareholder litigation, the managerial labor market, the input and product market, and the market for corporate control – do not, with the exception of input and product markets, function at all well in China.

Regulatory authorities in China have limited resources, and civil litigation by shareholders is tightly restricted. Because these methods of monitoring management and making it accountable do not work well, the state should not place constraints around the one mechanism that might work well: large shareholding. It should not block concentration of shareholding or make it difficult for majority shareholders to exercise control over the company by making the board too independent.

The implication of the combined findings of Milhoup and Zheng (undated), Gan et al. (2008), and Clarke (2006) would appear to be that the only remedy for the classic principal-agent problem, as manifested in China, is to encourage privatization of existing SOEs by MBOs and hopefully majority ownership. Given the weakness of the legal and regulatory structure that enables smaller shareholders, sometimes acting as independent directors, to affect firm performance, privatizations without majority management control appear to perform consistently weaker than those with owners performing the managerial function.

These research findings offer little encouragement for a key element of the Government's 2015 SOE reform guidelines – that is, mixed ownership with the appointment of independent directors. Contrary to the objective of the 2015 Guidelines, the available research would seem to suggest that failing the legal avenues and remedies for disparate owners to orchestrate their influence, regardless of the sheer number of independent directors, mixed ownership does not appear to be an effective reform vehicle.

In fact, even when majority shareholders or full ownership dominates, Milhoup and Zheng (undated) appear to be arguing that in China, corporate

ownership simply does not matter; the institutions within which they operate do. Moreover, SOE reform is inseparable from deep institutional and political reform. According to the authors, ‘... in China, growth potential, due to its close association with political legitimacy, is the key currency with which to obtain state backing irrespective of ownership.’ Outlining the necessary scope for effective reform, Milhaupt and Zheng (undated) assert:

Thus, a shift toward the creation of a true private sector in China will require more than the commonly proffered prescriptions of privatizing SOEs and shrinking the state’s share of the economy. It will require the formation of robust market-neutral institutions: a corporate law that permits entrepreneurs to contract away from state-favored organizational forms, a robust and neutrally enforced antimonopoly law, and elimination of preferential access to bank finance and the capital markets for state-favored firms, to name a few key reforms Our analysis indicates that the state sector must be curtailed through massive institutional reforms, not through changes in ownership alone In light of these complexities, our analysis casts doubt on how far China can go in reducing the role of the state in its economy without significant political reforms.

Still, a degree of optimism persists in the financial press regarding the potential benefits of mixed ownership. As reported by *The Economist*, among these promising initiatives is that of Guangdong Province, which offered mixed ownership in 50 different SOEs and that of Shanghai, which sold a 12% stake in a subsidiary of the Jin Jiang hotel group to Hony Capital, a local private-equity firm. ‘There is a lot of room for reform before touching political red lines,’ says Andrew Batson of Gavekal Dragonomics.¹⁹ In August 2016, *The Economist’s* correspondent, wrote:

The vast majority of Chinese state-owned enterprises have upgraded their internal governance and senior management teams including appointing external independent directors or foreign senior managers. Many of these enterprises have taken steps to introduce mixed private ownership to improve managerial autonomy.

With little more than a year having elapsed since the State Council’s issue of the December 2015 Guidelines, clearly there is substantial expectation – both hopeful and skeptical – in the foreign, business, and academic/policy communities as to whether this initiative will lead to a meaningful episode of SOE reform in any way comparable to that undertaken two decades ago with the furlough of millions of surplus SOE workers and the mandate to ‘retain the large’ and ‘release the small.’ By 2020, the results of the 2015 Guidelines should be clear, including which of the remaining SOEs will be released and which of these will be retained effective ownership, while the sets of rights and responsibilities of those retained should be made more clear. As this process unfolds, the outcomes should make clear whether the ownership and institutional reform as embedded in the 2015 Guidelines is sufficient given the generally status quo legal and political context in which they unfold or if indeed, as a number of observers argue, far deeper institutional change is a pre-requisite for the dynamically evolving competitive world class corporate structure that China seeks.

CONCLUSION

During the 20-year period 1987–2007, the reform of China’s SOEs contributed substantially to the nation’s overall economic and productivity advance. This is not to suggest that the SOEs were a model of corporate governance. Indeed, although over the period 1997–2007, via sale, merger, and restructuring, SOE productivity converged toward that of the non-SOE sector, SOE productivity continued to lag behind that of the non-SOEs. Moreover, by capturing far more than its share of financial resources and impairing competition in both product and capital markets, the SOEs – both those in the industrial sector and otherwise, including the state-owned banks – likely impaired the growth and productivity of the non-SOE sector.

As a central instrument for carrying out the nation’s stimulus program during 2008–2010, the SOEs were an important vehicle for stabilizing an economy facing a collapse of demand among China’s sources of growth abroad. Since then, there is little evidence of palpable SOE reform that has improved SOE efficiency or reduced the role of SOEs in China’s overall economy. Indeed, over the past decade, as profitability and productivity in the SOE sector has fallen or stagnated, China’s surviving SOEs may be contributing to China’s economic growth slowdown.

Key among drivers of reform has been China’s evolving institutional structure. Again according to North (1994, p. 261) ‘The organizations that come into existence will reflect the opportunities provided by the institutional matrix,’ an emphasis on the clear assignment of property rights and low transaction costs (Coase). Arguably, whether the manufacturing system or the financial system, a growing openness of the Chinese economy, both domestically and internationally, will persist as the key driver of China’s incentive and capacity to drive home the reform to which its 2015 Guidelines have given rhetorical support.

This review identifies a number of unresolved issues warranting further research for China’s SOE reform. Among these are:

- How China will distinguish in principle and execution the distinction between the commercial and public service function, both in the overall economy, strategic sectors, and for individual firms.
- How to reconcile the intent of the Party and the State to exercise managerial and personnel control at the firm level with the need to enable market-determined outcomes for firm exit and entry, products, and capital.
- Whether these issues can be resolved case-by-case at the firm level or if indeed, as some insist, their resolution will require ‘massive institutional reforms.’

As much progress as China’s enterprise reforms have achieved, the reform issues are qualitatively similar to those that have persisted over the past three decades. Although the scope of the reform challenge has contracted to a far more limited number of SOEs, the remaining mega-firms persist in dominating major portions of strategic sectors, such as energy, building materials, and banking, that impair market outcomes throughout the economy.

Notes

- 1 The author very much appreciates the helpful comments and suggestions of Albert Hu on an earlier draft of this paper.
- 2 <http://en.sasac.gov.cn/n1408028/n1408521/index.html>
- 3 <http://en.sasac.gov.cn/n1408035/c1477196/content.html>
- 4 See Jefferson (1998).
- 5 <http://thediplomat.com/2014/06/chinas-changing-state-owned-enterprise-landscape/>
- 6 A third source – an undervalued currency – enables the accumulation of foreign exchange reserves to hedge against financial crisis by maintaining confidence in the system.
- 7 <http://www.sjsu.edu/faculty/watkins/chinasoes.htm>
- 8 World Bank trade data, <http://data.worldbank.org/indicator/NE.TRD.GNFS.ZS?locations=CN> and *Chinese Statistical Yearbook* (1996).
- 9 *The Economist* (Sept. 3, 2011), 'Capitalism Confined', <http://www.economist.com/node/21528262>
- 10 In 1998, China's statistic's bureau altered its reporting of industrial statistics from 'independent accounting units' that covered a large number of enterprises that were independently registered whose output was principally focused on industrial production to 'above scale' enterprises whose annual sales exceeded 5 million renminbi (approximately \$600,000 at the 1998 exchange rate). As a result, the number of reported enterprises was reduced to a fraction of what had been regularly reported up until 1998.
- 11 NBS (2005), Table 14-9, p. 499.
- 12 In their study of the surge in patenting during 1995–2001, Hu and Jefferson (2009) conjecture that the clarification of enterprise property rights led to the more aggressive assertion of patent rights. They find that the changing ownership structure of Chinese industry – the accelerated exit of state-owned enterprises and entry of non-state enterprises – produced a 10% increase in patent applications of the enterprises in their sample from 1995 to 2001.
- 13 <http://fortune.com/2015/07/22/china-global-500-government-owned/>
- 14 Chen is a finance professor at Yale University and was an adviser to China's cabinet in 2007.
- 15 'Guiding Opinions of the Communist Party of China Central Committee and the State Council on Deepening the Reform of State-Owned Enterprises', September 2015.
- 16 www.ft.com/content/5eeeb84a-5aaa-11e5-97e9-7f0bf5e7177b
- 17 Wildau, Gabriel, February 29, 2016, 'China's State-owned Zombie Economy', *The Economist* <https://www.ft.com/content/253d7eb0-ca6c-11e5-84df-70594b99fc47>
- 18 *The Economist*, 'Fixing China Inc.: Reform of the state companies is back on the agenda', Aug. 30, 2014.
- 19 <http://research.gavekal.com/author/andrew-batson>

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The Rural Economy

Susan H. Whiting and Dan Wang

INTRODUCTION

China's rural economy has been the focus of dramatic policy shifts since the founding of the People's Republic in 1949, and holds important lessons for development studies. While Mao Zedong's New China is thought of as a prominent example of a 'peasant revolution,' China's 'peasants' or farmers were not the direct beneficiaries. The institution of the planned economy used state power to divide the urban and rural economies and to extract resources from the rural sector at unfavorable terms, facilitated by the collective organization of rural society. If the function of the rural economy is to provide labor, food, and raw materials to the broader economy while improving the well-being of the rural population, the rural economy performed relatively poorly during the Mao era. The legacies of Mao-era collectives included a set of property rights that provided weak incentives for investment and labor effort and the absence of markets that could promote allocative and productive efficiency.

Post-Mao reforms in the rural economy changed property rights arrangements and improved incentives, contributing dramatically to global economic growth and poverty reduction. At the same time, China's incremental approach to institutional reform both reflects and challenges development orthodoxy, which focuses on the role of free market prices, private property rights, and open trade regimes. As the following sections demonstrate, China's incremental approach to reforming property rights and establishing markets has resulted in marked increases in

agricultural productivity and rural industrial output. At the same time, property rights reform remains incomplete, and agricultural subsidies have become an integral part of China's food production.

With roughly 20 per cent of the world's population and only 10 per cent of the world's arable land, China's food policies have tremendous potential to shape global markets. In this context, China's policy makers have made food security a top priority and actively use land management, price supports, trade, and other policies to pursue the goal of food self-sufficiency.

This chapter addresses four major aspects of China's rural economy. The next section reviews the legacies of the Mao era, dramatic successes of early post-Mao agricultural reforms, on-going elements of insecurity in land rights, and characteristics of land grabbing in contemporary China. Section three focuses on agricultural reform and productivity; it addresses scale economies, productivity, environmental impacts of agricultural practices, and use of genetically modified organisms (GMOs). The fourth section surveys the Chinese experience with rural industrialization and how it has shaped debates over development orthodoxy. Section five discusses the goal of food security, introduction and reform of agricultural subsidies, and rise of Chinese outward direct investment (ODI) in agriculture. The penultimate section articulates an agenda for future research. The final section concludes with a discussion of the lessons for development studies from China's experience.

LEGACIES OF COLLECTIVES AND LAND RIGHTS REFORM

Legacies of the Mao Era

Rural land has served as a tool of state policy goals since the founding of the People's Republic of China. The early practice of redistributing land to landless peasants was short lived. Nevertheless, the often violent implementation of land reform had the effect of overturning the traditional rural social structure headed by landlords, providing land to poor peasants, and restoring agricultural productivity by preserving the status of richer peasants (Bramall, 2000). Indeed, the opening years of the PRC brought about a more equal distribution of land to farm households, and the 1954 Constitution recognized the right of farmers to own land.

At the same time, however, the state instituted compulsory procurement of grain from the countryside, creating a government monopoly over key agricultural commodities. Beginning in the mid-1950s, the establishment of agricultural producers' cooperatives, which entailed pooling land, labor, and capital, marked the end of household farming and the beginning of collectivized agriculture. This reorganization supported a core feature of the new planned economy: extraction of primary commodities from the rural sector at artificially low prices to facilitate the rapid development of the urban industrial sector. This system reached its

height during the Great Leap Forward (GLF, 1958–61) with the establishment of a three-tiered structure of rural people's communes, production brigades, and production teams on a scale encompassing thousands, hundreds, and dozens of farm households, respectively. This structure facilitated the extraction of grain from the countryside that contributed to the Great Leap Famine and resulted in an estimated 30 million famine-related deaths (Bernstein, 1984; Lin and Yang, 1998). Following the excesses of the GLF, the commune system provided a mechanism for very basic provision of health care and education to the rural population, ultimately leading to increases in life expectancy and literacy during the period of the Cultural Revolution (1966–76) (Hannum, 1999; Sidel, 1993). Yet at the time of Mao's death in 1976, problems remained. The system vested property rights in the commune or production brigade and was plagued by weak incentives for farm households, which had no claim on residual output; it also provided artificially low prices for agricultural products (Lin, 1992). Overall, agricultural output failed to keep pace with urban and rural demand, and consumption and incomes stagnated during the Mao period.

Early Post-Mao Reforms

The Chinese Communist Party (CCP) introduced significant reforms to address these threats to regime legitimacy, beginning in 1978. The first major reform, introduced at the Third Plenum of the 11th Central Committee (1978), set higher prices for agricultural products like grain and cotton that were subject to compulsory procurement by the state, contributing to a sharp rise in the incomes of rural households. These reforms were followed by the introduction of the household responsibility system (HRS), which allocated use-rights over collective land to households on a per capita or per labor basis and made households residual claimants on agricultural output (Brandt et al., 2002). Scholars credit the HRS with the dramatic increases in agricultural productivity (McMillan, Whalley, and Zhu, 1989) and output (Lin, 1992) between 1978 and 1984. During this period, the CCP also allowed the resumption of rural periodic markets for the sale of farm produce. Together, the early post-Mao reforms contributed to a substantial decline in poverty. With the dismantling of the communes, however, one mechanism for minimal provision of basic health care and related services disappeared, and it took several decades to build a new system for provision of basic health and welfare in rural areas (Hsiao, 2014). Nearly a quarter century after the watershed Third Plenum reforms in 1978, the Hu Jintao/Wen Jiabao administration took another step to address lagging rural incomes by abolishing agricultural taxes and fees and introducing new agricultural subsidies.

Insecure property rights in land continue to be a policy concern and may be associated with allocative and productive inefficiencies in agriculture. Initially under the HRS, agricultural use rights were established for only 1–3 years but were quickly extended to 15-year terms starting in 1984. The motivation for this

policy change was the belief that more secure property rights were required to give farmers adequate incentives for long-term, productivity-enhancing investments. In 1993, farmers' use rights were further extended to 30 years, a change codified in the 1998 Land Management Law (LML Article 14) and further elaborated in the 2002 Rural Land Contracting Law (RLCL Article 20). With the conclusion of the first round of households' land-use contracts in most regions of the country during the mid-1990s, villages initiated a second round of contracting agricultural land to households for a period of 30 years. Thus, although agricultural land is collectively owned, a series of policies has extended the land-use rights of farm households; however, it is not clear whether the problems caused by insecure and incomplete property rights have been fully resolved.¹

Sources of Continued Land Tenure Insecurity

To date, rural reforms have stopped far short of private property rights in land. Although following CCP Document No. 1 in 2013, the Chinese government undertook to survey, title, and register all rural land, the land rights of farm households remain limited. Prior to 2016, they could not use land for collateral in borrowing. Farm households are prohibited from selling or converting their contracted agricultural land for non-agricultural purposes. With the continuation of collective ownership of rural land and a state monopoly on conversion of rural to urban land, local state and village authorities still exercise significant power in assigning land rights.

One source of land tenure insecurity is the practice of reallocating arable land among households to accommodate changes in household size (Kung and Liu, 1997). Leading policy makers with oversight over rural development like Chen Xiwen, who headed the CCP Central Leading Group for Rural Work through multiple administrations beginning in 2000, regarded land as a form of social security, especially in light of limited availability of welfare for rural households. However, with per capita land at less than one mu, land cultivation does not generate a significant stream of income. Jin and Deininger (2009) indicate that tenure insecurity resulting from reallocations likely reduces household investment in land. So far, however, estimates of the magnitude of these effects have been relatively small. Reallocations have been reduced (but not eliminated) since the passage of the 1998 LML and the 2002 RLCL, which prohibited such changes without the approval of two-thirds of all village households (Brandt et al., 2017).

Despite sources of ongoing property rights insecurity, a growing literature finds that, since the mid-1990s, land rentals among farm households have been increasing (Gao et al., 2012).² Land rentals may become an important alternative to reallocations for balancing supply of and demand for agricultural land; however, rentals may be limited by household perceptions that land rights remain insecure. Some households report pressure to 'use it or lose it' with respect to arable land contracted from the village collective, and other households avoid

formal – and potentially risky – transactions by renting land only between relatives or neighbors without formal written contracts (Brandt et al., 2017). Jin and Deininger (2009), however, show that labor market opportunities outweigh restrictive local policies in explaining the growing extent of land rentals. Off-farm labor opportunities commanding higher wages are correlated with renting out of land by households (Kimura et al., 2011; Zhang et al., 2004).

Land Grabbing

Another major source of land tenure insecurity is the taking of land from the rural sector for use in the urban sector. The division of land into urban land owned by the state and rural land collectively owned by villages (former production brigades) or small groups (former production teams) is a legacy of the planned economy. The state maintains the right to take rural land at below-market value for broadly defined ‘public purposes.’ Article 47 of the Land Management Law (LML, revised 1998) states that ‘Land expropriated shall be compensated on the basis of its original use’ – not its highest and best use.

Compensation includes land compensation, resettlement subsidies, and payment for crops in the ground. Land compensation is handled by the collective (LML Article 49) and is defined as a multiple of the agricultural use value of the land. Entities acquiring the use rights of land for construction pay the conveyance fee not to the collective but to the government (70 per cent to be used by the local government to develop land and 30 per cent to go to the central government) (LML Article 55).

In 2004, the central party-state sought to limit such land conversions by imposing an annual quota on the amount of rural collective land that can be converted to urban land for construction (Ho and Lin, 2003). Despite the establishment of annual quotas and the decree of a ‘red line,’ mandating that a minimum of 1.8 billion mu (120 million hectares) of arable land be maintained, the area of high-quality arable land is likely shrinking, as land sales have become a key source of local government revenue.

Local governments have further manipulated land rights in order to increase the amount of land available for conversion from rural to urban use (Cai, 2012; Xiao, 2014). In rural areas, land is classified as agricultural or construction land. Rural construction land includes the land on which farmers’ houses, collective buildings, village schools, and, historically, township- and village-enterprises (TVEs) are built. Since 2004, local governments have pursued a policy of concentrating farmers’ residential land (集中居住) in order to free up more land for conversion to urban land uses. In a process that may not be fully voluntary, rural residents vacate their residential land and move to new concentrated housing projects – ironically, often built on formerly arable land. The former residential land plots are reclaimed for agricultural use and generate new administrative land quotas, allowing local governments to convert even more rural land to lucrative, urban uses.

Drawing on data from 244 prefectures, Han and Kung (2015) indicate that land conveyance revenue (土地出让金) increased from 155 million yuan in 1999 to 1.7 billion yuan by 2004. Focusing on the county level, as of 2008, near the height of land-based development, land conveyance fees constituted 80 per cent of extra-budgetary revenue and nearly 40 per cent of total revenue (Chen and Kung, 2016).

Village leaders also engage in informal takings outside the regulatory purview of local governments, specifically, land resource bureaus. Po (2008) describes how village collectives organize new corporate forms that operate within the framework of collective land ownership but push the regulatory boundaries by converting rural land to non-agricultural uses. Informal takings allow collectives and their members – instead of local governments – to capture the gains from shifting land to higher-value uses.

At the Third Plenum of the 18th Central Committee (2013), the Xi Jinping/Li Keqiang administration articulated a new comprehensive reform agenda to break down remaining administrative barriers that segment markets for land and labor between rural and urban sectors, but progress appears slow.

TRENDS IN AGRICULTURAL PRODUCTIVITY

The positive effects of the HRS on the equitable distribution of land to farmers and ultimately on agricultural productivity, food production, and poverty alleviation have been well documented (Huang and Rozelle, 1996; Jin et al., 2002; Lin, 1992; McMillan et al., 1989). However, under the HRS, land was periodically reallocated within the village, which caused fragmented holdings and higher land insecurity. Studies have found that this village-wide land reallocation has hindered sustainable agricultural productivity growth (Kung and Liu, 1997). Land tenure gradually evolved to tackle the problem. As a result of enhanced land security, land rental markets, which were non-existent as of the mid-1990s, emerged rapidly (Deininger and Jin, 2005), significantly improving land productivity (Deininger et al., 2014; Feng et al., 2010; Jin and Deininger, 2009).

Economies of Scale

The relationship between farm size and land productivity is an ongoing debate in China (Xu and Yin, 2010). Some studies show that economies of scale do not exist in agriculture (Chen, 1988) or that large-scale farming would even decrease land productivity (Cai, 2005; Johnson, 1994; Liu, 2006; Luo et al., 1996). Some point out that, although output per hectare is higher for large-scale crop farming, it is largely a result of intensified use of machinery and other inputs that are heavily supported by state subsidies and discounted loans and thus unsustainable. Smaller farm size, by contrast, seems to have positive impacts on land productivity and farmers' income (Benjamin and Brandt, 2002; Xu et al., 2007).

On the other side of the debate, studies suggest that scale economies not only exist but are the key to solving China's agricultural problems (Kalirajan and Huang, 1996). There is a growing consensus that a proper limit to farm size exists (Han, 1998). Within that limit, scale-farming would improve land productivity (Huang and Chen, 1998; Song et al., 2007). However, regarding exactly what this limit should be, various studies suggest vastly different results (Feder et al., 1992; Wan and Cheng, 2001). Under the Xi Jinping/Li Keqiang administration, the state actively promoted larger-scale farming by encouraging transfers of use rights to arable land from household farmers to agribusinesses.

Irrigation

Countries with high levels and growth of agricultural productivity are also associated with large investments in water infrastructure, particularly irrigation. The literature shows that access to irrigated water can substantially increase crop production, promote crop diversification, facilitate rural transformation, and reduce poverty (Huang and Rozelle, 2006). Investment in water control, both irrigation and flood control, has been China's single largest government budgetary allocation in agricultural sector. From the 1950s to the 1970s, most of the government's efforts focused on building dams, reservoirs, and canal networks. China has continued to increase its investment in irrigation since the 1980s. Currently, it has more tubewells than any other country in the world. As a result of increased investment, China has significantly expanded cultivated land under irrigation. According to FAO data (FAO, 2016), in the past 20 years, the percentage of cultivated land equipped for irrigation increased from 38 per cent to 55 per cent in China.

At the same time, the country faces severe water shortage, especially in northern China, a major agricultural area where both surface and ground water sources are under strain. This issue was a focus of the politically significant CCP Document No. 1 in 2011, reflecting the concern of policy makers who disagree over the balance of price and administrative actions in addressing the crisis (Wang et al., 2016).

Feminization of Agriculture

Debate surrounds the issue of feminization of agriculture and its effect on productivity. Feminization occurs when the proportion of farm work done by women increases. The expansion of off-farm labor markets in the context of reform has made this question more acute in Chinese context. De Brauw et al. (2013) conclude that feminization has occurred since the late 1990s, with women doing an increasing proportion or all the farm work on any given farm. At the same time, their survey data show that, controlling for location, female-headed households have equal access to inputs like land and fertilizer and are equally

efficient. 'Policies that ensure equal access to land, regulations that dictate open access to credit, and economic development strategies that encourage competitive and efficient markets have all contributed to an environment in which women farmers can and [do] succeed' (De Brauw et al., 2013: 702).

Agricultural Output and Productivity

The agricultural capacity of China is impressive. In 2014 the country accounted for 27 per cent of global agricultural output (top-ranked since 1966), according to data from the Food and Agriculture Organization (FAO). The share of the four countries following China – US, India, Brazil, and Nigeria – accounted for only 24 per cent collectively. China is top-ranked in agricultural output for rice, wheat, maize, cotton, vegetables, eggs, and pork; second-ranked for beef, chicken, and cow milk; and among the top ten producers of every commodity except cassava and a few types of nuts.

Owing to a large rural population, China's agricultural labor productivity (as defined by the FAO) has lagged behind the rest of the world, surpassing that of Southern Africa only a decade ago. However, in terms of growth rate, the progress has been tremendous. For the last half century, output per rural worker grew by about 4 per cent per year, while the world average increased only 1.4 per cent per year.

In terms of land productivity growth, China has exceeded that of every other country over the past half century. In 1961, in the aftermath of the Great Leap Forward, the country's output per hectare was among the lowest in the world, even lower than most countries in Africa. But since then, output per hectare has grown at a rate of 3.5 per cent a year, while global growth in yields averaged only 2.2 per cent per year. Total factor productivity (TFP), a more comprehensive measure for productivity, also suggests that China has gained rapidly in productivity, and productivity growth has remained strong in the past few decades (Alston and Pardey, 2014). Figure 7.1 shows the rapid gains in land and labor productivity that China has made in the agricultural sector between 1961 and 2013 in comparison to other countries.

Environmental Impact

However, the improvement in productivity also has been at the price of heavy pollution. In 2013, China used 23 per cent of the world's fertilizers and 44 per cent of the world's pesticides, according to data from the FAO and China's Ministry of Agriculture (MOA). For every hectare of arable land, China uses three times the amount of fertilizer and six times the amount of pesticide as the US uses. According to MOA surveys, over one-third of the pesticides and fertilizers are wasted in use, contaminating land and water. Such waste is partly due to a lack of knowledge among farmers about how to

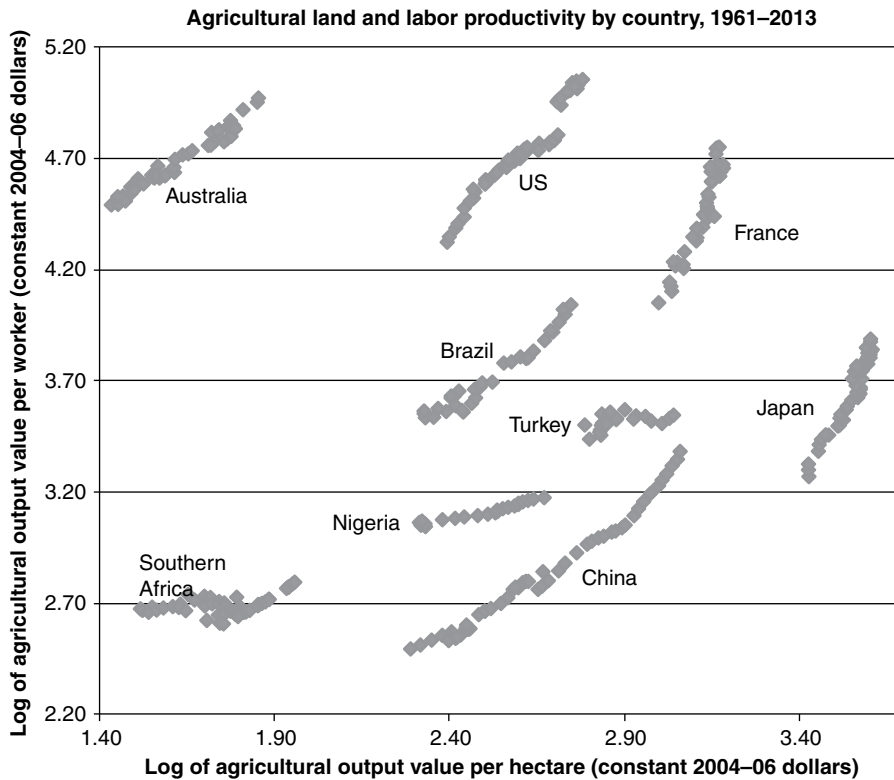


Figure 7.1 Agricultural land and labor productivity by country, 1961–2013

Source: FAO and author's calculation

correctly use the pesticides, as well as the low-quality tools they use to apply pesticides to crops. The MOA reported in 2014 that 19 per cent of China's arable land contains excessive heavy metals or chemical wastes; the provinces of Hubei, Hunan, Jiangxi, and Sichuan were in a particularly bad shape, with 68 per cent of rice fields across those areas suffering from heavy metal contamination.

Keen to reverse the degradation of the environment, authorities have taken many initiatives, such as 'grain for green' – a financial incentive program for farmers to replace cultivated terraces on steep slopes with tree plantings in order to reduce soil erosion (Tao et al., 2004). The 'grain for green' program has had a marginal impact on grain production, no significant effect on prices or food imports (Xu et al., 2006), and a positive effect on off-farm labor participation (Uchida et al., 2009). The cultivated land balance policy, implemented in 1997, stipulates that any area taken out of cultivation must be offset by putting at least an equal area into cultivation (Song and Pijanowski, 2014). The result of the policy was largely positive.

Technology and Genetically Modified Crops

Technology is a major driver of agricultural productivity growth (Alston and Pardey, 2014; Deininger et al., 2014). High returns to investments in agricultural R&D are well documented (Alston and Pardey, 2014; Evenson and Fuglie, 2010; Fan et al., 2004; Zhou and Zhang, 2013). Chinese leaders consider technology as the engine of agricultural growth (Huang and Rozelle, 2014). In particular, biotechnology has become the priority in agricultural investment since the mid-1980s (Huang et al., 2005). Agricultural research and extension also play central roles in increasing agricultural productivity. China spends the highest amount globally on public sector agricultural research and development, with a budget of \$6 billion per year, greater than that of the US at \$5 billion per year.

To solve China's agricultural problems while maintaining high productivity, genetically modified (GM) crops offer one option. But it is not easy to open doors for GM food in China. Public angst has soared over food safety in recent years owing to a series of scares relating to pork, rice, and infant formula. According to 2014 surveys by the Chinese Academy of Sciences, even respondents with college degrees and above-average educational attainment tend to reject GM foods on the grounds of long-term health risks.

China's stance on GM foods seems to be changing. The Xi Jinping/Li Keqiang administration backed scientific research into the subject in Xi's opening talk to the politically significant Central Rural Work Conference in December 2013. The 13th five-year plan for 2016–20 states for the first time that the government will actively promote GM crops, while maintaining strict oversight. A leading domestic research institution in biotechnology, Peking University, founded a 'modern agriculture' department in 2016, identifying GM foods as a research priority. The work is supported directly by state funding.

GM crops promise a quick solution to problems relating to agricultural production and environment, in contrast to politically fraught reforms in land rights or household registration (户口) also on the table. So far, China has allowed production of only GM papaya and cotton in the country, while GM soybeans, beets, rapeseed, and corn are imported and must be used only to feed animals or for manufacturing of oils. The results have nevertheless been encouraging: domestic GM cotton reduced use of pesticides by 80 per cent, as the crops are genetically modified to fend off cotton bollworm. Meanwhile, GM papayas can resist viruses, so they no longer catch the Papaya Ringspot Virus that can render the whole species extinct. However, increases in yields of GM crops have not been dramatic. Huang, Jikun et al. (2008: 244) find reduced use of pesticides and labor inputs but 'only small – if any – increase in yields.'

The Chinese state will continue to actively use policy tools to promote productivity. However, given China's size and the food challenges ahead, government interventions and mismanagement could have far-reaching consequences for the global market.

RURAL INDUSTRIALIZATION

The increase in agricultural productivity and food production that resulted from the HRS triggered a number of subsequent economic growth dynamics, such as providing agricultural surplus labor for labor-intensive rural township and village enterprises (TVEs) in the mid-1980s (McKinnon, 1993), fueling China's overall industrialization with migrant labor since the early 1990s, and generating demand for the intermediate products of manufacturers in the rest of the economy (Qian and Xu, 1993).

Township- and village-enterprises, formerly commune- and brigade-run enterprises, have their origins in Maoist adaptations to the planned economy. During the Great Leap Forward, Mao exhorted the rural sector to 'walk on two legs,' pursuing both agriculture and industry, including manufacturing of fertilizer, cement, simple farm equipment, etc. The post-Leap retrenchment nearly halted the development of rural industry, but commune- and brigade-run enterprises reemerged by the end of the Mao era. With the abolition of communes and their replacement by the township level of government in 1983, township and village (former production brigade) leaders actively promoted TVEs to generate local revenue and provide local jobs for rural surplus labor revealed by the return to family farming.

The Heyday of TVEs

These firms relied on labor intensive, technologically simple manufacturing processes and better reflected China's comparative advantage in cheap, low-skill labor during the first decades of post-Mao reform (Naughton, 1996). As the HRS and rural incomes took off, household savings deposits increased, and local branches of state-run banks and local credit cooperatives channeled credit to township- and village-run enterprises, allowing them to expand further. Collective enterprises owned by townships and villages typically had better access to credit; these firms became the largest rural enterprises early on and produced the largest share of rural industrial output. Collective enterprises were also a significant source of revenue for local government in the form of taxes and extra-budgetary funds (EBF) (Oi, 1992). Private enterprises, also included in the broad category of TVEs, grew to account for the largest number of firms but a smaller share of output (Whiting, 2001).

TVEs have been an important focus of debate in studies of development. They provide evidence for alternatives to development orthodoxy, which has focused on free market prices, private property rights, and open trade regimes. TVEs, owned by townships and villages and with rights over decision making, appointment of managers, and control over profits, have been characterized as 'transitional' (Qian, 2003) and 'second-best' (Rodrik, 2008) institutions. TVEs grew at a time in the early post-Mao era when fully private firms were ideologically suspect, and protection of private property rights was weak (Whiting, 2001). Huang

(2008), by contrast, attributes the transitional success of TVEs to the emergence of small-scale private investment and freer markets during the 1980s.

Communities with TVEs generated significantly more taxes and EBF and were better able to finance a range of local public goods (Wong, 1997). The appointment of township and village party secretaries was controlled from above in China's Leninist party-state, which employed high-powered career and salary rewards to incentivize leaders to promote economic growth and meet targets set from above (Whiting, 2004). Many of these targets took the form of unfunded mandates for provision of public goods, like schools, paved roads, water, sanitation, etc. Rural communities where TVEs flourished typically provided more public goods and services to residents than did communities that lacked TVEs.³

The Post-TVE Era

The deepening of market-oriented reforms pursued by the Jiang Zemin/Zhu Rongji administration hastened the end of the transitional TVE era. Reforms to the banking sector made politically sanctioned loans to TVEs less attractive to banks. The implementation of the 1994 tax and fiscal reforms (分税制) hardened the tax obligations of collectively owned firms and reduced the tax discretion of local officials following the establishment of central tax agencies in rural counties. Legal reforms, including the passage of the Private Enterprise Law and revisions to the PRC Constitution to strengthen the basis for private property, enhanced the ability of more efficient private firms to compete with rural collectives (Li and Rozelle, 2000). Together, these financial, fiscal, and legal reforms, along with more complete markets for factors and products, marked the end of the transitional TVE era (Whiting, 2001).

Government Intervention in the Rural Economy

Political and fiscal incentives for local officials to intervene in the rural economy remain. The 1994 tax and fiscal reforms centralized control over fiscal revenue but left expenditure responsibilities for public goods decentralized, burdening local governments once again with unfunded mandates for the provision of public goods. The constitutional division of land into state and collective land, a legacy of the planned economy, provided county governments with another tool for generating revenue and meeting targets. Local governments may lease land at either low negotiated or higher competitive prices, and they can use cheap land to meet aggressive targets set from above for attracting investment (招商引资) and generating budgetary tax revenues (Tao et al., 2010; Whiting, 2010). This dynamic has spawned industrial parks throughout rural China, built on former farm land made available at a discount to industrial enterprises. Through 2002, the vast majority (86 per cent) of land conveyance

took place through negotiation at low prices (Lin and Ho, 2005). During the 2000s, the center repeatedly issued directives intended to restrict leasing of land at low, negotiated prices.

Lin and Ho (2005) highlight how the state is divided in its goals and practices in the management of land conversions. Local governments may also employ auctions or open bidding to generate high, extra-budgetary land conveyance fees, typically from commercial and real estate developers. Land sales have become a major source of off-budget revenue and a mechanism for infrastructure investment for local governments, particularly in light of restrictions on local government bond issuance. The Third Plenum of the 18th Central Committee of the CCP (2013) set the goal of shifting from land conveyance fees to property taxes as a more sustainable basis for local government revenue.

China formally restricts the borrowing powers of local governments (Budget Law 1994 Article 28). Local governments work around this limitation by establishing local government financing vehicles (LGFVs) to borrow and finance infrastructure investments on newly converted land. By 2013, the explicit and contingent debts of local governments together totaled around one-third of GDP (World Bank, 2014: 382). Even counties, townships, and villages used local financing vehicles, collateralized by land, to circumvent official restrictions on local government borrowing.

FOOD SECURITY

The Chinese state also uses a range of policy tools to ensure grain security.

Commitment to Self-sufficiency

Since the devastating famine caused by the Great Leap Forward in the late 1950s, China has committed to self-sufficiency in foods, particularly in basic grains. Authorities are willing to import grains, as long as the volume is not large. A target of 95 per cent net self-sufficiency in grain was explicitly set in 1996 (Information Office of State Council, 1996), but increasing food demand and limited resources have led to less constraining policies (i.e., ‘near’ self-sufficiency in grain in 2016) (Central Government of China, 2016).

An important policy instrument for ensuring domestic supply of food is protection pricing, but it is likely to be expensive if not coupled with tariffs, import quotas, or export subsidies (Martin, 2001). Large stocks accumulated in China right after protection pricing started in 1996, causing food waste and corruption. As the market price kept falling, the fiscal cost to store the food soared. Although policy adjustments were made in later years, it could not eliminate the cost as procurement prices were above the market price. Procurement prices were allowed to decline substantially in 2000 (Huang, 2001).

However, self-sufficiency has come at a price. Labor and land costs have risen dramatically since the early 2000s, in line with the acceleration in rural–urban migration and urbanization, making crop planting more expensive. Moreover, following 2011, global prices for major crops collapsed, causing the gap between domestic and foreign prices to widen substantially. Many farmers considered, if they had not already done so, switching to non-staple food production or abandoning farming all together.

Expensive Subsidy Programs

In order to persuade farmers against exiting the market – and with the goal of self-sufficiency in mind – the central government has ramped up subsidy payments to farmers, on top of the already existing subsidies on seeds and fertilizers (Hou et al., 2007). Minimum prices were announced in 2004 for rice and wheat (China State Council, 2004), and a temporary reserve price support program was introduced in 2008, extending subsidies to corn, cotton, soybeans, and sugar. These policies prompted many farmers to switch to these subsidized crops or to expand existing planting areas. With the resulting jump in supply, the government took on extra national reserves. The government also insulated domestic crop producers from external competition by restricting imports.

The fiscal cost of these efforts has likely been large (Tao et al., 2004). All subsidies are funded directly by the central government, and no official data are publicly available on the actual cost of these programs. However, an official from the Development Research Center of the State Council, an official think-tank, has estimated that the cost of maintaining the temporary reserve of corn alone increased from Rmb 61 billion (US\$9.8 billion) in 2012 to Rmb180 billion (US\$29 billion) in 2014 (China National Radio, 2015). The total figure would be much bigger if it included agricultural subsidies for all crops. In contrast, agricultural subsidies in the US, one of the biggest subsidizers globally, amount to around US\$16 billion a year (USDA, 2016).

The introduction of the minimum price and temporary reserve programs has helped to ensure rising crop output (Jia and Xie, 2013). However, at the same time, foreign prices have kept falling and domestic consumption has slowed. The high crop prices in China have not only attracted speculative imports to profit from the price difference but also pushed up imports of substitutes such as barley and distillers grains. Domestic production also has been distorted, with many farmers switching to subsidized grains, even on land that is not suitable for those crops, resulting in excess water waste and soil degradation (Chen, 2007; Dalin et al., 2015).

The government has purchased and stored excessive staple crops for its reserves. Its corn stockpile, for example, is estimated to cover more than one year's consumption; a level of three months is typically seen as safe. Auctions of

stored grains attract little interest because prices are too high. Corruption is also common in the system.

Partial Subsidy Reforms

Seeing the difficulty in sustaining the minimum price and temporary reserve programs, Chinese officials have begun to experiment with subsidy reforms. Target price programs were announced in 2014 for cotton in Xinjiang and for soybeans in Inner Mongolia and the northeast (Heilongjiang, Jilin, and Liaoning) (Central Government of China, 2014). The biggest difference between this reform and the previous programs is that the market price is determined by supply and demand – not fixed by the government. The government will instead determine the target price based on ‘production cost plus reasonable profit’ (although it has yet to explain what level is ‘reasonable’) and pay farmers the difference between the market price and the target price, if the former is lower than the latter. The total amount of subsidy received by a farmer depends on the land area cultivated as well as the actual amount sold.

Target price subsidy programs have restored market prices and stabilized farmers’ income in the regions where they have been introduced. However, planners have underestimated the complexity of such programs in terms of personnel coordination, training, and financial costs (Huang et al., 2015).

China’s farmers are increasingly dependent on agricultural subsidies. Since global prices for corn, wheat, rice, and cotton dropped in the years following 2011, without government subsidies, farmers would have suffered tremendous losses in income. In other words, the rise in income for those farmers in the subsequent five years was entirely from agricultural subsidies, assuming farmers did not take on any non-farm jobs. In addition, the distribution of subsidies is heavily weighted towards farmers with larger land holdings because the amount of money received depends on land area and yield. Also, in many villages where farmers do not have bank accounts, subsidies are handed out in cash by village cadres. Without any monitoring, it is quite common for small farmers to be underpaid.

Government officials hope that the target price program will serve as a way to guarantee food security and plan to eventually promote it to cover all provinces and crops. However, this may not be feasible. The US has the most experience in using the target price subsidy, which was used only to counter market risk. But in China, the program is also seen as a way to increase farmers’ incomes, which means the target price cannot be lowered even when global prices drop. As a result, there remain questions about its fiscal sustainability. Implementing the cotton subsidy in Xinjiang cost Rmb26 billion in 2015, including direct payment to farmers and implementation fees (Huang et al., 2015). With even the central government’s fiscal position likely to come under strain in the coming years, it may eventually have to give up the idea of extending the target price scheme to

other grains. However, fear of rural unrest drives the government to keep subsidizing farmers.

Alternative Means to Achieve Food Security

There is debate about whether food security could be better achieved by buying more food from abroad. As Sen (1981) has highlighted, food self-sufficiency is no guarantee for food security, which depends on individual access to food.

The average tariff level has lowered gradually since China joined the World Trade Organization (WTO) in 2001. However, in 2016 agricultural products were still subject to much higher tariffs (14.8 per cent) than non-agricultural products (8.6 per cent). The domestic subsidies for major crops such as wheat, corn, rice, and cotton, combined with tariffs, effectively lowered imports while driving up domestic food prices. Food-processing businesses thus became less competitive with their foreign counterparts. Meanwhile, agriculture has become more expensive with rising costs of labor and land, alongside the increasingly limited supply of water and arable land. China has allowed more food imports over time to accommodate all the challenges but has remained reluctant to abandon the self-sufficiency rule for most food items.

As China becomes a major food importer, the food security strategy demands controlling imports from their source. To achieve this goal, authorities encourage companies to make outward direct investment (ODI) in agriculture. In the 13th five-year plan, the government stressed that imports will play a bigger role, and China will also set up overseas bases for producing, processing, and storing farm commodities (People's Republic of China, 2016).

The overseas strategy has evolved from focusing on land acquisitions to the procurement of the entire supply chain. The objectives are diverse, ranging from small demonstration rice fields in Africa, to massive soybean plantations, processing facilities, and ports in Brazil and Argentina (Gooch and Gale, 2015). In 2014, according to China's Ministry of Commerce, more than 300 Chinese companies were investing in agricultural, forestry, and fishing projects in 46 countries, mostly in Asia, followed by Africa. Agricultural ODI has been dominated by state-owned enterprises, but in recent years, large private companies have also become active. The biggest ODI venture in agriculture to date was sealed by a private company, the WH Group, which acquired Smithfield, based in the US, for US\$4.7 billion in 2013. The deal established China as a major player in the global pork market.

AGENDA FOR FUTURE RESEARCH

Land reform will continue to be a focus of future research. China unveiled a pilot program in 2016 to allow farmers to use farmland and rural housing as collateral

for bank loans. This step follows the major initiative to provide formal titles to holders of rural land rights. The plan represents potentially the biggest step to liberalize land rights since the HRS; however, the relationship between land rights and titling, on the one hand, and the ability to mobilize credit, on the other, is subject to debate (Galiani and Schargrodsky, 2014). Allowing farmers to borrow against their land and housing should help to underpin urbanization and deepen rural industrialization. It should also subject the finances of local governments to greater discipline, as it will not be as easy as in the past for them to use land sales to fill gaps in fiscal revenue.

However, there are major caveats surrounding the program. While migration to urban areas promises higher income than farming, with the household registration system still in place, rural migrants are not entitled to full urban welfare benefits, exposing them to high health and education costs. Banks are less willing to make loans, because farmers are risky borrowers. In theory, banks can take over the land if farmers default on loans; however, by law, rural land cannot be used for non-agricultural purposes and cannot be sold. The only way to capitalize land then is to find someone willing to farm the land, but the matching and negotiation costs of this process can be prohibitively high for local banks. Further research is needed to evaluate the effects of incremental land rights reforms.

Regarding food security, future research will likely take two directions. One line of inquiry assesses the impact of agricultural policies, while the other focuses on ways to improve productivity while reducing environmental degradation. First, costly subsidy programs can lead to the build-up of large government inventories. Artificially high local prices can attract speculative imports. The central government has announced plans to reduce levels of price support to ease the drain on its fiscal resources, granting market forces a greater role in setting prices. As this shift will discourage farmers from planting crops – a risk to food security – and reduce rural incomes, the reform is likely to proceed slowly. Second, GM crops promise a relatively quick – compared to other radical reforms in land rights – solution to improve productivity and to reduce some forms of environmental degradation, but policy concerns regarding GM crops remain and debates continue on whether GM seeds increase yields. More broadly, the sustainability of agricultural production in light of water shortages and other environmental challenges is an important part of the agenda.

Inclusive growth is another major topic for future research. China's impressive growth in the past has lifted millions out of poverty, but continued progress requires a refocus on spreading the wealth more evenly. In the process of rapid urbanization, many rural residents have migrated from villages to cities, but many are also left behind, mostly women, children, and the old. According to the National Bureau of Statistics, inequality within rural areas is more severe than the urban–rural divide. This strand of research, including inequality in income, access to social security, educational attainment for youth, and poverty alleviation, is flourishing (De Brauw and Giles, 2016; Li and Sicular, 2014; Li et al., 2013;

Long et al., 2012). Local governance is also an important factor in closing the welfare gap. Luo et al. (2007) find that direct election of village leaders leads to increased public goods investment in rural China. Liu et al. (2013) further demonstrate that better village governance improves the quality of rural public infrastructure.

CONCLUSION

During the Mao era, China's rural economy experienced an extreme degree of state intervention, resulting in policy disasters like the Great Leap Famine of 1958–61, on the one hand, and policy successes like the gains in life expectancy and literacy that characterized the 1970s, on the other. Mao left a legacy of collectively owned rural land, and post-Mao reforms have addressed some but not all sources of insecure land rights for farm households. Although public debate over privatizing land takes place, collective ownership of land remains a central feature of the rural economy.

Chinese agriculture has seen productivity gains stemming in part from increased reliance on irrigation, fertilizer, and pesticide use. Grain security remains a political priority, as reflected in the introduction of expensive subsidy programs in the 2000s and other policy measures, like the promotion of outward direct investment in agriculture. Environmental concerns, like water shortages in north China, test policy makers committed to grain security and productivity growth.

China's rural economy in the Post-Mao era has both challenged and confirmed elements of development orthodoxy. Some features of China's rural development, notably rural industry (TVEs), were marked by second-best institutions, and yet they contributed to increased income and provision of public goods in rural communities during the transition from plan to market. Agricultural price reform in China has been gradual and partially successful. In the pre-reform period the government was responsible for purchasing farm output, but in the 1990s private traders started to play a dominant role. Most food prices are now determined by market forces. However, out of security concerns, the government has heavily subsidized staple foods, driving up their prices and creating oversupply of major crops. Market distortions and budgetary pressures may reach the point that policy makers may have to relax the level of food self-sufficiency and welcome higher levels of free trade for agricultural products. Institutional change involving land rights, commodity prices, trade, and investment will continue to play a major role in China's rural transformation.

Notes

- 1 Stronger tenure security is generally associated with greater investment and higher long-term growth. Brandt et al. (2002) find only a small effect.

- 2 Gao et al. (2012) find that rented-in cultivated land increased in their sample from 3 per cent in 1996 to 19 per cent in 2008.
- 3 With the 1998 Organic Law of Villagers' Committees, the state also introduced limited political reforms, notably elections for village committees. At the village level, there is evidence of links between direct election of village leaders and higher quality of public goods and infrastructure.

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Economic Growth and Labor Security

Jenny Chan

INTRODUCTION

In the late 1970s, China embarked on a new path of development, unleashing untapped economic and labor resources including domestic market forces and international capital. Government officials promoted a series of rural reforms in an attempt to revitalize agriculture and to liberalize industries. Local labor markets have emerged in the dual processes of decentralization and decollectivization driven by the reformist state, and pushed forth by ordinary people who had initiated social and economic transformations to improve their lives (Blecher 2010; Friedman and Lee 2010; Chan and Selden 2014; Lee 2016). With the dismantling of people's communes, each of the rural household shall legally contract a small piece of farm land in proportion to its family size from village committees. Surplus youthful laborers are to be absorbed in booming construction, manufacturing and services sectors in villages, towns and cities. The newfound individual freedom of movement between jobs and spaces, and the accompanying uncertainties and insecurities confronted by the rural and urban residents, marks the capitalist transition of China in an era of global capitalism.

This chapter analyzes the emergence and development of China's labor market over the past four decades. It provides an overview of the accumulation of capital, the diversification of economy and the changing composition of the workforce under the market reforms. During the 1980s and 1990s, the rise of China greatly reshaped not only the East Asia geopolitics and the

international division of labor, but also the state–society relationships (Selden 1993; Hung 2009). In place of the older cohorts of socialist workers are the new generations of internal rural migrants, who become the mainstay of export-oriented manufacturing. The proletarianization process of Chinese rural migrants (*nongmingong*) and the smashing of the ‘iron rice bowl’ of the working class (*gongren jieji*) has engendered individual and collective labor protests since the 1990s, propelling the Beijing leaders to take a more proactive approach to resolve the crises. Meanwhile, the Chinese state has accelerated to rebalance its economy by shifting the growth strategy from low-cost industry to higher value-added services, bringing new sources of labor discontents to the affected workers. In the long run, what are the impacts of demographic changes on economic growth and social stability? As the Chinese economy slows, the state has adopted new measures to enhance its human capital and labor productivity, with mixed outcomes (Eggleston et al. 2013; Hung 2016a; Li 2016).

LABOR MARKET REFORMS IN POST-MAO CHINA

The contemporary Chinese economic model builds on legacies of socialist development that once were notable for collectivized agriculture and the primacy of state industry. Between 1953 (when the First Five-Year Plan was launched) and 1978 (when the Third Plenary Session of the 11th Central Committee of the Communist Party was held in Beijing), industrial output increased at an average rate of 11.5 percent annually (Naughton 2007: 56). This ‘big push’ development strategy under Mao’s China focused on heavy industry, such as iron and steel, agricultural machinery, and the extraction of natural resources, while slighting domestic consumption and restricting markets and labor migration. Workers became the masters of the nation and the advanced elements of production, enjoying far more material rewards and higher social status than the peasantry.

Under the central planning system, jobs are allocated by the state for all urban residents. Large state units (*danwei*) provide workers and staff with job security and comprehensive welfare including housing, healthcare and pensions, while collective-owned units offer smaller packages of salaries and benefits (Lu and Perry 1997). Change of workplace or job position is rare except when otherwise permitted by managers and cadres. Loyalty to the communist party-state is thus rooted in closely knit economic, social and political networks (Walder 1986). Besides permanent state employees, there are a few posts for temporary and contract workers filled by peasant migrants, whose household registration (*hukou*) remain in the countryside and who are not eligible for most of the welfare benefits. Inequality persists in the workplace, even when the differences of wages remain very small.

As of 1980, more than 104 million Chinese were employed in urban state-owned enterprises (SOEs) and collective-owned units (*Chinese Labor Statistical Yearbook 2015* 2016: 11). With new graduates from secondary schools and colleges, the growth of employment in the state sector continued. In 1990, more than 97 percent of urban residents were employed in state and collective companies (Lam, Liu and Schipke 2015: 9). At the same time, with the influx of domestic capital and foreign direct investment, alongside the gradual relaxation of state restrictions on rural-to-urban migration, Hong Kong and Taiwan investors grew rapidly to become subcontractors to global brands in the new international division of labor (Gallagher 2005; Hamilton, Petrovic and Senauer 2011). China is rising to serve as a strategic global supply base of surplus capital from the East Asia countries and the West (Harvey 2005; Hung 2009).

In preparing for China's accession to the World Trade Organization (WTO), during the 1990s, the government began to slash bank loans and subsidies to smaller state firms while transforming the larger ones to maximize capital accumulation (Phillion 2009; Solinger 2009). In 1997, the 15th Party Congress formally endorsed the enterprise restructuring policies that had gained some momentum. Figure 8.1 shows that the number of SOE employees were drastically cut from some 90 million in 1998 to less than 69 million in 2003 – in a span of five years, and the number of collective-owned enterprise employees was reduced by a half from nearly 20 million to below 10 million during the same period. Many small- and medium-sized state and collective firms were bankrupted or privatized. Anti-privatization protests staged by the laid-off workers and pensioners were contained in a carrot and stick approach (Cai 2006; Lee 2007; Gold et al. 2009). In fact, the day had come for many state employees, 'there was "no work to strike against!"' (Pringle 2013: 195). Large state-owned firms were corporatized and merged into larger groups with the virtually unlimited financial resources from state banks. William Hurst (2009: 53) sharply observes that 'state firms became more, rather than less, politicized through reform.'

The Chinese party-state is a primary driver in reforming the urban state sector in the context of neoliberal globalization. The lifetime job tenure system was generally eliminated and replaced with fixed-term contracts at smaller units (White 1993; Rofel 1999). Today, central-government-run SOEs in the monopolistic energy and utility sector, such as State Grid Corporation of China (SGCC), China National Petroleum Corporation (CNPC), and Sinopec Group, are among the top Global 500 companies. By the end of 2015, *Xinhua* (2015) reported that China's State-owned Assets Supervision and Administration Commission (SASAC) was managing 'about 150,000 SOEs, which hold over 100 trillion yuan (about US\$15.5 trillion) in assets and employ more than 30 million people.' Although the overall labor size of the urban state sector has been drastically reduced, the economic influence of the large, highly profitable SOEs in aviation, energy, railway and other strategic sectors is crucial.

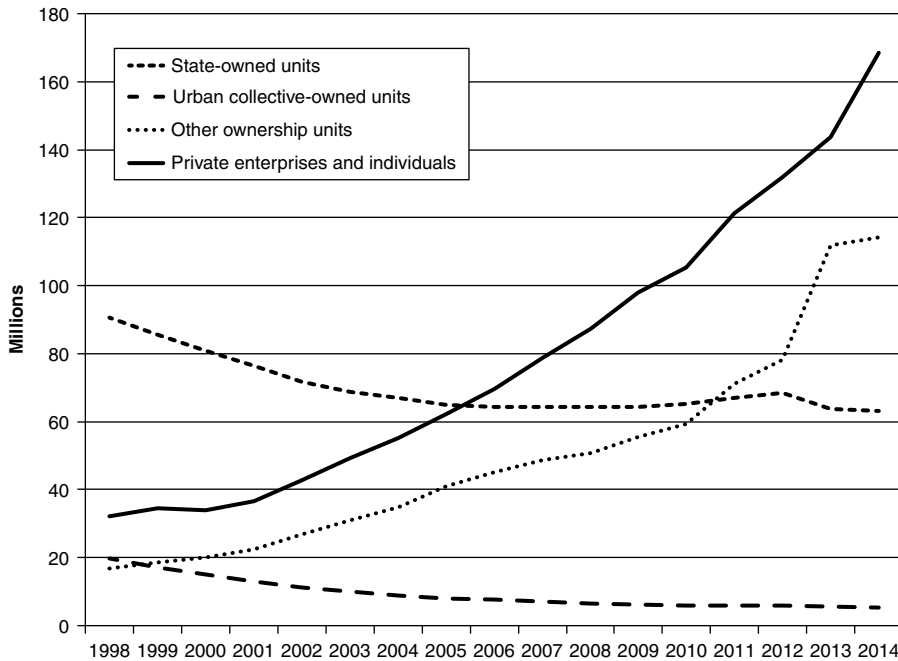


Figure 8.1 Composition of Chinese urban employment by ownership, 1998–2014

Sources: 'Main indicators of national labor statistics,' *China Labor Statistical Yearbook* (various years), Table 1-1

In the meantime, the employment growth in private enterprises and individual businesses, as well as in joint ventures and wholly foreign-invested enterprises, has been explosive, turning China into the workshop of the world. In the 1980s and 1990s, the supply of rural migrant labor was abundant. Employers maximized profits by suppressing wages and cutting benefits to 'race to the bottom' (Chan 2001). With the substantial share of village households for migrant workers' social reproduction costs, China did not experience wage gains comparable to those of other East Asian newly industrializing economies during their takeoff (Lee 1998; Sargeson 1999; Solinger 1999; Gaetano and Jacka 2004; Pun 2005; Kim 2013). By the early 2000s, China's manufacturing wage as a percentage of US manufacturing wage had stagnated at approximately 5 percent and remained far below the level of earlier East Asian industrializers during their periods of highest growth (Hung 2016a: 70).

Despite the elimination of agricultural taxes in 2005 and the extension of local social insurance schemes, much of the countryside has remained underdeveloped as the young have left for the cities and jobs in industry, construction and services. In national development, the Chinese state has played an active role in creating a business-friendly environment by preserving the distinctive political economy characterized by a deep rural–urban divide, while furthering the relaxation of internal migration restrictions, thus securing and sustaining the flexible

supply of cheap rural labor across spaces and sectors (Lee and Selden 2008; Yan 2008; Andreas 2008, 2012). The government provision of social services for internal migrants such as housing, medical care and education is very limited. Many migrant workers live in shared dormitories or low-cost rental rooms to save money, where the living conditions are poor (AI 2012, 2014). Behind the Chinese export-oriented industrialization, the contributions of the successive generations of rural migrants are enormous.

EMPLOYMENT IN AGRICULTURE, MANUFACTURING AND SERVICES

In China, as in other developing countries, agricultural employment has steadily declined in rural–urban migration, urbanization and industrialization (Evans and Staveteig 2009). From 1980 to 2014, the size of employment in primary industry decreased from almost 70 percent to less than 30 percent. By contrast, secondary industry and tertiary industry were on the rise, with the expansion of the services sector the fastest (see Figure 8.2). By 2020, it is estimated that employment in agriculture will drop to fewer than 200 million workers in China (Lam, Liu and Schipke 2015: 20). At the same time, agribusiness conglomerates are fast expanding, dominating the market share of specific product segments and product prices.

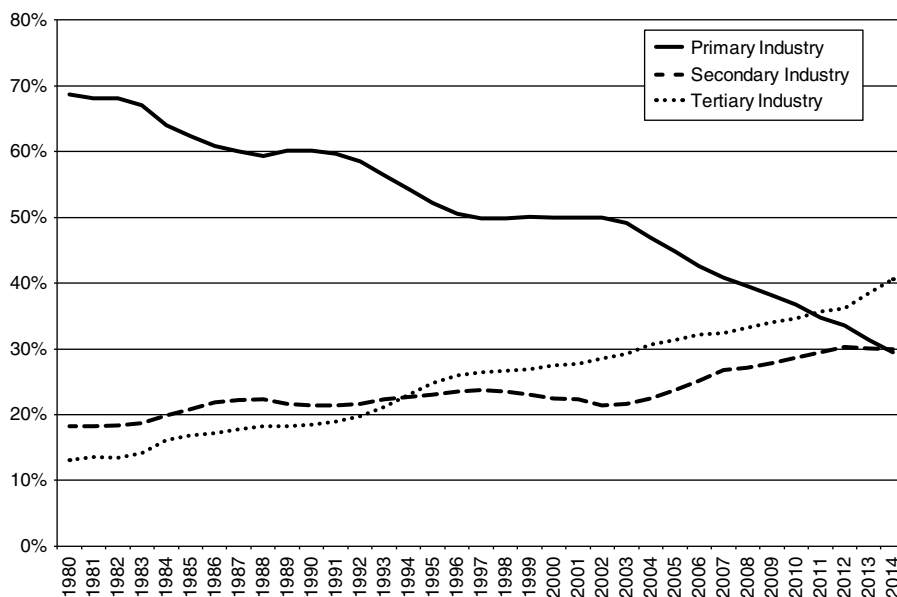


Figure 8.2 Composition of China's employment by industry, 1980–2014

Source: 'Number of Employment at the Year-End,' *China Labor Statistical Yearbook 2015* (2016), Table 1-5

In the 1997–98 Asian financial crisis, private and foreign investment in China decreased. From 2001 under the World Trade Organization (WTO), however, China has absorbed massive capital and generated a huge trade surplus. Labor-intensive, low valued-added and low-tech industries have been striving to become more profitable through research and development (R&D), innovation and technological upgrading. Local governments, from coastal to inland provinces, are competing for new business. Taiwanese-owned Hon Hai Precision Industries, known as Foxconn, capitalizes government subsidies and credits in the ‘go west’ development plans, thereby extending its manufacturing empire from the east to the west. As of 2010, Foxconn has risen to become China’s biggest private employer with more than one million employees in the country alone, thanks also to the new orders from Apple and other tech giants. The electronics manufacturer, with its 30-some largest production sites in China, is installing industrial robots to improve productivity and to climb the global value chain (Chan, Pun and Selden 2013; Pun et al. 2016).

China’s wages have improved since 2003, although the growth has decelerated in recent years, and smaller businesses often use the government-mandated local minimum wages as the base level for low-skilled workers. Barry Naughton (2014: 14, 21) highlights that the national economy sustained average growth of 10.4 percent per annum between 2003 and 2012, and real wages for rural migrant workers jumped 2.5 times over the decade. With the exception of 2008–09 during the deepest world recession since World War II, annual increases in state minimum wages steadily boosted Chinese worker wages across the board. Government surveys showed that in 2015, Chinese rural migrant workers’ average wage was 3,072 yuan/month (including overtime premiums), a 7.2 percent increase from the preceding year (National Bureau of Statistics 2016: Table 8). However, Guangdong, the top exporting province, announced the freeze of local minimum wages for 2016 and 2017 in a bid to enhance market competitiveness.¹

China is transforming its macro policy from one based on industry and investment to one based on services and consumption. Although the regulatory and judicial environment is troubling, the Chinese market growth potential is strong. Services sector employment, including information and knowledge-based services, accounted for more than 40 percent of the labor force in 2014 (see Figure 8.2). Workers being laid off from manufacturing sector jobs may get jobs in the low-end service workplaces. In terms of employment, the projected increases of the consumer and services sector will reach 47.6 percent in 2016–20, 52.9 percent in 2021–25 and 59 percent in 2026–30 (Gallagher et al. 2015: 227). For knowledge professionals and symbolic analysts, digitalization has brought new opportunities in e-commerce and other higher value-added trades. Clearly, the services sector has replaced the manufacturing sector as the economy’s key driver of growth, constituting 54 percent of gross domestic product (GDP) in the first half of 2016 (The World Bank 2016: 115).

EDUCATION, VOCATIONAL TRAINING AND HUMAN CAPITAL ACCUMULATION

To enhance young people's capabilities and competitiveness, the government has expanded resources in education and vocational training across all levels. But access to quality education remains highly unequal between regions and between rural and urban residents (students with a rural as opposed to an urban residential permit). During 2007 and 2012, Li Hongbin and his coauthors reported that less than 40 percent of rural children were admitted to high school in China (Li et al. 2017). From early on, the 'left-behind children' suffered more health and social problems than their relatively advantaged counterparts, were less prepared for competitive open exams and were more likely to drop out before high school. Low-income families will face the burden of tuition fee payment at the high school level, combined with the high opportunity cost at times of rising wages in the job market, thus holding them back from committing their children to post-middle school education. Moving up the education ladder, not surprisingly, rural students continue to lag behind. In another joint research project carried out by the Tsinghua University, Shanghai Finance Institute, and Stanford University, Li Hongbin and his team (Li et al. 2015: 187) draw on the 2000 population census and a national dataset comprising 6.2 million students who took the college entrance exam in 2003 to conclude that only '7 percent of rural youth from poor counties could access any college in 2003, compared to 48 per cent of urban youth.' When looking into the 112 elite colleges, the enrollment of rural youth from poor counties was 11 times less than urban youth, showing the large education gap (Li et al. 2015: 187). Taking gender and ethnicity into account, non-Han female students from poor rural counties enjoy far fewer chances to study in elite colleges than male, urban Han Chinese from non-poor counties (a gap of 19 times) (Li et al. 2015: 187). Despite the mass expansion of college enrollments since the late 1990s, social inequality and educational disadvantage persists.²

As an integral part of the ongoing education reforms, the Beijing government is making vocational education and skills training more accessible by waiving the tuition costs and providing subsidies to eligible teenagers, rural and urban, thus extending the basic schooling up to 12 years in the long run (Ministry of Education et al. 2014; Stewart 2015). Vocational high schools offer employment-oriented courses and general skills learning for first- and second-year students in a classroom setting. During their third year, when they are 17 to 18 years old, students are expected to intern at enterprises that are directly relevant to their subjects. The main goals are to facilitate study-to-work transition, build human capital and improve labor productivity. The ten-year national plan for educational development (Ministry of Education 2010) projects an increase in vocational high school enrollment from 21.8 million in 2009 to 23.5 million in 2020. A comparable decline in the number of students in high schools to 23.5 million is planned.

In China, actual enrollment data from 2001 to 2014 clearly shows that academic high school education is valued more than vocational schooling. In general, students with High School Entrance Exam scores equal to, or higher than, the exam score cutoff in their county will choose to go to regular or key-point high school, and prepare themselves for college studies. In fact, from its peak in 2010, vocational high schools have experienced a decline in the number of applicants, enrolled students (18 million in 2014) and full-time teachers (see Figure 8.3).

Teaching and learning effectiveness at vocational schools is a cause for concern. Drawing on longitudinal survey data comprising 10,071 students from vocational and academic high schools in two provinces, Prashant Loyalka and his coauthors (Loyalka et al. 2015) found that vocational education and training, contrary to popular expectations, did not greatly contribute to computing skills development for computer majors (who are trained for entry level jobs in database management, website administration, software engineering, digital advertising or computer animation). This is disappointing because vocational students have spent far more time in computer classes every week than their high school counterparts. Even worse, the survey results show that vocational school students have lost basic math skills they previously had over the course of the first year of vocational study. The sampled students' computing and math scores, poor as they seem, may not form a solid basis to negate the functions of vocational education and training as a whole. Ethnographers (Ling 2015; Woronov 2016) highlighted that vocational youths, while indiscriminately labelled as 'bad students'

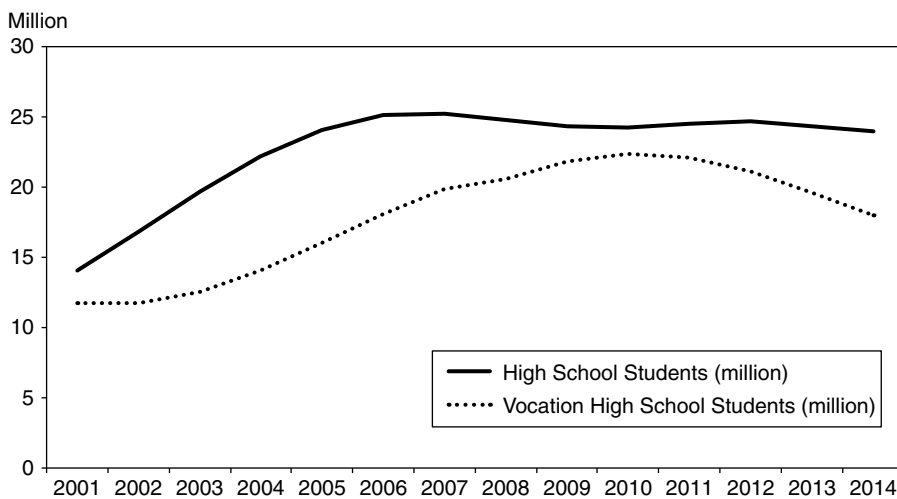


Figure 8.3 Composition of students in China's senior secondary schools, 2001–14

Source: Ministry of Education of the People's Republic of China (2015)

and ‘failures’ from the mainstream educational system, are aspiring to make their dreams come true. Urban vocational schools are a big melting pot where students from rural and urban backgrounds are learning from each other, acquiring social skills and preparing to enter (semi-)skilled work upon graduation. Some have developed useful networks during their part-time jobs and internship. In the Suzhou Industrial Park of Jiangsu, for example, interns or trainees are able to gain meaningful working experiences in tailored training programs, and are offered opportunities to convert into full-time staff after the satisfactory completion of their studies (Li and Sheldon 2014).

Vocational high school graduates may further their studies to pursue higher diplomas. However, they receive only ‘about a third’ of the government funding per student allocated to colleges, according to research co-conducted by Fudan University and Tsinghua University (2016: 15). Financial barriers can be formidable to children and youth coming from low socioeconomic backgrounds. Scholarships and awards provided by schools, companies and local governments will help. An interdisciplinary multi-year research led by Jenny Chan (2017) unveils the dark side of ‘school–business partnerships.’ Instead of giving financial inputs and proper guidance to student interns, employers turn them into cheap labor to meet their production needs during the so-called internship, which lasts from three months to one year. Compared to directly hired laborers, interning students are not classified as ‘employees’ but remained as ‘students’ under Chinese law. As a result, they are not legally entitled to any social insurance and are cheaper than their co-workers. The corporate use, and abuse, of ‘student workers’ (*xueshenggong*) is made possible by the support of local governments and vocational schools. Government officials pressure schools to cooperate with labor-hungry enterprises to flexibly meet the student quota; in return, new investment in the local jurisdiction is exchanged, at the sacrifice of the students’ rights and interests (Chan, Pun and Selden 2015; Smith and Chan 2015). Deskilling, boredom and alienation characterize factory assembly line jobs. In extreme cases, child labor (under 16 years of age) is exploited in the guise of internship. The massive recruitment of young students as a new source of informal, contingent labor is to be understood in a broader context of rising costs and a tightening of the labor market, to which we now turn.

DEMOGRAPHIC TRANSITION AND A DECLINING WORKING-AGE POPULATION

Demographic transition is a ‘transitioning process from high fertility rate, high death rate and high natural growth rate of population to low fertility rate, low death rate and low natural growth rate of population’ (Du and Yang 2014: 634). In Mao’s China, the state had promoted later marriage, longer interval between births, and having fewer children. In the late 1970s, the top leadership imposed

the draconian ‘one-child policy,’ with a few exceptions, bringing long-lasting consequences on social and economic development. Chinese fertility is presently 1.6 children per woman, down from more than 6 children in the 1950s and 2.5 in the 1980s (Gu and Cai 2011). China’s 2010 population census showed that the age group 0–14 constituted 16.6 percent of the total population, down 6.3 percent compared with the 2000 census data (National Bureau of Statistics 2011).

Considering the working-age population of 16–59 (this age bracket is China’s official definition of its labor force, with 16 years of age as the legal minimum), some demographers estimated that the total size of the Chinese labor force had already peaked at 907 million in 2013 (Du and Yang 2014: 625), while others reported that the working people aged 15–64 had peaked in 2014, reaching one billion, and has declined since then (Li et al. 2017). Demographic dividend – the boost to income derived from large cohorts concentrated in working ages coupled with a small share of dependents – was substantial during the rapid urbanization and industrialization in the 1980s and 1990s, and only began to shrink after 2000 (Eggleston et al. 2013: 508). On a more optimistic note, government officials (Wang 2015) suggest that the country’s productive labor supply is still massive. While the age structure is shifting towards a greying population, better-educated young adults are driving industrial upgrading and technological innovation through 2030 and beyond.

The opportunity to reap a large demographic dividend occurs during a finite window that gradually closes as the working population ages. The number of laborers aged 20–24 is projected to decline from 125 million people in 2010 to around 80 million in 2020 (Gu and Cai 2011). In 2015, 222 million persons were 60 years old or more, accounting for 16.1 percent of the total population, in which those who were 65 or over accounted for 10.5 percent of the total population (National Bureau of Statistics 2016). China’s share of elderly is projected to rise, resulting in a higher percentage than the United States or Russia (Davis 2014: 28). All of these indicators suggest a reduction in labor input in the coming decades. To ensure economic and social growth, in 2013, the government further modified the ‘two children for two-only-child couples’ policy by allowing parents to have a second child if one of them is an only child. In 2015, the decision-makers eventually removed the prevailing restrictions and allowed all couples to have two children. The policy effects on labor market development and family formation are to be carefully observed.

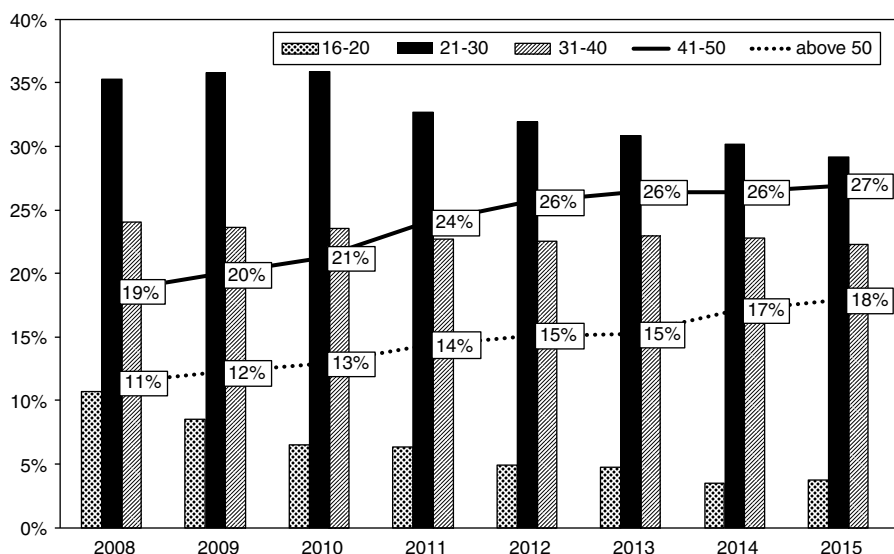
On internal migration, China’s labor reallocation from rural to urban areas has decelerated. While the country has the world’s largest population, the rate of growth of rural migrant labor has declined noticeably from 5.4 percent in 2010 to 1.3 percent in 2015 in step with the overall contraction of working-age population amidst China’s demographic transition (see Table 8.1). The number of rural migrant workers was significant, at some 277 million in 2015, making up nearly one-third of the entire labor force (National Bureau of Statistics 2016: Table 1).

Table 8.1 The total number of Chinese rural migrant workers, 2009–15

	<i>Rural migrant workers (persons)</i>	<i>Change in %</i>
2009	229,780,000	
2010	242,230,000	+5.4%
2011	252,780,000	+4.4%
2012	262,610,000	+3.9%
2013	268,940,000	+2.4%
2014	273,950,000	+1.9%
2015	277,470,000	+1.3%

Sources: National Bureau of Statistics of the People's Republic of China (2010: table 1; 2016: table 1)

In 2015, 66.4 percent of the Chinese rural migrant workers were men, reflecting the national phenomenon of a substantial gender imbalance³ (Davis 2014; Huang et al. 2016; National Bureau of Statistics 2016). The 21–30 age group is consistently the largest, but it has dropped from some 35 percent in 2008 to 29 percent in 2015, while older cohorts from age 41 and above have expanded steadily, according to annual government survey data. Figure 8.4 shows the aging of the Chinese migrant population, including those who are 41–50 years of age (up from 19 percent to 27 percent between 2008 and 2015) and those who are over 50 (up from 11 percent to 18 percent during the same period). Many of the

**Figure 8.4 Aging trend of Chinese rural migrant workers, 2008–15**

Note: The earliest government survey data of Chinese rural migrant workers was available online from 2008. Age groups are divided into five categories (16–20, 21–30, 31–40, 41–50, above 50).

Sources: National Bureau of Statistics of the People's Republic of China (2013: Table 4; 2016: Table 2)

middle-aged and older migrants are now able to find jobs because employers have generally raised the age limit of hiring and postponed the retirement date.

THE CHALLENGES TO STABILITY IN THE LABOR MARKET

The Chinese labor market is increasingly segmented with the hiring of rural migrants, student interns (who are sent in by schools or for-profit labor agencies) and agency laborers. Agency workers, also known as dispatched or subcontracted workers (*laowu paiqian gong*), are engaged in labor relations directly with agencies but provide services to client companies. Labor subcontracting is a common practice not only in private corporations but also state firms such as Sinopec and China Telecom (Zhou 2013). In state-owned and Sino-foreign joint ventures in the auto sector, agency workers, whose numbers varied between 33 percent and 60 percent at seven surveyed workplaces, earned only half to two-thirds of their co-workers' wages (Zhang 2015). Besides, local governments have also outsourced sanitation jobs to the lowest bidder to cut costs, shifting employment risks and insecurity to middle-aged women cleaning workers (Pringle 2017). To strengthen the rights protection of workers and to boost governance legitimacy, on 29 June 2007, the National People's Congress passed the Labor Contract Law, which came into force on 1 January 2008 (Ngok 2008; Chan 2009). Agency workers, for the first time, shall be entitled to the same pay and same treatment as directly hired employees holding the same posts. Importantly, they should also be provided with written labor contracts for at least two years, thereby placing certain limits on informalization while maintaining labor and organizational flexibility (Gallagher 2017: 63–70).

Nationwide, by 2011, the Ministry of Human Resources and Social Security estimated that the total number of agency workers had reached 27 million, while the All-China Federation of Trade Unions reported a higher figure of 37 million (All-China Federation of Trade Unions 2012: 23; Liu 2014: 20). Under the law, agency workers are assumed to take only temporary, auxiliary and substitute posts. In reality, violations are widespread, in which agency workers tend to crowd out the regular ones, aggravating labor divisions and fragmentations in both the workplace and the job market (Xu 2014; Cairns 2015). In 2012, there were 170,000 cases involving agency workers' disputes over employment contract termination, discrimination, and other compensation issues (China Labor Net 2013). Many might have gone unreported or unaccepted at local labor dispute arbitration committees (Huang 2017a, 2017b).⁴

Aggrieved workers and other social groups have also taken extra-legal means to voice their grievances. They have participated in 'mass incidents' (*qunti-xing shijian*), referring to a wide variety of collective actions including protests, strikes, sit-ins, marches, rallies, riots and other popular unrest. While the precise statistical breakdown of worker-led actions was not publicly available, the

number of mass incidents ‘continued to increase at more than 20 percent a year’ between 2000 and 2003 (Tanner 2005: 5). Laid-off workers from the state sector and other vulnerable groups from the fast expanding non-state sector were making their claims. The total number of mass incidents increased from 87,000 in 2005 to more than 120,000 in 2008, indicating widespread grievances over rising class inequality, corruption and other forms of injustices (Elfstrom and Kuruvilla 2014: 454). Alarming, with reference to another set of official data, the number of arbitrated labor disputes reached an unprecedented 715,163 cases in 2014, surpassing the peak of 693,465 cases in 2008 during the economic downturn (*China Labor Statistical Yearbook 2015* 2016: 344–45). Government officials, including trade unionists, have attempted to direct disgruntled workers to resolve conflicts through mediation in order to reduce caseloads (Gallagher and Dong 2011; Gallagher 2017: 85–89).

Workers with higher rights consciousness are pushing for better wages and benefits. In May and early June 2010, for example, 1,800 employees at Honda Nanhai in Foshan City, Guangdong – including workers and student interns – went on a factory-wide strike to call for a big wage hike of 35 percent, or 800 yuan. Against all odds, the strikers were able to force management to negotiate, winning a partial victory with workers receiving an additional 500 yuan per month and underpaid interns over 600 yuan more per month (Butollo and ten Brink 2012; Friedman 2014; Lyddon et al. 2015). Moreover, the worker representatives insisted on reforming their company union through democratic elections. In August 2010, Kong Xianghong, vice-chair of the Guangdong Federation of Trade Unions, presided over the direct election of shop-floor union representatives and subsequent collective wage bargaining in 2011. Many workers were disappointed, however, that the discredited union chair was permitted to remain as head of a partially reformed union and the two ‘elected’ vice-chairs were top-level managers, reflecting continued managerial control. As a result, the union committee quickly lost the confidence of rank-and-file workers (Hui and Chan 2015; Chan and Hui 2017). The struggles between the state, labor and capital over workers’ union power have not been resolved.

Another acute source of contention is about labor welfare. Rural migrant workers, particularly those who are not provided with employment contracts, have limited access to social insurance benefits (Gallagher 2017: 97). In the assessment of Mark Frazier (2014: 70), the Beijing government ‘positioned itself at a comfortable distance from the costly commitments of social policy’ throughout the last two decades of the 20th century. But the state–labor relationships have become unstable, requiring ever more legislative efforts, media advocacy and direct involvement in labor management by government officials across all levels (Lee 2007; Chen 2012; Lee and Zhang 2013; Gallagher 2014). In restoring social order, President Hu Jintao and his successor Xi Jinping have repeatedly pledged to take new measures to build a universal safety net for the working poor, the old, the sick, the injured and the unemployed.

As China's population ages rapidly, researchers (Gallagher et al. 2015: 226) predict that increasing demographic pressure will create 'an incentive for local governments to bring young migrant workers into local social insurance programs,' thereby boosting social insurance revenue. The local state's efforts in monitoring and pooling public insurance resources are becoming more important than ever when the new social inclusion programs of the center often create a series of unfunded, or underfunded, mandates for local authorities. By law, both employers and employees should enroll in local social insurance schemes, which include five types of insurance (pension, medical, work-related accident, unemployment and maternity insurance) and a mandatory housing fund. When the central government promulgated the Social Insurance Law, effective 1 July 2011, it required that premium contribution years be carried forward and portable across different cities. The policy goal of making social insurance transferrable is expressed in a slogan: 'Wherever you work, social insurance follows.' The continuity and accumulation of insurance enrollment is crucial (accumulated up to 15 years before any disbursement of retirement benefits) when labor mobility and job transfer is becoming more common.

Basic social insurance coverage has extended to rural and urban areas, although a large gap between regions, as well as between permanent residents and migrant workers, remains (Hsiao 2014; Carrillo Garcia 2016). Drawing on the five-city household data from the 2005 and 2010 waves of the China Urban Labor Survey,⁵ Mary Gallagher and her coauthors (Gallagher et al. 2015: 224) found that 'social insurance coverage rates are much higher for employees who are local residents than for those who are migrants.' In 2010, 88.5 percent of local resident employees enjoyed pension coverage and 85.8 percent had health insurance provided by their employers. By comparison, in the same year, only 23.8 percent of migrant employees had pensions and 21.8 percent health insurance. With reference to the government-administered 'Investigative Report on the Monitoring of Chinese Rural Migrant Workers,' in 2014, a mere 48 million rural migrant workers (or 17.6 percent) had obtained health insurance, and just 46 million (or 16.7 percent) had pensions nationwide (National Bureau of Statistics 2015: Table 14). And the figures from various surveys ignore the questions of portability that many migrants face when they change jobs or retire from work.

In April 2014, at Taiwanese-owned Yue Yuen – the world's largest footwear contractor to Adidas, Nike, Timberland and other international brands – over 40,000 workers in Dongguan city of Guangdong province went on strike on and off for nearly two weeks to demand full payment of pensions and mandatory housing provident funds that were owed them, along with a 30 percent large increase in base wages (Chen 2015). Bypassing the company union, demonstrating workers blocked traffic and marched toward the municipal human resources and social security bureau. A core group of older leaders, who had left their rural homes more than a decade ago and had accumulated long years of service, shared large stakes in the collective fight against Yue Yuen management. They rested their

rightful claims on the basis of the Labor Contract Law and the Social Insurance Law, among others. The strike ended at the end of April with some monetary concessions. Company management promised to pay full, mandatory social security contributions starting from 1 May 2014. While the mode of workplace-based labor protest remains unchanged (Lee 2007), this was a high-profile, large-scale case in which trade union officials and government representatives across different levels worked to restore stability (Chan and Selden 2014; Schmalz, Sommer and Xu 2017). One of the dominant coping strategies of the state is to buy industrial peace by giving money at a discounted rate to affected workers in direct, onsite negotiations (Tanner 2005; Su and He 2010; Lee and Zhang 2013). But this top-down project of ‘social management’ is certainly burdensome when the government is compelled to further enhance the greater access to social insurance for all. Fundamentally, the imbalance of power between capital and labor is not effectively addressed.

ECONOMIC SLOWDOWN

China has been facing growing labor conflicts and slowing economic growth in the post-2008 Great Recession. While the total non-financial sector debt to GDP ratio remained flat at around 140 percent from 2003 to 2008 (Li 2016: 96), during the 2008 financial crisis, the central government moved to support local governments and state-owned firms to undertake huge investment programs financed by bank loans, leading to accumulation of overcapacity and indebtedness of the economy. In 2009, fixed-asset investment leaped to 66 percent of GDP (Wong 2011: 2). The state sector, not surprisingly, failed to repay their loans and outstanding debts. China’s debt jumped to 209 percent of GDP in 2013, 250 percent in 2015, and further to almost 300 percent in 2016 (Li 2016: 96; Hung 2016b). ‘The increasing power of the unprofitable and inefficient SOEs at the expense of private and foreign enterprises,’ in the views of Ho-fung Hung (2016b), ‘is leaving China with a slowing economy.’ The World Bank analysts also point to the slower real GDP growth of China, from 6.7 percent in 2016 to 6.5 percent in 2017, and further to 6.3 percent in 2018 (The World Bank 2016: 117).

Excessively high national debt–GDP ratios, in combination with a falling rate of profit, will pave the way for a financial crisis which affects not only China but the global economy. Minqi Li (2016: 102) argues, ‘a major crisis of the Chinese economy will cause major disruptions of the global commodity chains.’ In the 2016 China Business Climate Survey Report, the nearly 500 member companies of the American Chamber of Commerce in China (AmCham China) reported that they were increasingly concerned about ‘transparency, predictability and fairness of the regulatory environment’ (AmCham China 2016: 2).⁶ The proportion of the surveyed member companies which had remained ‘financially profitable’ in

2015 fell to 64 percent, which was ‘the lowest level’ since the aftermath of the 2008 global financial crisis (AmCham China 2016: 4). In addition, almost one-third of member companies did not plan to expand their investments in China in 2016 – ‘a higher percentage than during the financial crisis in 2009’ (AmCham China 2016: 21–22).

The attractiveness of China as the top destination for global investments has declined. Subjected to market access barriers and other institutional constraints, such as inconsistent regulatory interpretation and unclear laws, multinationals from a broad range of industries are diversifying and investing in lower cost regions outside of China. The rise of Vietnam, Cambodia and Bangladesh, for a few examples, has shaped the restructuring of global production networks (Appelbaum and Lichtenstein 2016; The World Bank 2016).

The effect of slowing growth on employment is a sensitive issue for the Chinese government. Whereas more than 12 million new jobs were created in 2016, redundant workers from the iron, steel and coal industries are facing difficulties in deepened SOE reforms. Here is a dilemma. Government leaders, who are well aware of the risks of debt buildups, have set targets to cut excess industrial capacity and to further reduce their financial leverage. Loss-making coal and steel producing plants with little prospect of turning around their performance were shut down. In response, some older state workers have desperately protested against reduction of production capacity and the resulting slash of wages and benefits, or even layoffs. Protecting the livelihoods of SOE employees will be a formidable task for President Xi Jinping and Premier Li Keqiang.

CONCLUSION

China seeks to rebalance its economy toward consumption, retail and services, and higher value-added activities. In the course of capitalist transformation, China, not unlike other economies, utilizes massive utilization of land, energies and other scarce resources. The commodification of land is fuelling high growth in the property market, while putting unprecedented pressure on both the natural world and the people. When more agricultural land is expropriated for commercial real-estate business, infrastructure, industrial projects and services, more peasants will lose their means of production to join the rank of complete proletariats. Worse still, landless rural migrants, who have lost their family lands contracted from birth villages in the course of ‘urban development,’ may risk losing their employability in the construction sector (Chuang 2015). These marginalized rural people are double losers, who no longer possess their means of production and their paid employment. In China’s poorly regulated construction sector, wage arrears if not outright nonpayment are commonplace in the long subcontracting chains (Pun and Lu 2010; Swider 2015). For their self-interest,

contractors become reluctant to hire dispossessed rural migrants because they themselves have to pay upfront to meet the migrant workers' basic needs before getting paid for the completion of the project. The cost of social reproduction of land-losing laborers will be higher than average migrants who can fall back on their rural land and families at times of crisis. As a result, contractors are incentivized to search for peasant migrants who still possess their land to lower their costs. This is a form of exclusion and expulsion of landless rural laborers from the labor market. In successive land grabs, the number of uprooted and displaced residents will inevitably increase, exacerbating many social problems and undermining the political governance. The contradictions between land, labor and the Chinese state in 'development' are to be critically examined in the 21st century when much of the favorable structural conditions no longer exist. Above all, the precariousness of hundreds of millions of Chinese people needs to be fundamentally confronted and changed.

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Notes

- 1 Minimum wage varies within provinces in China. In 2016, in Guangzhou, provincial city of Guangdong, the minimum wage is RMB1,895, while the figure in smaller towns is RMB1,210.
- 2 The share of college graduates to China's labor force greatly increased from a mere 1.1 percent in 1980 to 12.5 percent in 2015. In comparative perspectives, however, the proportion of the labor force having a college education in China is still lower than South Africa (15 percent), Mexico (16 percent) and Malaysia (16 percent) (Li et al. 2017: Figure 3).
- 3 The sex ratio at birth in China is highly skewed in favor of boys. Drawing on national census data, in 1982, the 'imbalanced sex ratio' was 108.94 boys to 100 girls (just above the global average range of 103–107 boys to every 100 girls); but the ratio climbed to 111.87 in 1990, 116.90 in 2000, and 117.94 in 2010. Recently, a hospital-based dataset shows that the ratio was 111.04 in 2012, 110.16 in 2013, 108.79 in 2014, and 109.53 in 2015 (Huang et al. 2016: 1–2). The decades-long imbalance had started to decline in 2008, but increased slightly again in 2015. It is estimated that 20–30 million young men – 'excess males' – will be unable to marry (particularly young rural men) (Davis 2014: 33–34). The long-term socio-demographic impact on gender and labor of the universal two-child policy is to be researched.
- 4 Arbitration committees are grassroots state organizations that bring together labor and management to resolve labor conflicts. But not all incidents of labor disputes fall within the domain of arbitration and the courts. Workers know that government arbitrators do not accept demands such as those for wage increases above the legal minimum.

- 5 The China Urban Labor Survey was conducted by the Chinese Academy of Social Sciences' Institute of Population and Labor Economics in 2001, 2005 and 2010. The five surveyed cities are Shanghai, Wuhan (Hubei), Shenyang (Liaoning), Fuzhou (Fujian) and Xian (Shaanxi). In the third wave, the sixth city of Guangzhou, provincial capital of Guangdong, was added.
- 6 In the 2016 Business Climate Survey, 496 member companies of AmCham China (American Chamber of Commerce in China) completed significant portions of the survey. The companies are classified into four sectors: Industrial and Resources, Technology and Other R&D Intensive, Consumer (product and service) and Services.

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Inbound Foreign Direct Investment

Yasheng Huang

INTRODUCTION

China now is one of the largest recipients of foreign direct investment (FDI) in the world. Arguably, FDI has a bigger impact on the Chinese economy than the FDI that has come to the United States. Much of the FDI inflow into developed economies are really merger and acquisition deals, whereas almost all of the FDI into China consists of greenfield investments which are commonly believed to have a bigger employment and output effect than transfers of existing assets among firms.

This chapter presents some basic facts about China's inbound FDI. The main argument is two-fold. First, there are complex issues about how the inbound FDI are measured, the composition of Chinese inbound FDI and the underlying dynamics behind China's FDI inflows. Second, both China's inbound FDI and OFDI are driven, not exclusively but substantially, by the institutional features of the Chinese economy, in addition to firm-specific characteristics (i.e., those factors that FDI economists tend to emphasize). This chapter will discuss these and related issues in turn.

INBOUND FDI: DEFINITION AND SOME BASIC DATA

First it is important to define FDI precisely. Foreign investment is defined as '*direct*' when the investment gives rise to '*foreign control*' of domestic assets. Thus, according to the International Monetary Fund (IMF), FDI 'is made to acquire a lasting interest in an enterprise operating in an economy, other than that

of the investor, the investor's purpose being to have an effective voice in the management of the enterprise.'

How to set the threshold at which a foreign firm has 'an effective voice' is a matter of judgment. It is a convention among developed countries to set that threshold at 10 percent. This is the prevailing definition among countries in the Organisation of Economic Co-operation and Development (OECD) and is laid out in the fifth edition of the IMF's Balance of Payment Manual. The other definitional issue is what constitutes 'direct.' Often in the popular press and even among scholars, there is a view that FDI refers to investments that lead to the building of real assets such as factories. This is not quite true. FDI can occur through acquisitions and through public capital markets such as stock exchanges. The defining characteristic of FDI is the equity threshold, not the form or the venue of the investments or asset transactions. Under this definition, if a *single* foreign firm acquires more than 10 percent of a stake in a US concern on the New York Stock Exchange, this capital inflow is credited to the FDI account in the balance of payments statistics, not to the portfolio account.¹

In this regard it is important to note one key difference between China and other countries in terms of how FDI is defined. In China, foreign equity capital inflows are classified as FDI only if they lead to a foreign equity stake at or above 25 percent. In the 1990s when China opened up its B-share market to foreign investments, all the foreign investments in China's B shares were not counted as FDI as they were all under 25 percent of the equity of the issuing companies. For example, in 1993, Ford purchased 20 percent of Jiangling Motors on the B-share market. Under the US accounting definition this transaction would have been counted as FDI but it was not under the Chinese definition.

The Chinese set a more stringent threshold for FDI and for corporate controls. The different statistical thresholds for FDI may impose some problems in comparing the specific dollar amount of FDI between China and other countries because the Chinese definition precludes those foreign investments that establish an equity stake of between 10 and 25 percent in a Chinese firm. Thus, the Chinese classification scheme understates China's inward FDI. But conceptually, the higher FDI threshold in China in fact helps the analyst get to the heart of the FDI concept – that FDI is about '*foreign control*' of a domestic firm, not about the specific dollar amount of foreign capital. As Graham and Wada (2001) have noted, much of the inward FDI in the United States has financed acquisition of existing enterprises listed on the stock market, while the majority of China's inward FDI has financed the establishment of new enterprises. (Britain is also a large recipient of FDI but most likely almost all of the British inbound FDI consists of equity acquisitions on the British stock exchange.) Because the ownership of the Chinese assets is far more concentrated than firms listed on the stock exchanges in the West, foreigners have to acquire a greater equity stake to establish '*an effective voice in the management of the enterprise.*'

Another issue important to clarify is the definition of '*foreign*'. Much of the Chinese FDI inflow consists of capital from ethnically Chinese economies

(ECEs), i.e., Hong Kong, Taiwan and Macao. FDI from these three ECEs accounted for 48.8 percent of China's total FDI inflows between 2000 and 2011. The FDI from Hong Kong alone accounted for 43.3 percent of China's total FDI inflows between 2000 and 2011.² Because these three ECEs are tied to mainland China politically, albeit to varying degrees and in complicated ways, the question arises as to how '*foreign*' their capital actually is. If the FDI originating from these three ECEs is reclassified as intracountry capital flows, then China would be an underachiever in terms of FDI relative to its economic potential, not an overachiever. Wei (1995) argues that China is an underachiever if only FDI from the OECD countries is included. He excludes FDI from the ECEs not on the grounds that the ECEs and China are politically integrated but on the grounds that FDI from the ECEs is not a traditional form of FDI.

Classifying direct investments from ECEs as FDI is not wrong. Note that the IMF defines FDI as an investment activity across two different economies, not across two different countries. In some cases different economies may nevertheless belong to the same political sovereign entity (country). That Hong Kong and Macao are now sovereign territories of China does not change the fact that their firms are subject to a completely different economic and regulatory regime from firms based in mainland China. Hong Kong and Macao maintain their own currencies, economic institutions and court systems. In addition, they are separate members of the WTO. Their governments pursue autonomous monetary, taxation and tariff policies. All of the above is even more true of Taiwan.³

However, the existence of ECEs – especially Hong Kong – does introduce some distortions into the FDI data and these distortions tend to overstate the size of China's true FDI inflows (as well as the true size of China's FDI outflows). This is due to the existence of 'round-trip' FDI – the capital that is first exported as outbound FDI and then imported back into China as inbound FDI. As such, round-trip FDI has no effect on China's total capital inflows as the capital that is imported is canceled out by the capital that is first exported.

Almost all of the round-trip FDI uses Hong Kong as the transactional conduit. One indirect piece of evidence is the huge inbound FDI from Hong Kong and regions such as British Virgin Islands and the huge outbound FDI to them. It is difficult to ascertain the exact magnitude of round-trip FDI. The World Bank estimated round-trip FDI to be around 25 percent of total FDI inflows in 1992.⁴ There are lower estimates as well. Tseng and Zebregs (2002) report an estimate that puts round-trip FDI in 1996 at 7 percent of China's FDI inflows. It is safe to assume that China's round-trip FDI has led to overstatements of China's true inbound FDI.

A BRIEF OVERVIEW OF CHINA'S FDI POLICY ENVIRONMENT

China's brief FDI history can be roughly divided into four periods.⁵ During the first period, from 1979 to 1986, the government permitted FDI in a highly regulated

and controlled fashion. Geographic and sectoral restrictions were imposed on foreign firms wishing to invest in China. The most well-known experiment during this period was the four Special Economic Zones (SEZs) along China's coastal regions. The second period, from 1986 to 1992, was the encouragement phase. Government implemented a gradual liberalization of FDI controls and extended those FDI promotion measures that were previously limited to SEZs to other coastal regions. The third period, between 1992 and 2005, witnessed an accelerated pace of FDI liberalization and a significant escalation of the promotion features of the FDI regulatory regime. Since 2006 – the fourth period of FDI policies – the government began to scale back some of the promotion characteristics of the FDI regulatory framework with an attempt to create a national and equal treatment of foreign invested enterprises (FIEs) and the more 'purely' domestic firms, such as SOEs. Also during this period, there has been a conscious effort to use FDI regulatory framework as a tool to advance the government's goal of attaining high-tech capabilities and targeting what the government views as 'strategic industries.'

Throughout these four policy periods, FDI regulations and policies became increasingly codified and on the eve of joining WTO, according to one legal analysis, there is now a well-developed body of laws and regulations specifically designed for FIEs. In the following paragraphs, we will review some of these policy and legal developments on the basis of the periodization sequence as set forth before.

The First Policy Period (1979–1986)

The landmark legislation during the first period of FDI policies was the Equity Joint Venture Law promulgated by the National People's Congress in 1979. This brief document, containing only 15 articles, was historic in that it signified a reversal of the political stance against economic opening and that it laid down the foundation for the vast body of laws on foreign investments that was to be developed from 1979.

A few features of this law are noteworthy. First, it made an explicit commitment not to nationalize or expropriate the assets of foreign investors without 'due cause and compensation,' a provision that was subsequently elevated to constitutional status in 1982 in an amendment to the Chinese Constitution. Second, despite China's long history of economic autarky, the Equity Joint Venture Law imposed no equity ceilings on foreign investors; it imposed, instead, an equity floor, i.e., foreign investors were required to contribute at least 25 percent of the equity. Third, the Equity Joint Venture Law mandated that the chairman of the board of directors of FIEs be a Chinese citizen regardless of the shares of the equity contributions, a provision that was eventually dropped in the 1990 revision of the law.

The brevity and the vagueness of the Equity Joint Venture Law made further clarifications necessary. In 1983, the State Council issued 'Detailed Implementation Act of the Equity Joint Venture Law' (hereafter as the Detailed Implementation Act).

The Detailed Implementation Act serves two purposes. One is to delineate in greater detail the provisions of the 1979 Equity Joint Venture Law; the other is to summarize the major legal developments concerning income tax and labor management issues of FIEs since 1979. With 118 articles, this was the most detailed policy document to date and touched on a number of critical areas of the FIE operations in China. These have to do with the levels of FDI approval, export requirements, sectoral restrictions, operational autonomy and tax treatments. Level of investment approval has been one of the most important tools available to the central government to regulate FDI inflows. During this period, the investment approval authority remained a highly centralized affair. In general, FDI projects exceeding 5 million dollars in capitalization required approvals from the MOFERT, although the four SEZs were given greater approval authority. The city governments of Beijing and Guangzhou were also given greater power, with 10 million dollars each. The approval process itself was lengthy, cumbersome and involved a myriad of independent or overlapping bureaucratic agencies. Control of wholly owned foreign subsidiaries was especially tight. Although the 1979 Equity Joint Venture Law did not specifically preclude subsidiaries of foreign firms (i.e., the wholly foreign-invested enterprises or WFIEs), only the central government could approve such applications regardless of the size of the capitalization, in effect limiting this form of FIEs.

The sectoral restrictions operated on the basis of a 'positive-list' principle, i.e., sectors open to FDI were announced with the balance of other sectors implicitly closed to FDI. In the Detailed Implementation Act, broadly defined sectors of the economy were declared open to foreign investments with the conspicuous omissions of banking, real estate and telecommunication services; oil exploration was limited to offshore. The grounds for disapproval were spelled out in a highly subjective and vague manner. For example, projects that supposedly harmed China's sovereignty, violated Chinese laws, were inconsistent with China's economy development, created pollution and harmed interests of one side were not to be approved.

Another important development during this period of time was the establishment of the four SEZs in 1980.⁶ An important justification for the SEZs was to experiment with greater foreign trade and FDI liberalization while isolating the Chinese economy from any potential economic and policy shocks of opening up. This approach was to foreshadow many of the later reform approaches and created an economy and an economic system bisected by two different regulatory frameworks. In the area of FDI, the SEZs were given greater authority to approve investment applications, and greater autonomy to formulate policies regulations governing FIEs' operations and to adopt sharply lower income tax rates on the FIEs than the rest of the country.

Each of the SEZs could approve FDI projects involving total capitalization of up to 20 million dollars for projects in light industry and 33 million dollars for projects in heavy industry, significantly higher than the 5 million dollars threshold

prevailing elsewhere. The SEZs pioneered in the legislative front. As of 1983, Guangdong province, the home of three SEZs, promulgated regulations on enterprise registration, labor and wages, and land use. In contrast, similar national regulations specifically dealing with these areas were not promulgated until the late 1980s or the early 1990s.⁷ As will be shown below, the SEZ model provided much of the formula for the FDI liberalization and regulation for the rest of the 1980s.

The Second Policy Period (1986–1992)

During the second period of FDI policies, various aspects of treatments of FIEs became further codified. With the passage of the ‘Wholly Foreign-Owned Enterprise Law’ in 1986 and the ‘Sino-Foreign Cooperative Joint Venture Law’ in 1988, by the end of this period, China had developed a legal infrastructure governing the three main forms of FIEs – equity joint ventures, cooperative joint ventures and wholly foreign-owned subsidiaries. Taken together, these forms of FIEs constitute the near universe of the FIEs operating in China. During this period, the authorities actively promoted FDI by devising more favorable policy treatments, by clarifying the legal status of foreign-owned subsidiaries and by expanding investment authority of the local governments. The landmark regulatory event during this period was the ‘Regulations to Encourage Foreign Investments’ decreed by the State Council in 1986.⁸ The goal of the 1986 Regulations was to move China’s FDI regulatory regime from ‘permitting’ to ‘encouraging’ FDI. To this end, the 1986 Regulations separated the FIEs into two kinds – those qualifying for favorable policy and regulatory treatments and those qualifying for normal policy and regulatory treatments. There were two criteria to qualify an FIE for favorable treatments – export-oriented FIEs and technologically advanced FIEs. The qualified FIEs were to enjoy various benefits related to tax, credit access, input charges, labor management, export rights, and foreign exchange balance requirements in excess of those treatments as laid out in the policies and regulations prior to the 1986 Regulations. Those FIEs failing to meet the qualifying criteria continued to enjoy the normal tax and other treatments.

This delineation of the qualifying criteria notwithstanding, the 1986 Regulations represented a *major and across-the-board* escalation of the size of policy benefits for the FIEs. The distinction between the qualified and unqualified FIEs would require enormous monitoring effort to enforce strictly and thus was functionally meaningless. The criteria were vague, especially regarding the technological content of the FIEs or were made irrelevant over time. For example, as foreign exchange became increasingly available on swap markets, it became more difficult to assess ‘export-orientedness’ of FIEs on the basis of their foreign exchange earnings. As will be shown later, practically all the FIEs met one of the two criteria and thus all qualified for the favorable treatments. The 1986 Regulations set forth the main features of the FDI regulatory framework for the next ten years and thus constitute the main sources of the institutional and policy

advantages that are the core subject of this paper. The FDI liberalization round since 1992 was a geographic or sectoral extension of these regulatory features and the 1986 Regulations provided the basis upon which the adjustments in FDI regulations since 1996 have been made.

In the general spirit of FDI promotion, in 1986 the authorities promulgated the 'Wholly Foreign-Invested Enterprise Law' (hereafter as WFIE Law). The WFIE Law clarified the legal status of the wholly foreign-owned subsidiaries, a form of FIEs, as previously noted, that received an ambiguous legal treatment under the 1979 Equity Joint Venture Law and which the authorities discouraged in practice.⁹ The WFIE Law was an ideological breakthrough at the time, as China was the only socialist economy to have passed such a statute then. The WFIE Law itself and the Detailed Implementation Act issued four years later imposed no explicit export requirements but 'encouraged' WFIEs to export or to adopt 'advanced technology.' As an indication of China's legislative sophistication since the 1979 Equity Joint Venture Law, they applied 'a negative-list principle' by spelling out sectors in which the WFIEs were either banned or restricted.

The geographic expansion of investment approval authority and of 'special' policy treatments has been a hallmark of China's FDI liberalization attempts. Following the establishment of SEZs, in 1984 the central government granted greater power to the 14 cities along China's east coast and extended some of the 'special' policies to them (discussed below). These 14 cities and their adjacent areas had a population of 160 million, encompassing a huge geographic expanse of 320,000 squared kilometers and 288 cities and counties altogether. Taken together, these open regions stretched from the armpit of the Korean Peninsula to the shores of the South China Sea. In 1988, the authorities opened up further. Hainan Island, an area 54 times the combined size of the four SEZs, was made a province and China's largest SEZ simultaneously. The most dramatic move occurred in 1990, when the government opened up Pudong area near Shanghai for foreign investment. The significance of this policy move was two-fold. Politically, the regime wished to show its intentions of moving forward with economic reforms despite the 1989 Tiananmen crackdown. Economically, because Shanghai is China's technological base and service hub, opening up Pudong implies far greater investment possibilities to the foreign investors.

The Third Policy Period (1992–2005)

There are two landmark events during the third policy period, between 1992 and 2005. One was political. At the beginning of 1992, Deng Xiaoping made a historic trip to Southern China. Deng's trip and his unabashed praise for the successes of the SEZ model signaled a dramatic push anew for economic reforms in general and trade and investment liberalization in particular. The 1992 FDI liberalization was traditional in approach – i.e., delegation and extension of FDI approval power along regional lines. In the face of mounting demands from

interior provinces, the central government accorded the interior provinces with the same level of approval authority as coastal provinces and by 1993 all the provinces could approve FDI projects up to 30 million dollars. In a number of provinces, there was a second-round delegation of approval authority from provincial governments to municipal or county governments. Local governments also rushed to set up their own SEZs and conferred on them more autonomy and authority than other regions in the same locality, often in excess of what was permitted by the central government at the time.

The 1992 liberalization round broke some new grounds in removing the sectoral restrictions on FDI in China. The most protected sectors had been service sectors of the economy such as distribution, real estate, transportation and finance. In distribution and real estate, the authorities permitted joint ventures, although with various other restrictions. For example, imports were restricted to 30 percent of the retail sales. In the 1980s, foreign banks were not allowed to provide any intermediation services and their activities were limited to consultation and liaison functions out of their representative offices. Foreign banks were not allowed to set up branches outside the four SEZs. In 1990, the government permitted foreign banks to operate branches in Shanghai and six foreign banks got their business licenses approved in early 1991 but their business scope was restricted to foreign exchange transactions although they engaged in limited RMB transactions for institutional depositors and mostly for FIEs. Foreign banks could take RMB (*renminbi*) deposits from FIEs and, increasingly, domestic firms, but foreign banks' RMB deposit base was restricted to their borrowers. This in effect severely constrained banks' ability to extend credits and to absorb deposits and deprived them of any meaningful financial intermediation functions. Foreign banks, in essence, served merely a cashier function. During this period, the government also legalized joint-venture banks.

The second landmark event during this period is legislative in nature – China's accession to the World Trade Organization (WTO). In 1999, the Chinese government concluded 13 years of negotiations with the US government regarding its accession terms into the WTO, paving the way for China's re-entry into the organization in 2001. According to press reports, one important consideration on the part of the Chinese was to stem the decline of the FDI inflows in 1998 and 1999. In the agreement, the Chinese government agreed to a sweeping reduction of tariffs on imports and an easing or a complete removal of restrictions on foreign investors in a number of vital economic sectors within five to six years after Chinese accession. According to an analysis prepared by the Institute of International Economics in Washington DC, China's WTO commitments exceeded those by some of the existing members of the WTO in a number of critical policy arenas.

The decision by the Chinese government to accept these conditions was heralded worldwide as politically audacious and economically visionary. Foreign investors rallied as a result of the WTO agreement and in 2001, FDI inflows increased to US\$46.9 billion, up from US\$40.7 billion a year earlier. In 2002,

FDI inflows rose again, to US\$52.7 billion, and in the first quarter of 2003, FDI inflows surged by 50 percent over the first quarter of 2002. Since the WTO accession, the Chinese government has made substantial efforts to revamp its economic and financial regulations to comply with its commitments to the WTO.

The Fourth Policy Period (since 2005)

Since the early 1980s, the entire thrust of FDI liberalization has been an effort to establish a liberal operating environment for foreign firms while trying to insulate the rest of the Chinese economy from encroaching foreign competition. The SEZs were established explicitly for this purpose. One result of this approach is a dualist treatment of foreign and domestic firms, a subject we will explore in great detail in the next two sections. By 2005, both the government and analysts began to question this approach.

During this third policy period, the authorities began to actively address what were perceived as preferential treatments of FIEs, as FIEs gained increasing market shares. The catchword was ‘national treatment’ of FIEs. Since FIEs were perceived to have enjoyed ‘super’ national treatment, most of the policy measures were enacted to level the playing field between FIEs and domestic firms and to scale down the policy benefits conferred on FIEs. The most dramatic policy measure was the removal of the tariff exemption on FIEs’ imports of equipment and raw materials (enacted first in 1995 but not implemented until many years later). The most significant and symbolically important policy change was a revision of China’s tax code. In 2007, the authorities unified the income tax rates on firms of all ownership forms. Previously, the statutory income tax rate for FIEs ranged from 15 to 33 percent – with many exemptions and concessions – while SOEs and domestic private firms were taxed at 33 percent (some as high as 55 percent). This was not the first effort to create some level tax treatment. In 1994, the government enacted the Unified Tax Law, which stipulated an income tax rate at 33 percent for all the firms, but the law granted FIEs significant exemptions which reduced their effective tax rate to 15 percent. It is not immediately clear how effective the 2007 tax revision is. There are still many exemptions written in the Chinese tax code, including tax exemptions for high tech businesses, technology transfer and export production. However, the explicit differentiation between foreign and domestic firms was substantially scaled down by the 2007 tax revisions.

EXPLAINING CHINA’S INBOUND FDI

Why does China attract so much FDI? An explanation often invoked is policy liberalization. As described above, Chinese policy regime moved from a permissive stance in the 1980s to an encouraging stance in the 1990s. Since 2007 the policy stance has become less supportive of FDI and more ambiguous between

policy treatments of FIEs and domestic enterprises. This change in policy stance may explain the slowdown of FDI inflows since the early 2000s but it is not the only factor. For one thing, during this period, worldwide FDI inflows have experienced a slowdown due to the 2008 financial crisis and other developments. So this round of FDI slowdown is not rooted in China-specific factors and is more of a function of global forces at work.

The other genre of explanations has to do with the so-called 'economic fundamentals' – such as rapid GDP growth, China's increasing market size for consumer products, and labor costs. These explanations are not entirely wrong but they are imprecise. As I explained in my book, *Selling China*, none of these explanations logically leads to an FDI decision (Huang 2003). They may lead to more foreign activities in China but they do not specifically trigger an FDI decision. The reason is straightforward. Foreign firms have a variety of ways of tapping into the realization of the economic benefits of a rapidly growing Chinese economy, including contracting with Chinese producers and selling into the Chinese market. An FDI event – which requires a foreign firm to establish an equity claim on China-based assets – is not uniquely predicted by these macro fundamentals.

Economists typically focus on microeconomics to explain FDI. Economic theory suggests that firms invest abroad because they possess some firm-specific advantages as compared with firms in the home economy. This is the so-called industrial organization theory of FDI.¹⁰ Applying this theory to Chinese inbound FDI would lead to a number of puzzles. Much of the Chinese inbound FDI is low-tech, simple manufacturing and export-oriented. This does not mean that this type of inbound FDI is not beneficial to China but that the usual economic theory of inbound FDI that emphasizes the importance of technology does not quite apply here. The easiest illustration of this point is the presence of round-trip FDI. The reasoning underpinning the industrial organization theory of FDI is that FDI is costly and only those investors endowed with special competitive advantages are able to undertake FDI and to overcome the intrinsic disadvantages of operating in unfamiliar foreign economic, political and cultural environments. But since round-trip FDI investors do not face these intrinsic disadvantages, they can operate successful businesses in China even if their operations are not high-tech.

Round-trip foreign firms, however, hold one source of advantage over purely domestic firms and this advantage can be known as the domicile advantage of round-trip foreign firms – round-trip foreign firms are typically domiciled in locations that have superior property rights protection and financial market flexibility. The more substantial the domicile advantage round-trip foreign firms have, the more significant round-trip FDI is as a share of China's total FDI inflows. In other words, an explanation of the FDI phenomenon in China requires an institutional perspective that differentiates between foreign and domestic firms and this institutional perspective goes well beyond the narrow focus of industrial organization perspective on technology (Huang 2003).

Similarly, this reasoning explains the predominance of overseas Chinese investments in China. Overseas Chinese firms are typically domiciled in locations that confer greater property rights security and financial market flexibility (such as Hong Kong). Their advantage over domestic firms is not technological but institutional in nature. Since the early 1990s, of China's huge FDI inflows, overseas Chinese – from Hong Kong, Taiwan, Macao and Southeast Asia – delivered the lion's share. Between 1978 and 1999, Hong Kong, Macao and Taiwan accounted for 59 percent of stock FDI in China, and between 2000 and 2011, Hong Kong, Taiwan and Singapore accounted for 54.5 percent of total stock FDI in China. The scale of overseas Chinese FDI is substantial. Take the example of Macau, a small island economy with a population of 550,000 mainly known for its gambling and money laundering, which has invested a vast sum of money in China. In 1994, inbound FDI from Macau amounted to \$509 million, which was as much as 70 percent of Korean investments, 197 percent of German investments, 74 percent of British investments, or 236 percent of Canadian investments.

In recent years, the top nine source economies of Chinese inbound FDI have been Hong Kong, British Virgin Islands, Cayman Islands, Japan, Germany, USA, Singapore, Korea and Taiwan. The prominence of British Virgin Islands and Cayman Islands on this list is especially interesting and it is related to their roles facilitating capital flight, tax evasion and round-trip FDI, i.e., those attributes that reflect extant distortions in the Chinese economy. China's FDI sources are relatively dispersed. Other than Hong Kong and British Virgin Islands, no other source economy has supplied more than 10 percent of China's total FDI inflows. And the FDI share from overseas Chinese has increased over time.

That China has received so much capital from its overseas expatriates is often admired by outside analysts. For example, many in India bemoan the fact that overseas Indians do not nearly invest as much in India as overseas Chinese in China. This perspective deserves a closer scrutiny. First, it is important to know whether inbound FDI from overseas Chinese sources are a complement to or a substitute for inbound FDI from non-overseas Chinese sources. Available evidence suggests that increasingly they are substitutes for each other. As pointed out before, since 2005, overseas Chinese FDI has risen sharply but non-overseas Chinese FDI has declined in relative proportions and in absolute terms in recent years. For some Western countries, the decreasing volume of their FDI into China is quite substantial.

Is the overseas Chinese FDI crowding out western FDI? The answer seems to be yes, at least during the recent period. The switching effect is especially apparent between US-originated FDI and Hong Kong-originated FDI. Between 1997 and 2002, FDI from the United States increased by 11.2 percent annually, compared with an average annual decline of 2.5 percent for FDI from Hong Kong. Then between 2003 and 2014, FDI from the United States declined by 5.7 percent annually on average whereas FDI from Hong Kong increased by 14.5 percent annually on average.

It is important to distinguish between the demand and the supply sides of this development. One could argue that it is the 2008 financial crisis that reduced the level of inbound FDI from Western developed economies. The financial crisis had some effect but not a big effect. The inbound FDI from the United States, Japan and Korea peaked before 2008 rather than in 2008 and the rising share of overseas Chinese inbound FDI preceded 2008 by many years. The year 2008 was not a turning point and it is more likely that it is the changing composition of the Chinese economy – more real estate driven – that led to this change in the country mix of Chinese inbound FDI. Real estate is an area in which overseas Chinese firms excel and have a strong competitive edge. Real estate is also a politically intensive sector. Relative to firms from the United States and Germany, firms from Hong Kong and Taiwan hold a substantial advantage in this sector. This is again consistent with an institutional perspective on FDI.

IMPLICATIONS OF AN INSTITUTIONAL PERSPECTIVE ON FDI

Foreign-invested enterprises (FIEs) – those firms funded by inbound FDI – employ millions of workers. FIEs also produce a very high share of Chinese exports. Several studies also show that FIEs are among the most productive firms in the Chinese economy. The contributions of FIEs to China's economic growth are substantial. However, assessing the economic contributions of FIEs more accurately requires not only listing the gross contributions of FIEs but ascertaining their net contributions. Until 2007, the Chinese government provided huge tax exemptions and breaks to the FIEs and taxed domestic enterprises, especially domestic private enterprises, to fund those tax benefits.

The favorable policy benefits granted to FIEs are wide ranging and substantial (Huang 2003). There have been recent systematic attempts to document and analyze the effects of these policy benefits. Huang and Tang (2010) use value-added tax data and show that the tax policy benefits granted to FIEs not only exist in tax legislation but also in tax collection enforcement. Guariglia and Poncet (2008) show the interaction effects between financial discrimination against the private sector and the ability of FIEs to compete effectively in the Chinese economy. Huang, Ma, Yang and Zhang (2016) examined the textile industry, an industry characterized by technological homogeneity, and estimated that financial discrimination against the domestic private sector has led to about 30 percent loss in the equity share of the joint ventures between foreign investors and domestic entrepreneurs.

There are multiple implications from an institutional perspective on FDI, as compared with a benchmark perspective rooted in technology. One implication is that to the extent that FDI is motivated by institutional considerations, the often touted effects of FDI – such as technology transfer – are either absent or minimal. The most relevant contribution expected from FDI is the productivity spillovers from FIEs to the rest of the Chinese economy and this is the standard method to

assess contributions of FDI (Haddad and Harrison 1993). Here the evidence is sobering. There have been numerous studies estimating the productivity spillovers of Chinese FIEs, and the best characterization of these studies is that the results are either mixed or negative (i.e., there is no spillover effect). The most comprehensive study is by Hale and Long (2011). This paper reviews the previous empirical literature on FDI in China and conducts its own empirical analysis. The finding is that the positive findings on the FDI spillovers are generated either by aggregation errors or by the failure to control for the endogeneity effects of FDI. Their paper concludes: 'Attempting over 6000 specifications that take into account forward and backward linkages, we fail to find evidence of systematic positive productivity spillovers from FDI in China.'

The prominence – and indeed the rising prominence – of the most institutionally intensive form of FDI, overseas Chinese FDI, also has substantial implications. It is important to emphasize that overseas Chinese FDI and non-overseas Chinese FDI are substitutes, not complements. This substitution effect can cause problems for the Chinese economy. One is that it may fuel China's real estate bubble. The overseas Chinese inbound FDI is highly concentrated in the real estate sector, and overseas Chinese FDI now increasingly comprises of investments in the real estate sector, in contrast to the concentration of overseas Chinese FDI in the manufacturing sector in the 1990s. The Chinese real estate sector is known for its highly speculative nature and potentially high volatility. In addition, the Chinese real estate sector is also an important source of China's macroeconomic imbalances, social instabilities and corruption. It is not clear whether these huge investments in a sector of the Chinese economy plagued with so many problems are a welcome development.

Another implication arises on the microeconomic side. Because overseas Chinese FDI can be modeled as a proxy solution to China's institutional distortions, the expected microeconomic performance can lag as compared with other types of FIEs. Analysis based on micro data shows that overseas Chinese firms tend to perform poorly as compared with non-overseas foreign firms in China. Many hold the view that overseas Chinese firms should have a superior performance record in China. They are supposed to possess superior cultural knowledge and business and market knowhow about China.

Based on a large dataset of firms – over 50,000 firms per year and over a period of eight years – Huang, Li and Qian (2013) show that these hypotheses are not supported by empirical evidence. Overseas Chinese firms in China do not outperform non-overseas Chinese firms by a set of conventional profitability measures, such as returns on assets and returns on equity, and their performance further deteriorates over time. The main finding of their paper is that overseas Chinese firms tend to under-invest in those firm attributes that may enhance their long-term performance, such as human capital and technology. They hold fewer intangible assets as compared with non-overseas Chinese firms in China. All of these findings are generated after detailed controls over firm-level

characteristics, such as firm size, industries, number of years of operations in China, etc. Our research also shows that overseas Chinese FIEs also have a lower level of management knowhow – proxied by management expenses – as compared with enterprises operated by investors from other source countries (Huang, Li and Qian 2013).

In brief, the class of overseas Chinese firms that has invested in China heavily and at an increasing volume is inferior in quality and performance to the class of non-overseas Chinese firms that has increasingly invested less in China. To the extent there is a substitution effect between the two, the increasing share of overseas Chinese firms making investments in China at the expense of non-overseas Chinese firms is an alarming development.

CONCLUSION

There are several aspects to China's inbound FDI that should warrant some special considerations. For a country with a substantial role of government in economic management and asset ownership, China is unusually open to inbound FDI. In fact, until 2007 China's tax codes favored FIEs more than domestic private enterprises. The share of inbound FDI in China's export production and investments is substantial. It is in part because of these policy and institutional features of the Chinese economy the patterns of China's inbound FDI – for example, the presence of round-trip FDI and a prominent role of low-tech overseas Chinese FDI – vary considerably from the predictions of economic theory on FDI. Institutional arrangements have a substantial effect on many of the underlying features of Chinese FDI inflows.

A related point concerns both the economic and institutional implications of the rising share of overseas Chinese FDI. The economic effects of overseas Chinese FDI are a function of the substitution between overseas Chinese FDI and FDI from other source countries. In recent years, overseas Chinese FDI has helped fuel China's real estate boom and bubble, potentially accentuating China's macroeconomic volatility. On the institutional side, to the extent that overseas Chinese FDI is driven more substantially by distortions in the Chinese economy, its rising shares in recent years are suggestive of increasing institutional distortions in the Chinese economy. To the extent that overseas Chinese FDI is low-tech and more speculative, the crowding out effect by the overseas Chinese FDI is a worrisome development in the Chinese economy.

Notes

- 1 A more detailed discussion of issues related to the standard definition of FDI can be found in Graham and Krugman (1994).

- 2 In this chapter, unless otherwise noted, all the data on China's inbound and outbound FDI is from the website of National Bureau of Statistics at www.stats.gov.cn/.
- 3 Taiwan became a separate member of the WTO after China's accession.
- 4 See World Bank (1996) and also Tseng and Zebregs (2002). In an earlier study, I arrive at a similar estimate by correlating China's capital outflows with its FDI inflows, using data from the 1980s to the mid-1990s. According to this methodology, round-trip FDI accounted for about 23 percent of China's FDI inflows. See Huang (2003).
- 5 This section draws heavily from Huang (2003).
- 6 The four SEZs are Shenzhen, Shantou, Zhuhai and Xiamen (Amoy). The SEZs are located across from Hong Kong, Macao and Taiwan, respectively.
- 7 The national law on enterprise registration was promulgated in 1988; the detailed implementation act on labor regulations for FIEs was promulgated in 1984 although the labor regulation itself was promulgated in 1980. Land use regulations at the national level were enacted in the early 1990s.
- 8 In the foreign investment community, the 1986 Regulations were known more popularly as '22 Articles.'
- 9 The 1979 Equity Joint Venture Law did not place any equity cap on foreign investments but the law was drafted to apply to joint ventures. Thus a foreign firm could establish 99 percent of the equity position under the 1979 Equity Joint Venture Law.
- 10 The classic work is Hymer (1976) and it was restated and further developed by Caves (1996).

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Financial System

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INTRODUCTION

In China's National Bureau of Statistics' *China Statistical Yearbook*, there are 24 chapters – Chapter 19 on Financial Intermediation is the second shortest chapter. Meanwhile, the two longest chapters relate to how finance in China is used in the real economy – Investment in Fixed Assets and Natural Resources. This may provide some indication of how far China's financial sector has yet to go in terms of directing China's vast savings into its most productive use – a central role that finance intermediation plays. China over the past four decades has made great strides in its financial system. But the efficient allocation of capital, the provision of sufficient means for individual portfolio diversification and financial market transparency are all still areas that need much improvement. While the role of the government has been critical in institution building, it has also impacted financial reform and financial innovation via various forms of financial repression. Specifically, Chinese policy makers have built institutions ranging from large banks to globally significant stock and bond markets at breathtaking speed. What was once a country riddled with segmented markets in currencies, real estate and equities has gradually moved toward greater integration with the international community. But Chinese citizens still hold a disproportionate share of their financial wealth in money (by definition, M2) and still lack access to a wider range of assets (including international assets) which would allow for the risk and return benefits of greater transparency and portfolio diversification. The excess supply of money in financial markets, furthermore, via Walras' Law,

has clear excess demand counterparts in the real estate, equity markets and shadow banking sector (Schramm, 2017).

In the following sections, we discuss China's overall sources and uses of finance (flow of funds), banks, and its equity, bond and money markets and also discuss recent developments in shadow banking. It is important to keep in mind, though, that a large fraction of China's uses of funds is unaccounted for. Lin and Schramm (2005) estimated that up to a third of China's savings were channeled into investment without a 'paper trail.' Figure 10.1, based on the discrepancy between the real sector and financial sector flow of funds, suggests an updated figure that may still be as high as 25 percent.

FLOW OF FUNDS AND THE FINANCIAL SYSTEM IN THE CONTEXT OF THE LEGAL FRAMEWORK

One slice of the vast literature relating to how and whether financial systems impact economic growth relates to what financial systems evolve because of the legal framework in a country. Specifically, the seminal work of La Porta et al. (1997; hereafter LLSV) and the series of papers that followed posits that countries which follow a common-law tradition provide more and better investor protection than countries which operate in the civil law tradition. In turn, financial systems in each type of legal tradition can and will evolve in dramatically different ways. Common law countries will rely relatively more on external finance (for example, equity markets) while civil law countries will rely more on internal finance (for example, retained earnings). And even within the category of external finance there will be relative differences – civil law countries

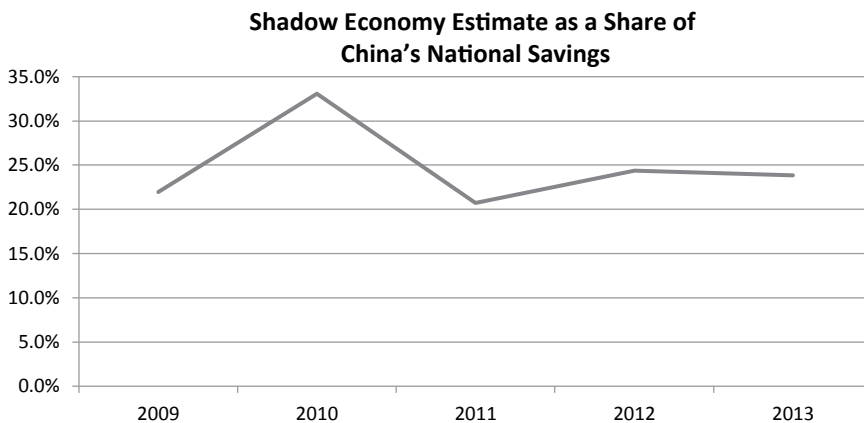


Figure 10.1 Shadow economy from flow of funds data

Source: Authors' estimate based on data from National Bureau of Statistics, *China Statistical Yearbook* (var. issues), Tables 3–27 and 3–28 (2015)

will have a greater reliance on banks and pension funds while common law countries will have a greater reliance on equity rather than debt markets.² We could say that common law countries rely more on ‘arm’s length’ finance while civil law countries rely more on ‘arms around’ finance where in the latter case we have better monitoring and control of the firm from a principal/agent perspective.

A further implication of this literature is that the relatively heavier reliance on courts to independently interpret the law and decide what is ‘fair’ allows common law financial systems to be more dynamic and innovative. The tradeoff, however, is that common law financial systems tend to be less predictable and riskier than are civil law systems. And these differences across the risk/return spectrum may very well reflect inherently different national cultural preferences.³

Where would China fall within this framework? It is first important to note that China’s long and unique history has created a system which in fact is a *mélange* of heterodox and orthodox legal systems. The influences range from Confucianism to Socialism, The American Bill of Rights to Mao Zedong Marxist/Leninist thought (Beck et al., 2003). But what is clear is that of the two frameworks discussed in the previous paragraph, China has taken a path that falls decidedly within the space of civil law and particularly German civil law. That approach was formulated within two waves of reform – one immediately following the end of the Qing Dynasty in 1911 where a six-part civil code and a constitution were adopted, the former heavily influenced by German/Japanese civil law and the latter with influences from the United States.

The second wave came after the death of Chairman Mao, culminating in the *General Principles of Civil Law* enacted January 1, 1987 (Luney, 1989). The emphasis of this collection of codes was the economic relationship between entities including the definition of a legal person (either individual or enterprise) in the tradition of German civil law. That civil law would be the preferred path would be no surprise given the Chinese government’s decisive role in the legal process and its lack of interest in an independent judiciary interpreting laws and setting precedents in real time.

Other Views

LLSV has been a catalyst for a vast body of follow-on research in support or opposition to its central theses.⁴ We have relied mostly on their approach in discussing China both to organize our thoughts but also because their ideas seem particularly relevant to China. Other authors, using different perspectives, provide additional insights. Allen et al. (2005) highlight the key role that non-listed and non-state-owned private enterprises have played in China’s economic growth.⁵ This growth occurred, in the absence of any supportive legal system at all, in the absence of a well-defined governance structure and in the absence of the conventional sources of finance – stock markets and banks (Levine, 2005).

These all are usually cited as necessary conditions for economic growth at every step along the way. Rather, the authors suggest that these private firms have relied on the more traditional long-standing roles that reputation, relationships and trust have played. These elements were buttressed by private arrangements using collateral on property and sanctioned by third parties in some cases. They suggest that competition in the private sector was a sufficient condition in this context to achieve the large rates of growth that China has experienced. In effect, the authors (without using the term) are making a *Coasian* (Coase, 1960) argument – private arrangements filled the institutional vacuum.

Awrey (2015), in contrast, suggests that the very existence of very powerful institutions in China – particularly, the central government and powerful regulators such as the Chinese Banking Regulatory Commission (CBRC) – have spawned parallel or shadow financial markets including a large wealth management industry (again, without using the term), further suggesting that it is *financial repression* which has shaped key elements of China's financial system.

These alternative views open many avenues for empirical work as to what institutional factors have truly been at work in shaping China's financial system. What all three approaches lack, however, is a greater consideration of the quality of growth rather than the mere quantity of growth. We simply cannot rely on growth rates as measures of success or failure of financial systems and the institutions that support them; the critical question is whether these systems will support sustainable or quality growth over the long run.

LLSV and the Sources and Uses of Funds and Capital Structure

While Modigliani and Miller (Miller, 1988) suggest that capital structure can be irrelevant (in terms of the value of the firm), what is suggested above is that institutional factors can push capital structure in one direction or another. Here we examine the Chinese business sector's (excluding the financial sector, itself) flow of funds and basic balance sheet and compare and contrast it to another major economy in the world – the United States, which follows a common-law tradition.

Table 10.1 is based on China's Flow of Funds presentation for the national non-financial business sector (National Bureau of Statistics (NBS), various years). We can see that internal funds (business gross savings) averaged 34 percent of all financing flows to the business sector. In Table 10.2, based on the United States flow of funds from the Federal Reserve Board (FRB, various years), meanwhile, we see a much larger reliance on internal funds in the non-financial business sector averaging 80 percent.⁶ This would appear to contradict the LLSV proposition that internal finance should be a more important source of finance for civil law countries. But LLSV assumes relatively similar macro balances on savings; China and the United States have substantially different national savings patterns, with China saving close to half of GDP while the United States' share

Table 10.1 China flow of funds

INFLOWS	Flow of Funds as a Percent of Combined and External and Internal Finance for China					
	2009	2010	2011	2012	2013	Average
Gross Savings or EBD	35%	32%	37%	32%	36%	34%
External Financing Net Increase in Debt Liabilities + Owner Paid-In	55%	53%	52%	56%	53%	54%
<i>Debt Securities</i>	9%	3%	6%	9%	6%	7%
<i>Debt Institutions</i>	43%	29%	31%	37%	37%	35%
<i>Equities 1/</i>	3%	5%	3%	1%	2%	3%
<i>Foreign Direct Investment 2/</i>	3%	6%	7%	6%	6%	5%
<i>Other</i>	-4%	10%	5%	3%	2%	3%
Discrepancy 3/	10%	14%	11%	12%	12%	12%

1/ 2010 data for equities based on Table 19-14 NBS 2012

2/ In 2015 yearbook, the title changed from "Foreign Direct Investment" to "Direct Investment"

3/ One half of Discrepancy between real flows on corporate activity and financial flows for the financial sector

Source: China National Bureau of Statistics. 2010-2015. China Statistical Yearbook. Tables 3-27, 3-28 (2015)

Table 10.2 United States flow of funds

INFLOWS 1/	Flow of Funds as a Percent of Combined and External and Internal Finance for the United States						
	2009	2010	2011	2012	2013	2014	Average
Gross Savings or EBD	125%	81%	74%	68%	64%	69%	80%
External Financing Net Increase in Debt Liabilities + Owner Paid-In	-25%	19%	26%	32%	36%	31%	20%
<i>Debt Securities</i>	13%	10%	8%	12%	9%	9%	10%
<i>Debt Institutions</i>	-47%	-14%	3%	5%	7%	12%	-5%
<i>Foreign Direct Investment</i>	8%	7%	7%	6%	5%	3%	6%
<i>Equities</i>	-4%	-10%	-17%	-12%	-10%	-12%	-11%
<i>Other</i>	7%	26%	31%	30%	24%	22%	23%
Proprietor Investment	-8%	7%	9%	3%	5%	1%	3%
Discrepancy 2/	5%	-6%	-15%	-12%	-4%	-4%	-6%

1/ The Breakdown of data corresponds to the following accounting identity: Gross Savings – 1/2 Discrepancy + Net Increase in Financial Liabilities = Capital Expenditures + Net Increase in Financial Assets+ 1/2 Discrepancy

2/ We have divided the total Discrepancy evenly between Inflows (Savings, etc.) and Outflows (Capex, etc.)

Source: Federal Reserve Board of the United States. 2015. Federal Reserve Statistical Release Z.1, Financial Accounts of the United States Third Quarter. Table F.102. March. <http://www.federalreserve.gov/releases/z1/>

is only about 18 percent. Historically, around half of China's national savings accrue from business savings (corporate profits). In the United States the share contributed by business is even larger at around 75 percent of national gross savings. In other words, there is a relatively greater supply of internal funds in the United States and thus firms are more likely to tap into that as a source of funds. Alternatively, households in the United States have insufficient savings to source the funding needs of businesses while in China personal savings are abundant and channeled through the banking sector and then to companies.

Examining how external sources of finance are distributed, we see the data corresponding more closely to LLSV. Specifically, most of debt finance in China comes from institutions – banks primarily. About 65 percent of all sources of external finance comes from institutional loans. Meanwhile, debt securities (bonds) represent a much more modest share of 7 percent. In the United States, institutions actually represent a use (outflow) rather than a source (inflow) of finance as firms reduced their overall debt burden. United States business debt issuance averaged about 50 percent of all external finance. Equity securities represent a relatively minuscule share of finance in China, averaging about

5.5 percent of external finance. But in the United States, equity buybacks have made this traditional source of finance an outflow. This no doubt reflects the low interest rate environment in the United States and further efforts to acquire tax shields through debt.

Foreign direct investment (FDI) as a source of all finance for both economies' business sector is similar at about 5 to 6 percent. That FDI is of similar importance in both countries sheds further light on the LLSV approach and its limitations. Specifically, for China FDI serves as an important vehicle for technological progress and economic growth. Furthermore, FDI has both 'arms around' characteristics relative to market traded securities – joint ventures by their very nature are partnerships; but also have 'arm's length' characteristics – the very definition of foreign suggests an investor's willingness to surrender control to a possibly very different legal/institutional framework. It is unclear which effect might dominate. The question is an important one for countries such as China, which follow in the civil law tradition; their ability to attract FDI and its concomitant technology may hinge on how these two effects are balanced against each other.

China's balance sheet in recent years is consistent with its flow of funds (Table 10.3). For all designated enterprises in 2014,⁷ liabilities represented over 57 percent of the capital structure and equity over 42 percent.⁸ Some scholars in the past have suggested a 'reverse pecking order' for China given the relative importance of debt versus retained earnings. An LLSV approach, however, makes this less of a paradox. As we saw in the flow of funds tables, internal funds (corporate savings) are of about equal importance to bank (institutional) finance. Both are forms of 'arms around' finance especially in the China context. As indicated, a simple sectoral breakdown has private enterprise with the least leverage and state-owned entities with the most. By way of contrast, we also provide the overall balance sheet for the United States non-financial business sector in Table 10.4. Capital structure in the US is the mirror image of China's, with equity at about 62 percent and liabilities amounting to 38 percent.⁹ Of the equity portion, 7 percentage points represent FDI. Marketable debt is about twice as important as institutional debt.

What is clear, overall, is that marketable securities (not only as a source but as a use of funds) are relatively more important for US businesses when compared to Chinese businesses, and this would be consistent with LLSV. That US firms rely relatively more heavily on internal funds on a flow of funds basis than do

Table 10.3 China non-financial corporates balance sheet

<i>2014 China Balance Sheet for Industrial Enterprises with Revenue over RMB 20 million</i>					
	<i>All Designated Industrial Enterprises</i>	<i>State-Owned Subset</i>	<i>Private Enterprises Subset</i>	<i>Foreign Funded Subset</i>	<i>Other</i>
Total Assets	100.00%	100.00%	100.00%	100.00%	100.00%
Total Liabilities	57.20%	62.00%	52.10%	55.50%	55.00%
Owner's Equity	42.40%	38.10%	46.90%	44.20%	44.20%
Discrepancy	0.40%	-0.10%	1.00%	0.30%	0.80%

Source: China National Bureau of Statistics. 2015. China Statistical Yearbook. Chapter 13 (2015)

Table 10.4 United States non-financial corporates balance sheet

	<i>Corporate Sector</i>						
	<i>Balance Sheet for the United States Nonfinancial Corporate Sector</i>						
	<i>2009</i>	<i>2010</i>	<i>2011</i>	<i>2012</i>	<i>2013</i>	<i>2014</i>	<i>Average</i>
Total Assets	100%	100%	100%	100%	100%	100%	100%
Total NonFinancial Assets	51%	52%	52%	53%	53%	54%	52.40%
Total Non FDI Financial Assets	37%	37%	35%	34%	34%	34%	35.20%
Total FDI Assets	12%	12%	12%	13%	13%	13%	12.40%
Liabilities and Equity	100%	100%	100%	100%	100%	100%	100.00%
<i>Total Debt Securities</i>	14%	14%	14%	14%	14%	14%	13.70%
<i>Total Debt Institutions</i>	9%	7%	7%	7%	7%	7%	7.30%
<i>Total Other NonFDI Liabilities</i>	18%	18%	17%	17%	16%	15%	16.90%
<i>Foreign Direct Investment</i>	7%	7%	7%	8%	7%	7%	7.40%
Equity (Market Value)	53%	54%	55%	54%	56%	57%	54.60%

Source: Federal Reserve Board of the United States. 2015. Federal Reserve Statistical Release Z.1, Financial Accounts of the United States Third Quarter. Table B.103 March. <http://www.federalreserve.gov/releases/z1/>

Chinese firms would appear at first glance as a contradiction to LLSV. But it is not. Rather, this outcome is conditional on some critical macroeconomic and non-legal institutional differences. The small share of household savings in the US relative to China and the traditionally close relationship between the government, banks and borrowers in China can also have a significant impact on capital structure. Finally, we note the existence of a large and unexplained gap between outflows and inflows for China's business sector. This may be a type of arms around financing reflecting the set of larger Chinese companies lending to related smaller firms. And this type of finance would be fully consistent with LLSV.

What should be apparent in the above discussion is that if we take LLSV at face value, then an Anglo-Saxon or American style 'arm's length' stock market is not very suitable for China. It is somewhat surprising then that Chinese authorities have, since the early 1990s, invested a great deal of time, energy and funds in trying to develop such markets. LLSV, meanwhile, tells us that given China's unique civil law structure, such a market is unlikely to flourish. We discuss stock market developments below. A corollary to all this is that equity as a source of finance for Chinese companies will likely look very different from that of other countries. One might speculate that a variation on private equity is more likely to take root as opposed to trading-intensive equity markets.

THE BANKING SECTOR

China's banking system, more than in any other of the major countries in the world, serves as the financial backbone of the economy. Banking institutions account for over half of China's formal financial intermediation.¹⁰ But beyond their important role in channeling China's vast savings into capital and the intertemporal smoothing of consumption, Chinese banks serve as a linchpin in the government's efforts at short term macroeconomic stabilization efforts and long term economic development. In other words, they are a critical link in the implementation of China's Five-Year plans.

Background on the Rapid Evolution of the Banking System

Between 1949 and 1978 the role of commercial banks was dramatically diminished and the central bank, the People's Bank of China (PBOC), became the sole bank operating in China with pre-existing banks either shut down or brought fully under control of the PBOC. Along with the dissolution of private ownership in this period, so too came the dissolution of private wealth since there was no need for the traditional banking roles of deposit taking and commercial lending. The PBOC itself was stripped of most of its central banking functions during the Cultural Revolution. With China's movement toward market-based mechanisms beginning in 1978, commercial banking activities once again became of vital importance. New banking activities and some activities handled by the PBOC and the Ministry of Finance were spun off to the newly established or re-established 'Big 4' state-owned banks: The Bank of China (BOC, separated from the PBOC in 1978), the China Construction Bank (CCB, separated from PBOC in 1978), the Agricultural Bank of China (ABC, founded 1978) and the Industrial and Commercial Bank of China (ICBC, founded 1984).¹¹ The names imply their intended purpose, but beginning in 1985 regulatory reform allowed them to cross over into each other's lines of business.

The Big 4 were initially engaged in making policy loans, supporting development targets under Five Year Plans, but ongoing financial reform led to more commercially based activity by 1995.¹² The Bank of Communications was restructured and recommenced operations in 1987, completing the set of five large state-owned commercial banks. Three formal policy banks were later created in 1994 to take up some of the policy related activities of the state-owned banks.¹³ Another major step was the recapitalization of the state-owned banks in 1998 via an RMB 270 billion bond issuance with proceeds used to inject fresh capital. While these banks dominated (and continue to dominate) the banking space in China, ongoing financial liberalization has allowed for the creation of other deposit-taking institutions including other publicly traded commercial banks, city and rural commercial banks, rural and urban cooperatives and foreign banks (incorporated in China). By end-2014, there were over 2,500 traditionally defined banking institutions of which close to 1,600 were relatively small rural credit cooperatives. Table 10.5 provides key dates and major steps for China's banking sector.

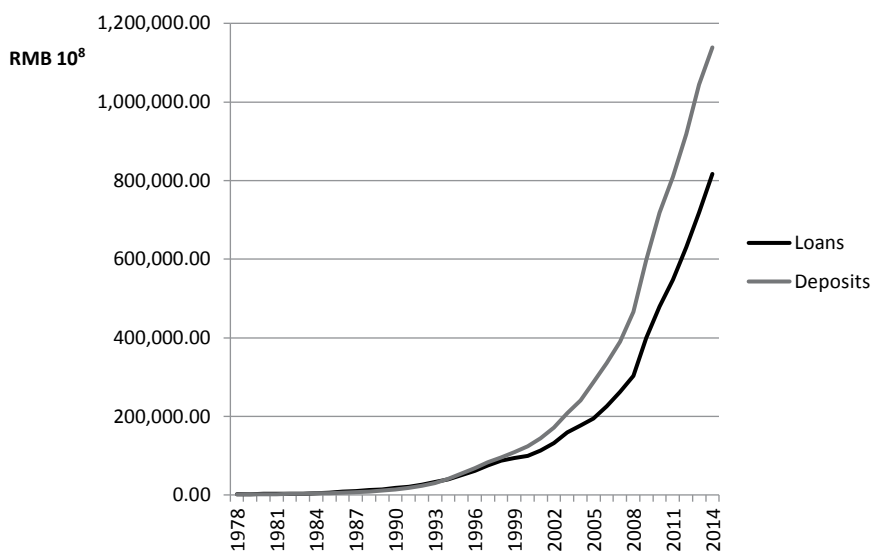
Size and Scope

Assets of all banking institutions amounted to RMB 172 trillion by end-2014.^{14,15} Figure 10.2 shows bank loans and deposits since 1978. Figure 10.3 shows growth in assets and loans and Figure 10.4 gives the ratio of deposits to GDP. We can see an acceleration of both loans and deposits beginning in the early 1990s. In Figure 10.4 we see deposits as a share of GDP surpassing loans in 1993 and a widening gap in the following years. In part, this reflects an acceleration of

Table 10.5 Key developments in China's banking sector

Years	China Banking Sector Some Major Developments
1978–1984	Devolution of Big 4 + 1 State Owned Banks from the PBOC and Ministry of Finance
1985 to Present	Creation of numerous other banking institutions with a variety of ownership structures.
1993–1994	Commercialization of the activities of the large state-owned banks and the creation of policy banks to take over policy lending
1995	Commercial Banking Law passed.
1998–2003	China's Silent Banking Crisis
2001	WTO accession allowing for a 5 year grace period for the banking sector.
2003	China Banking Regulatory Commission (CBRC) established.
2005–Present	Foreign Competition and IPOs of the Big 4 banks. Foreign banks take stakes in Big 4. Foreign banks incorporated in China allowed to engage in local currency deposits and lending (2006).

Source: Author created

**Figure 10.2 Loans and deposits of all banking institutions**

Source: Author created based on CBRC Annual report (2014) and NBS statistical yearbook chapter on financial intermediation

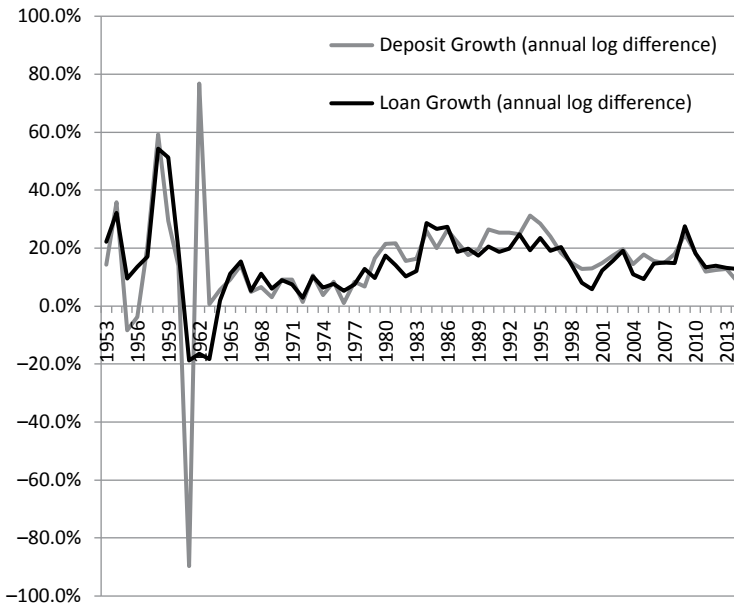


Figure 10.3 Growth in loans and deposits – all financial institutions

Source: Author created based on CBRC Annual Report (2014) and NBS Statistical Yearbook Chapter on Financial Intermediation

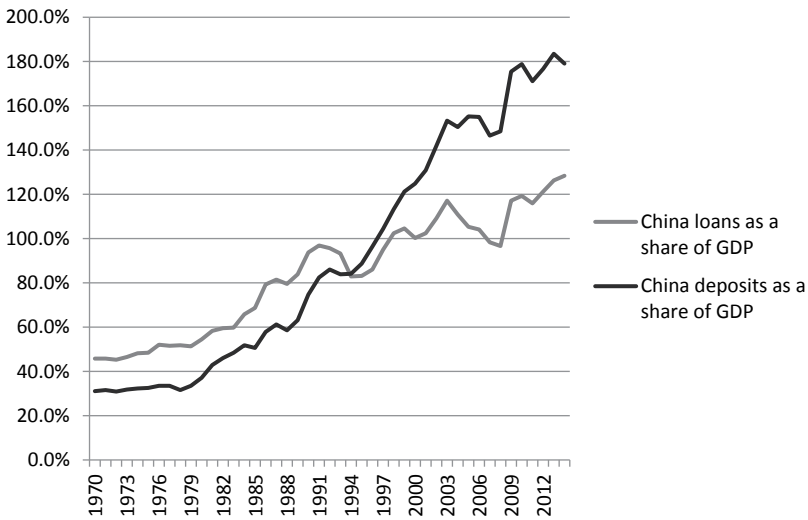


Figure 10.4 Loans and deposits as a share of GDP

Source: Author created based on All China Marketing Data; the University of Michigan

China's economic growth and incomes but relatively stable consumption in those decades. Both individual and corporate savings contributed to increased deposits and a relatively slower growth of lending. This takeoff also corresponded to a similar path for China's current account and balance of payments surpluses and foreign exchange reserve accumulation – the latter represented as an asset on the banking system's broadly defined balance sheet. Table 10.6 shows how foreign exchange reserves more than doubled in importance between 1990 and 2013 (from 10 percent of all assets in the financial system's balance sheet to 21 percent). The relatively slower loan growth also reflected a gradual raising of reserve requirements which began in 1987 and was maintained at 13 percent for most of the 1990s.

Though not as fast as deposits, bank lending did surge in the 1990s – a phenomenon which no doubt led to the emergence of China's own but less well known 'silent banking crisis' in the 1998–2000 period. Lending in the 10 years before 1999 grew at an annual rate of 22 percent. Much of this was policy lending intended to support the large number of state-owned enterprises, particularly those found in China's old rust belt of the northeast. Between 2004 and 2009 assets grew at 20 percent per year and between 2009 and 2014 at 16.7 percent per year. In the pivotal year of 2009, however, loans grew by an astounding 30 percent as a policy response to the global financial crisis.

The Big 4 banks accounted for 40 percent of all bank assets – an important but diminished role from 2000 when their share was closer to 60 percent of all assets (Figure 10.5). As Schramm (2015) points out, while the Big 4 banks are the most important source of finance in China, compared to European economies, their four-firm concentration ratio is smaller.¹⁶

Interaction between Bank Efficiency and the Regulatory Framework

As we have seen, financial institutions have played a central role in financial intermediation in China, providing close to three quarters of all external finance

Table 10.6 China's balance sheet for all banking financial institutions

<i>China Balance Sheet Expressed in USD (spot rates)</i>		
	Assets	Liabilities
1990		
Foreign Exchange Reserves	10%	
Other Bank Assets	90%	
Money M2		100%
2013		
Foreign Exchange Reserves	21%	
Other Bank Assets	79%	
Money M2		100%

Source: Author created

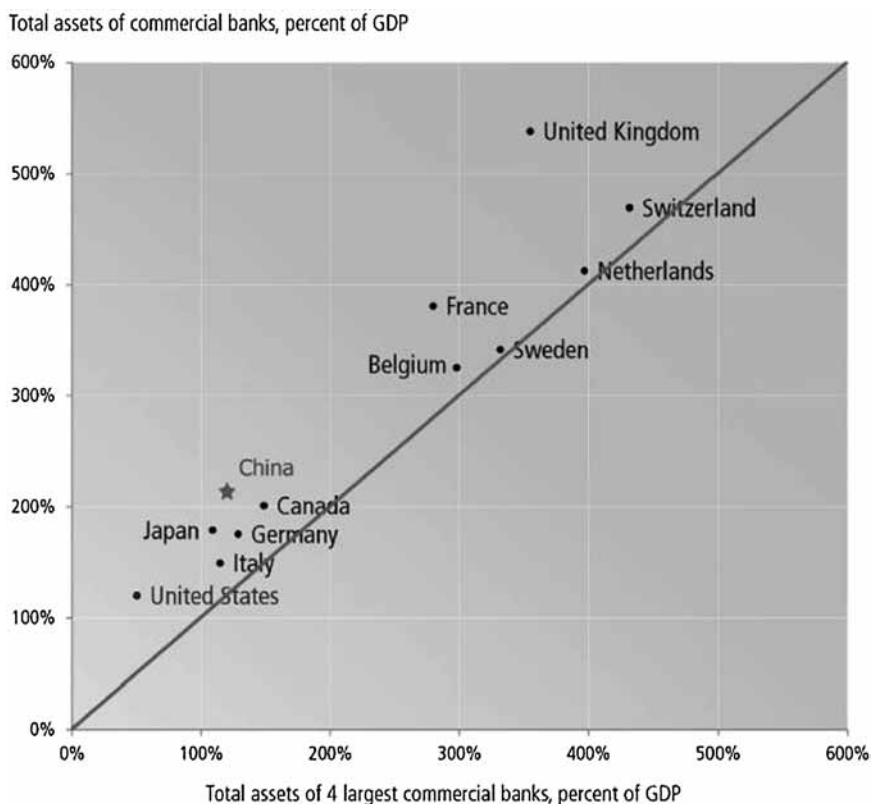


Figure 10.5 Relative bank size by country

Source: Schramm, Ronald M. (2015). *The Chinese Macroeconomy and Financial System* (Routledge).

to the corporate sector. Given the huge role of savings in the Chinese economy (50 percent of GDP), the role of banks in the Chinese economy is even more apparent. One key angle related to how efficiently banks act as financial intermediaries is to ask how efficiently banks themselves operate. Several studies have looked at this question from either a Data Envelope Analysis (DEA) or a Stochastic Frontier Analysis (SFA) estimation approach. Matthews and Zhang (2009) provide a summary list of such studies both global and specific to China. Depending on the timeframe (and this is critical as discussed below), the results can vary.

Berger, Hasan and Zhou (2009), for the period 1994–2003, compare cost and profit efficiency using an SFA approach for the Big 4, other state-owned banks, private banks and banks with majority and minority foreign ownership. For the period covered, they find that less state ownership increases profit efficiency, with the Big 4 being least profit efficient and banks with a majority foreign ownership the most profit efficient. They emphasize that even foreign minority ownership has a significant impact on profit efficiency. Edging into the question

of asset quality, the authors find that banks with foreign participation also are more efficient (have a smaller share) in terms of non-performing loans. This latter question, of course, ties in with the broader question of the quality of China's economic growth.

Meanwhile, Hsiao, Shen and Bian (2015), in examining banks in China for the 2007–2012 period using an SFA approach, find that while Chinese banks are less cost efficient than their foreign counterparts, they are more profit efficient. This result is puzzling in two ways: firstly, how can revenue efficiency sufficiently outweigh cost inefficiency to allow for greater profit efficiency; and, secondly, why are the results different from that of Berger et al. In fact, the answer to both questions is the same.

The paradox posed in the prior paragraph relates to bank lending and deposit rate ceilings and their liberalization over time. Prior to 2004, both lending and borrowing rates were each constrained within their own narrow band of floors and ceilings. This policy, in combination with forced policy loans up to 1995, led to China's own great banking crisis in the 1998–2003 period (discussed below). As part of both the ongoing efforts at financial liberalization and in what proved to be a successful effort at restoring bank profitability, the regulators removed the ceilings on loan rates and the floor on deposit rates in 2004. This ensured a stable and large interest spread for Chinese banks.

The time period of Berger, Hasan et al. might be referred to as a fully regulated period which damaged bank profitability, while the period after 2003 of the Hsiao et al. study could be referred to as semi-regulated and enhancing profitability. That Chinese banks principally do business in RMB and foreign banks relatively more business in foreign currency results in different outcomes for the two periods.¹⁷ In July 2013, floors on lending rates were removed and the last major step related to interest liberalization was the removal of the ceiling on bank deposit interest rates (Li, 2014).¹⁸ Basic theory suggests that this should once again realign the relationship between foreign and domestic bank profit efficiency.¹⁹

Banks and China's 'Silent Banking Crisis'

In Table 10.5 we refer to the period 1998–2003 as 'China's Silent Banking Crisis.' The quasi-halt to policy loans beginning in 1995 was too late to prevent a crisis. Numerous bad loans had resulted from earlier decades of government mandated financing of state-owned enterprises. By 1998 the non-performing loan ratio of Chinese Big 4 banks had exceeded 30 percent. Taking the difference between the Big 4 assets (at book value) and deposits at end-1998 we can infer a maximal value of bank capital (equity) of around USD 180 billion. The size of non-performing loans was larger than this amount by a factor of about 2 – in other words, China's 4 largest banks had become fully bankrupt by 1998.

While remarkable, what is more remarkable is that the Chinese authorities could turn this situation around and avoid a full-blown economic crisis. Several key elements were involved in this process: recapitalization of the banks through cash injections, a swap of treasury bills for the bad assets, interest rate ceilings and floors (discussed above), a lack of transparency in terms of the public's awareness of the problem (there were no bank runs) and for those citizens aware of the problem, there was an assumption that the authorities would find a workable solution. Capital injections and swapping of assets involved at least a half a trillion dollars. Four Asset Management companies were established in 1999 to either manage or sell off the bad assets.²⁰ By 2008 the NPL ratio for all commercial banks in China had declined to 2.4 percent.

Figure 10.4 shows that bank loans as a share of GDP has risen well past their levels during the 1998–2003 banking crisis but deposits as a share of GDP have risen even faster. While capital adequacy ratios continue to remain well above Basle standards, the steep growth in loans after 2009 may raise some red flags regarding the actual quality of loans.²¹ Even though the non-performing loan (NPL) ratio for all commercial banks stood at a reasonable 1.2 percent in 2014 (CBRC), China's banks face a new set of risks. The removal of interest rate ceilings in 2013–14 were a very positive step in the continued process of financial liberalization, but this comes with its own set of risks in the short run (Diaz-Alejandro, 1985). Meanwhile, as discussed below, money market funds have come to compete with banks for deposits. State-owned banks, which in the past have benefitted and grown comfortable with interest rate ceilings, must now compete for funds in more competitive markets. The United States experienced a similar phenomenon in the Savings and Loan crisis of the early 1980s (Federal Deposit Insurance Corporation, 2016).

BOND AND INTERBANK MARKETS

Valued at USD 6.5 trillion in the first quarter of 2016, China now has the world's third largest bond market following Japan and the United States. But the market in debt instruments is still only about one-third of the United States as a share of GDP.²² Figure 10.6 shows the enormous growth in the market since 1997 – China's bond market value now surpasses that of all emerging markets combined. Figure 10.7 shows that in terms of value, the size of the market easily rivals that of equities. The market grew by 24 percent in 2015, driven by an astounding increase in local government outstanding bonds of 315 percent. Localities have been encouraged to restructure their debt away from institutions (special purpose financing institutions and banks) to negotiable instruments. Notwithstanding the increase, interest rates fell because of the central bank's stimulative monetary policy; the PBC began to push down policy rates, beginning in 2014, as well as beginning to lower bank reserve requirements.

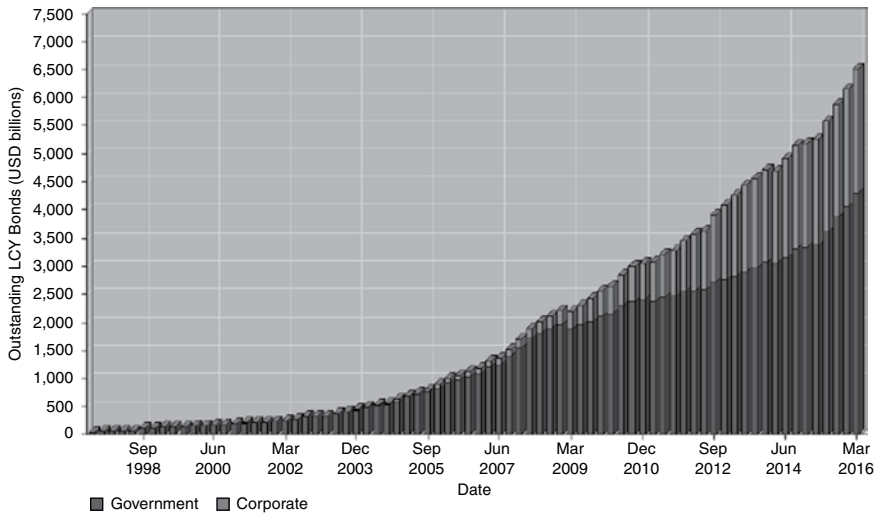


Figure 10.6 Value of corporate and government bonds in China

Source: Asian Development Bank: (ADB, 2016c) https://asianbondsonline.adb.org/china/data/bondmarket.php?code=LCY_Bond_Market_USD

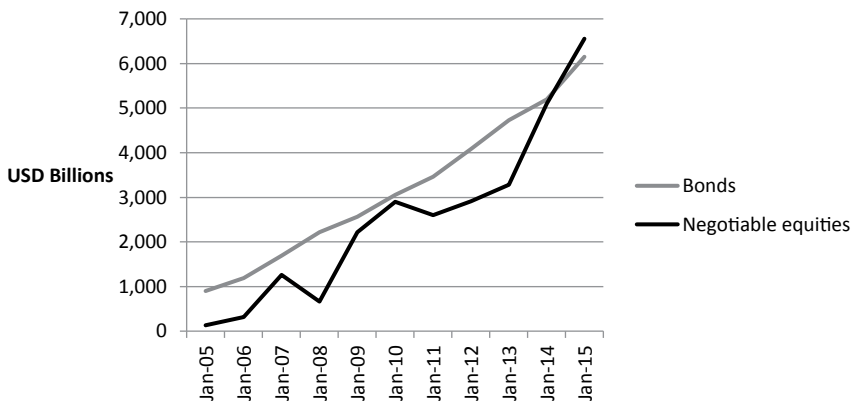


Figure 10.7 Local bonds and negotiable shares in China

Source: Author created

Onshore, around three-fourths of debt instruments represent government securities, while the remainder represent at least 200 corporate borrowers issuing over 3,000 different types of instruments; most of the corporates are state-owned enterprises.²³ In Figure 10.8, we see that maturities have shortened since 2005; in 2016 about 90 percent of outstanding debt had a maturity of less than 10 years, with the largest share in the 1–3-year range. In 1990 all debt was of a 5–10-year duration. Treasury bonds are issued by the Ministry of Finance with 2-, 5- and

7-year maturities and serve as benchmarks for pricing other maturities and securities. The People's Bank of China also issues central bank bonds. Financial Bonds are issued by development banks including the all-important China Development Bank – China's second largest issuer after the Ministry of Finance.²⁴ Figure 10.9 provides a breakdown of Chinese bonds by major category of issuer. Table 10.7 provides a yield curve for maturities for the latter's bonds, which are treated as risk free. Corporate bonds, notes and commercial paper are all issued by private sector entities ranging from state-owned enterprise to private companies to financing companies.

Bonds are traded on the interbank market and the two main stock exchanges. Close to 95 percent of trades occur in the interbank market. Trading in that market is somewhat illiquid and some instruments experience a low volume of trading. At present, there are 5 major credit rating agencies within China; three of which have relationships with foreign firms (as indicated).²⁵ They are:

- 1 China Chengxin International Credit Rating Co. Ltd (Moody's Investors Services).
- 2 China Lianhe Credit Rating Co. Ltd (Fitch Ratings).
- 3 Dagong Global Credit Rating Ltd.
- 4 Shanghai Far East Credit Rating Co. Ltd.
- 5 Shanghai Brilliance Credit Rating and Investor Service Co. Ltd (S&P).

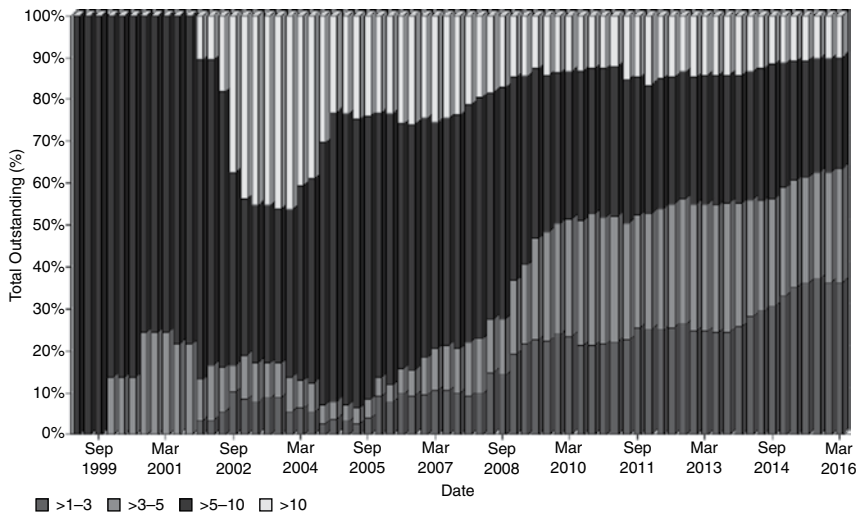


Figure 10.8 Maturities of corporate bonds in China

Asian Development Bank: (ADB, 2016b) https://asianbondsonline.adb.org/china/data/bondmarket.php?code=Corp_Sec_Mat_Local_Ccy

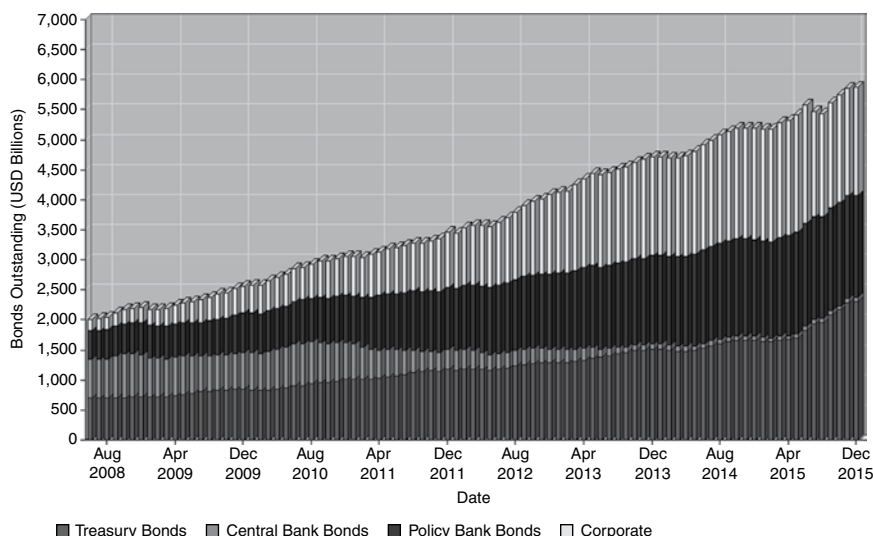


Figure 10.9 Chinese bonds by principle issuer

Asian Development Bank: (ADB, 2016a) https://asianbondsonline.adb.org/china/data/bondmarket.php?code=Bonds_Outstanding_Monthly

Table 10.7 China Development Bank yield curve (June 2016)

Name	Period	Yield	Average Yield for 5 Days	Average Yield for 10 Days	Average Yield for 15 Days	Average Yield for 20 Days	Average Daily Yield for Last Year
	1	2.6361	2.6447	2.6703	2.6681	2.6568	4.4296
China Bond, China Development Bank Yield Curve (Mature)	3	2.9349	2.942	2.9597	2.9719	2.9764	4.7657
	5	3.1416	3.1587	3.1866	3.2017	3.2099	4.9033
	7	3.3641	3.3802	3.4094	3.4289	3.4354	5.0162
	10	3.2599	3.2703	3.2955	3.3105	3.3153	5.0495

Source: Author created based on data from China Central Depository

Typical ratings range from AAA to C with nine gradations. Close to 93 percent of companies in China receive a rating of AA or better compared with only 1.4 percent in the United States. Many Chinese companies receiving these high ratings are rated lower by offshore credit rating agencies (Law, 2016). In fact, Bloomberg’s own analytical model suggests that about 57 percent of China’s AAA rated companies should be given junk status BB or Ba and lower; (Bloomberg, 2016). Up until recently only Qualified Foreign Institutional Investors (QFIIs) were permitted to invest in Chinese bonds but in 2015 the

authorities announced that foreign investors would be allowed to tap into the relatively high yielding Chinese market. The discrepancy in cross-border ratings soon became a matter of interest. The lack of informational content in Chinese ratings presents not just a problem of the efficient allocation of capital, but also creates the potential for the use of inside information; the true creditworthiness of the underlying companies is known to only part of the market – specifically, the credit rating agencies – and in the absence of clear guidelines related to insider trading, such activities create profitable opportunities.

Interbank Markets

The Shanghai Interbank Offer Rate (SHIBOR) is the market determined rate in which banks borrow and lend to meet reserve requirements and general liquidity needs. The rate itself is based on a survey of the quotes of 16 participating banks.²⁶ Maturities run from overnight to one year with a total of eight different maturities. For short term borrowing and lending on an unsecured basis, SHIBOR is considered a representative market based set of rates. Figure 10.10 provides three-month SHIBOR from its inception in 2007 and for CHIBOR, an earlier money market rate starting in 1998. By the first quarter, the rate had moved down to 2.9 percent. The seven-day interbank repurchase agreement is considered a benchmark money market rate as the central bank pushed down the discount rate and policy deposit and lending rates to stimulate flagging Chinese economic growth.

One way in which money market funds invest their assets is in the repurchase agreement market (REPO). REPOs allow for collateralized borrowing on a

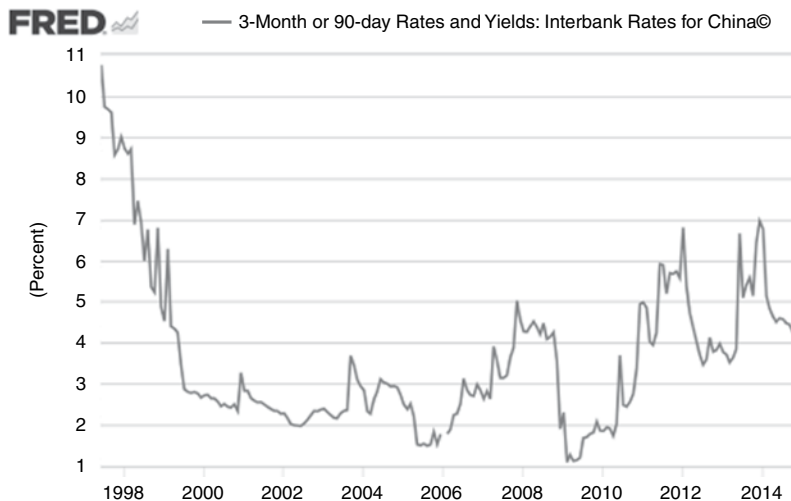


Figure 10.10 Interbank SHIBOR and CHIBOR

Source: Federal Reserve sources

usually short term basis. China has two venues for trading REPOs: the interbank market (commenced trading in 1997) and stock exchanges (mainly the Shanghai Stock Exchange, which commenced trading in 1991). While the interbank market still represents about three-fourths of the market in REPOs consistent with its leadership in bond trading, the stock exchanges have seen nearly 70 percent per annum growth in recent years.²⁷ Since the exchanges have standardized products while interbank market REPOs are customized, exchange traded instruments provide a clearer picture of short term money market rates. Specifically, the seven-day exchange traded REPO is used as a benchmark rate in other markets. Over 80 percent of REPOs are overnight or one day with the seven-day REPO a distant second in terms of maturity.

While close to 90 percent of the bonds used as REPO collateral are government or policy bonds, the REPO market in terms of both daily volumes and amounts outstanding is larger than the underlying bond market itself – suggesting a substantial recycling of the underlying securities used as collateral.²⁸ In the stock exchange REPO market, approximately three-quarters of the collateral

Table 10.8 Major internet money market funds (2014 average returns)

	Platform/Issuer	Annualized rate
Internet Product		
Licaitong	Tencent Weixin	5.64
Lingqianbao	Suning	4.72
Baizhuan	Baidu	4.85
Xianjinbao	163.COM	4.52
Yuebao	Alibaba Taobao	4.47
Bank/mutual money market product		
Ruyibao	China Minsheng Bank	4.52
Xinjinbao	Industrial and Commercial Bank of China	3.85
Pinganying	Ping An Bank	4.54
E-wallet	Easy Foda Fund	4.75
Qiandaizi	GF Fund Management	5.37
Bank WMPs		
Average annualized rate		5.30

Source: Price Waterhouse Coopers (2015)

represents government or policy bank bonds, with about 18 percent enterprise bonds used as collateral (Shevlin and Chang, 2015). In both markets, risky local government debt serves as part of the collateral. The danger here is a cascade effect should some shock hit the markets, causing a rush for liquidity on the part of lenders. The combination of recycled REPO collateral, money market participation with risky non-liquid assets, unreliable credit ratings and value destruction in the real economy all present dangers reminiscent of the Great Financial Crisis in the United States. No doubt the various regulators, ranging from the PBOC, CSRC, CBRC, the Chinese Depository and Clearing Corporation (CSDCC; stock markets) and the Chinese Central Depository and Clearing Corporation (CCDC; interbank market) are all working vigorously toward ensuring the continued smooth operation of these markets. Table 10.8 provides recent typical retail money market rates.

CHINA'S EQUITY MARKETS

China has two mainland stock exchanges, the Shanghai Stock Exchange (SSE) and the Shenzhen Stock Exchange (SZE), and the Hong Kong Stock Exchange. We limit our discussion to the mainland exchanges. The SSE commenced operations in 1990 and the SZE in 1991. As can be seen in Figure 10.11, growth has been tremendous. Eight companies had been listed in Shanghai in 1990 and by 2016 the number approached 1,100. Shenzhen saw an increase from six companies listed in 1991 to over 1,700 in 2016. Figure 10.12 shows that by 2016 total market capitalization for both indices stood at over RMB 49 trillion (US 7.5 trillion). Figures 10.11 and 10.12 combined suggest SZE has smaller-sized companies; via its ChiNext Board, SZE serves as an exit venue for private equity and venture capital funds.

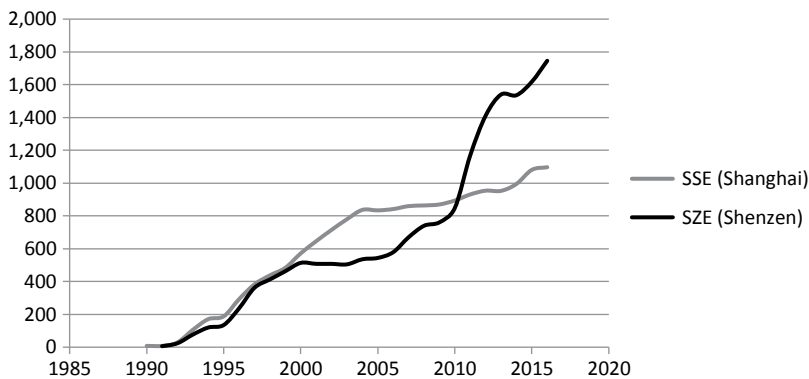


Figure 10.11 Shanghai and Shenzhen stock exchanges, number of listed companies

Source: Author created

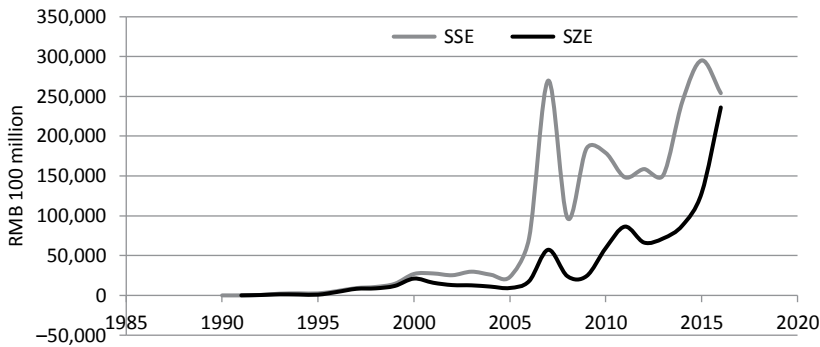


Figure 10.12 Market capitalization – Shanghai and Shenzhen

Source: Author created

China's stock markets can be viewed from several different angles, all of which represent specific types of market segmentation. One is the negotiable/non-negotiable nexus, another is the A/B share nexus. Negotiable shares are shares actually traded on public markets following an initial public offering (IPO). Non-negotiable shares are those closely held and not yet made available to the investing public. Typically, the non-negotiable counterpart to the tradeable (negotiable) shares has been held by the central government's State Council and include 'Legal Person' shares of the central or local governments held by state controlled institutions such as Huijin Investment Ltd (a government owned holding company).

A shares are RMB denominated and available to Chinese citizens and large Qualified Foreign Institutional Investors (QFIIs); B shares are available to global investors and purchased with US Dollars (Shanghai) or Hong Kong Dollars (Shenzen).²⁹ In addition, Chinese companies incorporated in the mainland but listed in Hong Kong are referred to as H shares; these shares can be bought and sold by anyone using Hong Kong Dollars. Companies whose main operations are in China but which trade in Hong Kong are referred to as Red Chips. Similarly, Chinese companies incorporated in London or New York which issue shares are referred to as L or N shares. Though adding complexity, the broader goal here has been to insure some measure of consistency with the policy trilemma (Obstfeld, 2015); China seeks to control both its money supply, domestic interest rates, inflation and economic growth while simultaneously maintaining control of its exchange rate. In turn, it must give up a degree of international capital mobility – thus, the unwillingness to allow unfettered capital movements into and out of the country – and in this case, equity markets. Meanwhile, international investors have had an appetite for exposure to China's equity markets and strong potential for growth; China, itself, hopes to benefit from an international investor base. The A/B share dichotomy has served this purpose to some

extent, though international interest in listed B shares has been lackluster (Darrat, Gilley, Wu and Zhong, 2010).

Figure 10.13 shows the increase in the percentage of negotiable shares for Shenzhen and Shanghai; the second major form of segmentation in equity markets. A target of 74 percent negotiable/tradable shares by 2009 was set and that appears to have been met. The Chinese Security and Regulatory Commission (CSRC) moved to convert many of the non-tradable shares into tradeable shares in the period 2005–2006 (Beltratti et al., 2016). At the time, approximately two-thirds of the outstanding shares were non-tradable. The existing holders of tradeable shares required compensation ranging from 30 to 50 percent of tradeable value for the increase in negotiable (tradeable) shares offered. That such compensation would be required when there was no change in the underlying assets or basic capital structure suggests a lack of depth/liquidity in the market. Figure 10.13 shows the delayed impact of the reform since there was a ‘lockup’ period of one year and other restrictions to limit the liquidity impact.

An offsetting factor not considered by the authors is that the conversion also had important corporate governance implications – specifically, the rights of minority shareholders (pre-existing tradeable shareholders) was significantly enhanced by the conversion – as they in effect became part of a majority class. Thus, the very act of conversion, made their shares commensurately more valuable. In most cases, compensation took the form of non-traded shares being offered to tradeable shareholders. Interestingly, the authors find that in the three days before an announcement by the authorities of companies selected to change share status, there was a sharp increase in prices. The authors explain this phenomenon in terms of ‘informational leakage’. We discuss questions of market efficiency below.

The China’s Securities and Regulatory Commission (CSRC) again relaxed rules related to non-negotiable share listing in the first half of 2009. This had

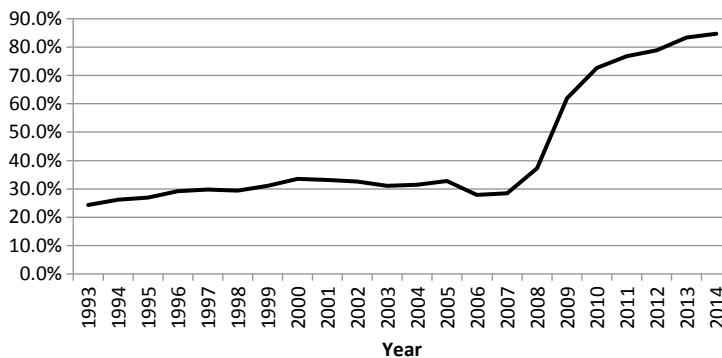


Figure 10.13 Negotiable shares in Shanghai and Shenzhen stock exchanges

Source: Author created

the effect of substantially increasing market capitalization (in 2009, at least RMB 8 trillion in value was converted from non-negotiable to negotiable).^{30,31} In Figure 10.13 and Table 10.9 we see that by 2016, 87 percent of shares were tradeable in Shanghai and in Shenzhen 70 percent. But even after the great strides made in converting non-tradeable into tradeable shares, the percentage of ‘tradeable’ shares being held by institutions controlled by the government and that are still illiquid is likely large. Recent government interventions in the market discussed below (the ‘national team’ effort) provide some context for this situation.

Market Efficiency

Beyond meeting the needs of different types of investors, the great diversity of share classes also offers economists an opportunity to study such issues as market efficiency, asset pricing models and market integration (Eun and Huang, 2007; Fernald and Rogers, 2002). For example, we see in Figure 10.14 the performance of the Hang Seng AH share index, which is the ratio of A share prices (onshore) and H Share prices (Hong Kong offshore) in the same currency. *Ceteris paribus*, since we have the same underlying security with identical claims on cash flows, the prices should be the same or at 100. Differing prices provide some indication of market segmentation between Hong Kong and the mainland. More specifically, perhaps, we also get a measure of how tightly capital controls are being enforced between the two areas. We see since the fourth quarter 2014 the index rising well above 100, suggesting much higher valuations for the same company in the mainland. Controls on capital outflows from China and restrictions on short sales no doubt impede taking advantage of this arbitrage opportunity.

Given China’s stock markets’ relatively short existence, the question of market efficiency is a natural one to consider. Charles and Darné (2009) examine daily returns and test for weak form market efficiency. Specifically, they employ a variety of variance ratio tests to see whether China’s stock markets follow a random walk. They find, like several other earlier studies, that A shares do but B shares do not – that is, future movements of the latter are predictable based on past movements of the time series. For example, Chen and Hong (2003) find that the market had become more efficient over time but that A share pricing

Table 10.9 Basic market characteristics, 2016

	Shenzhen Entire Market	Main Board	SME Board	Chinext Board	Shanghai
Listed Companies 1/	1761	478	782	501	1097
Stock Market Value (RMB billions)	19898	6532	8724	4643	25408
Stock Market Value Per Company (RMB Billions)	11	14	11	9	23
Stock Market Negotiable Value (RMB Billions)	13875	5312	5873	2689	22036
Negotiable Value/Stock Market Value	70%	81%	67%	58%	87%
Price Earnings Ratio	41	25	53	79	15

Source: Author created

1/ Data for Shenzhen is as April 1, 2016; For Shanghai, March 3, 2016

Source: Shanghai Stock Exchange and Shenzhen Stock Exchange: <http://english.sse.com.cn/indices/publications/monthly/c/4033491.pdf>; <http://www.szse.cn/main/en/MarketStatistics/MarketOverview/>



Figure 10.14 Pricing discrepancies between Hong Kong and Mainland China in the Hang Seng AH Premium (HSAHP) index

Source: Hang Seng Indexes. 'Hang Seng China AH Premium Index.' http://www.hsi.com.hk/HSI-Net/static/revamp/contents/en/dl_centre/factsheets/FS_AHPe.pdf

was more efficient (based on volatility clustering) than B shares. Chong et al. (2012) find that technical rules generally do not create excess returns under a variety of estimation models when one considers commissions. Furthermore, after the reforms involving non-tradable shares discussed above, excess returns are substantially diminished. Groenewold et al. (2003) found evidence of efficiency employing unit root and autocorrelation tests. Meanwhile, Thiele (2014) found market inefficiency by looking at subsamples of data over a longer time horizon than some of the above studies and detected autocorrelations and long memory of returns.

Most studies have examined Chinese market efficiency from the perspective of weak form market efficiency. Malkiel (2007), in a comprehensive look at market efficiency, concludes that Chinese stock markets are generally inefficient using the more restrictive definitions of market efficiency. In terms of weak form inefficiency, he cites some of the studies mentioned above but also identifies several other studies that show 'calendar effects', that is, predictable holiday and seasonal patterns. In terms of broad market efficiency (prices reflecting fundamental factors), Malkiel identifies price discrepancies for the same shares traded in Shanghai and foreign exchanges except in Hong Kong. As discussed earlier, China's financial markets remain segmented from international financial markets. Finally, Malkiel examines the performance of actively managed funds in China compared to index funds. Generally, the latter should outperform the former in efficient markets since such assets would be fairly priced in an efficient market. He finds in China that the reverse holds – actively managed funds appear to outperform passive index funds. He suggests that

those actively managed funds with inside information do even better – a red flag when it comes to the use of inside information and the presence of strong form market efficiency.

Zhao et al. (2014) examined the impact of short sale restrictions on the overvaluation of securities and market efficiency. In December 2011, the Chinese Security and Regulatory Commission (CSRC) began a pilot program allowing for short sales of qualifying securities. By August 2015, 495 stocks had become eligible for short sale. The authors find that allowing short sales both reduced overvaluation and enhanced weak form market efficiency.

Market Efficiency and Government Intervention

After climbing by over 150 percent from late 2014 to early 2015, the stock market in China fell into a steep decline, with the Shanghai index losing about 23 percent in the month of June alone. In an effort to support the market, the government in mid-June instructed a select ‘national team’ of state-owned funds, institutions brokerages and other investors to buy shares. On July 8, new rules on short sales as well as rules against selling shares (if any single owner held 5 percent or more of a company’s shares) were announced. New rules restricting new offerings were also put in place. Goldman Sachs reported that central bank funds totaling an estimated USD 236 billion were used to buy shares (Riley, 2015). While initially proposed to last only six months, the continued drop in the market (see Figure 10.15) and steep declines in early January, possibly in anticipation of the lifting of regulations on sales, resulted in Chinese authorities extending the rules indefinitely.

At one level, government intervention does not necessarily violate technical definitions of market efficiency – one could simply argue that this was

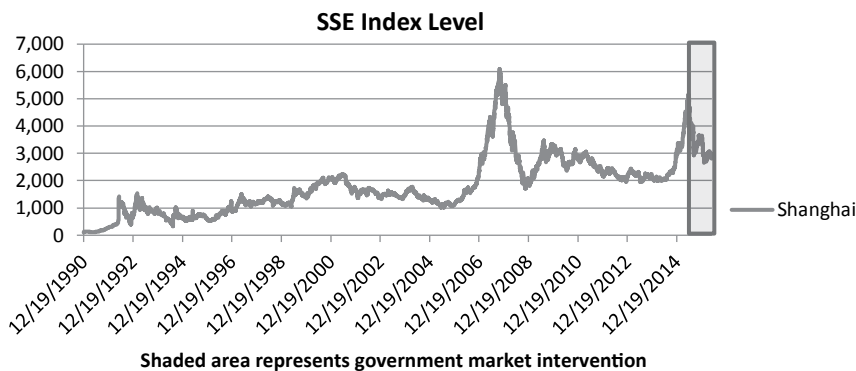


Figure 10.15 Stock market performance (Shanghai) and government intervention

Source: Author created

a series of random unanticipated shocks to the market, no different than a surprise announcement by the Federal Reserve in the United States. We note that the US Federal Reserve has been explicit in stating that the stock market is not a policy target. Future research will no doubt delve deeper to see if the policy was anticipated (as suggested above in the discussion on managed funds performance) and in turn if stock price movements anticipated the series of government generated events, suggesting market inefficiency (by definition). Daily volatility in fact increased after government intervention in June of 2015.³²

Given the large participation of retail investors and the possibility of significant losses in wealth for small investors – especially those who entered the market near its peak – government policy was aimed at creating a floor or providing investors with an implicit put option on the market.³³ As long as the market did not plummet further, the authorities would no doubt be content with the outcome irrespective of daily volatility. We note that the program may have provided an unintended form of support for the market. Since both an implicit floor (put) was created and greater volatility resulted, the value of the put to current shareholders was enhanced – thus reducing the incentive to sell shares. In the event, in the period of intervention (the last half of 2015) there were continued losses in equity markets totaling USD 5 trillion. In the first half of 2016, China's 'national team' sold off its holdings. The overall impact of the entire period of government action in the market is an area for future research.

When we consider market efficiency in the broader economic context (beyond the financial definition), we are asking whether markets are channeling society's limited savings into their most productive use.³⁴ This requires that stock prices on average or over the long run accurately reflect the value of the underlying assets and their accompanying cash flows given a market determined rate of social discount (the pricing kernel). But government intervention in the market is one more form of financial repression, creating a false signal about pricing for a prolonged period. Volatility increased both because of uncertainty created and the lack of liquidity (in the case of various selling restrictions). In this situation, which can persist for prolonged periods of time, it is likely that savings will not be channeled into their most productive use. In this context, Luo et al. (2015) compare fundamental factors which should impact valuations (such as net income and firm size) to actual market valuations and find consistent discrepancies, especially when compared to the United States markets. They do, however, suggest those discrepancies have diminished somewhat since the 2005 reforms discussed above. Chinese savers have limited ways to invest their wealth (markets are quite incomplete).³⁵ Viewed from an international integrated financial market angle, it is apparent that Chinese equity markets overvalue assets and in turn likely oversupply the economy with investment – the latter stood at an extraordinary 47 percent of GDP as of 2013.

SHADOW BANKING³⁶

‘Be careful what you wish for’ may be an appropriate axiom for Western economists who conduct China related research. In the past, the lack of ways to hold wealth for China’s beleaguered savers has often been bemoaned as a critical bottleneck to China’s economic growth and future prosperity. In the mid-1990s about 70 percent of China’s financial wealth was held in traditional banking institutions as deposits.³⁷ Figure 10.16 shows that over the years that figure has steadily declined to just under 50 percent. The absence of alternative investment vehicles hindered the vital role that finance plays in an economy – channeling a nation’s scarce savings into its most productive use. Moreover, the absence of additional ways to diversify wealth caused disproportionate amounts of both personal and corporate savings to be channeled into property and equity markets or offshore, creating unsustainably high prices or pent up demand for other asset classes. In turn, fewer ways to diversify wealth holdings and reduce risk has no doubt led to even higher savings as a compensating buffer against uncertainty.

Since 2009, when non-bank finance was around 15 percent of GDP, its share of importance has increased to about 60 percent or around RMB 40 trillion (USD 6 trillion). In absolute terms, financing in China from this sector has grown by a factor of five since the global financial crisis.³⁸ We generally refer to the non-bank financial sector for a country as its shadow banking sector.³⁹ We could think of this part of the financial sector as either being ‘lightly’ regulated or not regulated at all. Both dynamic and innovative, shadow banking institutions often excel at information gathering (the ‘coin of the realm’ in finance) and providing specialized areas of expertise that investors desire. But its activities can be unduly

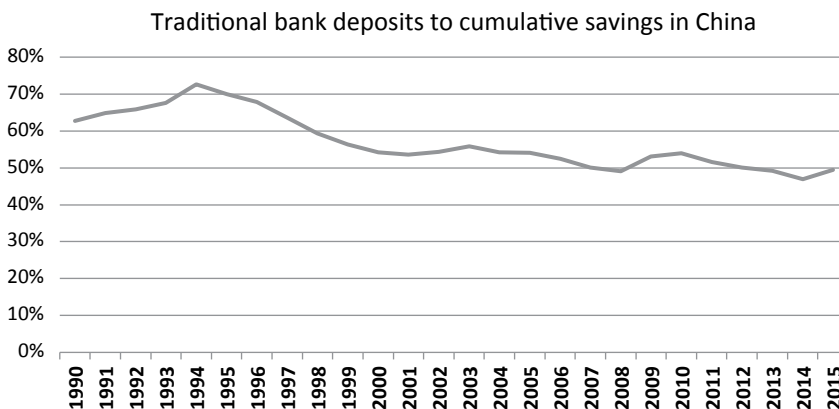


Figure 10.16 Bank deposits relative to national wealth

Source: Author’s estimates based on World Bank data and CBRC

risky, with the potential for causing systematic risk – financial crises. The latter characteristic derives from the absence of a direct lender of last resort – the People’s Bank of China, a backstop that traditional banks do have. Furthermore, they operate without explicit government guarantees of principal invested, such as deposit insurance.

While China’s sector is still relatively small by international standards (the United States shadow banking share of GDP is estimated to be two to three times larger), its rapid growth and now globally significant size does raise some red flags. In this section, we will highlight special characteristics of shadow banking in China, the opportunities and risks they present and how we think the entire sector will evolve in the coming years

Key Institutions and Activities in the Evolving Chinese Shadow Banking Landscape

Money market funds

Though present in China since 2003–04, they achieved tremendous growth with the introduction of internet banking. In response to China’s ‘silent’ banking crisis of 1998–2003, regulators implemented a series of measures to recapitalize China’s traditional banking system.⁴⁰ One such measure was the imposition of interest rate ceilings on deposits and floors on loans – effectively guaranteeing a spread of profitability to the effectively bankrupt banking system. While successful in returning banks to profitability, such forms of financial repression come at a cost – financial disintermediation. Money market funds provided an avenue for higher returns and liquidity. Bundled with internet banking, convenience was thrown into the mix – 24-hour access to an account with only a few cellphone clicks needed. Viewed from another angle, money markets in China allowed for the pooling of the funds of many small depositors into one large deposit at banks by money market funds.⁴¹ Furthermore, money market funds could negotiate a deposit rate well above the regulated bank rate. Most money market funds, in turn, invest in banks which in turn invest in bond repurchase agreements in the interbank market.

Trusts

Trusts are another institution which accept investments (minimum RMB 1 million) from wealthy individuals or institutions, and invest in property developers, local government projects, stocks, bonds and other products offered up in the shadow banking industry. They typically are linked to banks via banks’ Wealth Management Products (WMPs, discussed below) and in some cases, have banks as the major shareholder. They pay interest to their investors at an unregulated interest rate. In some ways, these trusts are like Private Equity

(PE) firms found in the West, but the investment profile can be much more opaque. Unlike traditional PE firms, investors in trusts have implicit guarantees of capital preservation – a characteristic of debt rather than equity. They pool investments into structured WMPs to be offered to investors but with loose guidelines on what the nature of those investments will be. Trusts are descendants of the earlier provincial/local government sponsored Trust and Investment Corporations (TICs) discussed briefly below. Some of these earlier institutions went bankrupt.⁴²

Wealth Management Products (WMPs)

Wealth Management Products are short term financial products offered by both banks and trusts which yield higher floating rate returns than bank deposits while investing in a pool of assets ranging from money market funds to local government debt. In this sense, they represent a form of securitization of underlying loans and investments but without the marketability (liquidity) that accompanies securitization that is typically found in the West. Of an estimated 9,000 wealth management products currently offered across China by banks (at the start of 2009 there were only 176), about 60 percent do not guarantee the invested principal.⁴³ For some WMPs, banks offer an implicit guarantee to ‘top off’ the interest rate should the return dip below what investors had been explicitly or implicitly guaranteed. But many investors assume a firm guarantee is in place and wealth management products represent a significant portion (over 50 percent) of the total value of deposits for some of China’s largest banks.

Entrusted loans

Another instrument in the shadow banking sector is company to company loans, which are referred to as *entrusted loans*. Banks act as intermediaries or brokers for these types of loans where amounts, interest rates and maturities and counterparties are all customized. Uses of funds range from working capital to property development. The participation of the bank adds a level of comfort for both borrower and lender. Meanwhile, the transaction is typically off-balance sheet and allows for the bank to collect fees plus a share of the interest paid. Lin and Schramm (2009) estimated that about one-third of China’s savings in the period 1995–2005 could not be accounted for on a flow of funds basis and speculated that a significant portion of this represented intra-company lending.⁴⁴ It now appears that this type of lending has moved from the undocumented deep shadows to the better documented entrusted loan segment of shadow banking.⁴⁵ Another area of financial repression is at play here: state-owned enterprises (SOEs) have traditionally had access to finance from the Big 4 state-owned banks at below market interest rates. SOEs can and do then on-lend these funds via entrusted loans.

Estimates of the Size of Shadow Banking

Table 10.10 provides some rough estimates of the current size of each of these shadow banking sectors based on a variety of sources.⁴⁶ The percentages sum to a higher share of GDP (87 percent) than our earlier estimate (60 percent), in part due to double counting especially across WMPs, Trusts and Money Market Funds. However, we have not included in the list other shadow banking sectors such as credit guarantors (who also lend), venture capital, private equity, hedge funds, peer-to-peer lenders and more traditional shadow economy activities (such as rotating savings/lending clubs). For this reason, our total in Table 10.10 may in fact be conservative. Notwithstanding the tremendous growth in absolute terms of the shadow banking sector, we see in Figure 10.17 that as a share of national savings, Total Social Finance (TSF) peaked during the financial crisis at 80 percent. Since that time the share has dropped but remains significantly above the pre-crisis era. Among large economies, China has the highest savings rate in the world, and this latter phenomenon has been both a blessing and a curse in times of financial strain: a blessing in that short run difficulties have an adequate source of funding but a curse in that long run problems are ‘swept under the rug.’

Risks of the Shadow Banking Sector in China

China’s shadow banking sector has characteristics which in fact could describe any shadow banking sector around the world:

- It is not a beneficiary of government sponsored deposit insurance.
- It does not have any direct ‘liquidity backstop’ that is a central bank line of credit such as a discount window to access when liquidity in financial markets dries up.
- It is either not regulated or lightly regulated compared to traditional banks.

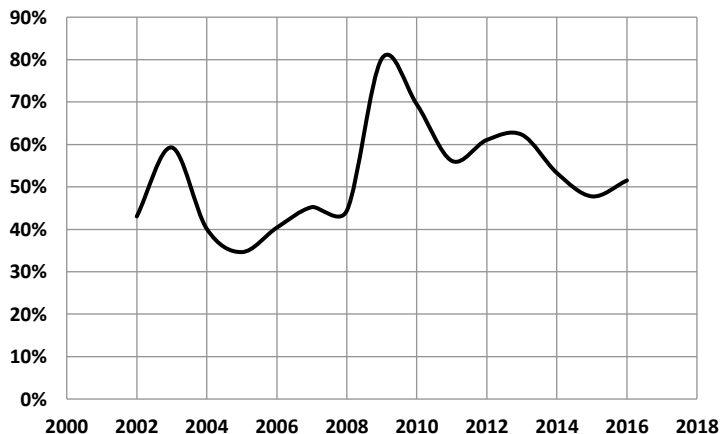


Figure 10.17 China’s total social financing as a share of national savings

Source: Based on author’s estimates of national savings and CEIC data

Table 10.10 2016 stock estimates of shadow banking sectors

<i>Product</i>	<i>Amount (trillions) and Estimated Share of GDP 2016</i>
Wealth Management Products	RMB 26 (35%)
Trusts	RMB 18 (24%)
Entrusted Loans	RMB 13 (18%)
Money Market Funds	RMB 5 (7 %)
Security Firms Financing from Banks	RMB 2 (3%)
Total	RMB 64 (87%)

Source: Author created

In other words, shadow banks are not banks and are therefore much riskier for depositors than banks. But the average Chinese investor in the shadow banking system is not fully aware of the difference in risk between traditional and shadow banking. In fact, there have been several cases where some shadow banking firms have made false claims of government connections or implicit government guarantees.⁴⁷ There is, however, at least one worrisome similarity that shadow banks have with traditional banks: a maturity mismatch – long term investments and short-term liabilities; both have exposure to liquidity risk. Finally, the relationship between shadow banks and traditional banks is symbiotic – they rely on each other for deposits and investments.

These factors combine to create some clear systematic risks for both the Chinese and global economy. A loss in principal or liquidity squeeze (inability to liquidate investments in an orderly fashion) could propagate across the financial system (including banks) and of course the wider economy.

The Outlook for Shadow Banking

Shadow banking in China branches off into two fundamental directions. One is institution based, where we have money market funds, trusts, venture capital and private equity firms and investment banks channeling funds directly into companies. This is a role that is similar, but as we indicated different, from traditional banks. The other branch is more related to asset management, involving securitization and the creation of marketable securities based on pools of underlying assets. WMPs and the use of repurchase agreements and working capital management all contain elements of securitization. In the same way, our discussion in the equity market section highlighted the significance of legal systems; China's shadow banking sector is more likely to thrive at the institutional (arms around) level than as a

source of 'arm's length' securities market finance. Common law countries such as the United States and United Kingdom can deal more easily with the dynamism of marketable security 'arm's length' types of finance. Courts are better able to cope in 'real time' with financial innovation while civil law countries (Continental Europe) relying on legal codes are more suitable for 'arms around' institution based financial intermediation. China, legally and politically, in a very clear way follows in the civil law tradition of rules and regulations. The role of courts acting as independent judges of what is fair and efficient in financial markets is an unlikely *modus operandi* for China in the coming years.

Notes

- 1 Special thanks to Liyuan Xuan, Masters Student at the University of Illinois, Urbana for his very good research assistance on this chapter.
- 2 In fact the ordering of types of finance across types of legal systems very much mirrors the 'pecking order' ranking. The differentiator for the latter ordering, however, is typically asymmetry of information
- 3 Japan (civil law) and the United States (common law) would be prototypical of these differences in preference.
- 4 As of March 17, 2016 their 1997 *Journal of Finance* article had been cited by close to 8,500 other authors.
- 5 Broadly defined to include the wide variety of business structures in China ranging from collectives, partnerships, single proprietor and foreign funded enterprises.
- 6 In 2009, during the financial crisis, firms in the United States relied heavily on internal finance but we do not see the same effect in China – suggestive of the LLSV 'arms around' source of finance found in China.
- 7 These are enterprises with revenues greater than RMB 20 million. Before 2011, the threshold was RMB 5 million to be included in the NBS survey.
- 8 Consistent with the flow of funds, we might assume about 6 percentage points of equity reflects FDI.
- 9 Equity in the United States is presented at market value while in China equity represents a mixed of book values and market values depending on the type of asset. This would tend to exaggerate the differences in leverage. However, even after adjusting US equity to its historical cost, owner's equity would represent about 55 percent of the capital structure for the 2009–14 period – still substantially higher than found in China.
- 10 Author's estimate based on China's flow of funds accounts (NBS (2013) Tables 3–27 and 3–28). Assumes two-thirds of China's domestic savings are intermediated through formal channels as a 'source'. Bank based 'Uses' are then 2013 demand and time deposits. The actual estimate is about 61 percent. Applying the same procedure but using a macro accounting measure for national savings, we arrive at a figure of 51 percent.
- 11 For example, the BOC was established in 1912 with the founding of the Republic of China and at times served both commercial and central banking functions. It was reestablished as an independent entity in 1983. Similarly, prior to 1949 there was a Farmers Bank and this became the template for the ABC. The China Construction Bank was founded in 1954 as a part of the PBOC.
- 12 In 1995, China's Commercial Banking Law was adopted, setting out guidelines for deposit and asset management.

- 13 They were the China Development Bank (CDB, discussed in the section on Bonds and Financial Markets), the Agricultural Development Bank (ADB) and the Chinese Export–Import Bank (CHEXIM).
- 14 Banking institutions include Policy Banks and the China Development Bank, Large Commercial Banks, joint stock commercial banks, urban and rural commercial banks, cooperatives and credit cooperatives, some non-bank financial institutions (such as corporate finance agencies, trusts, consumer and auto leasing agencies and money market brokerages), foreign banks, new rural financial institutions and the Postal Savings Bank.
- 15 If we exclude policy banks and the China Development Bank, the figure is RMB 156.7 trillion or about a 10 percent decrease.
- 16 The flatter the slope of a line through the origin and the specific country indicates a higher four firm concentration ratio. But we need to acknowledge here the increasing integration (at least at the lending level) of Eurozone banking; so perhaps the statement in the text is more of historical interest.
- 17 Other important explanations include the great economies of scale and scope that locally owned banks enjoy and their greater experience in working with the banking authorities.
- 18 Both process and circumstance made full liberalization of interest rates inevitable; the appearance since 2009 of large firms such as Alibaba and Tencent and small peer-to-peer lenders hastened the process of financial disintermediation, which the monetary authorities have grown increasingly concerned about. For example, in August 2015 the CBRC issued a new set of regulations aimed at internet based banking activities.
- 19 The introduction of depositor insurance (up to RMB 500,000) in May 2015 led the way for liberalization of the deposit ceiling. But banks still seem hesitant to raise rates beyond PBOC guidelines, suggesting an ongoing role for ‘window guidance’ from the banking authorities.
- 20 Huarong, Great Wall, Orient and Cinda Asset Management Companies were each assigned the task of taking on the bad assets of each of the Big 4 banks.
- 21 The core Tier 1 Capital Adequacy Ratio stood at 10.6 percent in 2013–14.
- 22 The value here represents only onshore debt instruments. Offshore RMB were valued at around USD 60 billion in 2013, representing both Chinese and foreign issuers (dim sum bonds Fidelity 2013).
- 23 Most offshore market debt is issued by state-owned corporates as well.
- 24 At end-2014, the CDB had about RMB 6.4 trillion in issued debt instruments or between 20 and 25 percent of all debt securities in China.
- 25 In total, there are nine credit rating agencies in China, but the remaining four are relatively small.
- 26 The Big 4 banks, Bank of Communications, the Postal Savings Bank, the China Development Bank and several commercial banks all participate in this market.
- 27 Bonds which are traded on either the exchanges or the interbank market can serve as collateral for REPOs.
- 28 Shevlin and Chang, JP Morgan 2015) state that daily trading volume of REPOs is 8 times that of the underlying bond trading in the combined interbank/stock exchange market.
- 29 B Shares have a face value in RMB and Chinese residents with foreign currency bank accounts are permitted to buy B Shares.
- 30 *China Daily*, July 10, 2009. ‘Negotiable market value of A-Shares back to 10 Trillion Yuan.’
- 31 Including a second Bank of China IPO offering of 171 billion shares.
- 32 Volatility was significantly greater in the government intervention period to date compared to the same length period prior to June 15, 2015, as well as compared to the entire history beginning in 1991.
- 33 Large investors around 60 percent of their shares (CSRC) in over-the-counter block trades, bypassing the market.

- 34 The definition of efficiency in a finance context relates to whether excess risk-adjusted returns are possible; in an economics context, the notion of Pareto efficiency (allocative efficiency) is paramount; whether resources are being used optimally. The former definition is a necessary but not sufficient condition for the latter.
- 35 One important asset class that is limited is ownership of foreign assets through restrictions on capital mobility. The inability to sufficiently diversify can in part explain the high PE ratios traditionally found in not only equity markets but the other major asset class of real estate in China.
- 36 This section summarizes a forthcoming article by Schramm in the Spring 2017 issue of the *Asian-Pacific Affairs Council* (APAC) journal published at Columbia University's School of International and Public Affairs (SIPA).
- 37 We loosely define financial wealth as national savings in China cumulated each year from 1982.
- 38 And in the decade following 2003, the sector has grown by an even larger estimated factor of 30 times (Elliott, Kroeber and Qiao, 2015).
- 39 Some definitions of shadow banking exclude insurance companies, pension funds and government sponsored investment vehicles. For China, however, we need to keep in mind that the latter category in China includes many government-sponsored venture capital (VCs) funds; and VCs are most often included in the definition of the shadow banking industry. We exclude bond and equity financing from our definition of shadow banking.
- 40 In this period, China's four largest banks (all state-owned) were sufficiently laden with bad loans (policy related) to push bank equity fully into the negative range. The crisis was silent because there were no bank runs and most of China's citizens were unaware of the dire condition of their banks.
- 41 The average deposit of Chinese depositors at Chinese banks is relatively small, about one-tenth of the size of an American deposit – imposing large fixed costs per asset in China.
- 42 The Guangdong International Trust and Investment Corporation (GITIC) raised funds internationally on behalf of the local government but by 1999 was unable to repay creditors and was shut down by the central government.
- 43 Li, Cindy. (2013).
- 44 Lin and Schramm (2009).
- 45 Excluding bank, stock and bond financing, shadow banking in 2014 made up about 23 percent of all Total Social Financing (TSF) in China. TSF is a broad measure in China of all financial intermediation and is about half of national savings; it does not include the savings of companies (profits) that are retained and invested by the company.
- 46 Li (2013).
- 47 *New York Times*. Deal Book (August 21, 2016).

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Technology, Innovation and Knowledge-Based Economy

Albert Hu

INTRODUCTION

China has made great strides in technology innovation over the decades since the beginning of the economic reform. This chapter seeks to provide an assessment of China's technological achievement over this period of time and to understand what has brought about the achievement.

China's rapid catching up in technology with the west has characteristics that were also found in the experience of other latecomer countries that have managed to narrow their gap with the world technology frontier. China's technical progress has been built on a model of technology diffusion that occurred through deepening integration with the world economy and domestic economic liberalization. This parallels the model of technology innovation that has propelled technological change in other East Asian economies by plugging them into global value chains and accelerated technology diffusion through international trade and cross-border investment.

A leading theory of technological change is premised on a linear process of technology innovation: it starts with basic scientific research that spawns ideas with practical applications, which entrepreneurs take to the market for commercial production, and once proved successful, are widely diffused.

The East Asian latecomers have reversed the process by starting with adopting and adapting existing, mature technologies that had already been invented and diffused and producing with them as suppliers for firms in developed countries.

To a certain extent, Chinese firms have followed the same model, in large part driven by China's integration into the world economy and the Chinese firms' joining global value chains, a process that was started by the opening up policy and drastically accelerated by China's entry to the WTO in 2001.

A main thesis of the current chapter, however, is that the Chinese experience, particularly that of the more recent years, is also different from the East Asian model of technological change. The difference is defined by three main factors: the size of the economy, the role of the state and the heavy push into basic research.

A rapidly growing economy, fast rising living standards of consumers and well developed infrastructure have given Chinese firms a home advantage in appropriating returns to their investment in technology innovation. Some of China's most innovative firms are ones that have found innovative ways to meet Chinese customers' demands. Moreover, the domestic market experience can also help the firms quickly ascend the technology learning curve, which in turn paves the way for venturing abroad.

The Chinese state has been actively promoting science and technology. That social returns are likely to be much higher than private returns to technology innovation, particularly the basic type, implies under-investment in such activities, and thus a case can be made for public intervention to step in and fill the gap. Public support for technology innovation has been generous in all three sectors of the national innovation system, public research institutes, higher education institutions and enterprises. The outsized influence of the Chinese state in technology innovation marks an important difference between China and other East Asian latecomers.

It is our contention that as the returns to adoption and imitating of existing technologies diminish and more is asked of invention, the linear model of innovation is expected to assume a more prominent role than before. This transition moves basic research to a much more central position in the process of technology innovation. The progress China has made in advancing her basic scientific research capability puts it on a trajectory that is above that of Japan and South Korea, two of the most successful East Asian latecomers.

China's national innovation system is constantly evolving. It is still a daunting challenge to integrate the various components and to get the incentives right through market institutions and public policy. The rest of the chapter is organized around three questions: 1) how innovative has China become? 2) What has contributed to technical progress in China? and 3) what is China's prospect of becoming a world class innovator?

HOW INNOVATIVE HAS CHINA BECOME?

Assessing how innovative China has become is full of challenges. Two considerations in particular attest to the complexity of the task. First, conventional measures of technological progress do not capture all activities that lead to

technology innovation. This is partly because statistical agencies around the world collect data on activities that are defined using a framework that reflects the nature of innovation in developed countries. For example, research and development (R&D) expenditures, a commonly used metric of innovation activity, is defined by the Frascati Manual, which was written for OECD countries, where creating new ideas and technology assumes a prominent role in technology innovation. But in developing countries investment in learning and adoption can lead to acquisition of technology that is not new to the world, but that nonetheless significantly increases the firm's productivity. Furthermore, by learning to adopt and adapt an existing technology acquired from external sources, firms may obtain important experience and insights that could help create or enhance their capabilities to create new technology. Investment in such activities is not captured in R&D statistics.

Second, the utility of these conventional indicators may be particularly circumscribed when they are applied to China, which started from imitation and has been making the transition to innovation. Thus the relative importance of imitation vs. innovation has been evolving over time, making it difficult to use a single metric to capture technical progress in China. Nevertheless, the wide availability of data for these indicators makes it easy to make historical and cross-country comparison. As a partial remedy for the concerns raised, we will use a number of these indicators, each of which focuses on a certain aspect or stage of technology innovation.

R&D to GDP Ratio

We start with R&D expenditures. In Figure 11.1 we plot R&D to GDP ratio against GDP per capita in purchasing power parity (PPP) terms for a large group of countries for the years of 2000, 2004, 2008 and 2012.¹ A line that best fits the scatter plot of the data points is also plotted. While richer countries spend a larger share of their GDP on R&D in general, China's growth trajectory of R&D spending has been much steeper than others. In 2000, Chinese spending on R&D relative to its GDP was at 0.9 percent, close to that of Brazil, which had a higher level of GDP per capita, and significantly below the OECD average of 2.3. By 2012, China had more than doubled its R&D to GDP ratio to 1.93, which was higher than that of the UK, a country with a GDP per capita that was more than three times as large as China's. Also the gap between China and OECD countries had considerably shrunk, with the average OECD countries spending 2.5 percent of their GDP on R&D. Other countries that had consistently outspent their peers on R&D include Japan and South Korea, with South Korea overtaking Japan in 2012 in R&D to GDP ratio.²

Patent Statistics

Patents are another indicator that is often used as a measure of technology innovation. The explosive growth of patent applications and grants at China's

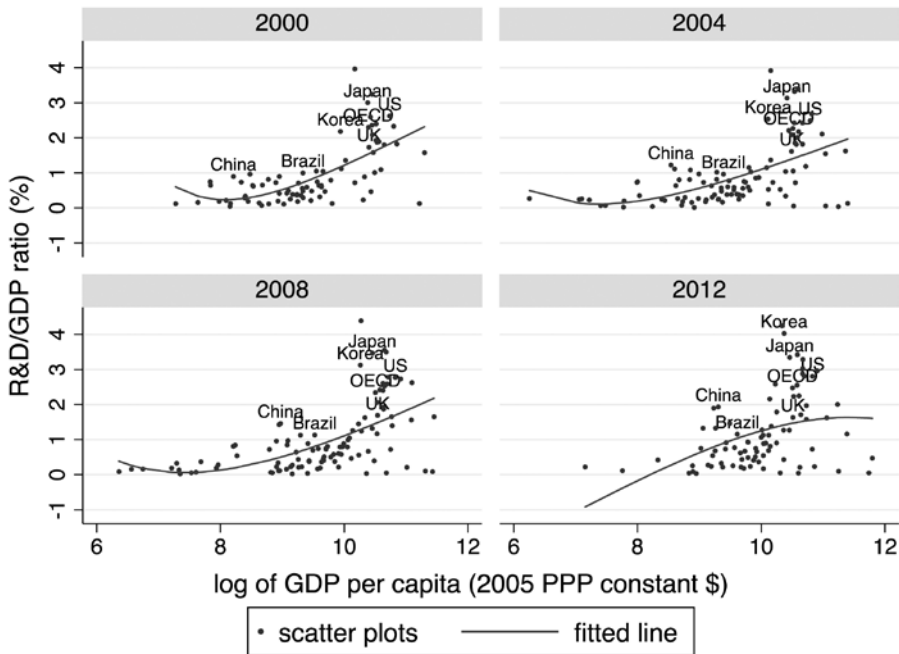


Figure 11.1 R&D to GDP ratio and GDP per capita

Source: World Development Indicators 2016

State Intellectual Property Office (SIPO) is recounted in the left panel of Figure 11.2, where we plot the number of resident patent applications (in logarithm) filed at four national patent offices: China, Japan, South Korea and the US. By this measure, China overtook South Korea in 2007 and the US and Japan in 2009 and 2010 respectively. If resident patent applications at SIPO had followed similar growth patterns as those at the USPTO and South Korea's patent office up until 2005, they clearly embarked on a much faster growth trajectory after that.

In the right panel of Figure 11.2, we plot the patent applications on a per capita basis, also in logarithm. Based on this measure, China is still far behind the other three, although the steeper slope of the plot of China shows more rapid growth and narrowing of the gap.

Resident patent applications filed at national patent offices may not allow for meaningful comparison across countries. For large countries, the domestic market represents the largest opportunity for inventors to realize the returns to their inventions, and thus their 'home bias' in obtaining domestic patents, that is, inventors tend to seek out patents in their home country first. The cost of obtaining a foreign patent is higher than that for a domestic one, contributing to the 'home bias' in resident patent applications. National patent offices sometimes are accused of using different standards for the inventive step that is required

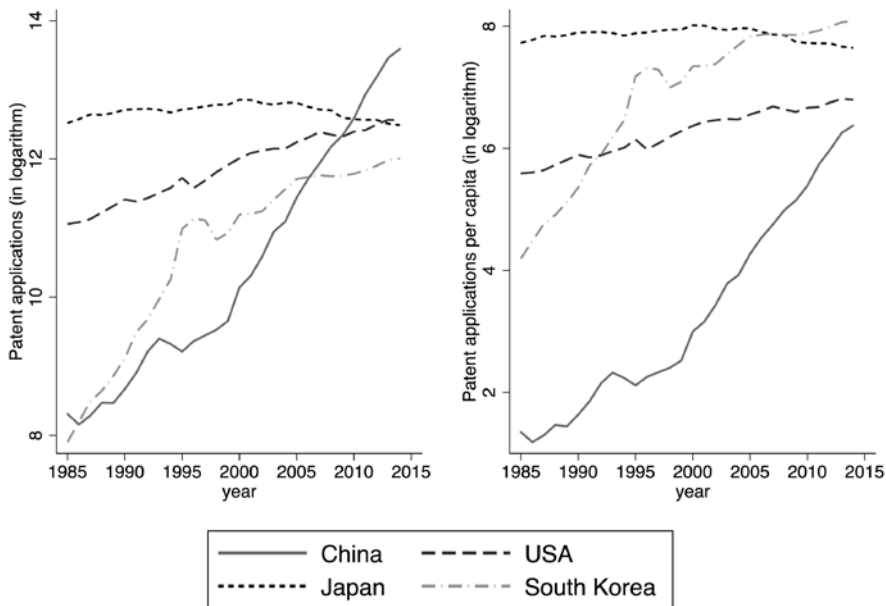


Figure 11.2 Resident patent applications at national patent offices

Source: World Development Indicators 2016

for patent grant. One may thus suspect resident patent applications at SIPO may overstate China's true innovative position.

In Figure 11.3 we plot the four countries' patent applications filed at a single national patent office, the US Patent and Trademark Office. The left panel looks quite different from that of Figure 11.2. While the US dominance is partly due to the 'home bias' of patent applicants, China's USPTO patent applications, although rapidly growing, lagged far behind those of Japan and South Korea. The gap is even greater when the applications are presented on a per capita basis. How to reconcile the different patenting performance of Chinese inventors that the two figures show?

A small literature has developed to understand the forces behind the Chinese patenting surge and the extent to which it reflects the real rate of technical progress in China. Hu and Jefferson (2009) provided the first economic analysis of China's patenting surge. They estimated a patent production function using a dataset of Chinese large and medium size manufacturing enterprises from 1995 to 2001. They attributed the explosive patenting growth at SIPO to the following driving forces: 1) the intensification of research and development in the Chinese economy, albeit it explains only a fraction of the patent explosion; 2) foreign direct investment in China that has prompted Chinese firms to file for more patent applications; and 3) strengthening of the Chinese patent law and ownership

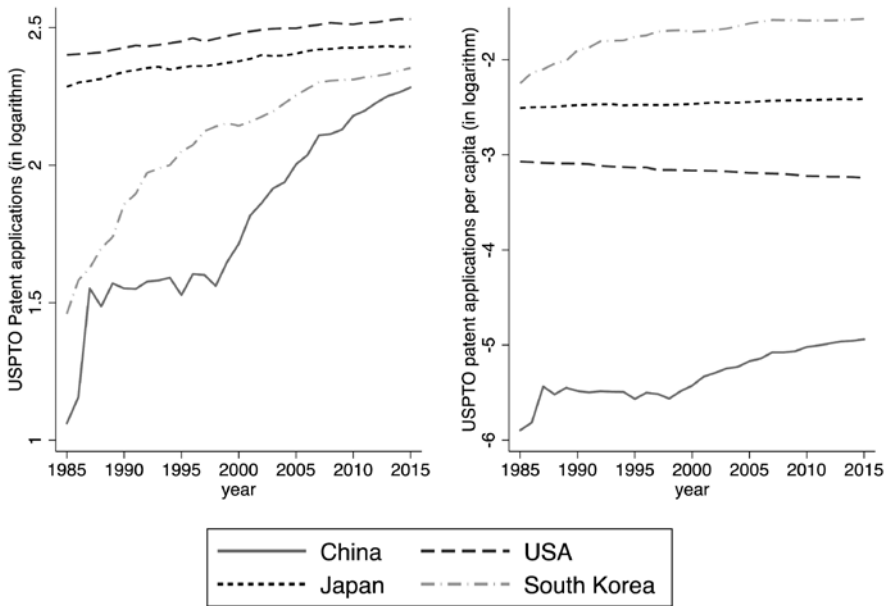


Figure 11.3 USPTO patent applications

Source: US Patent and Trademark Office

reform that has clarified the assignment of property rights have increased Chinese firms' propensity to patent.³

The Chinese government, in promoting technology innovation, has introduced policy incentives to encourage the acquisition of intellectual property including patents. Li (2012) investigated the impact of the Chinese government's patent subsidy programs on China's patenting surge, using province-level aggregate data for the period from the mid-1990s to 2007. His results showed that patent applications increased after a province launched a patent application fees subsidy program.

Hu, Zhang and Zhao (2017), using a unique and never before used dataset, where the State Intellectual Property Office (SIPO) patent records have been matched to their applicant firms by SIPO, tried to ascertain the extent to which China's patenting surge was driven by technology innovation by estimating a patent production function and by relating a firm's patents in force to its labor productivity. They found that 1) while the patenting surge has been an across-the-board phenomenon, most of the growth has come from the extensive margin of growth – firms that were not actively applying for patents in the past; 2) the correlation between patents and R&D and that between patents and labor productivity have become weaker, particularly for utility models and for the extensive margin of growth. These results suggest that non-innovation related motives for acquiring patents may have played an important role in the patenting surge.

In sum, neither SIPO patent statistics nor USPTO numbers give an accurate and comprehensive account of the technological progress in Chinese industry. What is clear is that there have emerged some truly innovative Chinese firms, and such firms have been growing in numbers and importance.

Basic Research

Basic scientific research is another area where China has both invested tremendous amounts of resources and where significant progress is being made. In Figure 11.4 we compare the number of papers published in science and technology journals by researchers from China, Japan, South Korea and the US. The left panel is for total numbers of publications, while the right panel is scaled by population, but both are presented in logarithm.

The total number figure on the left appears similar to that for the resident patent applications in Figure 11.2. By 2013, China had almost caught up with the US in total number of science and technology journal articles published, having overtaken Japan nine years earlier. But the per capita publications figure on the right shows that China is still far behind the other three countries, with the gap narrowing.

Another indicator of China's emergence as a science powerhouse is the basic scientific research ranking that the British science journal *Nature* has been

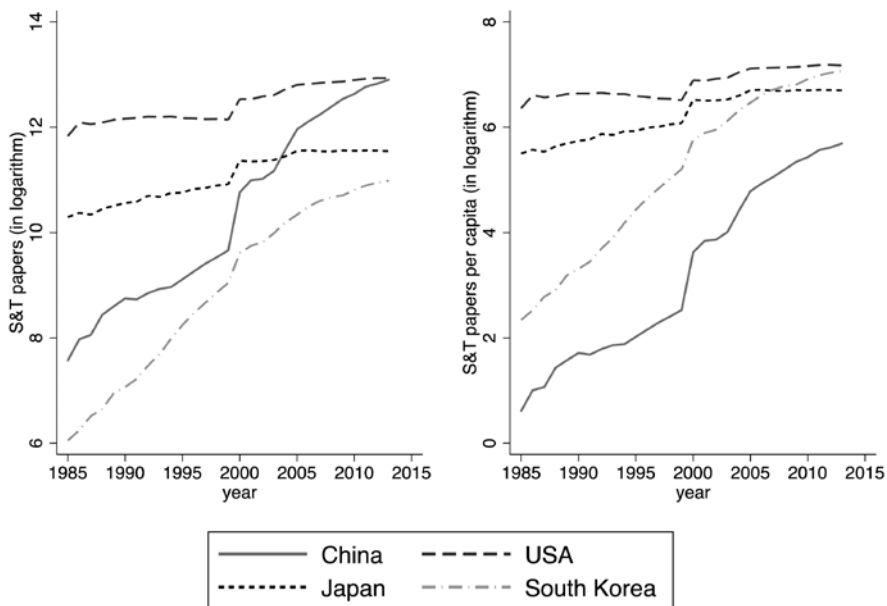


Figure 11.4 Science and technology papers published

Source: World Development Indicators 2016

publishing since 2013 (for 2012 ranking). China has been consistently ranked number two after the US in terms of overall publishing success. In Figure 11.5 we reproduce some of the data for a more select measure of scientific research prowess, the number of articles published in the two premier journals, *Nature* and *Science*. Based on this measure, China was ranked number five in the world, trailing US, UK, Germany and France (*Nature*, 2016), but overtook Japan for the first time.

Yang (2016) provided more evidence of China's achievement in science. China's share of research papers worldwide increased from 2.5 percent in 1997 to 18.8 percent in 2015, and its share of high-impact works, measured by the top 0.1 percent of papers in Scopus rated by citations, grew from 1 percent to 20 percent over the same period of time.

Each of these statistics paints a partial picture of China's technological progress. McKinsey (2015) published a study that tried to provide a comprehensive assessment of the current state of technology innovation in China. They classified technology innovation into four types: customer focused, efficiency driven, engineering based and science based. They also identified those industries that are most closely associated with each type of the innovations and then calculated China's share of these industries' global output. China is considered doing well in a certain type of innovation, if the Chinese industries that rely on that kind of innovation account for a share of the global output of their industries that is greater than China's share of world GDP. Based on this measure, they determined that China excels in customer focused and efficiency driven innovation, which is mostly found in industries such as household appliances, Internet software

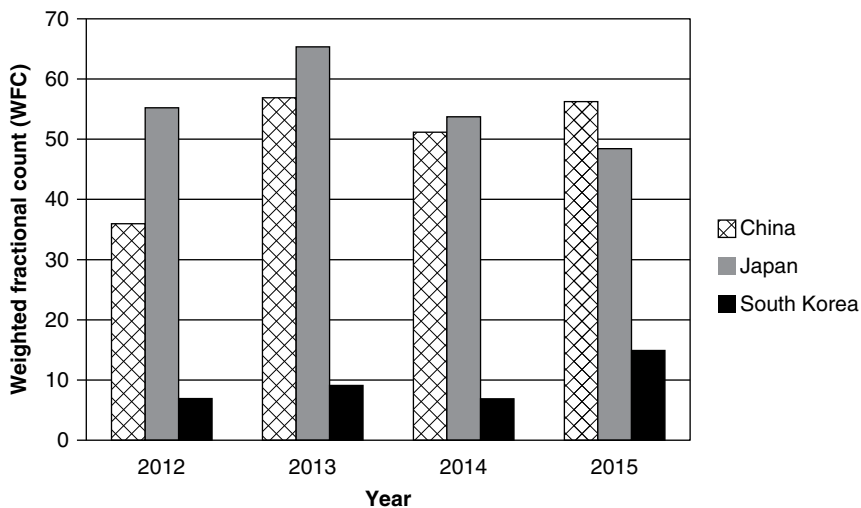


Figure 11.5 Papers published in *Nature* and *Science*

and services, solar panels and construction machinery. China's performance in engineering based innovation is mixed, with success in high-speed rail but disappointment in auto manufacturing. Where China lags behind is in science-based innovation, e.g., branded pharmaceuticals.

None of these statistics and findings by themselves adequately answer the question of how innovative China has become. Taken together, they sketch a more clear profile: China has made tremendous progress at the incremental end of the significance spectrum of technology innovation, and it is transitioning towards more fundamental technology innovation.

China is well positioned to make the transition because of a large population and human capital base, a labor market favoring academic meritocracy, a large diaspora of Chinese-origin scientists, and a centralized government willing to invest in science (Xie, Zhang and Lai, 2014). In particular, the large and increasing number of Chinese students studying abroad and the scientific collaboration they help to foster between China and the west have boosted the supply of science and technology in China (Freeman and Huang, 2015).

WHAT HAS BEEN DRIVING TECHNOLOGY INNOVATION IN CHINA?

The Chinese model of technology innovation has features that are typical of latecomer countries that are in the process of catching up with the advanced countries. More recent examples of such countries/regions include Japan, South Korea and Taiwan. A common ingredient of these catch-up successes is the active acquisition of existing and mature technologies that originated in developed countries. This process of technology diffusion and adoption is accelerated by government intervention, which takes different forms for the three countries and regions. The success of the technology acquisition is in turn harnessed by the fact that the firms in these countries and regions are well connected to the global economy through international trade and foreign direct investment, which ensures a large enough market for the adoption and application of the technologies acquired. In the end, some of these imitators of technology became innovators.⁴

International Economic Integration and Technical Progress

One feature of the Chinese model technology diffusion that distinguishes it from that of its East Asian neighbors is the prominent role of foreign direct investment (FDI). China embraced FDI from the beginning of the opening up policy with the establishment of the four special economic zones. Over time China went on to become the largest developing country recipient of FDI. China's entry to the

World Trade Organization further opened up the Chinese market for western companies. When these companies deploy their more advanced technologies, relative to those of their Chinese counterparts, in the Chinese market, those technologies may not only boost the productivity of these western companies' Chinese subsidiaries, but also generate the benefit of exposing the domestic Chinese competitors to them and thus motivating technology diffusion through reverse engineering or imitation.⁵

One of the first studies to examine the technology spillover from FDI hypothesis using Chinese firm-level data was Hu and Jefferson (2002). They used a dataset that spanned the population of large and medium size Chinese firms in the electronics and textile industries to examine the impact of foreign direct investment on firm performance. As other studies in the literature,⁶ they examined the spillover hypothesis indirectly by investigating the relationship between the presence of FDI and the productivity performance of the firms that is expected to be affected by the technology diffusion effected by FDI. They found that foreign invested firms are unambiguously more productive than domestic firms. The impact of industry level FDI is bifurcated – foreign invested firms benefit from FDI clustering whereas the productivity of domestic firms is depressed in FDI intensive industries. They also found that the impact of FDI is dependent on the factor intensity of the technology used: capital-intensive firms capture more spillovers from FDI than their labor-intensive counterparts. Their results seem to suggest that the technology spillover from FDI to domestic Chinese firms was limited for the period they examined, 1995 to 1999.

Findings from another study that examined the same issue using similar methodology for roughly the same timer period, 1993 to 1998, were quite different. Liu (2002) used data on 29 manufacturing industries in the Shenzhen Special Economic Zone of China. He found that FDI has large and significant spillover effects by raising both the level and growth rate of productivity of manufacturing industries, and domestic sectors are the main beneficiaries.

Instead of examining the spillover impact of FDI on productivity, Cheung and Lin (2004) studied the effect of FDI on patenting using data for both at the Chinese provincial level from 1995 to 2000. They found positive effects of FDI on the number of domestic patent applications filed at SIPO. Their patent counts include those of invention patents, utility models and designs. The effect is most prominent with designs, which do not carry much technological content and largely have to do with the appearance of a product.

Also using provincial level data from 1998 to 2004, Fu (2008) examined the impact of FDI on the production of patents. She found that FDI has a significant positive impact on patent production and that FDI intensity is also positively associated with innovation efficiency in the host region. But the positive effect is dependent on the absorptive capacity of a region.

Not a direct test of the existence of technology spillover from FDI, Bransetter, Li and Veloso (2015) provided evidence that is consistent with technology diffusion mediated by FDI. Their analysis of USPTO patents showed that a majority of Chinese and Indian patents are granted to local inventor teams working for foreign multinationals. An important fraction of these patents incorporate direct intellectual inputs from researchers outside India or China.

Absorptive Capacity and Technology Diffusion

The FDI and technology spillover literature has largely been agnostic about the mechanisms through which the spillover takes place. In particular, what influences the rate and direction of the technology spillover is unclear. Cohen and Levinthal (1990) delineated the role of absorptive capacity in the process of learning and innovation. An implication of this in the current context is that the technology spillover from FDI is expected to be greater, the greater the absorptive capacity of the receiving firm.

Hu, Jefferson and Qian (2005) found that in-house R&D significantly complements technology transfer – whether of domestic or foreign origin. Foreign direct investment, which was assumed to be an important channel of proprietary technology transfer, does not facilitate the transfer of market-mediated foreign technology.

Intellectual Property Rights and Technology Innovation

The impact of intellectual property rights on technology innovation is complex. By granting an inventor the monopoly power to appropriate the returns to her invention, it creates strong incentive to invest in innovation (Nordhaus, 1969). On the other hand, technology innovation is a cumulative process in which new inventions draw their inspiration from and build on past inventions (Scotchmer, 1991). Enforcing the rights of an inventor could make it more costly for a subsequent, follow-on innovation to come about. As a result, when the dominant form of technological change is adopting and adapting existing technologies, strong enforcement of intellectual property could be a hindrance for technology diffusion and thus technical progress. But as an economy shifts towards invention, the balance of optimal protection of intellectual property also tilts towards stronger enforcement. Studies have documented this U-shaped relationship between strength of IPR and level of economic development across countries and over time (Braga, Fink and Sepulveda, 2000; Maskus, 2000; Chen and Puttitanun, 2005).

It is therefore not surprising that China's enforcement of intellectual property rights has been evolving over the years. When China was primarily an adopter of western created technologies, the intellectual property regime favored the diffusion of such technologies, at the expense of their creators. In this regard China is not unlike its East Asian neighbors such as Japan and South Korea when they

were at a similar stage of economic development, or the US when the Americans obtained most of their technologies from Western Europe. When Chinese firms started to innovate, the need to appropriate returns to their investment in R&D necessitated changes to strengthen intellectual property protection as they faced imitative threat from other domestic firms.

It should also be noted that formal intellectual property rights such as patents, trademarks and copyright are not the only way to help an inventor to profit from her inventions, and sometimes they are not even the most effective way. Other means such as lead time and secrecy can prove to provide better protection of intellectual property than the formal rights (Levin et al., 1987; Cohen et al., 2000).

Yet another consideration that bears upon this discussion is that market competition can serve as an effective incentive for technology innovation, which is the public policy justification for enforcing intellectual property rights. As an example, Qian (2008) investigated the effects of counterfeit entry on authentic prices, qualities and other market outcomes in the shoe making industry in China from 1993 to 2004. She found that brands with less government protection differentiate their products through innovation, self-enforcement, vertical integration of downstream retailers and subtle high-price signals, which push up authentic prices and reduce counterfeit sales. Thus imitation may in fact incentivize more innovation.⁷

China has been strengthening intellectual property rights protection over the years, partly in response to international pressure and partly due to the increasing need to protect the intellectual property of domestic innovators. Hu and Jefferson (2009) found that patent filings had increased following the amendments to China's patent law and the restructuring of Chinese state-owned enterprises, which clarified property rights in those Chinese enterprises. They also showed that China's increased patent filings may not necessarily reflect more innovation; instead, patents may be used as a strategic tool by domestic Chinese firms to fend off competition from foreign invested firms.

In a related study, Ang, Cheng and Wu (2014) examined variation of enforcement of intellectual property rights at the provincial level on high-tech Chinese firms' decisions to finance and invest in R&D. Better enforcement of intellectual property rights strengthens a firm's ability to acquire new external debt and allows firms to invest in more R&D, generate more innovation patents, and produce more sales from new products.

In sum, more research is needed to understand the role of intellectual property rights in the technological progress of Chinese industry, taking into account the multi-faceted dimensions of the relationship between intellectual property rights and technology innovation.

Role of the State

A defining feature of the Chinese economy has been the state capitalism model of economic development. The Chinese state, through the state-owned enterprises

and government regulations, exerts an outside influence on the organization of the firms and the markets in China, which in turn regulates the incentive to innovate.

The canonical criticism of the inefficiencies of state intervention and state-owned enterprises may need to be moderated when it comes to technology innovation. The gap between social and private returns to technology innovation, which implies under-investment in R&D by private enterprises, is a compelling argument for the state to play a proactive role in increasing the supply of R&D and other innovation activities. To fully assess the welfare impact of state intervention in R&D is a tall order, and, to the best of our knowledge, no empirical studies have attempted the issue. Authors tend to take a partial approach by focusing on part of the question.

Hu (2001) was one of the first studies to examine the effectiveness of government intervention in R&D in Chinese industry. He used a firm-level dataset that included information on R&D grants the firms received from the government and evaluated the effectiveness of R&D by estimating its impact on firm productivity. Although its direct contribution to firm productivity is insignificant, government R&D contributes indirectly to productivity by inducing private R&D.

Enterprise ownership was a focus of Jefferson et al. (2003). They used a panel dataset of China's 22,000 large- and medium-size enterprises (LMEs) for the period from 1994 to 1999, to give a comprehensive account of technology innovation in Chinese industry. The database they used is unique in that it is the only database that contains a rich set of technology innovation-related indicators at the firm level. Among other things, they found evidence of high-intensity R&D performers that exhibit substantial innovation capabilities, although the presence of state-owned enterprises was retreating.

There is some evidence of the tradeoff between the government helping to boost private returns to R&D and inefficient intervention when it is implemented through state-owned enterprises in Lin et al. (2010). They used a 2003 World Bank survey of over 2,400 firms in 18 Chinese cities and found government services helpful in conducting R&D, but that government ownership of firms and direct appointment of CEOs are negatively associated with corporate R&D performance.

A challenge faced by researchers investigating this issue is the non-randomness in the allocation of government intervention in R&D. Future research will benefit from novel data and estimation strategies to identify the impact of the state on the provision of R&D.

Connection Between Innovation and Economic Growth

To what extent has technology innovation contributed to economic growth in China? Most researchers have investigated this question by estimating the impact of technology innovation on productivity using firm-level data. Zhang, Zhang and Zhao (2003), for example, using a sample of 8,341 Chinese industrial firms,

found that the impact of R&D on productivity varies by the ownership structure of a firm: R&D is most productive in foreign firms and least productive in state-owned enterprises, with the non-state domestic firms falling somewhere between the two.

Hu and Jefferson (2004) estimated returns to research and development (R&D) using a firm-level dataset on innovation activity in large- and medium-size industrial enterprises in the 1990s in the Beijing area. They found significant (private) returns to R&D in the cross-section dimension. They also found substantial cross-industry variation in the return to R&D, which declined considerably over the sample period.

All these studies suggest that technology innovation, measured by R&D, has promoted economic growth in China. But what has been the contribution to economic growth of the kind of technology innovation not captured by R&D is not well understood. Hu, Jefferson and Qian (2005) addressed this issue by also examining the impact of technology transfer on productivity growth. They found that in-house R&D not just made a significant direct contribution to productivity, but also complemented a firm's acquisition of external technology.

THE CASE OF ALIBABA

Alibaba has become the poster child of China's new, internet economy, and the rapidly growing service sector. Jack Ma set up Alibaba.com in 1999 in his apartment in Hangzhou largely as a yellow page of Chinese small and medium-sized manufacturers. What started out as nothing more than an online bulletin board with a dozen users had grown into an e-commerce giant in 15 years by the time of its initial public offering on the New York Stock Exchange in 2014, which valued the company at \$231 billion (Demos and Osawa, 2014).

Alibaba's success has been driven by three types of business: business-to-business (B2B) e-commerce – Alibaba.com, business-to-consumer (B2C) – Tmall and Taobao, and consumer-to-consumer (C2C) business – Taobao and increasingly internet finance, Alipay and Yu'e Bao. Alibaba's early success with Alibaba.com was largely due to its ability to connect the large number of small and medium-size Chinese enterprises with foreign buyers. It did this with a platform that helped to reduce the lack of information for both sides of the transaction and by providing a credit trustworthiness certification that removed the risks of trading with unknown Chinese firms. Alibaba.com also came to the business at an opportune time – China joined the World Trade Organization in 2001, two years after the birth of Alibaba.com – and China's foreign trade regime had been fundamentally liberalized, giving small and medium-size Chinese firms an opportunity to export to the world market.

Alibaba created Taobao.com in response to eBay's entry to the Chinese market. The online retail website allowed Chinese consumers and small businesses

to set up shop on its website. Moreover, it provided a highly important payment service, Alipay. The C2C online transactions in the early days are hampered by the lack of trust and information for both the seller and the buyer. Alibaba introduced Alipay as an escrow service: seller would only ship out the good after being notified by Alibaba of buyer having made payment, but buyer would only authorize Alipay to release funds linked to their bank accounts after receiving the good. Alipay promised refund in case of return by the buyer of an unsatisfactory purchase. The wild success of Taobao.com forced the exit of eBay from the Chinese market.

The creation of Tmall was Alibaba's response to criticism that Taobao.com was flooded with fake and counterfeited goods. Name brands opened storefronts on Tmall.com to reach out to the hundreds of millions of Chinese consumers online. Alibaba's introduction of Yu'e Bao, a kind of online money market fund and another financial innovation, was also extremely well received.

Alibaba epitomizes the vibrant entrepreneurial culture in China's 'internet economy'. This is an economy that has been propelled by the entrepreneurial drive of enterprising individuals and that has been largely left alone by the Chinese state. Besides Alibaba, Tencent, Baidu, JD.com and many others have also shaped this most dynamic segment of the Chinese economy. The sectors in which these companies started out have been invariably unregulated, with minimal presence of Chinese state-owned enterprises. The initial start-up capital requirement was not prohibitively high and the economy had been liberalized enough that non-bank, non-state financial institutions, including foreign capital, were there to fill the financing needs of these firms.

The technology innovation at Alibaba and its likes has been consumer demand driven, rather than been the product of some new technological breakthrough from the supply side of technology. There is a single-minded concentration on improving the consumers' experience and satisfaction. In this sense, the model of technology innovation for China's 'internet economy' is different from a canonical model of technology innovation for a manufacturing industry such as the pharmaceutical industry, where breakthrough in science accelerates the development of new products. Another feature of the 'internet economy' model of innovation is that it defies traditional definition technology innovation and thus is not adequately captured by the conventional indicators of technology innovation such as patents, R&D, etc.

AN AGENDA FOR FUTURE RESEARCH

Government S&T Programs

The Chinese government has been actively promoting science and technology activities through various plans and programs. In 2005 it came out with the

Medium and Long Term Science and Technology Development Plan, which set specific targets for various indicators of science and technology development and identified key technological areas that the government aimed to promote over the 15-year period from 2006 to 2020. This is supplemented by short- to medium-term planning through the five-year science and technology development plans. These plans are implemented through the various government-administered science and technology programs that dispense government grants to promote technological innovation.⁸

The Ministry of Science and Technology of China lists on its website at least 13 national science and technology programs that it administers. Some of these are designed to support basic and leading edge scientific research (e.g., the 863 Program, National Science and Technology Anchor Program, the 973 Program, and National Key Scientific Research Program), and some are for applied research and development (e.g., the Spark Program, the Torch Program, and National Key Products Program). Besides the central government administered programs, local governments also have their own technological innovation-promoting initiatives.

The wedge between social and private returns to R&D (Nelson, 1959; Arrow, 1962) provides a case for a proactive role of the state in boosting the under-provision of R&D. But there has been a lack of empirical evidence for whether such programs are effective, and if so, what are the mechanisms through which the government has been able to influence the provision and efficacy of R&D investment. This assessment applies to the state of the general literature on the effectiveness of government intervention in promoting technology innovation, but the yawning gap in rigorous empirical research for the Chinese government programs particularly invites further investigation.

Besides these programs, the Chinese government has intervened in the diffusion and creation of new technology through industrial policy through government procurement. In the cases of wind turbines and solar panels, it was through subsidies and government procurement. In the case of China's high-speed rail, the Chinese government was effective in using its procurement power to negotiate technology transfer and then ensure the domestic Chinese firms involved turn the technology transfer into their own enhanced technology capability.

Basic Research

Basic research is beginning to assume a more prominent role in technology innovation in China as the gains from imitating existing technologies are being exhausted. The ways in which institutions and incentives govern the direction and performance of Chinese basic research, particularly how it contributes to the real economy through technology innovation, remain under-researched.

Elite Chinese universities have received enormous amounts of resources. And they have drastically restructured the incentives of university researchers and faculty to steer their efforts towards producing international publications and other

performance indicators. The role of the changed higher education sector in a rapidly evolving economy needs a careful assessment.

Another important sector in China's basic research is the public research institutes, many of which have been restructured so as to reorient their missions towards applied research and development that caters to the needs of domestic Chinese firms. Jiang, Tortorice and Jefferson (2016) studied the restructuring of China's 5,000 research institutes, which began in 1999. They found that the restructuring program has accomplished some of its goals. The converted Science and Technology enterprises shifted towards a more commercial mission, while the institutes converted to non-profit research institutes have focused on a more research-oriented mission.

The Chinese Academy of Sciences (CAS) is a nation-wide network of public funded research institutes with a disproportional concentration of its staff and institutes in Beijing. CAS' mission of conducting basic research to bring China closer to the world frontier has been strengthened as a result of the restructuring. It has become an important contributor to China's ascending reputation in basic scientific research. Understanding how it has been transformed could shed light on the role of incentives in basic research and the extent to which public policy influence them.

Intellectual Property Rights: Patent Regime

The explosive growth of patent applications and grants at the State Intellectual Property Office of China is just an issue of Chinese patent quality. Its implications for future innovations are uncertain when we view this in the context of sequential innovation – where earlier patented invention could be a barrier to subsequent, follow-on invention by raising the cost of inventing around the first patented invention – and the prospect of strategic patenting – for the purpose of strengthening one's position in potential patent-related legal disputes. The experience of developed countries suggests that the consequences of relatively low inventive step requirement may be far from innocuous. How such forces will play out in China remains to be seen. The rapidly increasing incidences of intellectual property-related disputes, most of which have been between domestic Chinese entities, seem to lend currency to the concern that the rapid proliferation of patents has the potential of throwing sand in the gears of the innovation machine. Finally, an important sector that we did not investigate is technology development for military use, such as space and aeronautic technology. Spillovers of the military technology to the civilian industries can be another source of technical change for the Chinese economy.

Notes

- 1 The number of countries represented in the Figure 11.1 is 81, 99, 103 and 85 respectively for 2000, 2004, 2008 and 2012.

- 2 Gao and Jefferson (2007) examined whether China had begun a science and technology takeoff, which they observed as the phenomenon of an abrupt increase of the R&D to GDP ratio from below 1 percent to the range of 2–3 percent, based on the experience of OECD countries. They also noted that China outspent other countries at similar levels of income per capita on R&D.
- 3 Hu (2010), on the other hand, focused on the rapid growth of foreign applications for Chinese patents. He investigated two hypotheses in explaining the foreign patenting surge in China: market covering and competitive threat. With foreign companies more deeply engaged with the Chinese economy, returns from protecting their intellectual property in China have increased. As domestic Chinese firms' ability to imitate foreign technology gains strength and competition between foreign firms intensifies in the Chinese market, such competitive threat heightens the urgency to protect intellectual property. Using a database that comprises SIPO and USPTO patents, he found support for the competitive threat hypothesis.
- 4 A number of highly informative case studies have documented this model of technology innovation. For example, Kim (1997) analyzed how South Korea upgraded itself from an imitator to an innovator. Hobday (1997) and Mathews and Cho (2007) described how the East Asian electronics industry, and semiconductor industry in particular, has evolved from original equipment manufacturer for developed country firms to producing its own brands using its own proprietary technology.
- 5 Zhou (2007) documented the development of Zhongguancun, China's answer to Silicon Valley, and argued that indigenous innovation fueled the growth of some of China's most successful technology companies.
- 6 See, for example, Aitken and Harrison (1999) and Smarzynska Javorcik (2004).
- 7 Her study also highlighted another important aspect of intellectual property protection in China: the administrative means of enforcing intellectual property rights. There are two ways in which intellectual property rights holders can enforce their rights and stop infringement in China. They can file a lawsuit against the infringer and wait for the court order to terminate and punish the infringement. And/or they can file a complaint with the local office of SIPO and request the government's assistance to shut down the infringement activity. This administrative route of enforcing intellectual property rights is a unique feature of China's intellectual property protection regime, and can be less costly and more expeditious in achieving the objective. But it is also subject to the willingness of the local officials to go after the infringer.
- 8 The Medium and Long Term Science and Technology Development Plan can be found at the Ministry of Science and Technology's website: www.most.gov.cn/kjgh. The ministry's website also contains information on the various programs it administers.

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Sustaining Growth: Energy and Natural Resources

Jo Inge Bekkevold and Øystein Tunsjø

INTRODUCTION

China is the largest consumer of the world's natural resources. In 2011, China became the largest global energy consumer and power generator. China is the world's top coal producer, consumer and importer and accounts for almost half of global coal consumption. China is the second-largest oil consumer in the world behind the United States. Its enormous appetite for hydrocarbons has resulted in China becoming the world's biggest energy-related carbon dioxide emitter. China is also the number one country in terms of mining production value. China has considerable mineral and petroleum reserves, and the extractive sector (includes crude oil, gas, coal and minerals) accounts for close to ten percent of China's gross domestic product (GDP). However, China's increasing demands for energy, metals and minerals means that China for several years already has faced a serious natural resources constraint. Without affecting the economic growth of the country, China thus has had to develop a global resource acquisition strategy and to strengthen its commercial relationship with resource-rich countries. Even in agriculture and fisheries a similar development is unfolding. China still has a very high degree of food self-sufficiency, but China is now the largest importer of US food and fiber, and China is the third largest importer of fish in the world.

In this chapter, we present the main debates and arguments connected to China's natural resources policies. An overarching theme is to analyze how China manages to secure supply and constrain demand of resources. We first examine

China's energy security policies, followed by analysis of the domestic and international dimensions of China's minerals and metals policies, food security policies, forestry, and water. Finally, we discuss the link between China's natural resources policy and continued growth, in particular in light of the very ambitious reform package on further market reforms and economic rebalancing presented by Xi Jinping at the Party's Third Plenum in November 2013, and again reflected in the 13th Five Year Plan (2016–2020).

Although we examine China's natural resources policies on energy, minerals, food, forestry and water separately, in order to provide analytical clarity, it is important to emphasize that natural resources cannot be understood in isolation. Food production and agriculture needs water, and energy and mineral extraction depends on water supplies. The utilization of water for hydro power needs raw materials and machinery, which is produced by industries and in factories that are fueled by energy and minerals. Hence, there is an interconnection or nexus between natural resources and with the broader political, economic, environmental and institutional structures both domestically and internationally. This chapter clearly illustrates that the challenges and supply chain risks China faces are linked and quite similar across natural resources, be it energy, minerals and metals, or food.

ENERGY SECURITY

China's energy security policy and its quest for overseas petroleum supplies have traditionally been studied through two approaches (Downs 2004). A strategic approach contends that the Chinese government maintains a strong role in energy security matters at home and abroad. Energy security is viewed as a scrambling for limited energy resources and as a potential source of conflict between states (Jaffe and Lewis 2002; Klare 2008; Eberling 2014). A market approach acknowledges that there is competition over scarce resources and business opportunities, but emphasizes that states and energy companies cooperate extensively. Institutions and interdependence can accommodate rivalry and conflict and promote cooperation. Liberalization of domestic and international energy markets provides for energy security (Jakobson and Zha 2006). A number of studies have sought to nuance this dichotomized debate, emphasizing that China's energy security policy combines market and strategic elements (Andrews-Speed and Dannreuther 2011; Cole 2016; Zweig and Hao 2016). This includes developing a new hedging framework for analyzing China's energy security policy (Tunsjø 2013). Moreover, a number of scholars maintain that China's energy security largely grows out of domestic policies, including efforts to adjust the energy mix, improve efficiency and constrain demand (Andrews-Speed 2012; Xu 2014; Ma 2015; Zhang 2015).

China's Energy Mix

Despite being the world's largest energy consumer, China is almost 90 percent self-sufficient. Coal accounts for about 63 percent of the energy mix, oil 18 percent, hydro 8 percent, gas 6 percent, nuclear 3 percent and renewables 2 percent. There are two important trends related to the energy mix. First, strongly promoted by the government, non-fossil fuel energy demand is increasing and gradually accounting for more of the energy mix. It is expected that hydro, nuclear and renewables (solar, wind and biomass) will increase its share to about 17 percent in the energy mix by 2020 (from 13 percent in 2016), signaling a clear acceleration of China's energy transition. The share of coal is likely to continue to decrease towards 60 percent by 2020. It is likely that the share of gas will increase slightly in the energy mix, while the share of oil will remain about the same.

Second, China's foreign energy dependency is increasing. China became a net importer of oil in 1993, and only twenty years later, in 2013, it overtook the United States as the world's largest net importer of petroleum and other liquids. Dependency on overseas oil supplies has surpassed 60 percent and is likely to move towards 70 percent in the coming decade with more than half of the oil import arriving from the Middle East. Nonetheless, China has successfully managed to diversify its oil imports. Despite becoming the world's largest net oil importer, China's dependency on imports from the Middle East has remained around 50 percent for more than a decade. More importantly in terms of energy security, China will remain a major oil producer, sustaining domestic oil production of more than 4 million barrels per day. Foreign natural gas dependency is currently about 35 percent and is likely to increase in the near term, but potentially decline to below 30 percent in 2030. It is expected that domestic natural gas production will increase in the years ahead and that unconventional gas (shale gas and coalbed methane) will take the lead in China's gas production after 2020. When referring to such projections, however, caveats are needed. Developing shale gas in China is expensive, water intensive and technologically difficult, and coal will remain an easily accessible and inexpensive source of energy (Cole 2016).

Increased dependencies have fueled growing concern about China's energy security and been an important driver behind China and its national oil company's investment in overseas upstream oil production, bilateral energy deals and a more pro-active diplomacy in multilateral energy forums. Before discussing these developments it is important to note that China's domestic production of hydrocarbons (coal, oil and gas) will continue to remain the core of China's energy mix and provide for China's energy security.

Improving Efficiency and Constraining Demand

China's 13th Five Year Plan promotes an 'energy revolution' that seeks to establish a clean, low-carbon, secure and efficient modern energy system.

The government is also taking initiatives to control and manage energy consumption in society, industry and the transportation sector. In other words, China is not simply changing its energy mix or what energy it produces, the government is shaping *how* energy is produced and consumed.

The government is strengthening energy control of industries that have high energy consumption, such as the electric power, steel and iron sectors, seeking to curb carbon emissions and reform the energy system towards a more effective and competitive market. Recycling and resource conservation measures are implemented and efforts to establish energy efficiency standards for buildings are carried out. These measures aim to facilitate energy savings. The government is boosting public transportation with an emphasis on rail transport and developing new guidelines for the usage of automobiles and electromobility. The 13th Five Year Plan strongly emphasizes innovation, which is seen as the driving force of the development of new energy technology.

The government is confronted with a number of challenges in implementing its new policies, plans and guidelines for the energy sector. As Lieberthal and Oksenberg (1988) noted almost thirty years ago, China is a country governed by 'fragmented authoritarianism'. Reforms developed by powerful leaders and institutions at the center in Beijing are not easily implemented at provincial and local levels or enforced upon state owned companies. Bureaucratic obstacles and vested interests often exacerbate the center-periphery challenges in policy implementation (Ross and Bekkevold 2016).

Securing Supplies and the International Contexts

Given that China now imports more than 60 percent of the oil it consumes, and that it has become the largest oil importer in the world, it becomes pertinent to ask how China adapts to and manages its growing dependence on imported oil. As pointed out above, a strategic approach holds that China through its state-owned petroleum companies seeks to secure overseas energy supplies, which fuels tension and conflict. A market approach stresses that China can safeguard its energy needs through the international petroleum market and that China's petroleum companies often act independently of the government in their search for profit and market access. The hedging framework provides analytical tools to examine the mix, balance and interrelationship between market and strategic factors. This approach contends that China has adopted hedging strategies that fall in the middle on a spectrum between market and strategic approaches. These hedging strategies reflect the government's concern about securing oil supplies and the national oil companies' search for profit (Tunsjø 2013).

It is not only important to differentiate between market and strategic mechanisms and then examine how these different traditional approaches can be mixed into a hedging strategy to manage energy security risks. Equally vital is to distinguish between peacetime risk and wartime threat scenarios. China's hedging strategies

primarily insure against peacetime risk, not wartime threat, scenarios. These risks can be divided into three main categories: 1) embargo or sanction against one of China's major oil suppliers; 2) war in an oil rich region, which does not directly involve China; 3) non-traditional security threats. China has hedged against these risks by developing a large state-owned tanker fleet, establishing national oil companies that invest in overseas equity oil production, boosting its refinery capacity, building a large strategic petroleum reserve, sustaining a high degree of energy self-sufficiency, and investing in pipelines and loan-for-petroleum deals.

China's energy hedging strategies not only enhance energy security and insure against a crisis in the petroleum market, but the hedging approach also conceptualizes how China can profit from its hedging strategies. The buildup of a large state-owned tanker fleet not only brings overseas oil back to China; China's oil and tanker companies can benefit from its increased share in the shipping and petroleum market. The buildup of a large state-owned tanker fleet has been favorable to China's maritime economy and especially its shipyards. It has created and maintained jobs, and sustained ship-building infrastructure, skills and technology, which have important spill-over effects on China's ambitious naval buildup and modernization and the development of a large Chinese maritime surveillance force and coast guard (Cole 2016). Similarly, cross-border pipelines not only provide a hedge against the risks that China's seaborne oil supplies might become disrupted, investment in pipeline projects and loan for oil deals with neighboring states enhance stability, boost infrastructure projects, promote cross-border diplomatic ties and partnerships, and have strong spill-over effects on trade and the ambitious 'one road, one belt' initiative.

MINERALS AND METALS

The global value of mineral production was at a historical high in 2012. Prices have since fallen across many mineral and metal commodities, but still remain relatively high. China was by far the most important factor driving this unprecedented growth in global demand for minerals and metals over the last two decades (ICMM 2014). Studies demonstrate that when per capita income in a country reaches USD 5,000–10,000 per year, metal demand increases particularly quickly. When China, as a populous, fast growing country with rapid urbanization and an investment driven development model, goes through this development phase, the effects on metal demand are dramatic. China is now the number one country in terms of mining's production value, ahead of Australia (ICMM 2012). China has invested large amounts exploiting its own considerable mineral reserves, and although this has contributed significantly to China's economic growth, there have been health and work safety downsides to this industrial sector, and environmental pollution with huge consequences for China's water and food security (Economy 2010).

China is the dominant exporter of rare earth minerals, and has been accused of imposing politically motivated export quotas in this sector (Saul 2013: 209). For most metals and minerals, however, China has become a huge importer and is expected to continue to be so as demands have outgrown domestic supply and resources. For example, Chinese reserves of copper, manganese and nickel comprise 5.4 percent, 8 percent and 2.5 percent of the world total, respectively, but in 2012, China accounted for 27 percent, 48 percent and 22 percent of the world's total consumption of these metals (Camus et al. 2013; Zadek et al. 2014). As for oil and gas, security of supply of minerals and metals is high on China's agenda.

The International Context

China is combining free trade agreements (FTAs), loans, aid for infrastructure and construction, technology transfers and foreign direct investment (FDI) as tools to secure access to resources (Li 2007; Camus et al. 2013). Chinese firms furthermore use FDI and mergers and acquisitions (M&A) to obtain equity in extractive enterprises, and joint ventures (JVs) with either a domestic firm or a multinational corporation as an alternative tactic when outright purchases are not feasible or desirable (Camus et al. 2013). China has been accused of coordinating this wide range of instruments in a way that departs from the free-market driven and status quo strategies employed by Western countries and institutions (Taylor 2006; Reilly 2012a, 2013; Camus et al. 2013).

China has also been accused of linking aid and strategic interests in its 'resources diplomacy' (Taylor 2006; Reilly 2012b, 2013). However, China is not the first country to do this and China's policy varies from country to country. China has been found to pursue a pure self-interest policy in Myanmar, to be more sensitive to adopting international norms in Laos and Cambodia (Reilly 2013), and no clear links have been found between aid and resources deals in Fiji and Papua New Guinea (Brant 2013).

China has made a substantial contribution to provisions for 'hard infrastructure' such as roads, railroads and hydropower in developing countries, and Chinese investments have contributed to growth and given developing countries an alternative to traditional investors and trading partners. On the other hand, China has been criticized for a gap in Chinese mining practices and emerging international environment and labor standards in extractive industries (Li 2007). Chinese corporations and entrepreneurs are often found to be at odds with Chinese government interests, creating problems for Beijing's attempts to promote a positive and constructive image for Chinese engagement in Africa (Gill and Reilly 2007). Chinese authorities and companies are aware that negative stories and disconnect between Chinese practices and international standards could lead to resource nationalism and become a serious supply chain risk diminishing access to resources (Beeson et al. 2011). Hence, they are sincerely trying to address this issue, resulting in improved governance, transparency and sustainability

(Economy and Levi 2014). It is also an ongoing debate whether China, through its growing importance as natural resources investor and market, can pressure host countries into taking a more pro-Chinese approach towards sensitive issues like human rights and Tibet (Beeson et al. 2011; Reilly 2012a).

Developing a resource-acquisition strategy abroad, China has emphasized diversification. For instance, Australia and Brazil could theoretically supply most of the Chinese demand for iron. However, China has since the 1990s systematically diversified by including a number of small producers into its portfolio instead of further strengthening its relationship with Australia and Brazil. The same picture is true for copper, where China has diversified its import between Chile, Peru, Australia and Indonesia as well as other smaller copper suppliers rather than strengthening its relationship with one or a few strong suppliers (Camus et al. 2013).

FOOD SECURITY

Lester Brown asked the rhetorical question *Who Will Feed China?* in the mid-1990s, pointing to a potentially challenging gap between China's growing food demand and declining ability to be self-sufficient (Brown 1995). During the world food crisis in 2008, China was initially blamed for the sharp surge in world food prices. However, later studies have revealed that surging demand from China and the shift in diet toward more meat consumption did not have any compelling linkages to the food crisis (Headay and Fan 2010). As China still has a very high degree of food self-sufficiency, China's agricultural policy and food consumption have limited influence on global prices and vice versa.

China has, since the economic reforms started in the late 1970s, managed to almost eradicate hunger. China's grain supply has steadily increased since the early 1990s, and the dietary structure has been improved. The consumption of grain and root crops is decreasing while the intake of food from animal sources is increasing. China has met its target for eradicating extreme poverty and hunger under the Millennium Development Goals (China MFA 2015). This is a remarkable achievement. Extensive irrigation, fertilizing, the development of hybrid rice and agricultural reforms have been key factors in feeding China's growing population.

The Chinese Communist Party has been concerned with self-sufficiency in its food policy, and still is. Food security in China is centered on grain self-sufficiency (Morton 2012; Zha and Zhang 2013). In the early 2000s, China reduced its stock levels, but in the 2005–08 period China's stocks of maize, rice and wheat relative to domestic consumption plus exports were still much higher than the world average, and twice as high as the stock levels of the United States. One reason for China's self-sufficiency concern is that hunger and famine are part of China's historical experience. Another reason is that although China has

lifted hundreds of millions out of poverty, China still has a large poor population (approximately 70 million) for whom rapid changes in income or food prices can have a serious impact. Third, the Communist Party is sensitive towards social instability, and because China's still huge rural population earn half their income from farming, and because food price is the key component of the consumer price index, agriculture and food security are politically important. Fourth, stocks are used as a buffer for global market fluctuations and a possible food war (Zha and Zhang 2013). In short, sufficient stocks are seen as a tool for the government ensuring food market stability, social stability and security. Recent policy documents including the latest Five Year Plan (2016–20) all reiterate the importance of food security and securing the supply of staples.

However, some argue that, given China's limited arable land, food self-sufficiency should not be a strategic goal to be pursued by the central government (Lin and Zhang 1998; Lin and Zoebisch 2007; Simelton 2010). The arguments presented are that this top-down policy has led to overuse of natural resources and environmental degradation, including soil erosion, decrease in soil fertility, diminishing water table, water pollution and desertification. Although China might have achieved impressive short-term gains, the long-term effects are negative, and that China would have been better served adjusting to domestic and international market forces.

According to FAO, to feed its increasing population, China has to increase total agricultural products by almost 30 percent by 2030, and this has to be achieved within the context of climate change, land degradation, cropland losses, water scarcity and species infestations as well as rapid urbanization, growing consumption of meat and dairy products and increased awareness of food safety (Nelleman et al. 2009; McBeath and McBeath 2010; FAO 2011; Fukase and Martin 2016). In 2010 it was estimated that about 12.3 million hectares, more than 10 percent of the arable land in China, an area equivalent to the size of North Korea, is contaminated by pollution (United Nations 2012).

From 1997 to 2010, China lost 8.2 million hectares of arable land due to urbanization; local governments on the hunt for income, revenues and high GDP growth selling arable land to developers; forest and grassland replanting programs; and to damage caused by natural disasters. This is an area equivalent to the size of European countries like Albania and Belgium. In 2010, China's per capita available land was 0.092 hectares, which was 40 percent of the world average. According to the UN Special Rapporteur on the right to food: 'This shrinking of arable land represents a major threat to the ability of China to maintain its current self-sufficiency in grain' (United Nations 2012). Others, however, argue that the greatest impediments to China's ability to maintain adequate levels of food production are not physical loss of land, but institutional, with ineffective agricultural and rural policies (Lichtenberg and Ding 2006). It has also been pointed to that China's food security policy has negative effects on urbanization and hence China's modernization process (Mao et al. 2013).

Meeting its growing demand, institutional reforms, improving land tenure rights, better water management and more market economy in China's agriculture policy are identified as key developments (Lichtenberg and Ding 2006, 2011; Mao et al. 2013; Augustin-Jean and Alpermann 2014). Another development that might contribute to alleviating China's food security challenge is the further development of hybrid rice, grains and genetically modified food production, although this is controversial (Nelleman et al. 2009; McBeath and McBeath 2010).

The International Context

Although China still has a very high degree of self-sufficiency, China is in fact already one of the dominating global players in a few selected agricultural products, and is increasingly investing in agriculture and farms overseas (Gale 2015). China's main agricultural import is soybeans, while cotton, palm oil and dairy products are other key imports (Camus et al. 2013). With the appetite for meat rising, China has been a net pork importer since 2008, with the United States, Denmark and Germany as the largest suppliers. Food safety and health concerns are also part of the explanation for the increased import (Ortega et al. 2015).

In order to facilitate its growing demand for imports of agricultural goods, China has cut tariffs, both through the negotiation process entering the World Trade Organization in 2001, and later through Free Trade Agreements with important agriculture exporters like Australia and New Zealand. However, as China becomes a large importer, its food security strategy would have to take into account other factors such as how to reduce its dependence on certain global markets, how to reduce its dependence on international commodity traders and how to gain increased control over imports from their source. As part of this strategy, China is encouraging its state-owned enterprises and private companies to invest in overseas agriculture, from land acquisitions to investments in the supply chain. As with energy and minerals, it seems these investment decisions are mainly based on profit opportunities, but the government facilitates these investments through subsidies, earmarked loans, specialized training and diplomatic 'door-opener' support (Smaller et al. 2012; Gooch and Gale 2015).

China has been accused of undertaking a large-scale land grab, in particular in Africa (Allan et al. 2013). Chinese companies have invested in farmland in a number of countries, including in Australia, in Russia and Ukraine, in Latin America as well as in Africa, and China has on several occasions met local resistance and protests against investing in overseas farming (Gooch and Gale 2015). However, two studies from 2012 found that China accounted for about 5–10 percent of global investments in overseas farming, indicating that Chinese investments in overseas farming may have been exaggerated (Anseeuw et al. 2012; Smaller et al. 2012). With regard to China's engagement in Africa, instead of the much referred to 'land grab', it seems Chinese agriculture investments in Africa are just as much driven by market forces, development aid and the local government's sincere

wish to improve efficiency of its own agricultural sectors as by China's food security needs (Brautigam and Stensrud Ekman 2012; Morton 2012; Brautigam and Zhang 2013; Brautigam 2016). Furthermore, China is not the only country purchasing land overseas. Farmland and water have become important targets for a growing number of foreign investors, both private and government (Smaller et al. 2012).

China is, by far, the largest exporter of fish and fishery products, and has since 2011 also become the world's third-largest importing country, after the US and Japan. China has managed to achieve an impressive growth in fish availability, owing to the dramatic expansion in its fish production, particularly from aquaculture, but also from distant water fishing. Fish has become an important part of China's food security strategy. China's fishery production increased from 5 million tonnes in 1978 to 60 million tonnes in 2014, and even though aquaculture's share of China's fish production in this period increased from 26 to 74 percent, this rapid increase in fish production has been achieved through over-fishing and depletion of inshore fish stocks (Zhang 2015).

Faced with declining inshore fish stocks, Chinese fishermen are venturing into China's offshore waters, the Exclusive Economic Zones (EEZ) of other countries and the high seas for catch. China has the largest fishing vessel fleet in the world, and although China in recent years has reduced its vessel numbers, its fleet's total tonnage has increased (Zha and Zhang 2013; FAO 2014; Zhang 2015). The result is that the FAO has raised concern about the sustainability of fish stocks in the South China Sea (FAO 2014), and countries with overlapping claims in the area argue Chinese fishermen are venturing into their territorial waters. To protect their fishing fleets, many local Chinese authorities have in recent years established so-called maritime militias as a kind of first line of defense, risking further escalation of maritime disputes in the region (Zhang 2015).

FORESTRY

'The Great Leap Forward' campaign in the late 1950s to a large extent depleted China's forest resources. Deliberate policies introduced in the early 1970s, though, with the objective of restoring the environmental balance and securing raw material supplies, have resulted in the recovery of forest cover in China. In this period, China has implemented the world's largest tree planting campaign, across the country. China has been able to move faster than any other country into the final stage of what is called the *forest transition*, in which deforestation ceases and forest area begins to rise. An important part of this policy has been tenure, transfer of forest ownership to rural households and economic incentives which have contributed to sustainable management practices in China's forest policy (Hyde 2003; World Bank 2010). Studies also suggest that government intervention in the form of logging bans and monitoring activities to

prevent illegal logging has been instrumental in enhancing forest recovery (Viña et al. 2016).

However, China is still a forest deficit country with a forest cover at 14 percent, which is well below the global average of 30.3 percent, and two-thirds of the country's forestland is in young or middle-age forest (World Bank 2010). Due to the strictly enforced logging and harvesting policy as part of the forest recovery program, China has emerged as a major importer of wood and a re-exporter of wood in processed forms (Sun et al. 2005). This means that China's conservation policy may actually be exacerbating forest degradation in other regions such as Southeast Asia, Africa and Russia, from which China has been importing timber and forest products (Viña et al. 2016). Chinese foreign investment and trade policies as well as related challenges in the timber market have similarities to the minerals, metals and food sectors (Weng et al. 2014).

WATER

Faced with water scarcity, the Chinese government has in recent years undertaken a number of policy initiatives. The most ambitious project that will address the challenge of uneven distribution of China's water resources between the water scarce industrialized north and China's humid south is the 'South to North Water Transfer Project' – a 2,400 km network of canals and tunnels designed to divert 44.8bn cubic meters (m³) of water annually from southern water basins to Beijing and other cities along the route. Work on the project began in 2000 and water is already flowing to Beijing, but the project will not be fully completed until 2050. An important part of this mega-project is to clean up water bodies at intersections through which the canals will pass (State Council 2016).

Another important undertaking is modernizing the irrigation systems to improve water-use efficiency and productivity, because most of the irrigation systems were constructed in the 1950s and 1960s, and low design standards and aged structures have resulted in low water-use efficiency. In the first decade of the new millennium, nationwide agricultural water-use efficiency increased by 10 percent, allowing for increased food production while at the same time reducing the amount of water withdrawal. However, according to the 2011 FAO Aquastat survey, China's water productivity at US\$3.6 per m³ was lower than the average of US\$4.8 per m³ in middle income countries, and much lower than the US\$35.8 per m³ in high-income countries. Other policy initiatives constraining water demand include improving the recycling rate of water in the industrial sector, adjusting water and sewerage prices, encouraging public participation in water management in rural China through water user associations (WUA), amending rules and regulations for water administration, and improving water quality and water pollution protection. The latter is important because the extent of pollution in China seriously aggravates water scarcity.

A few years ago it was revealed that 80 percent of the 50,000 km of major rivers in China are so degraded that they no longer support fish. Furthermore, around urban areas, 90 percent of rivers are seriously polluted, especially in the north where heavy industry is concentrated, and that more than half of the groundwater resources have been severely contaminated (World Bank 2007; FAO 2011). A study by China's Ministry of Water Resources in 118 cities in the mid-2000s revealed that 97 percent of groundwater sources were polluted, with 64 percent of the cities having seriously polluted drinking water from groundwater sources (United Nations 2015). Inadequate treatment of municipal and industrial wastewater is the most important, though not the only, reason for water pollution. It has been estimated that water scarcity, water pollution and sickness as a result of water pollution is costing China more than 2 percent of the GDP. Although the water pollution in recent years has shown a sign of improvement, the situation is still serious (World Bank 2007; FAO 2011).

A major concern is the development at the Tibetan Plateau, the world's 'third pole' in addition to the Arctic and the Antarctic. The Tibetan Plateau holds the largest store of fresh water outside the Arctic and the Antarctic, and it is the source of Asia's major rivers. Hence, the plateau is also known as 'Asia's Water Tower'. There is now a concern that Asia's Water Tower will turn to dust and that the plateau will become one of the world's major sources of sand in the future. According to a report released by the Chinese Academy of Sciences in late 2015, the Tibetan plateau is already warming two times faster than the global average, and while more water is flowing as a result of this, desertification is spreading across the plateau. Together with melting permafrost, worsening desertification is identified as the major driver of environmental degradation on the plateau (Chinese Academy of Sciences 2015). Dramatic changes in the ice cap on the Tibetan plateau will affect water, weather and climate conditions not only in China, but also the monsoon system in Asia, with the most dramatic consequences for the countries neighboring the Hindu Kush Himalayas, namely Afghanistan, Bangladesh, Bhutan, China, India, Myanmar, Nepal and Pakistan (Lu et al. 2011; Buckley 2014). This brings us to the international context related to water and China.

The International Context

Although China faces water scarcity, China is at the same time the source of transboundary riverflows to the largest number of countries in the world, to Russia, to Central Asian states Kazakhstan and Kyrgyzstan, to South Asia and to states in Southeast Asia and the Indochina peninsula through the Salween and the Mekong rivers. China's ability to 'control' a large part of the waterflow in several of the largest rivers in the eastern part of the Eurasian continent combined with Beijing's decision to build a number of giant dams on the rivers flowing to other countries, as well as China's reluctance to engage in an effective regional cooperation on shared water resources, have led to an impression of

Chinese hydro-nationalism in the region (Chellaney 2011). For instance, China is not a member of the Mekong River Commission, established in 1995 to negotiate joint management of the Mekong, and China was one of just three nations to vote against the UN's 1997 Convention on the Law of the Non-Navigational Uses of International Watercourses. The three countries voting against, Burundi, China and Turkey, are all upper riparian states, as are many of the states that abstained (United Nations 1997). Beijing is hence asserting its claim that an upstream power has the right to absolute sovereignty over the waters on its side of the international boundary, and at the same time signaling that it is less interested in any possible negative effects on a downriver state. If China was a full member of the Mekong River Commission, instead of a 'dialogue partner' as is the case today, China would have to share more information about its management of the river (Mekong River Commission 2015).

By building dams and reservoirs in its borderlands, China can potentially re-engineer the flows of major rivers that are the lifeline of lower riparian states in Asia. China first started damming the Mekong in Yunnan in the 1990s, but the newer dams on the Mekong, the Xiaowan and the Nuozhadu, are both megadams with a reservoir that can hold 15 and 22.7 billion cubic meters of water respectively. The Mekong is not only a gigantic fish factory, but the seasonal ebbs and flows of the Mekong River are vital to the agriculture in Myanmar, Laos, Thailand, Cambodia and Vietnam. For instance, half of Vietnam's rice crop comes from the Mekong Delta. There is also a fear in the region that if China fails to release enough water during the dry season, due to its own energy needs, most of the new downstream dams in the South East Asian nations will struggle to generate power at that time of the year. China does, however, as part of a 2002 agreement, share hydrological data with the Mekong River Commission in the flood-season, an agreement that was extended in 2013. However, China is not obliged to share data during the dry season (Chellaney 2011).

Also in 2002, China signed an agreement with India on hydrological information on its rivers flowing into the Indian sub-continent. The agreement was last renewed in 2013 for another five years, and China will provide to India twice a day the hydrological data of the Brahmaputra River in the flood season between June and October. However, even with this agreement, India is concerned over Chinese dam projects on the main channel of the Brahmaputra and its tributaries, due to possible diversion of waters and downstream effects. India would prefer a river water-sharing treaty with China (Chellaney 2011). Even though as much as 70 percent of the Brahmaputra water resource comes from rainfall collected in India (Tenzin 2015), and a large part of the water flow in the Mekong is also added through tributaries and rainfall in the lower Mekong basin, Chinese policies could potentially still have a devastating effect on countries downstream in Asia. If Asia's Water Tower – the Tibetan plateau – turns to dust in the coming decades, as described above, the water situation in China will become even more precarious than today, and such a development might also influence China's river water policy.

CONCLUSION

Energy and natural resources have been crucial to China's economic growth. The Chinese government is well aware of the challenges involved in achieving sustainable resource management and consumption in the future, and that this will be of huge benefit to China as well as the rest of the world. A number of unknowns remain with regard to the future development of China's energy and natural resources policies that require further research:

- Innovation of technology, conservation and effectiveness remain an important unknown development that will affect China's natural resource needs. If China can more effectively develop and produce cleaner energy, food and minerals, while simultaneously addressing the issue of water scarcity, then such policies will contribute to a more sustainable resource management and consumption.
- China's position as the world's largest greenhouse gas emitter greatly affects China in negative ways, but there remains uncertainty as to how China might use this as a bargaining chip in climate negotiations, to extract technology transfers, promote China's renewable energy sector and allow China to subsidise its natural resource sector.
- China's consumption and global purchase of natural resources should be expected to change as China's economic model is rebalanced from an industry-driven model towards a more consumption, services and technology-driven model. However, this transition period will take several years, and China's economy has been even more investment driven than was the case with Japan and other East Asian economies. Furthermore, vested interests and intra-party disagreements on reforms and economic policies could slow the rebalancing of China's economy.
- The future balance between state and market in China is another unknown. A related development to watch is if China will follow in the footsteps of Japan and now also South Korea, increasingly moving more away from a traditional self-sufficiency thinking securing supply to rely more on international market mechanisms.

We have emphasized the primacy of domestic politics constraining demand. China's natural resource challenges fundamentally rely on the management and governance of China's resources and domestic demand. The risks and the challenges have been recognized by the government, but it remains to be seen if policies are implemented and whether China can sustain economic growth while simultaneously reducing environmental and resource costs and emissions. At the same time, China's natural resource policies are tied to broader market/profit and political/security considerations in new and unprecedented ways. For example, China's state-owned tankers and oil companies are becoming important players in the international shipping and petroleum market, but as discussed above, they simultaneously provide Chinese leaders with strategic, diplomatic and economic tools to enhance China's interests. China has developed the world's largest ocean-going fishing fleet in its search for food; however, the fishing vessels also have a strategic and diplomatic role to play in Chinese maritime sovereignty disputes in the South and East China Sea. Furthermore, China is a prominent player in the commodity market. While China is growing more dependent on

overseas resource supplies, many countries are becoming dependent on China as a market for its exports. This can provide China with diplomatic, strategic and economic leverage.

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PART III

Politics and Government: Introduction

Mark W. Frazier



Scholarly trends over the past thirty years have tended to draw their research questions based on assessments of where the CCP and China more broadly seem to be headed politically. For many years after the CCP's existential crisis in 1989, it was common for scholars of Chinese politics to analyze the social and institutional sources of political reforms. Village elections, commercial, print and electronic media, and private sector businesses were among the most common areas of such inquiry. The search for sources of political reform was soon enough supplanted by scholarship that posed the opposite question – what accounted for the resilience of the CCP and its seeming ability to weather China's sweeping social and economic changes, not to mention economic crises in the Asian (1997–8) and the global economy (2008–9)? By some accounts, social forces, including private sector businesses, urban middle class professionals, and students, who had been crucial in regime transitions elsewhere, turned out to be relatively supportive of the political status quo, or at least wary of alternatives. During the 1990s and the first decade of the 20th century, it seemed that corruption and increasing inequality, along with relative poverty and deprivation, provided the ingredients for what some labeled as the 'Latin Americanization' scenario for China, in which economic and political crises converged in a continual cycle. But scholarship beginning in the 2010s has tended to show the CCP's impressive ability to respond to the threats posed by corruption and inequality, even if high levels of local government public debt have

raised concerns. An impressive range of social policies may have offset the effects of income inequality (if not directly accounting for a slight decline in some measures). And Xi Jinping's signature anti-corruption campaign seems to have persuaded public opinion, even some analysts, that the party is taking corruption seriously and curbing some of the worst excesses.

As the chapters in this section amply demonstrate, much of the recent scholarship on Chinese politics and governance has moved away from the presumptive puzzle of durability – the search for why political transformation or implosion has not happened. Rather, these authors take PRC political institutions and governance styles on their own terms, more as stable equilibria rather than moving toward some range of scenarios involving regime replacement of one sort or another.

These chapters were authored during what would have once been termed the mid-point of a presumptive ten-year rule by a CCP General Secretary. But the era of Xi Jinping has brought a number of significant departures to the norms and institutions of CCP rule. Many of the authors address these recent departures, including most prominently the anti-corruption campaign launched early in Xi's rule and the recentralization of authority in the many leadership groups over which Xi now presides. As the authors note, the long-term effects of Xi's rule on the respective institutions that their chapters analyze remain to be seen, and will surely constitute important areas for future research.

This introduction is organized around three main questions, and most of the chapters in this section address one or more of them directly. (Part III of the Handbook focusses on domestic politics and policy; a discussion of foreign policy can be found in Part V)

- 1 What are the sources of change and adaptability within the political institutions that constitute the PRC government and Chinese Communist Party? Under what conditions do they suffer erosion and dysfunction and when do they operate with relative effectiveness?
- 2 How does the Maoist legacy influence contemporary Chinese politics and governance patterns? To what extent does 'Mao's invisible hand' (Heilmann and Perry 2011) remain influential in the governance norms and styles in the PRC of the 21st century?
- 3 Do Xi Jinping's vigorous crackdowns within the CCP and against groups perceived as threats to the Party constitute the end of reform and opening, a neo-Maoist revival, an institutional rupture with long-term consequences, all of the above, or something else entirely?

Each of the chapters in one way or another addresses the degree of responsiveness and adaptability of party and government institutions – to external challenges, to internal threats, to public opinion, among other sources. As Andrew Mertha shows in his contribution (Chapter 17), an elaborate and often misunderstood set of norms and practices undergird the entire party and state administrative hierarchy, a matrix of *tiao* (line agencies) and *kuai* (local jurisdictions). 'Fragmented authoritarianism' is a label often misunderstood to denote bureaucratic rivalries and turf battles, when in fact it encompasses the more complicated relationships (nonbinding 'professional' versus binding 'leadership' relations) that any agency has with others up the administrative chain of command or territorial hierarchy.

Understanding such relationships sheds light on incentive structures, and allows the analyst to explain why and when a particular policy or directive gains support and is vigorously implemented, and when other policies are met with evasion and avoidance from local agencies. At the grassroots level, institutions of governance have evolved to cope with rapid changes in the social and economic character of cities and villages. As Kennedy and Chen very usefully show (Chapter 18), the CCP's grassroots governance structures – most notably, neighborhood committees in cities and the village committees in the countryside – evolved to absorb new demands brought by the decline of the work unit and rise of commercial housing, as well as rural industrialization and the urbanization of collective-owned farmland. The ability to engage with and absorb new social forces and recalibrate relations with old allies such as manufacturing workers is another notable factor to account for the CCP's durability. As William Hurst observes (Chapter 19), labor politics in China has evolved into a far more complex set of state–society relationships than was the case when state enterprise workers were the norm and most of the urban population was employed in work units under the iron rice bowl. But the Party's ability to make these incremental adjustments does not necessarily imply the ability to make adaptations in the face of larger systemic crises or existential threats to the institutions that were posed by, for example, corruption that increased so dramatically during the 1990s. Jiangnan Zhu (Chapter 14) highlights the limited success in the Party's anti-corruption efforts, and offers insightful context for understanding the crusade launched by Xi Jinping upon assuming his position as General Secretary in 2012.

From the perspective of the past three to four decades, the CCP does have an accomplished record of adapting to external and internal challenges – enough at least to ensure its survivability as the ruling party when many bets were being placed against such an outcome. The reforms introduced under the leadership of Deng Xiaoping in the 1980s certainly put in place a workable set of institutions to govern leadership succession, personnel appointments, central–local relationships, law and the courts, and civil–military relations, among others. Perhaps most significant for China's rapid economic growth were the decentralized fiscal relationships that gave incentives for local officials to experiment with and promote local industrialization and infrastructure development. Under this system, investment capital was uneven, at times overheated, and far from efficient, let alone equitable, but it did fuel the GDP growth that became the mission statement and the ethos of the Party, from the top to the grassroots.

Of course, noting the institutions that helped to realize the CCP's development drive immediately brings up the question of whether the Deng leadership and its successors inherited certain institutional practices or other legacies from the Maoist-era CCP, and to what extent the latter formed a baseline from which reforms could be launched successfully. As noted above, the question of how the 'invisible hand' of Mao shaped the politics and the political economy of the reform era, not to mention the CCP under Xi Jinping, remains a pressing question

in the study of Chinese politics. Kerry Brown (Chapter 13) reminds us that ideology and ideological work is at the very heart of CCP governance. If anything, the CCP seems to have concluded that the social complexities of contemporary China and the continued engagement with global currents of culture and commerce necessitate far greater attention to ideology and ideological work. While many if not most rank and file party members and government officials may perform their loyalty to CCP ideology during assemblies at which ideological work is carried out, the enduring attachment to ideology, the belief that it must be a part of successful governance, is a practice carried over from the Maoist era. As Zhengxu Wang reminds readers (Chapter 15), campaigns are also an enduring part of the CCP's governance repertoire, even if today most are better characterized as 'managed campaigns.' These contrast with the mass mobilization efforts under Mao to whip up an entire community and nation into divisive political combat pitting class ranks against one another or rooting out enemies of the people. But as a technique, the campaign (which Wang helpfully glosses for the reader, noting the distinctions in some of the Chinese terms for what is rendered with the same word in English) is another manifestation of the Maoist inheritance in contemporary Chinese politics.

Finally, what are scholars of Chinese politics to make of Xi Jinping, who consolidated and centralized power within his office and in his person by disrupting political norms, if not the very political institutions that the Party had cultivated over the past three decades? Xi's first five years in office will make for a rich field of future scholarly inquiry – as will the full era of his rule, whenever that comes to a close. At this early stage, some have concluded that Xi's rule marks the end of the reform era (Minzner 2018), or a new stage of 'reform and closing' (McGregor 2017) that reverses the policies of gradual institutional change and opening that Deng Xiaoping started in 1978. If this is the case, it is still not accurate to view Xi's era as a return Maoist rule. Xi could be regarded as 'neo-Maoist' only in the sense of reinvigorating ideological work, in which his own speeches and writings are examined carefully and discussed in political meetings of grassroots cadres and officials. Very unlike Mao's leadership style, Xi does not mobilize the masses for airing grievances and criticizing the work of party cadres. Nor can one say that Xi's agenda is to roll back reforms to curb market forces, but rather to ensure that large corporate sector entities (state-owned, foreign, and private) comply with state directives designed to enhance what some have called a techno-nationalist agenda. If the Xi era has thus far neither revived Maoism nor reversed economic reforms, what are its most likely scenarios? Much will depend on the outcome of the anti-corruption campaign, which as the longest running of several past undertakings against corruption, is less of a campaign than an institutionalized policy implemented by an agency acting at the personal behest of Xi and those he appoints to lead it. The control of the numerous 'party leadership groups' (*lingdao xiaozu*) will also figure into Xi's long-term legacy if and when he leaves office.

If under one scenario Xi Jinping ushers in a 'hard authoritarianism' to replace the 'soft authoritarian' rule before it (Shambaugh 2016), the central question becomes whether such a transition erodes the governing capacity of the party and state, or simply supplements these capacities with a ruthless stance against perceived sources of dissent or opposition. The experimentation and initiative taking of local officials encouraged during past administrations beginning in the 1980s has already been curbed in favor of centralized command and control, even if the effects remain to be seen. How such a 'retrofitted' system might handle a public health crisis, natural disaster, or as many believe to be in the offing, a debt crisis leading to financial meltdown, is not certain. The paradox of the Xi era for future research on Chinese politics is that it offers many fruitful avenues to examine institutional continuities and changes, yet it has become increasingly difficult for scholars, both domestic and foreign, to carry out research, given the caution now prevailing in research institutions and universities. Many of the extremely rewarding insights covered in the chapters in this section would not have been possible without the *relatively* open and predictable procedures through which scholarship on Chinese political institutions could be conducted over the past two decades.

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The Communist Party and Ideology

Kerry Brown

INTRODUCTION

Ideology seems to figure as something that belongs more to the past than the present when we talk of the Communist Party of China (CPC) in the second decade of the 21st century. The Party's sixth decade in power, the consensus at least amongst historians inside and outside the People's Republic (PRC) is that post-1949 history divides into two broad phases – the Maoist era before 1978, and then the reform and opening up era afterwards. Marxism–Leninism and Mao Zedong Thought dominated the early era, and ideology then mattered. Belief in it was often a case of life or death. Party and non-Party members had savage fights with each other over ideological matters, ranging from the function of the Party itself to the role of politics in everyday life and the nature of leadership. After 1978, pragmatism became the order of the day. 'It doesn't matter if a cat is black or white, as long as it catches mice' was the phrase attributed to Deng Xiaoping to encapsulate this.¹ The hunt for ideological purity had cost the Party dear in the past. From 1978, practice was the sole criterion for truth, not pre-determined ideals on which the world was due to be shaped. There would be seeking truth from facts, and the implementation of the four modernisations, with a focus on making China rich, strong and powerful. Where ideology was helpful, it would be subscribed to. But where it got in the way, it could be forgotten. That at least is one reading of the general role of ideology in the two phases of CPC history after 1949.

This is, inevitably, a great simplification, however. Ideology still mattered after 1978, and still figures in China today. The clue is in penetrating remarks

that Wang Hui, an influential academic, made when he talked of how policy changes have come about in the PRC. Since 1949, he wrote, 'every great political battle was inextricably linked to serious theoretical considerations and policy debate'.² This has not changed. Ideology matters enough for leaders from Jiang Zemin, to Hu Jintao, and now Xi Jinping to consider it important enough to have their chief ideological contributions written into the State Constitution. Jiang's 'Three Represents' (三个代表) cleared the way in the late 1990s to allow non-state entrepreneurs into the Party as members in 2001. Hu's 'Scientific Development' (科学发展) was meant to square the circle between the market and state planning from the mid-2000s. Xi Jinping's leadership sponsored the major announcement at the Third Plenum in 2013 of making the market not just preferable but necessary for reform. All of these involved changes in ideological position. If the PRC is a non-ideological zone, it is strange therefore that so much attention and effort is given to articulations that look ideological. It is even stranger that so much time for cadres is spent on ideological training, with a network of some 2,000 party schools at national and local level.³ Why all this effort and all these resources for something that doesn't really matter?

Perhaps this misunderstanding by outsiders about the continuing importance of ideology in modern Chinese politics arises from the fact that while it is ruled by a political movement which has the name 'Communist' in its title, the country is clearly marked by inequality as extreme as in societies and economies marked as capitalist and contains a vibrant entrepreneurial business class and a free market. This gives rise to the assumption that, if it has an ideological basis at all to its political elite, it is one that largely apes or follows western models, particularly those in the US or Europe. An article in 1999 from the Cato Institute typifies this: 'Communism is dead in the hearts and minds of its people', it states, 'the Chinese people prefer market riches to Marxist dogma'.⁴ This sort of approach creates the idea that the party is simply involved in the pretence of believing anything remotely Marxist. The flattering conclusion is that the western political ethos has prevailed in all but name. Accepting that means being resigned to bafflement by the huge effort, and the very strange language, in which ideas continue to be conveyed by political leaders to the public in China, referred to in the preceding paragraph. It means attempting to understand Chinese politics under the premise that its leaders never really mean what they say when they talk about fundamental ideas like the mass line, creating the primary stage of socialism or developing the market with Chinese socialist characteristics. The maintenance of this sort of discourse after it has reportedly lost its true meaning is deeply mysterious. Why bother doing it?

If the Party is as pragmatic as is often claimed, then surely the most pragmatic thing it could do is jettison these out-moded ideas and their associated language forms, and simply rebrand itself as social democratic. Clearly the Communist Party has no intention of doing this, at least not at the moment. It continues

to invest immense energy and time in ideological formulations which can be broadly described as Marxist or Communist. Those who seek to understand the reality of contemporary China have to have a way of understanding why this is the case, and what the Party's attitude towards the function of ideology is, especially when it is under so much pressure from the complex reality of the country it is trying to govern around it. One of the other claims made over the last decade is that the Communist Party does have an ideology, but it is more based on an appeal to visceral nationalism and ideas of Chinese greatness and exceptionalism – Marxism with *Chinese* characteristics, the market according to *Chinese* conditions, etc. It is true that nationalism matters to contemporary Chinese leaders, who appeal to it as a basis for legitimacy. But to go further and claim that it is the sole basis of their ideology is too extreme, as will be argued later in this chapter.

If we define ideology as the attempt to set out a consistent, broad set of beliefs, practices and their related codes, with intimate links between these and the exercise of power and its associated language forms, then it would be strange if Chinese contemporary leaders were not interested in such an obvious source of legitimisation and influence. Ideas matter anywhere, even if they are very simple (perhaps sometimes particularly if they are simple and accessible). The context for ideology and its form in the modern, interlinked, globalised and networked world might have changed, but not the importance of ideology itself. And while there are many qualifications and restrictions around the proposition that the CPC still adheres to socialism, and practices Marxism–Leninism, elements of these do figure in its much more hybrid ideological position now. In the 1950s and 1960s, scholars like Doak Barnett and Schumann could point to a highly circumscribed, and linguistically heavily marked core area, policed by relatively easy to define Party institutions and actors, and talk of this being the zone of ideology.⁵ But today, the terrain has changed. Ideology does not matter to the vast mass of Chinese people, any more than thinking hard about the difference between left- or right-wing philosophical principles and their underlying assumptions matters much to audiences in Europe, America or other multi-party democratic countries. For the CPC elite, however, ideology is significant. It matters that they accord it a place in their public utterances, and they at least look like they believe in it and are trying to conduct their political lives according to it. It also matters that their ideological position is seen as being coherent with other leaders around them. For all the associated problems about whether they believe in it sincerely, and fully subscribe to it, in fact that is not the real point. They have to sound like they believe in it; there is little incentive for them to change this unless they have a solid political reason. Ideology remains a tool for them, and one they often use. It is not a matter of the interiority of their statements of ideological beliefs and standpoints – that is inaccessible to us, just like the most profound personal beliefs of many western politicians. What we can see is the surface importance. And as I will demonstrate below, plenty of effort goes in there to showing that ideology matters.⁶

THE PRODUCERS AND VEHICLES OF IDEOLOGY

For all its abstract quality, ideology is the product of particular mandated institutions within the contemporary CPC. These are predominantly within the Party apparatus. They can be categorised as follows:

- The Propaganda Department of the Central Committee.
- The Leading Group on Propaganda.
- The Central Party School and its associated networks of schools across the country.
- Departments, sections and schools specialising in ideology in government supported think tanks, from the Chinese Academy of Social Science Marxism Leninism department, to local variants.
- Media such as the *People's Daily*, or the *Guanming Daily*, which often make contributions to ideological discussion through editorials and publications.
- The Office of Spiritual Civilisation under the State Council.

In addition, there are dissemination channels and methods for ideology, ideological training and ideological messages:

- Periodicals like the *Seeking Truth* (求实) magazine (previously the *Red Flag* periodical).
- Important leadership speeches which are then published, broadcast or otherwise disseminated.
- Articles in state media, particularly those mentioned above.
- Training for cadres at Party schools and other entities in ideology.
- Party branch meeting discussion and ideological study sessions.
- Study of ideology at school and university for all students; this forms a fundamental part of the curriculum.⁷

These are the issuers of ideology and the structures through which ideology is formulated, discussed and proposed. The entities above have partially a guardianship role – they are in the business of defending set lines of orthodoxy and discrediting or attacking those who seek to challenge or undermine these. An example is the issuance of attacks on western universalism, western constitutionalism and other associated ‘bad thinking’ which followed the publication of the Document Number Nine in early 2014 mandating university teachers in their classes not to propagate these negative thoughts.⁸ Further in the past, various entities were involved in the attacks on spiritual civilisation in the 1980s, when the first wave of economic reform brought about demands amongst some sections of the population for concomitant political reform. The CPC throughout its history, at least at the elite leadership level, has maintained a high awareness of there being enemies in the wider world, and of the need to delineate clear lines between friendly and hostile positions. This is maintained to this day.

Within these organisations, however, there have always been individuals who are significant, and play a major role in the formulation of ideology. In the era of Mao Zedong, it was his assistant Chen Boda who played a key role in formulating his ideas and contributing to the writing of his speeches, or their cleaning up after they had first been issued. Other figures in the state messaging sector were

also key – Hu Qiaomu was amongst the most influential, an editor on the *People's Daily* who was masterful in his ability to reduce complex issues to a slogan or sentence. Maoism was largely conducted through such lapidary slogans, allowing the main rungs of action to be set out clearly just on the basis of clear, concise four, or eight, character edicts.⁹

There was always space for contention in the formulation of ideology. In the Maoist era, the parameters of ideological orthodoxy were set so wide, and were often so contradictory, that as long as people appealed to Mao as the authority of their actions and utterances, then it was often difficult to attack on the grounds of precision or fidelity to any particularly rational body of beliefs. More often than not it simply saw one form of fanatical and emotional fervour pitted against another, through violence, intemperate language and attack. But after 1978, real, clear policy options appeared, and real choices were being made about, for instance, how open China should be to foreign capital, how much it should embrace marketisation within its economy, and how much space should be granted to the private sector. These were all heretical ideas in the period of Mao, and their appearance needed some kind of consensus in the Party, and above all some credible ideological justification which did not wholly seem to jettison and discredit what had come before in Communist development in China. Deng Xiaoping, the key sponsoring elite leader over this era, was famously uninterested in book learning, and it was unclear if he had read much of Marx or any of the canonical texts of Marxism.¹⁰ Deng's mantra of 'making practice the sole criterion of truth' sounded non-ideological, but in fact at heart it carried profoundly ideological importance, at least for the Party. It involved recalibrations of the role of material reality within thinking, the acceptance of a pragmatic and empirical approach to the assessment of the material world, and the opening up of new spaces by which to understand the operations of the economy.

Deng's ideas were opposed, most significantly by figures like Chen Yun, who asked for more restrictions to be set on the market space being opened up, and, in a more radical way, by Deng Liqun, who adopted a position characterised as broadly leftist. His critique of new reforms throughout the 1980s and 1990s were around the ways in which the creation of a Chinese market and non-state sector created inequity and inequality. And while being critical of some of the policy mistakes and mismanagement of Mao as a figure, Deng Liqun maintained great faith in Mao Zedong Thought.¹¹ The 1989 uprising and the fall of the Soviet Union initially posed an existential threat to the Party's core beliefs, but by the mid-1990s, through a combination of repression and pragmatic change (more reform to prompt more growth), the Party had accepted that its core ideological position was in essence a hybrid one. 'Socialism with Chinese Characteristics' was written into the State Constitution, allowing for tactical changes in the generic ideology of Marx and Lenin in order to accord with China's 'national characteristics'.

In the last two decades, the principle figures in ideology have all been significant political figures. Zeng Qinghong was Jiang Zemin's key advisor, while

Hu Jintao relied heavily on the subsequently disgraced Ling Jihua. Throughout this period, Wang Huning remained a constant, one of the most influential yet low profile figures in the party apparatus, whose role in the Central Committee Office meant he had huge access to elite leaders and took a key role in formulating policy, and then translating it into clear messages. Wang played a role with Jiang's 'Three Represents' which allowed non-state sector business people to become Party members in 2002, and in the 'scientific development' and 'harmonious society' campaigns of the 2000s. He remains influential as a Standing Committee Politburo member since 2017. Beside him, figures like Li Jinru of the Central Party School also carried weight, and were involved in the writing of speeches and maintaining some sort of rhetorical fidelity to the main orthodox memes of Marxism–Leninism with Chinese Characteristics.

CHAOS THEORY

The issue in the second decade of the 21st century is not that China is a place with no ideology. On the contrary, it is perhaps better understood as a place with too much. Every time a speech is made in (modern) China by a major central leader, they must acknowledge the importance of Marxism–Leninism, and of Mao Zedong Thought, then move on to state belief in Deng Xiaoping Theory, the important thinking of Jiang Zemin, and finally say some quick words about 'scientific development'. With Xi Jinping, the newest concept is 'China Dream'. Once all these are recognised the speaker can finally try to say something new. But by that time, they have probably already lost the interest of their audience.

Each generation of Chinese leadership has left a residue on the thinking of the party and the language by which it expresses this. Logically, as time goes on, so the list of acknowledged positions lengthens. The net result is increasing confusion, and the creation of a self-created 'market' of different positions. The CPC is therefore guided now by an ideological world view which is best described as hybrid, and almost embracing of contradiction. The key contradictions are:

- A simultaneous stress on its international roots in Marxism, but also its deeply indigenous nature – it is a universal system but applied to the unique characteristics of China. This contradictoriness has always existed since the earliest era of Mao when he challenged Marxist orthodoxy because of the lack of a proletariat in China and stressed that in fact the revolution would be run from rural areas and guided by farmers so that it more suited conditions in China.
- The constant tension between the Chinese government's increasing embracing of markets, capital and entrepreneurship, but its rhetorical commitment to public ownership, equity and socialist values prioritising the state above the private sector.
- The lack of clear division between Party and state roles. Ideology is Party ideology, and defines a zone for the state. But all state agents act within the parameters of ideology, setting out policy and then implementing it in ways that have to accord to these. This often leads to conflict, particularly between upper and lower levels of governance. Ideology from the centre is often extremely abstract, and interpretation of it involves immense contention.

- The position of the Communist Party in the 21st century trying to overcome the very clear divisions between pre- and post-1978 ideology. Broadly, up to 1978 Maoism embraced class struggle as the key means of reforming society (putting politics in command), and undertook a series of increasingly dramatic and all-encompassing campaigns through which to forge social change, the most epic of which was the Cultural Revolution from 1966. Since 1978, the onus has been on a wholly different set of ideas, many of them directly contrary to those of classical Maoism. Leaders like Xi Jinping, the current general secretary of the CPC, have attempted to bridge this gap by talking of the key link between the two eras – that the first built the foundations for the second, and without it, the second would not have come about. In this interpretation, the common area has been the ambition to build a rich, strong China – in essence, an ideology of nationalism. The question, however, is the kind of China that both eras were trying to build – a Maoist China with vast communes with a wholly state directed economy is a wholly different prospect to what Yasheng Huang has called ‘capitalism with Chinese characteristics’.
- The relationship between the CPC’s ideological position now and Chinese culture and history as opposed to that of its revolutionary phase. Under Mao, campaigns to smash the ‘four olds’ led to a ‘criticise Confucius, criticise Lin Biao’ movement in the early 1970s. These figured Chinese cultures and traditions as enemies of modernity, inimical to constructing a progressive society, forms of thought which embraced hierarchy and conservatism. Under the post-reform leadership, however, the ways in which supposedly traditional Chinese culture has offered itself as a new basis for legitimacy has become increasingly strong. Confucius has made a spectacular comeback, with institutes now criss-crossed across the world bearing his name; Chinese culture figured in the 2008 opening ceremony of the Beijing Olympics in the absence of any reference to Mao; traditional Chinese culture is regarded as a foundation stone for Communist Party moral thinking (Hu Jintao’s ‘harmonious society’), and with the idea of ‘taking people as the key thing’. These attempts often seem like they are trying to square a circle, and appear opportunistic.
- The division between rhetoric and practice: the Party in its ideology celebrates equality, equity, justice and harmony. In practice, it is often willing to allow inequality in economic development (ostensibly as a means to an end – allowing some to grow rich and others to follow them). Injustice in society is so great there were, according to Yu Jianrong of the Chinese Academic of Social Sciences, over 200 thousand ‘mass incidents’ in 2009 alone, and the Party continues to deploy violence against those it figures as its key enemies.

In the 1980s, there was talk of a ‘crisis of faith’.¹² Since that time, the Party has increasingly used its success in the economic realm to justify its ideological position. This has been characterised as highly pragmatic. Like a comment the British historian A. J. P. Taylor used about himself, the Party has strong convictions held weakly. It will tolerate experimentation, and if it allows more growth and material success, then this is translated into ideological justification. The creation of town and village enterprises in the 1980s as reforms in the agricultural sector, liberating many from work on production to move into other sectors, is one such case – a grassroots event which then was so successful it was acknowledged in central ideology.

For all its pragmatism, however, the Party has what now appears to be a highly complex, hybrid and sometimes contradictory ideological position. With so many changes, why therefore continue to strive for a synthetic, holistic position? Why not just allow that there is a spectrum of ideas in Chinese society, and that the Party in its attempts to embrace all these ideas is trying to be all things to all people, and failing to make much sense to anyone?

IDEOLOGY IN THE ERA OF XI JINPING

One of the striking characteristics of the Xi era has been the return of a stress on ideology, albeit an even more hybrid form. Xi has been loosely described as Maoist – and yet in 2013 he added a personal statement to the Third Plenum decision that year stressing the importance of the market, and demanding that more be done to liberalise the state-owned sector by allowing more hybrid ownership models – something that would have been anathema in the Mao era. Non-state companies continue to be very important in the Xi leadership thinking, along with attempts to reach out to the emerging urban middle class who are so important as a source of growth in the future as China changes its fundamental economic model towards a more service orientated one. The Xi leadership a year later announced at the Fourth Party Plenum the importance of rule by law, and of the need to have more predictable forms of regulation and their associated accountability in society. Despite this, the Xi era so far (to 2018) appears one increasingly antipathetic to rights lawyers (it detained almost 250 briefly in mid-2015), and has seen a clampdown on journalists and the expressing of an overarching narrative of hardcore intolerance to discussion of political reforms that involve considering multi party democracies, bicameral systems of governments and what is grandly termed ‘western universalism’. New regulations proposed in 2015 inhibit and define more narrowly the role of foreign civil society groups in China. Xi’s China is a place that looks more, not less, ideological than that of Hu.

Some have interpreted this as a sign of vulnerability.¹³ Others see it simply as evidence that broadly the Party feels it has got things right since the 1990s and that this has emboldened it to take a harder line.¹⁴ Xi has himself been described as a strongman, and his speeches have been littered with language about the need for a strong, rejuvenated, powerful China, the need to remain faithful to the ideological contributions of Mao Zedong and former leaders, and the need to tap into the great, glorious cultural and historic traditions that China has had over what is claimed are ‘five thousand years of continuous civilisation’. Xi is perhaps the most perplexing mix of pragmatic and hard-line ideology that Chinese leadership has ever seen.

We should not overestimate his powers in this area. In some ways, the most that can be said is that he has successfully (at least so far) read the ‘mood’ of the current elite leadership, many of whom felt that the Hu Jintao era was successful in powering out GDP growth but did very little else, and that the Party was facing a moral and belief crisis. The Anti Corruption struggle since 2013 figures as a moral as much as a power purge by the Party of its own membership above all – people who have been stealing state assets for their own networks and not contributing to the prosperity and stable rule of the Party. There is also a stronger sense in the Xi leadership of historic mission – the desire to

achieve the two centennial goals, the first in 2021 when the Party celebrates a hundred years in existence and tries to create 'middle income status' in China, and the second in 2049 when the People's Republic marks its hundredth anniversary and 'democracy with Chinese characteristics' is achieved. The powerful emotions that completing these achievements involves have garnered Xi's leadership public support, aided by a strong sense that the collapse of the Soviet Union Communist Party over two decades before shows the perils of abandoning ideological struggle.

LIU YUNSHAN

Xi has around him a group of advisors, like any political leader. But the most significant in terms of ideological enforcement is Liu Yunshan. Liu sat on the Standing Committee from 2012 to 2017 at the 18th party congress. He was unique amongst the seven strong group then in having had no provincial party or government leadership experience. He was a journalist in the state-run Xinhua news agency in Inner Mongolia in the 1970s and 1980s, and then, under the patronage of a protégé of the key ideological enforcer at the time, Ding Guan'gen, taken to Beijing in the early 1990s. When there he proceeded to work his way up the state propaganda structure, becoming the head of the Propaganda Committee of the Party in 2007, and then in 2012 the overall ideological lead.¹⁵

As a journalist, Liu was regarded as relatively open minded. But in his then position he was seen as conservative, and relatively 'red' (the metaphor for leftism in China). Under this leadership, China has jailed more journalists than any other country in the world, and seen a series of campaigns against forces regarded as inimical to the Party, from campaigning journalists, some of whom were jailed after the Shanghai Stock Exchange collapsed in July 2015 for 'rumour mongering', to news cover-ups (like the disastrous management of the Wenzhou fast train crash that resulted in multiple casualties in 2011).

Liu and Xi, at least from their words in public, agree on one common principle: that control of the messenger means control of the message. Liu has been in overall charge of the attempts to sanitise the internet, blocking foreign websites like Facebook and Google, and ensuring that illegal and unwholesome content (in the Party's eyes) is quickly removed. Like Xi, Liu sees the power of the internet, and the real advantages it brings in terms of connectivity and networking. But he has a high sense of awareness of its potential dangers, and the ways in which it can give voice and space to negative forces. Echoing the ancient legalist philosopher Han Fei from the Qin dynasty over two and a half millennia before, the party propaganda apparatus under Liu waged an increasingly intense war against the 'three evils' (terrorism, separatism and religious extremism).¹⁶

Control of the central apparatus of ideological dissemination is part of the current strategy. But the more important element is to unify the message, so that at least it has some coherence. As a key person responsible for ideology, therefore, not only through his Politburo position, but through presidency of the Central Party School in Beijing, perhaps the most important think tank for the Party, what do Liu's words say about how the Party sees itself and the world around it, and what its fundamental beliefs now are?

Speaking to a closed session of foreign scholars in Denmark in the summer of 2014, Liu presented a simple overview of what he called the 'five dimensions in understanding the Communist Party of China'. These in essence give a rubric by which to understand how elite Chinese leaders in the second decade of the 21st century see the role of themselves and the party they represent in the world. Liu states categorically that 'to study China, one must study the CPC', and 'to study socialism with Chinese characteristics one must also study the CPC'. It is a fundamentally ideologically entity. It has a belief system. And this has five core pillars:¹⁷

- **History:** The past century, through humiliation and foreign aggression, saw China try many different forms of governance, from constitutional monarchy, to imperial rule, to republican systems. But none of these worked. Only, Liu states, has Communism with Chinese characteristics really succeeded. The implication of this is very obvious: 'The leadership and governing position of the CPC is not self-appointed, but rather chosen by history'. The CPC is therefore the servant of destiny.
- **People:** The CPC is supported by 'the overwhelming majority of the people'. It does not represent vested interest, or narrow networks, but the greater good for the greatest number of people. 'If the people are happy with things, we will get down to [doing them]'. Liu quotes the Pew research centre surveys that show 85 per cent of Chinese are content with the direction of their country. This is a register of satisfaction, and is used by Liu as a basis for showing that, despite having no open elections, the Party still has a popular mandate.
- **Culture:** As stated above, the recent leaders of China have been zealous in locating sources of legitimacy in China's past and its cultural assets. 'One can find reference to the values and governing philosophy of the CPC in traditional Chinese culture', Liu states, referring to ancient philosophical concepts of benevolence, justice and integrity and saying these are consistent with the core values of socialism. Moreover, the CPC 'promotes the integration of Marxist thought with traditional Chinese culture'. In a reappearance of the strong exceptionalist strand of Chinese elite discourse about the Party, he states that the CPC is able to combine 'socialist values with the unique values of China'.
- **Practice:** The Party is pragmatic; it judges its ideas according to their concrete impact on the real world, not because of their abstract neatness. For this, the Party must be organisationally coherent, it must have strong principles of Party building, an idea of the mass line and close adherence to it in order to serve the people, and a strong sense of its own cultural and moral values.
- **The World:** Despite the stress on exceptionalism, Liu makes clear that the CPC 'always puts a high premium on adopting a global perspective and world wide vision'. The CPC is intrinsically international, maintaining relations with over 600 other political parties outside of China, and 'learning from the outside'. Deng Xiaoping once stated that as a communist he was optimistic. This is something that becomes apparent in Liu's final comment. He states that the CPC is 'future orientated'.

How does ideology figure in this articulation of a CPC leader's statement of the Party's current world view? Firstly, the Party is pragmatic, unifying, diverse and hybrid. It is exceptional to China, but highly interlinked to the outside world and aware that China's problems all have an international dimension. The pragmatism of the Party means it constantly has tactical space to change its direction, move into different areas, one minute claiming uniqueness, the next unity with the outside world. Liu states that 'political structures are so plural that there is no unified standard to justify all political parties'. This heads off demands by those ideologically trying to promote the creation of multi-party democratic systems in China.

There are some other characteristics of the CPC's ideological position. It promotes the ideas of scientific solutions to problems, and the creation of a very set sense of modernity, involving the deployment of science in fulfilling people's material needs, giving them clothes to wear and food to eat and delivering the kind of standard of living that they now see prevailing in the US, EU and other developed countries. But it also tries to link with the concept of an ancient cultural and philosophical tradition which it is fulfilling and embracing. Party leaders like Liu know that arguing about the inevitability of historical materialism and Marxist dialectics has nothing like the emotional appeal of nationalism, and the construction of a great, powerful state. This is why some have argued that China's current ideological position is nothing more than nationalism dressed up in Marxist sounding garb, as was mentioned at the start of this essay. Things are more complicated than that. But the Party is certainly currently very keen to avail itself of the resources China's history offers.

How can one describe this hybrid system, and the parameters it supplies? In the 1980s, the framework was 'fragmented authoritarian' as it was articulated by foreign scholars like Kenneth Lieberthal and Michel Oksenberg. In the last decade, descriptions have ranged from 'consultative Leninism' to 'resilient and adaptive authoritarian'.¹⁸ Liu's statement shows that within the upper levels of the Party currently, there is no recognition of authoritarianism', or 'fragmentation', and no space for the idea of being Leninist, even though there is recognition of being consultative.

IF YOU TALK ABOUT US, TALK ABOUT US THE WAY WE WANT

In foreign policy, China has adhered since 1955 to the rhetorical position of 'non-interference in the affairs of others'. In the ideological sphere, it occupies the same position. In the Maoist period, China did try to promote sinicised Marxism. But since 1978, it has been adamant that it is not in the business of changing the minds of people in the outside world about their choice of governance system and the philosophy underlining it. What it is most keen to do is to ensure that it defends its own system, and prevents interference in that.

This has extended to the way that the CPC relates to foreign discourses and conceptualisations of itself and its underpinning ideology. It stands by the principle that it accepts diversity, does not comment or involve itself in the choice by others of how they are governed and what they believe, and therefore does not want others to do commentary or analysis of them that is displeasing or within the wrong framework. Those who accept its ideological position sympathetically, such as writers like Martin Jacques, whose book on the Party State's bright future garnered great praise in Beijing after it was published in 2008, have been embraced by the Party.¹⁹ Those that challenge it, or try to adopt what are seen as hostile, external principles of analysis, are given a less easy time.

There is some tactical logic in this. While the CPC is highly unlikely to change non-Chinese attitudes towards their own governments and systems or thought systems, it can at least do something to control what ways people might understand and see it. This clash of perceptions, however, has led to some disharmonious outcomes. Attempts by the CPC to dictate how it must be understood, along the lines outlined above by Liu, have had mixed outcomes.

Eric X. Li has been a spokesperson for the CPC's attempts to control more of the external agenda about itself, what it is, how it operates and how it can best be understood. As a Chinese born American, he is able to operate well in two languages, and has been actively presenting to the outside world what is, to all intents and purposes, the Party's desired image of itself and its belief system. In an article published at the same time as Liu Yunshan's speech referred to above, Li talked of the 'emerging trends in Chinese Studies and the Role of the Party'. Separating study of the Party in the last six decades into two broad phases, he names first the history school. This, he states, 'seeks to study modern China in an historical context and thereby better understand the nation's trajectory. Their methods are deeply cultural'. This meets with his approval as it has made 'significant contributions to the world's repertoire of knowledge'.²⁰

The second group, however, is accused of being ideologically hostile to the Party. These appeared after the 1989 uprising in Beijing. 'Historic determinism', Li states, 'framed their approach and the entire school was defined by the ideological dichotomy between liberal democracy and authoritarianism. The aim of their studies carried an overtly political and ideological agenda – to prove the Chinese political system is on an inevitable course towards eventual collapse'. Followers of this school, he concludes, 'have largely been discredited by facts'. Interestingly, he does not cite any particular examples of representatives of this particular group.

Most strikingly, Li sees a huge role for the Party in framing the area of Chinese studies for those outside the country. 'As such, the contemporary CCP, the party, as China's central governing institution, is in a position to exercise significant influence over the future landscape and conditions of Chinese studies and thereby China's image in the eyes of the world'. This makes clear that foreign analysis, specialists and researchers on China are now considered as a

key target to potentially influence and work with. For them, the main thing is to be 'empirical', jettison ideological constraints from outside, and to be 'objective' – objectivity, however, in the service of a very clear message – to appreciate that the 'Chinese phenomenon is perhaps the most significant experiment in political governance taking place in the world today', and that 'the party has led the most significant improvements in standard of living for the largest number of people in the shortest period of time in human history. The party's model of governance is deep and rich and unique'. In essence, an invitation for people in one ideological community to step across and accept the terms and parameters of another.

THE ROLE OF IDEOLOGY FOR THE FUTURE OF THE CPC

It is true that as of 2015, the Party could claim that its attitude toward ideology had proved itself. China was the world's second largest economy, and had managed to produce what Pantsov and Levine, in their biography of Deng Xiaoping, called a 'viable' system, where 'socialism with Chinese characteristics' worked. Attempts to promote the Party's message about what it believed abroad became more systematic, as did its core offer to Party members within China.

Even so, this hybrid, diverse system carried within it many inconsistencies and tensions. There has been recognition in recent years about the disconnect between the party faithful, the general public and the political elites, who seem to speak different languages. As China moves into an era in which growth slows and the easy returns of fast development fade, there are real questions about how the CPC continues to maintain the faith and support of the people. Nationalism seems a natural area to look at, with the incumbent problems of how this is perceived in the outside world and the problems it creates there.

The CPC stress on pragmatism too raises some interesting questions. Does this mean that in the end there are no red lines, and that what is dogmatically asserted today as being unacceptable can, when conditions change, rapidly become acceptable? In 2018, the CPC is asserting that only a one party system will work for Chinese conditions. But perhaps one day, there will be powerful reasons to embrace a more diverse party structure, with the Party itself splitting between a left and right wing. Pragmatism implies that the Party in the end will do whatever it needs to maintain some position in power, and there is nothing fundamentally wrong with it existing in a context where other parties compete with it – as long as it always wins!

It is likely that we will continue to see surprises and innovations in the ideological position of the CPC into the future, just as we have in the past. Xi Jinping has characterised the Party as more akin to an epistemic community, the repository of knowledge and expertise that China has gained over six decades as it has been governed by Communism. The question is how large the commitment to the fundamental tenets of One Party rule is and how the leaders of China today

will deal with the transition to a much more complex, less regulated and more bourgeois society. Elsewhere in the world, this has always proved a dangerous moment. Will the Communist Party prove ultimately that it is as exceptional as its ideology asserts – or in the end succumb to the historic forces of inevitable development that it once, in a simpler age, said it believed. We will just have to wait and see.

Notes

- 1 The attribution of this phrase to Deng is worth a study in its own right, so intimately has it been linked to the policy and ideological position of China since 1978. It was originally a saying from his native Sichuan. It also long predated 1978 even in Deng's own use of it. Nor is it strictly an accurate report of what he actually said. According to the biography of him by Alexander V. Pantsov and Steven Levine, 'At the end of June 1962, at a session of the Secretariat examining a report on rural work by the East China Bureau, Deng also openly said, "In the districts where the life of the peasant is difficult, we can use various methods. The comrades from Anhui said, 'It doesn't matter if the cat is black or yellow, as long as it can catch mice it is a good cat.' These words make good sense".' In Alexander V. Pantsov and Steven I. Levine, *Deng Xiaoping: A Revolutionary Life*, Oxford: Oxford University Press, 2014.
- 2 Wang Hui, *The End of the Revolution: China and the Limits of Modernity*, London: Verso Books, 2010, p. 6.
- 3 See Frank Pieke, *The Good Communist*, Cambridge: Cambridge University Press, 2009, pp. 1–3.
- 4 James A. Dorn, 'The Death of Communism in China', Cato Institute, 5 March 5 1999, www.cato.org/publications/commentary/death-communism-china
- 5 A. Doak Barnett, *Cadres, Bureaucracy, and Political Power in Communist China*, New York: Columbia University Press, 1967; and Franz Schumann, *Ideology and Organisation in Communist China*, Berkeley and Los Angeles: University of California Press, 1966.
- 6 For a discussion of what ideology actually is, see Kerry Brown, 'The Communist Party of China and Ideology', *China: An International Journal*, 10(2), August 2012, pp. 52–68.
- 7 Anne-Marie Brady undertakes a comprehensive discussion of the relationship between media and the Party in *Marketing Dictatorship: Propaganda and Thought Work in Contemporary China*, Lanham: Rowman & Littlefield, 2008.
- 8 See 'Document 9: A Chinafile Translation' at www.chinafile.com/document-9-chinafile-translation, accessed 29 November 2015.
- 9 On insights into Hu Qiaomu in action, see Michael Schoenhals, *Doing Things With Words in Chinese Politics: Five Studies*, Berkeley: Institute of East Asian Studies, University of California, 1992. For the adaptations made to the Chinese language for political reasons, see Perry Link, *An Anatomy of Chinese: Rhythm, Metaphor, Politics*, Cambridge, MA: Harvard University Press, 2013.
- 10 In his *Selected Works*, Deng stated that 'weighty tomes are for a small number of specialists. It was from the Communist Manifesto and The ABC to Communism that I learned the rudiments of Marxism ... Marxism is not abstruse. It is a plain thing, a very plain truth'. Deng Xiaoping, *Selected Works, Volume 2: Excerpts from talks given in Wucheng, Shenzhen, Zhuhai and Shanghai, 18 January to 21 February 1992*, Beijing: People's Publishing House, 1994. The same, according to a new study of Mao by Andrew Walder, could be said of Mao, whose main research into Marx had also been through the Communist Manifesto, published in the late 19th century in China and one of the few widely available classical Marxist texts. See Andrew Walder, *China under Mao: A Revolution Derailed*, Cambridge, MA: Harvard University Press, 2015, p. 71.
- 11 On Deng Liqun, see Kerry Brown and Simone van Neuenhuizen, *Mao and the New Maoists*, London: Zed Books, 2016.

- 12 See Joseph Fewsmith, *China since Tiananmen: The Politics of Transition*, Cambridge: Cambridge University Press, 2008.
- 13 An example of this is David Shambaugh, 'The Coming Chinese Crack Up', *Wall Street Journal*, 6 March 2015, at www.wsj.com/articles/the-coming-chinese-crack-up-1425659198, accessed 29 November 2015.
- 14 An appreciative description of the meritocratic system in China is to be found in Daniel A. Bell, *China Model: Political Meritocracy and the Limits of Democracy*, Princeton: Princeton University Press, 2015.
- 15 For details of Liu's career, see Kerry Brown, *The New Emperors: Power and the Princelings in China*, London and New York: I B Tauris, 2014.
- 16 Han Fei referred in his great classic treatise to the 'Five Vermin' – mostly obnoxious people. See Han Feizi, *Basic Writings*, translated by Burton Watson, New York: Columbia University Press, 2003, pp. 97–113
- 17 Liu Yunshan, 'Five Dimensions in Understanding the Communist Party of China, Speech at the International Seminar of the CPC in the Eyes of European Scholars', 11 June 2014, record of speech given in Copenhagen, unpublished.
- 18 See Kenneth Lieberthal, *Bureaucracy, Politics and Decision Making in Post-Mao China*, Berkeley: University of California Press, 1992, Introduction, 'The Fragmented Authoritarian Model and its Limitations', pp. 1–31; Steve Tsang, 'Consultative Leninism: China's New Political Framework', *Journal of Contemporary China*, 18(62), 2009, pp. 865–880; David Shambaugh, *China's Communist Party: Atrophy and Adaptation*, Berkeley: University of California Press, 2009.
- 19 Martin Jacques, *When China Rules the World: The End of the Western World and the Birth of a New Global Order*, 2nd Edition, London: Penguin, 2012.
- 20 Eric X. Li, 'Emerging Trends in Chinese Studies and the Role of the Party', http://m.china.com.cn/wm/doc_1_1_22164.html, accessed 10 November 2015.



Corruption in Reform Era: A Multidisciplinary Review

Jiangnan Zhu

INTRODUCTION

Corruption is one of the top challenges for China since the start of economic reform in the late 1970s. The Chinese government has taken many measures, including the most severe penalties, to fight corruption. However, the level of corruption remains high. This chapter attempts to give a broad overview of corruption in China and related research. Following Svensson's (2005) seminal work answering eight questions of corruption, I choose to focus on the four major questions that are most discussed by scholars in different disciplines: 1) What is corruption in China? I answer this question mainly relying on the systematic conceptual review conducted by Ko and Weng (2011). 2) How corrupt is China? I illustrate the growing trends of Chinese corruption by reviewing commonly used measurements of corruption and discussing their validity. 3) What are the causes and consequences of corruption in China? I provide answers in multidisciplinary perspectives, which emphasize different aspects, such as the political institutions, economic reform, legal system, and culture, and are not mutually exclusive. 4) How has the Chinese government fought corruption? I briefly introduce the corruption control system with a specific comparison between previous anticorruption drives and the most recent large scale campaign launched by the General Secretary Xi Jinping at the end of 2012. The last section concludes the whole chapter by identifying some directions for future research.

WHAT IS CORRUPTION IN CHINA?

Social scientists have defined corruption differently, centering around public office, market, norms, or public interest (Heidenheimer and Johnston, 2009: 7–9). The most commonly used definition is ‘abuse of public office for private gain’, which is also widely followed by research on corruption in China. However, Chinese corruption studies still maintains conceptual confusion, which hinders accurately understanding and measuring corruption. Ko and Weng (2011), in a critical review of 35 conceptual definitions of Chinese corruption, argue that the generic definition does not capture some unique features characterizing corruption in the Chinese context. First, distinction among the public, private, and non-profit sectors is ambiguous in China. Major actors committing corruption constitute government officials as the main body but also widely include personnel engaging in public service, such as staff hired in state organizations and state-owned enterprises. Second, in Chinese government’s formal configuration, norms that are used to distinguish corrupt from noncorrupt acts are multiple, including both Chinese criminal law (CCL) and administrative and party regulations. CCL contains two variants of corruption: economic corruption (e.g. bribery, graft, embezzlement, misappropriation, holding a huge amount of property with unidentified sources, and unauthorized dispersion of state properties) and the dereliction of duties and malpractices (e.g. neglect of duty, abuse of power). In addition, administrative and party disciplines hold a higher moral standard by including misconduct caused by violation of administrative responsibility and official malfeasance less relevant to monetary gains into the conceptual umbrella of corruption (e.g. shirking, torture, having mistresses, squandering money and resources, and many other examples of immoral behavior). Therefore, the boundary of corruption in China is drawn widely, ranging from monetary to nonmonetary related behavior, and to the personal lives of public officials which in many countries are under the domain of the private sphere. ‘However, in China, individuals engaging in any public activities are immediately assumed to function and therefore be part of the public sphere’ (Ko and Weng, 2011: 372). Third, the wide and relatively murky boundary of corruption in China indicates that private gain is not the only or necessary motive for corruption. Counting in acts such as dereliction of duties and many immoral behaviors demonstrates that the adverse erosion of public interest and the ethical dimension are at least as important as private gains in specifying corruption in China.

An all-encompassing definition of corruption on the one hand reflects the Chinese government’s serious attempt to control corruption, while on the other hand it may reinforce the government’s desire to control the bureaucracy (Ko and Weng, 2011: 375). However, Gong and Wang’s (2012) comparison between university students of Hong Kong and mainland China shows that a broad definition

of corruption does not necessarily encourage low tolerance of corruption. In addition, scholars study different subsets of corruption, and economic corruption is focused on most often.

HOW CORRUPT IS CHINA? FINDINGS FROM MULTIPLE APPROACHES

Students of Chinese corruption have striven to study the changing formats, trends, and levels of corruption in the past decades. They essentially try to answer the question: how corrupt is China? Four methods have been used to answer this question. The first method uses subjective surveys measuring levels of corruption based on respondents' views and perceptions, benefiting from the availability of several famous national surveys in recent years, such as Asian Barometer Surveys (ABS) and the Chinese Household Income Project Survey (CHIPS). The second approach uses publicly released corruption cases in official sources, such as *China Procuratorial Yearbook*, *China Judiciary Yearbook*, and newspapers such as the *Procuratorial Daily* and *Legal Daily*. The third method utilizes proxies, such as firms' entertainment and travel costs (ETCs) often spent on building government connections (e.g. Cai, Fang and Xu, 2009), to study what government revealed information does not tell. The fourth method, departing from the Large-N approach in the first three methods, uses case studies to provide detailed dynamics of corrupt activities. I review several recent studies utilizing the four different approaches and discuss their advantages and weaknesses in the end of this section.

The Overall Levels of Corruption in China

An international comparison, for instance using the popular Corruption Perception Index (CPI) of Transparency International (TI), shows that corruption in China is serious. CPI, ranging from 0 to 100, is produced from a comprehensive combination of subjective surveys tapped upon transnational businessmen, commercial consulting experts, scholars, and ordinary citizens. Higher scores indicate higher levels of corruption. Figure 14.1 shows that China's CPI first rose from 21.6 to above 30 from 1995 (the first year including China) to 1998, and then stayed stably around 35 between 1998 and 2011, followed by a slight uprising since 2012, however still not surpassing 40. According to TI, a CPI between 30 and 50 means very serious corruption and a CPI below 30 means prevalent corruption.¹ Thus, if controlled ineffectively, the state of corruption in China might easily become prevalent. Actually many scholars argue that corruption in China has already increased to endemic levels since the economic reform (e.g. Johnston and Hao, 1995; Root, 1996; Pei, 2016; Wedeman, 2012). We also calculated the percentage of China's ranking in comparison to the total number of

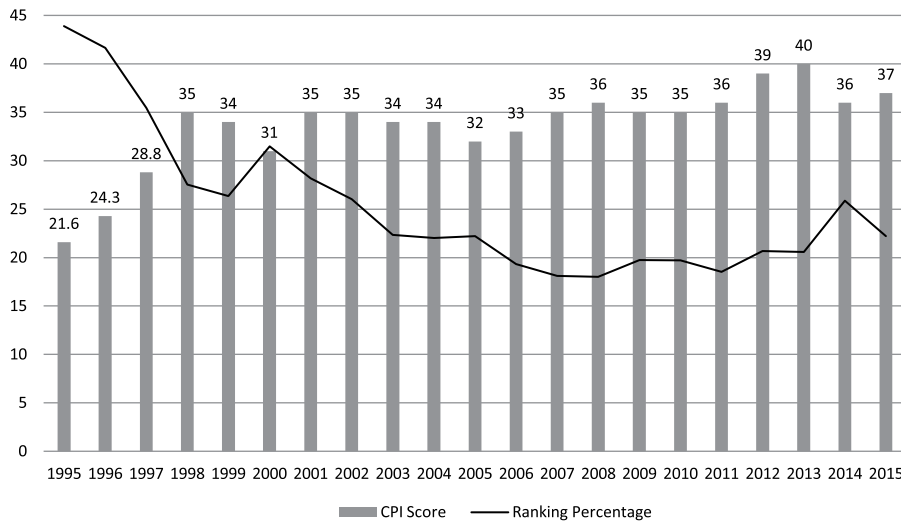


Figure 14.1 Corruption Perception Index (CPI) of China, 1995–2015

Note: CPI was originally between 0 and 10; from 2002 it is changed into 0 to 100. For consistency, all the scores here are transformed into 0–100. Ranking percentage = China's annual rank/the total number of surveyed countries. Smaller percentage means higher ranks. Data is obtained from Transparency International.

countries surveyed in each year (i.e. ranking percentage) to see how China's position has changed versus other countries. Lower percentages mean more countries performed worse than China. The black line in Figure 14.1 shows an overall declining trend, decreasing from more than 90 per cent to approximately 45 per cent. However, the sharp decline is more likely caused by the fact that more countries were included in the survey in the past decade than a significant improvement of government integrity in China.

Research by China scholars has revealed some parallel patterns in the CPI in terms of the overall levels of corruption in China. Wedeman (2004), drawing together data from the Central Disciplinary Inspection Committee (CDIC), which is the central anticorruption entity in the Chinese Communist Party (CCP) and the state supervisory, judicial, and procuratorial systems, finds that the incidence of corruption during the 1980s experienced a dramatic increase in quantity and then remained relatively constant in the 1990s. The number of cases filed by the supervisory bureaus almost tripled from nearly 22,000 in 1988 to close to 60,000 in 1989. 'Thereafter, the number of cases fell to an average of around 50,000 per year until 1993' (Wedeman, 2004: 903). From 1998 to 2007, the cases accepted by the CDIC and the Procuratorate continued to decrease by 28.9 per cent and 57.9 per cent, respectively (Ko and Weng, 2011). Ko and Weng (2011) argue that the decline is not likely caused by fewer government anticorruption efforts, but more a result of the market economic reform, the advent of a merit-based civil service system, an improved budgeting and auditing system, fiscal recentralization, and enforcement of anticorruption regulations.

The Surge of Major Corruption

Despite the stable overall incidence of corruption, corruption had intensified in quality by the late 1990s (Wedeman, 2004). The primary reflection of the intensification lies in the rising percentage of major corruption, referring to cases involving senior officials at or above county/department-level (*xian/ke*) and/or cases involving large amounts of illicit monies² (Ko and Weng, 2011). Wedeman (2004) shows that the number of major cases filed by the disciplinary inspection system jumped from approximately 6 per cent in 1987–8 to more than 30 per cent in 2000. This is echoed by Guo (2008a), who collected 68 major cases investigated between 1978 and 2005 involving senior officials at or above vice-provincial/ministerial level and 526 major cases involving mid-level officials from newspapers. Guo finds that the average amount of money involved in the 68 major cases jumped dramatically from 17,000 yuan in the period of 1978–91, to 2,968,000 yuan in the years of 1991–2000, and further to 3,208,000 between 2001 and 2004. Moreover, the percentage of cases exceeding 1 million yuan has reached as high as 78.6 after 2001. Gong and Wu (2012) also find the average sums of corrupt money substantially high and constantly rising. In their large dataset of 2,802 cases compiled from the *Procuratorial Daily* published between 2000 and 2009, the average illicit money involved in a case is 30,090,000 yuan. At the same time, high-level officials (more than 64 per cent in the sample), especially those at or above bureau-level (*chu, ting, ju*), have become the major group bribed in corruption cases.

Rising Complexity of Corruption

Responding to the changing social environment, corruption has grown more sophisticated and complex ‘in terms of causes, forms, and characteristics’ (Gong, 1997, 2002: 86). This is most manifested in the rise of collective corruption since the 1990s. This type of corruption occurs with groups of officials and government outsiders working in collaboration like organized crimes or mafia (Gong, 2002; Wang, 2014). For example, in the notorious Yuanhua smuggling case investigated in the late 1990s, Lai Changxing, the boss of the smuggling empire in the coastal municipality of Xiamen, suborned the whole custom house in the city and cultivated the support of public security officials, local leaders, banks, and even the local military and also other parts of the country (Shieh, 2006). In another shocking case, the former head of Chongqing public security bureau, Wen Qiang, together with his local policemen, acted as the unlawful protection of the criminal underworld in Chongqing (Wang, P., 2013). The experience of post-communist countries shows that collective corruption is politically destructive due to the infiltration and state capture of corrupt networks (Shieh, 2006).

Statistics also verify the rising complexity of corruption in China. First, corruption has transformed from non-transactional types, such as embezzlement,

misappropriation of funds, and graft, to transactional types, such as bribery, which consists of bribe suppliers and receivers and often more participants than non-transactional types. In Guo's (2008a) databases, bribe-taking and offering cases make up to 82 to 94 per cent. Ko and Weng (2011: 15) also find that 'while embezzlement was the most serious type of corruption before 2005, the number of bribery cases has surpassed the number of embezzlement cases since 2006'. Second, corruption has a longer latency period, indicating more difficulty of detection. As defined by Guo (2008a: 354), 'the latency period refers to the period from the year when a public official commits a corrupt act for the first time to the year when his corruption is discovered'. The average latency period in the 1980s was approximately two years, which extended to around three years in mid-1990s, then approximately six years from 1998 to 2002, and finally to eight years after 2002. The growing latency is, on the one hand, caused by the hiddenness of corruption; on the other hand it is related to the collusion among corrupt officials in collective corruption. Once corruption develops into a collective venture, the participants become close allies protecting each other, making investigation almost impossible. Almost half of the uncovered cases were exposed during investigation of other matters. Once exposed, oftentimes a large network of corrupt organizations is discovered (Guo, 2008a).

Sectors with High Incidence of Corruption

Scholars have also examined the distribution of corruption across sectors. Among the most problematic sectors, government procurement and contracting is ranked the highest in Gong and Wu's dataset (2012), with 731 cases out of 2,802 cases. The high incidence of corruption in this sector is actually an international issue resulting from government service outsourcing, which decreases government top-down control of its hierarchy (Hall, 1999). The second corrupt arena in Gong and Wu's database (2012) is the buying and selling of official positions in government, with 365 cases. The prevalence of buying and selling offices indicates that the reform in the cadre recruitment system, such as the emphasis of competition, transparency, and greater input and supervision from below, has not effectively prevented corruption in the procedure of appointment and promotion of officials in China (Sun, 2004). For example, the head of Heilongjiang provincial organizational department sold offices to various government and public organizations for many years; the office buyers then sold more positions to lower-level officials and staffs. The case shows that power obtained in this way is doomed to be corrupt. This type of corruption transforms public authority into private property and de-institutionalizes the state hierarchy into an agglomeration of private power (Zhu, 2008).

Land, real estate development, and urban planning, with 307 cases, is also ranked very high in the database of Gong and Wu (2012). Corruption in this sector has grown with the fervent urban housing market and the real estate industry since 2000. New government measures can only reduce overt corruption in real

estate industry, while actual corruption adapts to new regulations by transforming into new forms and spills into other functional departments (Zhu, 2012). The severity of corruption in this sector is also verified by real estate firms' high ETC, or public relation fees. Similarly, private firms in mining and agricultural sectors also pay high 'tributes' to government (Zhu and Wu, 2014). These sectors all rely heavily on state-controlled scarce resources, such as land, mines, or bank loans. Land and mines are immobile between localities, which further increases investors' reliance on the local government.

In addition, corruption in judiciary has risen in volume (Gong, 2004; Li, 2011a; Wedeman, 2012). It constitutes a serious challenge for the Chinese government, because judicial corruption directly erodes justice, discriminates against the scrupulous and have-nots 'in a venue of last resort for many', and 'reinforces a sense that rules don't matter' (Manion, 2015: 134–5). The most common type of judicial corruption is bribe taking to influence court judgments. Judges and other judicial personnel may also engage in extortion, soliciting excessive fees, and leaking confidential legal information (Manion, 2015: 134). Wang Yuhua (2013) empirically shows that underfunded courts are more likely to be perceived as corrupt using a national survey of the institutionalization of legal reform in China.

Regional Distribution of Corruption

Chinese corruption also bears some regional characteristics. Relating corruption to the economic reform trajectory, Sun (2004) argues that the dominant patterns and outcomes of corruption across localities horizontally has been synchronized as patterns across reform periods. Marketized-forms, of corruption in the reform era are more dominant in economically developed regions, whereas corruption in the forms of the socialist era are more prominent in underdeveloped and inland regions. In particular, major organized smuggling cases have been mainly produced in coastal regions, such as Guangdong, Guangxi, Hainan, and Fujian. Corruption is also more endemic in the custom house in those regions. By contrast, under-developed regions are extorted more by poverty-derived schemes, such as misappropriation of government aid, selling offices, and organized tax fraud (Sun, 2004: 120). Focusing on natural endowment in different geographical localities, Zhan (2015) finds that state employees in regions economically depending on natural resources have higher propensity for corruption. Finally, contrary to the common belief that economic integration internationally reduces corruption, Zhu (2016) shows that provinces with more multinational corporations are strongly associated with more corruption in China.

Reflection of Different Corruption Measurements

Each of the measurements in existing studies has its own pros and cons. The data released in government yearbooks and newspapers come from reliable sources.

However, two gaps exist in these data. The first is the ‘hiddenness gap’, which is the difference between the actual corruption and what has been uncovered. The second is a ‘sensitive gap’, which is the difference between the found out and the information disclosed by the government for public access (Guo, 2008a). Therefore, officially released corruption cases may be several years delayed from the year when they originally occurred, and be only the tip of an iceberg of the actual corruption. As discussed in the cross-national studies, ‘the cases and convictions may not be measuring corruption itself but rather a mixed reflection of true corruption and the efficacy of enforcement, unless anticorruption efforts are equal across provinces – an unrealistic assumption’ (Li, 2016: 28). In other words, it is inherently difficult to untangle corruption from anticorruption endeavors in the data published in the statistical yearbooks and newspapers. A potential direction for future research is to trace the exact year that an official engaged in each corrupt act to more accurately identify the trend of corruption over time, instead of simply tallying the cases based on the year an official was uncovered for corruption. For a tentative experiment, I collected a small dataset of all the publicized Supreme People’s Court verdicts of corruption cases from the Peking University Law Database (www.pkulaw.cn). I gathered 74 cases from 1983 to 2012. Figure 14.2 shows that the peak of being arrested for corruption approximately lags behind committing corruption by three or more years. This means if we simply look at enforcement data, we may conclude that corruption significantly

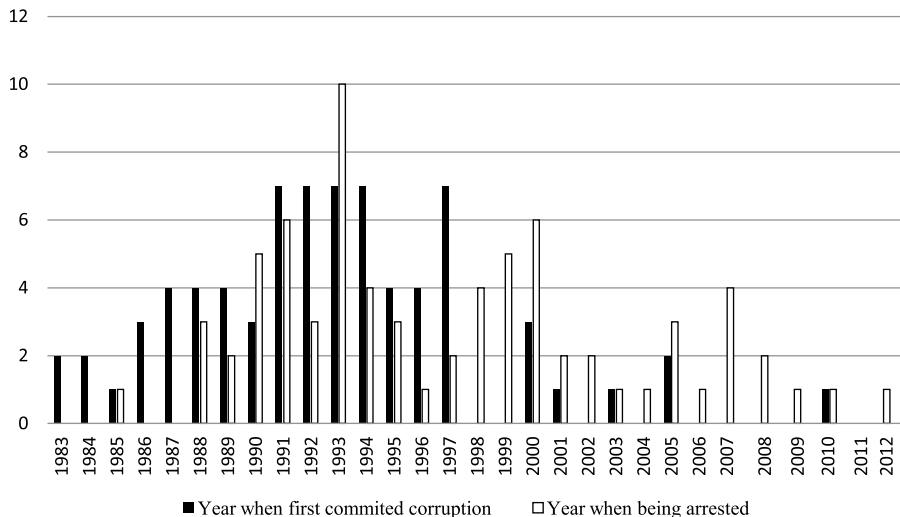


Figure 14.2 The Supreme People’s Courts’ verdicts of corruption cases, 1983–2012

Source: Peking University Law Information Website (*beida fawang*) www.pkulaw.cn

Note: The black bars are based on the years when an official first committed corruption and the white bars are based on the years when an official was arrested for corruption

intensified after 1993, but the worsening trend actually started to reveal itself from as early as 1987. Larger datasets may illustrate more information.

There are also concerns about survey data. Surveys of perceptions are problematic mainly because respondents' perceptions of corruption can be influenced by a series of factors, such as familiarity with the subject, media environment, and personal bias (Zhu, Lu, and Shi, 2013). For instance, Ni and Sun (2015) find that when a government fights corruption intensively during campaigns, ordinary people tend to perceive more corruption of local governments instead of less. Yu (2008) also finds inconsistency of corruption perceptions across East Asian countries using different surveys. Besides, 'answers based on the personal experience of the respondents can introduce social desirability bias, especially if they have been directly involved in corrupt transactions' (Li, 2016: 25). Firm-level surveys are usually data collected directly from accounting books, which are supposed to be objective in comparison to the subjective perception surveys. 'The problem is that the ETC reported by firms includes legitimate business travel and other routine expenses in addition to bribery and managerial excess, [and] it is often difficult to differentiate one from the other' (Li, 2016: 29). Therefore, researchers need to explore alternative measures of corruption to double check the robustness of their findings. Although perfect measures do not exist, scholars may innovatively use proxies to control levels of corruption, or anticorruption endeavors, or actors' roles in corrupt acts, to alleviate concerns of internal and external validity of the measurements.

In general, based on statistics and case studies, it seems ordinary corruption, such as petty corruption, non-transactional types of corruption, and individual or small group corruption, has declined since the mid to late 1990s. However, high-profile cases, including senior officials, large sums of money, and collective corruption, have accounted for a higher percentage. Complex corrupt networks have also infiltrated into several sectors, such as the real estate industry and cadre recruitment and promotion process, that are crucial for national economic and political survival.

WHAT ARE THE CAUSES AND CONSEQUENCES OF CORRUPTION? A MULTIDISCIPLINARY ANALYSIS

Scholars have explored causes and consequences of corruption in China with different but not mutually exclusive perspectives. I focus on the political, economic, legal, and cultural perspectives in the following analysis.

The Political Institutional Perspective

The literature regarding the relationship between political institutions and corruption in China shows that the lack of democratic components to monitor centralized

power, the complex hierarchical structure, and the prevalence of informal politics in China together have led to the emergence and intensification of corruption in China. Treisman (2000) argues that democratic countries have continuously been perceived as less corrupt than nondemocratic countries. Elements in liberal democracies, such as competitive elections, government accountability, transparency, and media supervision, can help prevent corruption (Brunetti and Beatrice, 2003; Treisman, 2007; Schmidt, 2015). By contrast, China lacks these accountable institutions and power is rather concentrated, which tends to exacerbate corruption in different arenas (Rose-Ackerman, 1978). Especially during officials' appointment and promotion, power is generally controlled by the party generalists. Officials who are selected by the top few leaders in each administrative jurisdiction are not overseen by the general public (Gong, 2006). This institutional deficiency directly offers room for buying and selling offices in a systematic manner within government (Sun, 2004; Zhu, 2008; Pei, 2016).

In addition, inherently embedded in bureaucracies, regardless of political regimes, is the 'agency problem', which occurs whenever the goals of the principals and the agents are inconsistent, and agents intend to engage in willful disobedience if the superiors fail to monitor effectively (Klitgaard, 1988). The multilayered Chinese state structure, which consists of five levels of hierarchical dyadic principal-agent relationships, has magnified the problem (Wedeman, 2003). The center has difficulties distinguishing whether local officials' disobedience results from honest mistakes caused by contamination during order transmission or willful disobedience. Thus, the complexity of the linkages between center and locality shields disobedient officials, leading to persistent corruption and institutional malfeasance (Wedeman, 2003). Moreover, with power decentralization during the economic reform (Mertha, 2005; Landry, 2008), local government leaders play the dual roles of economic principals and state political agents (Gong, 2006). The 'double identity' gives them discretion to manage resources in pursuits of assigned objectives without much oversight from the central government. Seeing the expanding authorities and resources possessed by local officials, government outsiders lure officials to betray their principle-agent relationship, which further fuels the agency problem and corruption (Walder, 1991).

Finally, the prevalent informal politics in China reinforces corruption. Without constitutional guarantees, neither legal systems nor a moral order can fully regulate politicians' behaviors in China. Thus, many Chinese officials join in patron-client relationships for career security and advancement (Pye, 1995; Huang, 2000). Dittmer and Yu (1995) argue that clientelist relations have at least three dimensions: 'shared attributes, hierarchy, and reciprocity. Reciprocity is the goal, hierarchy the form, and shared attributes the glue'. Members of patron-client networks seek power, positions, and wealth (Nathan and Tsai, 1995). Thus, the informal relationship is sustained by mutual exchanges which may involve clients offering bribes to patrons and patrons covering up for subordinates' corruption. The hierarchical structure of the state further complicates the patron-client

relationships into multiple layers. Liu (1983) discusses a number of corruption cases that were facilitated by a series of patron–client relations from national to local level. Hence, Roth and LeVine argued that ‘personal rulership’ and ‘informal politics’ are important contributors to widespread corruption (Roth, 1968; LeVine, 1975).

Many of these political institutional deficiencies originate from ‘organizational involution’ as defined by Lü Xiaobo (2000). In particular, the CCP, as a revolutionary party, ‘refuses and fails to adapt itself to the routinization and bureaucratization that characterize modern bureaucracy while adopting modern structures; at the same time, it is unable to maintain its original distinctive competence and identity’ during reform (Lü, 2000: 22). In many ways, the very structure of the CCP means it is next to impossible to fully mitigate against corrupt practices.

The Economic Perspective

A robust finding in cross-country studies is that less corruption correlates closely with higher economic development (Triesman, 2007). By contrast, countries that are economically less developed or undergoing dramatic transitions tend to have higher levels of corruption. Therefore, scholars who relate the intensification of corruption in China with the economic reform, also seek the surge of corruption from the political-economic order preceding the economic reform. For instance, Hao and Johnston (1995) argue that the system under Mao, built on a revolutionary ideology, personal leadership, and party-state dominance, lacked a number of critical boundaries differentiating between the public and private domains, individual and collective rights and interests, politics and administration, among market, command-based, and patrimonial mechanisms of allocation, and between state and society. ‘As a result, once the reform transition began, China was unable to contain either market forces or official exploitation’ (Hao and Johnston, 1995: 83).

In the 1980s, the economic decentralization, dual-price system, and the development of private economy suddenly increased both opportunities and incentives for corruption (Hao and Johnston, 1995), which made the spread of corruption almost an inevitable result (Gong, 1994). In the second phase of reform after 1992, the state further liberalized the prices and carried out reforms in taxation, banking, and housing sectors. The source of profits shifted toward public investment projects. To win these projects, local governments, state firms, and public organizations bribed central and provincial governments. State intervention during privatization and marketization of allocation of scarce resources, such as the SOEs, bank loans, land, and major construction projects, also greatly encouraged bribery to seek political connections and favoritism (Manion, 2004; Sun, 2004; Pei, 2016). Essentially, the semi-reformed economy with neo-Leninist one-party authoritarianism bred the collusion between ‘unchecked power and illicit wealth’ (Pei, 2006: 32).

While being a dynamic consequence of economic reform (Guo, 2008b), corruption has also played a role in the reform. In the early stage of the reform, certain forms of transactive corruption and local governments' rent-seeking behaviors are argued to actually help break the rigidities of the central plan system and fostered marketization (Wedeman, 2003; Sun, 2004). To some extent, corruption, opportunities for personal profit, threat of punishment, and selective tolerance of corruption indeed served as an implicit compensation for local officials and a useful tool to induce cadres to support economic reform so as to achieve party objectives (Oi, 1995, 1998; Walder, 1995; Duckett, 1996, 2001; Fan and Grossman, 2001). However, in the long run, negative effects of corruption would manifest themselves, hindering implementation of economic policies, causing social instabilities, such as the 1989 democratic movement, economic inefficiency, and income disparity (Root, 1996; Sun, 2004; Wu and Zhu, 2011).

Despite corruption's undeniable damages, the Chinese economy seems to have flourished as corruption worsened, a phenomenon that has aroused wide research interest (e.g. Svensson, 2005). Andrew Wedeman (2012) further argues that corruption in China is different from the developmental model in countries like Japan and South Korea, but bears a stronger resemblance to the predatory corruption. Thus, the coincidence of high economic growth rates and high levels of corruption forms a more puzzling 'double paradox'. According to him, three reasons explain the paradox: first, corruption intensified after the early stage of reform, rather than existing beforehand as a barrier to reform; second, officials mainly cashed in on new values from the commodification of previously undervalued resources after they were transferred from the state to the market; third, the state anticorruption programs, though imperfect, have prevented corruption from spinning out of control (Wedeman, 2012: 8). Scholars have also linked to the formal and informal institutions that may help increase predictability of the corruption regime to explain the coexistence of corruption and economic growth in China (Wang, 2014; Zhu and Zhang, 2016).

The Legal Perspective

Corruption in the reform era also results from the deficiencies of the legal system. Although corruption is criminalized in China, law and judiciary have hardly constituted a safety net for clean governance (Wang, 2014a). First, legislation on corruption in criminal law lags behind the rising complexity of corruption in China, resulting in no law to follow in controlling corruption. For instance, government officials often made use of the vacuum in law and regulations to acquire personal gains in the 1980s and 1990s. Xiao Yang, the former President of the Supreme Court of China, made a metaphor describing these people like 'oil mice, coal mice, grain mice, housing mice, and stock mice' stealing from states along every step in economic reform (Xiao, 2009:94). Only in 2006 was the Civil Servant Law enacted, whereas China's parliament, the

National People's Congress (NPC), has never proposed drafting a systematic anticorruption law onto its agenda. Legal protection of private property is also weak, due to the ambiguous ownership definition and clashing principles on public and private property in legislations. Thus, private owners are forced to look for extra-legal protection through corrupt means (Wang, 2014a).

Judiciary's capacity to contain corruption is further undermined by non-professionalism. In the 1990s, 90 per cent of Chinese judges and prosecutors were former military members who never received legal training. Although the quality of court staff has improved since 2002, the shortage of legal professionals is still serious in most local courts (Wang, 2014b). Courts themselves are also subjected to rampant corruption, as mentioned previously. From 2001 to 2011, 58 judges from 18 provincial high courts were reportedly investigated for corruption (Li, 2011a).

The CCP's leadership over the court also weakens legal effectiveness in combatting corruption (Gong, 2004; Manion, 2004; Pei, 2006). At the national level, the lower rank of the Supreme People's Court's head than the NPC chairman shows that 'judiciary is not so important in the personnel and mission mapping of the party' (He, 2012: 11). Courts' leaders are ultimately appointed by party committees at their respective administrative levels. Some party leaders have become so used to party committee approval that they deem themselves more authoritative than legal organs in anticorruption procedure. They interfere in case filing, investigation, and decision making, give instructions, set perimeters, demand procuratorates to handle cases according to their preferences, and reprimand procurators who follow the law and deviate from political instructions (Xiao, 2009: 135).

The party disciplines and disciplinary inspection committees (DICs) generally precede the law and procuratorates in anticorruption process. Legal principles, such as presumption of innocence, are absent in DIC's handling of corrupt officials. At the same time, the criminal process is substituted by the Party's internal disciplinary mechanisms such as *shuangkai* (revoking party membership and official posts) or *shuanggui* (detaining members for questioning for a given time and place), which are opaque and prone to exempting corrupt officials from legal conviction (Lewis, 2012: 341). The role of law is further marginalized during anticorruption campaigns. 'Anticorruption campaign is an integral part of a larger political rectification campaign for unification of the Party under new leadership'. Under this mission, which has 'taken place in the political stratosphere', fixed law is not only unhelpful, but is ill-fitted (Fu, 2015: 149). In addition, DICs are highly selective when handling corruption cases. Corruption may be tolerated as an exchange for political support, an incentive for local officials to carry out economic reform, or due to the concerns of local economic development and corrupt officials' political connections (Guo, 2014: 616; Sapio, 2005). Thus, the paucity, marginalization, and manipulation of law and regulations form another cause of serious corruption in China.

The Cultural Perspective

The socio-political culture constitutes the foundation buttressing the pillars of a national integrity system, together with politics and economy (Transparency International, 2016). Socio-political culture consists of a shared set of values promoting common goals or purposes, which;

inform political dealings, from voting patterns to paying bribes for building permits. An actor operating on shared assumptions will be viewed as legitimate in the political order and rewarded accordingly. Conversely, an outsider with different views on the nature of political relationships and behaviors, and who privileges different activities in pursuit of different goals, will be seen as deviant and in violation of the culture

(Keliher and Wu, 2016: 17). Thus, political culture is essential in understanding state governance and important for any political institutions to function smoothly.

Especially relevant to corruption are two subcultures: the political culture within officialdom (*guangchang wenhua*) and the social culture in the larger society (*shehui wenhua*). For the first, Gong and Xiao (2017) argue that corruption behavior of Chinese officials is not an individual conduct, but an organizational activity derived from the organization field of Chinese bureaucracy, in which the vertical and horizontal institutional relationships of the bureau system creates coercive push factors and mimetic pull factors, while normative pressure jointly forms isomorphic pressures of position-related corruption. For the social culture, comparisons between Hong Kong and mainland China show that the social norm can affect individuals' tolerance of corruption (Gong and Wang, 2012). Moreover, the two subcultures are correlated and mutually reinforcing.

The political culture within officialdom is embedded in the larger social culture, in which *guanxi*, or personal connections or network, has been an unavoidable topic in the analyses of Chinese corruption. The importance of *guanxi* is deeply rooted in the Confucian hierarchical society, where 'the foundation of social order is not the law but the stability of social relations built on individuals' fulfillment of their roles' (Yu, 2008: 170). In the reform era, the utilization of *guanxi* results from the prohibitively high transaction costs created by the legal barrier, and the gaps in formal institutions caused by the incomplete market reform (Li, 2011b; Zhan, 2012). Although scholarly definitions of *guanxi* differ, it is generally agreed that *guanxi* features reciprocity, utilitarianism, transferability, and intangibility (Fan, 2002; Li, 2011b; Jiang et al., 2012). Therefore, *guanxi* is more or less unethical because it 'helps' individuals to prevail by calling on others for a favor or service (Wong, 2010), and it is sustained by profitable mutual exchange (Vogel, 1965). The culture of *guanxi* facilitates corruption through 'promoting effective and safe communication between different parties of corruption, ensuring exchange between transaction partners, and neutralizing people's guilt about committing corrupt acts' by adding a veil of an affective relationship or '*renqing*' upon the exchange (Wang, 2016: 18; Li, 2011b; Zhan, 2012).

The political culture of the officialdom, while being embedded in the *guanxi* culture, in turn fosters the social belief in corruption. Manion (1996) shows that the prevalence of officials' corruption behaviors could shape public expectations and encourage more bribery to officials. The perceived level of government corruption can also exert an impact on people's 'psychological cost of shame, guilt, or victimization for those involved in corruption, regardless of whether the participant is a briber or bribee or is participating willingly or forcibly' (Wu and Zhu, 2016: 1142).

Despite the socio-political culture susceptible to corruption, optimistic views still exist. For instance, Zhang and Keh (2010) argue that *guanxi* will eventually erode and give rise to contractual governance under several concrete forces, including the Chinese government's efforts in building legal infrastructure and market-economy institutions, more interaction between domestic firms and foreign enterprises during further integration to the global economy, and the self-destructive effects of *guanxi*, such as taking advantage of acquaintances.

HOW HAS THE CHINESE GOVERNMENT FOUGHT CORRUPTION? XI JINPING'S CAMPAIGN AND ITS PRECEDENTS

The Chinese government has fought corruption, and public demand on anticorruption has been high, especially among those with low incomes (Li, Gong, and Xiao, 2016). As mentioned previously, the CDIC and its local DICs in the party lead the anticorruption work, supplemented by the Ministry of Supervision and the procuratorate. The DICs enforce party disciplines, and monitor and punish corruption and various wrongdoings of party members (Guo, 2014). The state has implemented routine anticorruption measures, such as audits of the government official departures and performance reviews of the disciplinary departments, for basic corruption surveillance. In addition, the party center periodically launches campaign-style enforcement to temporarily crack down on corruption, resulting in short-term increases in investigations and prosecutions for corruption (Manion, 2004; Wedeman, 2004).

China has seen at least six major anticorruption campaigns since 1982 (Manion, 2016). The anticorruption campaign launched by Xi Jinping is the most recent one. Scholars have noticed significant differences between the most recent campaign and previous ones. First, Xi's campaign is clearly of a larger scale in multiple quantitative terms. As for duration, the campaign under Xi has lasted much longer than those in the past (Wedeman, 2015; Zhu, Zhang, and Liu, 2016). It started right after Xi assumed the post of CCP General Secretary at the end of 2012 and has shown no sign of conclusion by 2016, whereas previous campaigns usually only lasted for a few months. Moreover, in the past four years, enforcement intensity of the campaign has not abated but rather been substantially augmented in the rising number of cases investigated and intermittent crackdowns of

senior officials. Given the continuous intensity, Manion (2016) remarked that the newest campaign may be just the new normal in China, instead of a campaign. In addition, a tremendous amount of public attention has been diverted towards Xi's campaign. Ever since its inception, extensive reports by domestic, international, traditional, and new media outlets have been dedicated to party leaders' speeches pledging to fight corruption, breaking news of the apprehending of senior officials, and breathtaking revelations of officials' venality (Manion, 2016: 7). The CDIC has also established its own website and social media apps to publicize timely anticorruption accomplishments. Finally, the number of investigations conducted by the CDIC and its subordinate branches during Xi's campaign has far surpassed any of the previous ones. Figure 14.3 shows a steady increase in the number of cases completed and individuals punished by the DICs across the country from 2013 to 2015. The amount of illicit monies uncovered has also kept soaring and outnumbered that of the past campaigns. The CDIC had recovered a total amount of 38.7 billion RMB loss for the country by June 2015.³

More importantly, Xi's anticorruption campaign stands out in several qualitative aspects compared with those under his predecessors. Wedeman (2017) argues that Xi intends to attack corruption within the party and state by the particular means of breaking down collective corrupt kingdoms established by high-ranking officials at the national level, such as former Standing Committee member Zhou Yongkang, close advisor and protégé of Hu Jintao, Ling Jihua, and former member of the Central Military Commission, General Guo Boxiong, which have developed into an eminent threat to the central government only in the last decade. Consequently, a prominent feature of this campaign is the heavy attack on high-profile corruption committed by 'big tigers', or senior officials at or above provincial and ministerial levels, along with an unrelenting crackdown

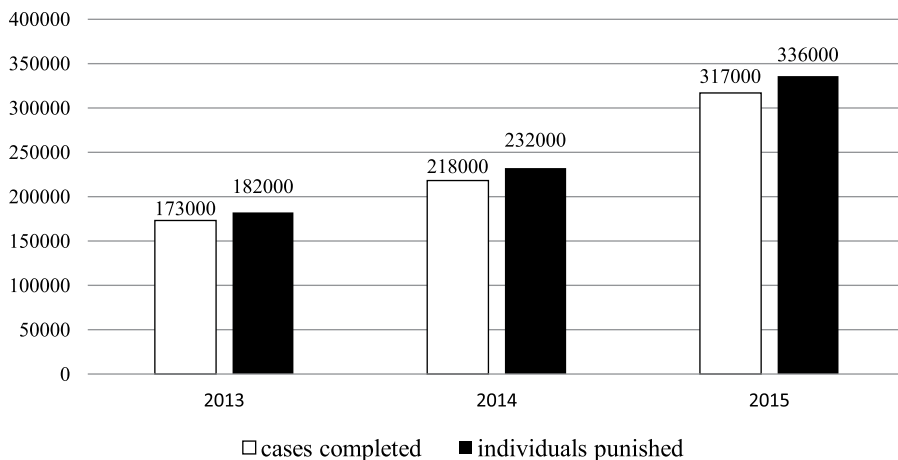


Figure 14.3 Corruption investigation by the DICs, 2013–2015

Data Sources: The CDIC, http://www.ccdi.gov.cn/xxgk/hyzt/201601/t20160126_73506.html

on lower-level corrupt officials, or the flies. From November 2012 to the end of 2015, 161 officials at or above provincial/ministerial level had been arrested, and 1,214 officials at bureau level (*ting*) had been arrested.⁴ In comparison, during the 20 years 1993–2012, only 151 provincial/ministerial level officials were arrested for corruption in total.⁵ In addition, the scope of targeted officials of higher ranks has visibly expanded throughout the latest campaign. Among the fallen big tigers by the end of 2015, 21 were from central party and government departments, 80 were former governors, 13 were executives of large central-level state-owned enterprises (SOEs), and 47 were important figures in the military.⁶

Another qualitative distinction of Xi's campaign is its disruptive impact on existing anticorruption institutions (Manion, 2016). Several new measures adopted under Wang Qishan's leadership of the CDIC have considerably enhanced CDIC's vertical leadership over its local branches. For instance, 'the CDIC created two bodies, an Organization Department and a Propaganda Department, to strengthen the overall personnel control and educational functions that are separate from, and independent of, the party committee' (Fu, 2015: 141). Specifically, 'investigations of corruption would no longer require approval of the party committee at the same level, but instead are initiated from above, by approval of the immediately superior DIC. Authority to nominate and vet (for appointment to office) DIC heads and deputy heads is now vested in the immediately superior DICs and organization department' (Manion, 2016: 8). Local DICs can, therefore, break the yokes of local party committees and now listen directly to their higher counterparts. The central circuit inspection teams have also been rejuvenated by increasing the number of teams, the pace of inspections, and regulations for team members (Yeo, 2016). All the measures are supposed to strengthen 'the party's unified leadership in anticorruption work' (Manion, 2016: 8).

CONCLUSION

In this chapter, I posed four questions about corruption in China. Generally, Chinese corruption is broadly defined in both law and party/administrative regulations, which shows government's serious intent to control the problem. However, the overlapping jurisdictions of multiple anticorruption organizations in practice can result in multiple standards in judging and punishing corruption, and even exemption from corruption. The formal and informal institutions in political, economic, and cultural arenas have also provided a fertile breeding ground for corruption in China. Thus, Chinese corruption in the reform era has varied in formats, spread across regions and sectors, and intensified in quality. As the study on Chinese corruption develops, at least three areas are of particular importance.

First, scant research exists on how to combat corruption in China. Most approaches employed to improve governance have produced either disappointing results or only short-term effectiveness. Several new policy tools implemented by

the Xi Jinping administration await further assessment. Comparisons between China and other places in the world may help evaluate the possibility of applying others' successful experience to enhance accountability in China. Countries with similar political-economic systems currently or historically are especially worth studying. In addition, China has also more actively looked for international cooperation to fight cross-border corruption; however, systematic research in this arena is in shortage.

Second, identifying reliable measurements of corruption would greatly facilitate the studies of corruption in China, especially for topics such as estimating the causes and consequences of corruption, and explaining the coexistence of corruption and high economic growth in China. Findings on these issues would help bridge research on Chinese corruption to the theoretical debates on corruption in general. In comparison to the early years, research in the recent decade has found more ways to quantify corruption and enriched our understanding of the phenomenon. However, drawbacks still exist in different measurements. Future research may borrow ideas from cross-country studies to innovate new means to gauge corruption more accurately.

Finally, while analyses of macro institutional conditions conducive to corruption are fruitful, micro literature of how corruption actually occurs, such as the formation of corrupt partnerships, the negotiation of bribes, and struggles against anticorruption investigations, is rare. As more government documents of corruption investigations and court verdicts of corruption cases are revealed, it should be possible to lessen this mismatch between macro and micro evidence on corruption in China.

Notes

- 1 Countries frequently getting similar CPI scores with China include Mexico, Egypt, Brazil, Colombia, El Salvador, India, and Peru.
- 2 Before 1997, major corruption cases were those of embezzlement or bribery involving more than 10,000 yuan or misappropriation involving more than 50,000 yuan. The 1997 CCL increased the bar to 50,000 yuan for embezzlement or bribery cases and 100,000 yuan for misappropriation cases (Ko and Weng, 2012).
- 3 http://finance.ifeng.com/a/20150730/13877063_0.shtml
- 4 http://finance.ifeng.com/a/20150730/13877063_0.shtml
- 5 <http://news.qq.com/zt2014/20ffdata/index.htm>
- 6 http://finance.ifeng.com/a/20150730/13877063_0.shtml

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Campaigns in Politics: From Revolution to Problem Solving

Zhengxu Wang

INTRODUCTION

It is not an exaggeration that the history of Maoist China was the history of political campaigns. One can easily name a long list – the Anti-Rightist Campaign, the Socialist Education Campaign, the Four-Clear Campaign, the Great Leap Forward, and the Cultural Revolution. With the end of the Cultural Revolution (1966–1976), Deng Xiaoping in the late 1970s steered China toward pragmatic pursuits of economic and social modernization. The Party’s plenum in 1978, indeed, declared that China was to concentrate on economic development and forgo class struggles and political campaigns. Yet, up until today, campaigns remain alive in the affairs of the party-state and its agents at various levels. Compared with the revolutionary and the Maoist eras, campaigns now appear in very different forms.

Within this broad understanding, this chapter examines how campaigns have evolved in China’s governance and political system, how they operate and what purposes they are meant to serve, and what implications and impacts they have on the overall political system. In providing a critical review of campaigns as existing in contemporary Chinese politics, this chapter relies on academic literature as well as a good body of research conducted by Chinese scholars. A brief first-hand account will show how campaigns work at the local state level. Eventually, the chapter shows campaign as a space in which state building, governance, bureaucratic politics, and the Party’s hegemony are constantly played out, improvised, and reproduced. It concludes by pointing to the theoretical promises campaign presents to the new generation of researchers.

FROM REVOLUTION TO GOVERNANCE

The analysis must first ascertain the actual meanings and usages of the term ‘campaign’ in different historical and political contexts. A campaign is very different during the Revolutionary (1921–1949) and Maoist (1949–1976) eras compared to the contemporary, post-1978 period. Arguably, the Chinese Revolution itself, dated from the founding of the Chinese Communist Party in 1921 and through the death of Mao Zedong in 1976, can be viewed as the largest and most sweeping political campaign in modern China’s history, but this stretches the concept too much. In fact, the ‘campaign’ under examination in this chapter is most commonly known in Chinese as a ‘movement’. Instead of in its original, military sense – *zhanyi* (战役)¹ – campaigns are most commonly called a *yundong* (运动) as in ‘political movement’ (*zhengzhi yundong*) and ‘social movement’ (*shehui yundong*). It is nevertheless ironic that during the revolutionary and war time, the Chinese Communist Party referred to campaigns as social and political movements, while during the contemporary period of supposedly normal governance (post-1978), campaigns are more often referred to as *zhanyi* – as battles fought to tackle challenging issues in governance. This change of term represents the most fundamental transformation of campaigns as a tool of the Party and the state – during the revolutionary era, they were more about mobilization of the mass into politics, while in recent decades they operate as government actions to achieve results in a decisive, battle-fighting manner. Tracking down this major transformation of campaigns from revolutionary movements to governance actions will form the overarching theme of this chapter.

The endless ideological and political campaigns of the Cultural Revolution era plagued the Party and the country with devastating political and social chaos. At its wake, the Party’s reformist leadership under Deng Xiaoping explicitly removed political campaign from the Party’s tool box in the 1980s.² Since then, the government may from time to time mobilize the mass (群众 *qunzhong*) of a certain sector, city, or neighbourhood, but political campaigns in the Maoist style have basically ceased to exist. Campaign-style governance operations, however, are still frequently and widely employed. Often referred to as actions (*xindong* 行动), they were represented most notably in the early 1980s by the *Yanda Xindong* (striking-hard action), a nation-wide crackdown on crimes. As a response to the rising criminal activities as early economic reform was underway and the Maoist societal control loosened up, *Yanda* was a forceful act on the part of the legal enforcement establishment of the regime, known as the Police–Procuratorate–Court troika (公检法 *gongjianfa*).³ The mass ceased to be directly mobilized in support of or to participate in such ‘actions’. Indeed, during that early post-Mao period, the rejection of mass-mobilization and therefore mass participation in the state’s political tasks, such as crime fighting and curbing corruption, generated more than a dose of nostalgia for the Maoist style campaigns, which some local people believed would have helped with producing better results.⁴

Into the 21st century, one sees fewer nation-wide, *yanda*-style campaigns. To be sure, a local state may mobilize the public, business, and various social groups at its locality toward certain tasks, such as campaigning for the award of an honorary title for the city.⁵ As such, mobilization spanning across all sectors and groups in one locality may still take place. They were, nonetheless, rarely charged with the political zeal of the mass campaigns in the Maoist sense. Between 2007 and 2011, a very ambitious local patriarch by the name of Bo Xilai (薄熙来) engineered a formidable mass campaign in the city of Chongqing, as part of his bid to obtain a seat in the Party's top leadership body, the Politburo Standing Committee. In the 'singred' part of his campaign (the other part being 'attack-black'), as it was called, large numbers of city residents would gather to sing Maoist revolutionary songs at public squares and other venues, and the City organized such singing events in the tens of thousands in stadiums. This Chongqing case will be examined again below, but in general, into the 21st century, campaigns more and more evolve toward specially focused tasks aiming to solve burning issues in social and economic governance.

Officially, they are known as special-task governance actions (专项治理行动 *zhuanxiang zhili xingdong*), but academics and journalists have called them 'campaign-style governance' (运动式治理 *yundongshi zhili*). To indicate the seriousness, swiftness, and forcefulness of government response to a certain issue, the government sometimes refers to them as a 'campaign' in the military sense (*zhanyi*, or battles). And a campaign organized by the state, or a local state, may include a number of *zhanyi*, responding to the various aspects or dimensions of the issue in question. According to Yang's categorization,⁶ campaigns range across six areas, i.e. law and order (e.g., cracking down on crimes), regulation (food safety, industrial safety, financial crimes, etc.), ecological/environmental protection, political construction (party building, political studies, etc.), cultural construction (education, publishing, health and sports, etc.), and economic construction (e.g., attracting investment). In any case, from a tool of (revolutionary) mass mobilization, campaigns have transformed into a method that the national and local state frequently resort to in order to tackle burning governance issues.

REVOLUTIONARY ORIGINS

The Chinese Communist Party rose first as both an intellectual and a social *movement* (*yundong*). The New Cultural Movement in the early 20th century enabled the various political persuasions to spread around China, including Marxism, socialism, and communism. Amidst this fomenting environment, Communist actions emerged in the wake of the 1919 May 4th Movement.⁷ As a social movement, the Party first organized industrial workers in places such as Shanghai (上海), Changsha (长沙), Wuhan (武汉), and Zhengzhou (郑州), and mining towns such as Anyuan of Jiangxi

Province (安源).⁸ The mobilization of the urban industrial class showed the Party as a newcomer in the international Communist movement, following the European forerunners in implementing the Marx-inspired struggle for a new socio-political system. But revolutionaries with local insights were quick to discover the more powerful revolutionary force in China, the peasantry. Party activists moved to the countryside to organize peasants in their struggles against the landowning rural elite. In Guangdong (广东), Party activists formed schools to educate peasant activists, helping to turn the peasant riots into a revolutionary movement. In Hunan (湖南), the genius young intellectual-revolutionary Mao Zedong saw the power of the peasants, and argued forcefully in front of the Party leadership that the revolution can, and can only, succeed with the mobilization of the peasants.⁹ From here the Chinese revolution took a path that was decidedly different from the (European) Communist orthodoxy – the vanguard of the revolution, i.e. the Party, would go on to lead a revolutionary force mainly formed not with industrial proletariats, but with landless peasants.¹⁰ As if to prove Mao's correctness, soon after, in the urban centres, the Party was hunted down by the KMT government, and had to forgo its labour project and struggled to carve out small plots of safe havens in the countryside and the mountains. In these revolutionary bases, as they were known, the Party engaged in the mobilization of peasants to support the revolutionary regime, mostly through its land reform policies.¹¹ Ever since this period, the Party has never moved from the Maoist belief in the power the mobilized masses possess.

Having been accepted by the ruling KMT as an ally for the resistance of Japanese invasion, during the Yan'an era (1936–1946), the Party enjoyed a relatively secure political environment. This provided the Party with the opportunity to rationalize its organization and formalize its ideology. This relatively stable period also witnessed two major campaigns, i.e. the Big Production Campaign (*dashengchan yundong* 大生产运动) and the Rectification Campaign (*zhengfeng yundong* 整风运动). The Big Production Campaign took place when the economic situations turned strenuous in the Party's base in northwest China's Yan'an. Japanese forces had occupied the eastern part of northern China, cutting off the Communist region's access to economic supplies. The Campaign mobilized party cadres, the mass, and the party's non-fighting troops into all kind of productive activities. These included mostly farming and manual textile manufacturing, but also industrial manufacturing allowed by the available technologies, such as soap making, to supply food, clothing, and other living subsistence for the revolutionary base area as well as the Party's troops. Mao famously wrote the campaign slogan as 'Do It Ourselves, We Will Be Bountiful' (自己动手, 丰衣足食 *ziji dongshou, fengyi zushi*), a slogan that has since been the symbol for economic independence through self-reliance.¹² Until today, images of Mao and other Party leaders working the cotton cord wheel still remind people of the commitment of the mass, all party members, and troops in productive activities during that campaign.¹³

The Big Production was about mobilization of all people in the revolutionary base. The Rectification Campaign, on the other hand, was completely the Party's

internal affair.¹⁴ It is one of the most studied incidents of the pre-1949 history of the Party.¹⁵ What is relevant here is the Party's systematic effort to indoctrinate its rank and file with a unified set of ideas, thinking, and beliefs. The methods included attending leaders' talks and speeches, study sessions, confessions, and criticism and self-criticism. The less pleasant methods saw some people suffering isolation, forced confession, and tortures. The results were decisive – through the Rectification Campaign, the Party achieved a unity unseen in the past, and Mao's status as the Party's indisputable leader was formed. The Campaign lasted three years, from 1942 to 1944, and by the end of it, the Party was ready to take up the next challenge, i.e. to compete with the KMT for dominance in the country.

The two events, both known as *yundong*, in fact represented the two drastically different types of campaigns in the Party's tool box – the first speaks to the Party's sweeping ability in mobilizing the mass and charging it with revolutionary zeal. Such a campaign, as would again be witnessed in the Great Leap Forward and the Red Guards campaigns, is to mobilize a large number of the mass, to devise and manufacture a political discourse that impassions the public, and to politicize social and economic life, often to the extremes. The second type of campaigns, by contrast, formed the Party's toughest organizational and disciplining strength in ensuring top-down command and party unity. In such a campaign, the Party would reach the deep heart of every member, removing his/her 'erroneous' thinking and planting 'correct' thinking. In many such campaigns, the Party would weed out the unreliable, unacceptable members from its rank and file as well.

EVOLUTION AND VARIATIONS

The clear success the Party harvested from these two Yan'an campaigns probably led to its over-confidence in campaign as an organizational and political method. They must have become a critical part of the Party's formative experience, leading to the Party's dependence on or even obsession with campaigns in its latter history. After the Party started to rule the new Republic, campaigns of both types were very frequently employed to tackle political, governance, and party issues. The campaigns run by the Party between 1949 and 1978 fell into either of these two categories:

Type 1, Mass-mobilization Campaigns:

Land Reform (1947–1952); Campaign to Suppress Counterrevolutionaries (镇反 *zhenfan* 1950–1953); Three-Anti/Five-Anti Campaigns (三反五反, *sanfan wufan*); Withdrawal from the Sects Movement (退道运动, *tuidao yundong*, 1951–1953); Hundred Flowers Campaign (百花运动, *baihua yundong*, 1956–1957); Anti-Rightist Movement (反右运动, *fanyou yundong*, 1957–1959); Great Leap Forward (1958–1960); Eliminating the Four Pests (除四害运动, *chusihai yundong*, 1958–62); Socialist Education Movement (社会主义教育运动,

shehuizhuyi jiaoyu yundong, 1963–1966); Learn from Comrade Lei Feng Movement (向雷锋同志学习运动, *xiang Lei Feng tongzhi xuexi yundong*, 1963); Cultural Revolution (1966–1976); Destruction of Four Olds (破四旧, *po siji*, 1966); Up to the Mountains and Down to the Countryside (上山下乡运动, *shangshan xiaxiang*, 1968–1978); Criticize Lin Biao and Confucius (批林批孔, *pi lin pi kong*, 1973–1975); Campaign to Denounce the Gang of Four (批判四人帮, *pipan sirenbang*, 1976).

Although they varied in scale and duration, this list speaks to the centrality of mass social and political movements the Party engineered during the Maoist period. Meanwhile, a small number of the second type of campaigns also took place. Some of the campaigns in fact fell into both categories, therefore Type 2 campaigns included a few that appeared in Type 1 above.

Type 2, Party-cleansing/strengthening campaigns:

Sufan Movement (肃反, 1955); Party Rectification (整党, *zhengdang*, 1957, 1964, 1969); Re-education of Party Members (1961); Anti-Rightist Movement (1957–1959); Cultural Revolution (1966–1976); Criticize Lin Biao and Confucius (批林批孔, *pin lin pikong*, 1973–1975); Counterattack the Right-Deviationist Reversal-of-Verdicts Trend (反击右倾翻案风, *fanji youqing fan'anfeng*, 1975–1977).

A significant portion of the Type 2 campaigns aimed at cleansing the party's supposedly bad elements as well as enemies hidden inside the party. *Sufan* of 1955 represents a typical one,¹⁶ so does the anti-rightist movement of the late 1950s. The Cultural Revolution's main purpose, or at least one of its main purposes, was to purge the party's 'capitalist roaders', which turned out to include Liu Shaoqi and many other high-level leaders. These self-cleansing campaigns represented probably the most dreadful dimension of party politics. Call them political campaigns, power struggles, or purges, they ceased to operate when Deng Xiaoping led the Party to emerge from its late Maoist period. At various levels of the Party-state, however, relying on a campaign-style drive to reorganize cadre appointments in order to 1) remove officials of an opposing faction; 2) putting one's allies in more favourable/powerful positions; and/or both)

On the other hand, the non-repressive, indoctrination element of these campaigns, aiming at strengthening the Party's ideological prowess and unifying Party thinking, became an ongoing business. Party Rectification would reappear at regular intervals – it was held in 1957, 1964, and 1969.¹⁷ In 1983, Deng Xiaoping oversaw the first and only post-Mao party rectification campaign, which lasted until 1987. Since then, party rectification has never reappeared. But similar types of campaign to enhance party unity, purity, and ideological strength would take place regularly. Ostensibly, these campaigns are about party building. But a cynical perspective may see this as a tool for a leader to ensure his political thinking

and ideological formulation are transmitted to the whole party, and, by studying his theoretical and ideological articulation, the whole party builds loyalty to him.

In 1995, for example, the Party launched a ‘Three Talks’ or ‘Three Emphases’ campaign (三讲, *sanjiang*), which lasted until the lead-up to the 1997 Party Congress. Requiring the Party’s rank and file to emphasize studying (讲学习, *jiang xuexi*), politics (讲政治, *jiang zhengzhi*), and moral rightness (讲正气, *jiang zhengqi*), the campaign indeed served, at least partly, to ensure the whole party would rally around Jiang Zemin as the leader. In 2005, the then General Secretary, Hu Jintao, launched the campaign to ‘Sustain the Party’s Advanced Nature’ (保持共产党员先进性教育活动, *baochi gongchandangyuan xianjinxing huodong*), which lasted until mid-2006.¹⁸ Then, as the Party Congress of 2007 enshrined the Scientific Development as the Party’s newest ideological innovation, a campaign to ‘study and practise’ Scientific Development Concept was similarly held.¹⁹

At the time of writing this chapter, the Party launched a new campaign called Two Studies and One to Be, i.e. to study the Party’s constitution and other regulations, to study the important speeches of its leader Xi Jinping, and to be a qualified party member.²⁰ The parallel or similarities to the previous campaigns could not be more obvious – Party members must study the political, ideological, and policy thinking of Xi, the leader. As long as the Party continues, such ‘studying’ campaigns are likely to appear again every few years. The Party places great emphasis on training and educating its cadres and ordinary members, and the cultivating of a common understanding among party rank and file regarding political directions, policy priorities, and other aspects of governance.²¹ This way of cadre-building represents a highly viable governance mode, an alternative to the Weberian rational-legal bureaucracy,²² and the Party does this, or hopes to do this, by running these periodic studying campaigns. Plus, there is always the need for each new leader to ensure that his brand of ideological formulation is transmitted to every single party member, and the whole party is unified under his flag.

The organizational dimension of such party-rectification campaigns continues as well. The leader in power at various levels of the party-state might invoke a campaign in efforts to 1) remove corrupt officials; 2) replace officials of other factions with those from one’s own; and/or 3) systematically push officials belonging to another faction out of power. Normally, each leadership transition at the system level or any sub-system level would be followed by a wave of cadre reshuffling, as part of the new leader’s effort to consolidate his power.²³ Each new leader can resort to an anti-corruption campaign to go after officials of one’s opposing faction. But such a systematic way of removing officials or undermining one’s opposing factions has been rare. We saw more use of corruption against one or two specific officials who were found to be at odds with the top leader and his allies – Chen Xitong of Beijing in 1995 and Chen Liangyu of Shanghai in 2006 serve as good examples, both defying the top leader at the time and

both persecuted on anti-corruption grounds. Yet post-2012, Xi Jinping launched a very formidable anti-corruption campaign, and hundreds of officials at the deputy-ministerial level and upwards were persecuted. While many of these were persecuted on genuine grounds of corruption, it cannot be denied that a hidden agenda of this campaign was to crack down on the power networks, followers of a few leaders who were believed to defy the power succession arrangement of 2012, and who were believed to be conspiring against Xi Jinping to take over.²⁴ Corruption investigation, once implemented in a systematic way, enables the top leader to achieve campaign-style effects against a political enemy. Official accounts would see the results being improved party unity, cleaner party leadership, and more effective policy implementation.

While it is common for local leaders to instigate campaigns in their jurisdiction in order to achieve results in governance issues (see campaign-style actions below), it is also possible for local leaders to use campaigns in order to pursue their ambitions at the national level. Leading up to the 2012 succession, for example, the party secretary of Chongqing, Bo Xilai, pushed forward a forceful two-fronted campaign. By launching a law-enforcement, crime-fighting ‘attack black’ campaign, his popularity in the city soared. By pushing through a ‘singing revolutionary songs’ (Sing Red) campaign, he won the support of left-leaning citizens all over the country. Furthermore, he carefully engineered a chorus of praising his governance achievement in Chongqing by placing favourable coverage in the media and by sponsoring public intellectuals to praise Chongqing’s governance record. By doing this, he succeeded in fostering a very positive image of himself, even among overseas media, and emerged as a formidable contender for a seat in the Politburo Standing Committee. Other local leaders might engineer similar, although less explicit or less explosive, campaigns leading up to a National Party Congress, such as by delivering an outstanding economic performance record in their province, to attract the attention of the central leadership in considering who would be placed in the top leadership bodies such as the Politburo or the State Council.

To sum up, while nation-wide campaigns such as the Big Production Campaign and the systematic Yan’an Rectification-style party-building and party-cleansing campaigns have now died out, campaign as both an ideological and political weapon of the Party, and of the Party’s leaders at various levels, still frequently emerges. After examining another, less political type of campaign, we will come back to ask whether campaigns are a permanent character of the Chinese Communist political system.

CAMPAIGNS IN LOCAL GOVERNANCE – TWO BRIEF CASES

While large-scale, socially unsettling and disruptive campaigns have ceased to exist, managed, more contained, and targeted campaigns are ongoing affairs.

These are often called special-task governance actions. Cracking down on crime remains an ongoing theme, but is operated in much more narrowly defined sectors – the most notable being prostitution and pornography, drug, and gun control, in all of which triads are heavily involved. Other governance issues such as environmental protection, enforcing intellectual property rights, tax collection, food safety, and even birth control also frequently incur campaign-style enforcement on the part of the state. This section provides two examples of these campaign-style governance actions. Both happened at a relatively low level of the political system, and will give a first-hand view regarding the mechanics of campaigns in contemporary governance.

Case 1: Enforcing Food Safety in the Rural Areas – Hunan

On 17 April, 2016, *Hunan Daily* carried the following news:²⁵

Provincial Commission of Food Safety, Bureau of Public Security, Commission of Agriculture, Bureau of Industry and Commerce, Bureau of Food and Drug Regulation have jointly released 'Work Plan to Further Deepen Food Safety Governance in Rural Areas'.

This round of [food safety] governance focuses on four major actions: Clear Origins for quality and safety of agricultural food products, Clean Flows for rural food distribution and sale market, Remove Mines for food safety, and Sharp Sword for cracking down on violation of food safety laws, and continuously deal with and solve the critical problems in rural area food safety. The Work Plan requires local governments at all levels must ... enhance organizational support and organizational leadership, and enhance concrete measures and responsibilities. Food safety commissions of all locations must enhance coordination, improve co-movement mechanisms, and enhance guidance to grassroots agencies. Food safety commissions should inspect the implementation of all relevant departments and agencies, both regularly and unexpectedly, and should examine concrete problems and challenges that arise in real work in a timely manner to ensure responsibilities are taken and objectives are achieved.

This very short story, counting just about 300 Chinese characters, reports a campaign-style governance action typical of the hundreds if not thousands launched by local governments across the country each year. The story provides a great amount of information regarding the mechanics of such a governance campaign:²⁶

- Cross-agency mobilization. For food safety enforcement, public security, agriculture, industry and commerce, food and drug regulation, and other functional departments are mobilized. A campaign for other issues, such as environmental protection, will involve a different set of functional departments.
- Mobilization outside normal governing processes. The formal institutional setup puts food safety under the jurisdiction of several agencies.²⁷ But inter-agency coordination is generally poor, leading to a series of food safety scandals in recent years. Very frequently, central and local governments need to resort to campaign-style actions in order to deal with the problem.
- Political importance. The government will place such a wave of cracking-down and cleaning-up in front-page and prime-time coverage. A high-level official will lead the campaign. In the above

- case, the Food Safety Commission is a coordinating body in which a wide range of agencies are represented, and it is headed by either a vice governor or the governor of the province.
- Multi-layer and multi-dimension operations. Each campaign is organized into different tasks. In the above case, the campaign would target the origins, distribution, and processing stages of food products, and a crime fighting dimension goes alongside the action at each of these stages. Meanwhile, the campaign is reproduced by every government level below the initiating level. In the above case, the provincial government initiated the campaign, and the municipal, county, and township governments of the whole province have to implement the campaign.
 - Result orientation. Serious inspection, reporting, and evaluation mechanisms are built in, to ensure the campaign's objectives are achieved.

Case 2: Firearms Control in a Tier-3 City

The following message was captured during a fieldtrip to a third tier city in southwest China, on one of the half-dozen posters displayed in the lobby of the city's public security bureau. It reports the firearms and explosives control in the year 2015 by the public security bureau of a county within the city's jurisdiction.

Excellent Performance in the Work of Firearms and Explosives Controls

At the beginning of 2015, in response to the county's public security situations, the Bureau organized and implemented an action (*xindong*) against illegal and criminal activities involving firearms. A large number of police forces went deep into towns and townships to promote awareness, while at the same time seizing firearms and explosives. In a few short months we tracked down (破获, *pohuo*) 26 cases of illegal possession of firearms, seizing 33 illegal firearms and an amount of ammunitions. Toward the end of June, the City Bureau started a special-task action regarding firearms and explosives control, and the County Bureau went unreservedly into it [W]e tracked down another 37 firearm and explosive cases.... In Early October, the whole Province planned and implemented the special-task action Godly Sword No. 1 (神剑一号, *shenjian* No. 1). The County Bureau again [implemented it forcefully] ... By end of December, we achieved the good result of tracking down another 41 cases, arresting 33 suspects, and seizing 61 firearms. In total ... in 2015 the Bureau tracked down 87 cases, seizing 133 firearms, and arresting and prosecuting 56 suspects, topping the performance of the whole City.

This public relations poster gives a first-hand account of how a thorny problem was repeatedly dealt with by campaign-style actions. One wave after another of cracking-down on illegal firearms and explosives possession were implemented by the public security bureau in a county, amounting to a series of law enforcement campaigns. And the other posters on display at the same site confirmed that in other areas of a city public security bureau's work, campaigns form an integral, indispensable part.²⁸ Meanwhile, it appears an agency at the county level can initiate its own law enforcement campaign, but at the same time has to implement campaigns initiated by its upper-level government.

These two brief cases bring forward the organizational characters of such campaigns, such as multi-agency and multi-governmental level mobilization, the determination to extract results in a relatively short period of time, and the

high level of political importance placed on them by the state. Political attention is very important, and those insufficiently politicized are likely to be met by half-hearted implementation. Researchers refer to the political importance as the ‘legitimacy loading’ a given campaign carries,²⁹ resembling the ‘valence’ concept found in the American bureaucratic process.³⁰ But political attention may become counter-productive, as political considerations often trump technical and professional considerations.³¹ The determinancy to extract results quickly often imposes huge institutional and humanistic costs on the responsible agencies, pressurizing bureaucrats. Indeed, when a campaign is on, serious overtime becomes unavoidable, damaging civil servants’ health and family life, among others.³² The short span in which the issue is tackled also means the effects are often unlikely to last long, leading to the need for another round of campaigns very soon – a vicious circle.

PROMISES FOR THE FIELD

At present, central debates in academic studies of campaigns include: 1) do campaigns continue to reflect the Maoist revolutionary nature of the Chinese state, or have they evolved and become part of the state’s adaptive governance capacity? 2) Do campaigns reflect the failures and deficiencies of the normal governance processes, or are they part of the state’s normal governance, institutionalized in the political system? and 3) Do campaigns contribute to the effectiveness and resilience of the regime, or do they pressurize the bureaucrats as well as citizens and disrupt normal governance? Existing literature has fallen short of providing a convincing and coherent theory. Newer generation researchers will find it continually promising to study campaigns.

From a *public administration* point of view, the need to resort to campaigns may be due to 1) the ineffectiveness of normal governance mechanisms in tackling the challenges of a changing society and a rapidly expanding economy; 2) the misplacement between the mandates of a government agency and its capacity; or 3) failures of inter-agency coordination, principle–agent problems, and so on. Such circumstances then force the party-state to launch a campaign-style response, by committing extra amounts of resources – human and financial resources as well as political capital – and breaking normal government processes.³³ A campaign acts as ‘doping’, injecting an extra amount of energy into the system to solve or mitigate a problem that threatens to go out of control.³⁴ But from the perspectives of *bureaucratic politics*, on the other hand, campaigns might be part of any agent’s effort to expand or maximize the budgetary and personnel resources under his/her control.³⁵ Campaigns therefore emerge as a local government or a state agency identifies an issue that provides such an opportunity. From a *state building* or institutionalism point of view, campaigns may also lead to the reorganizing and restructuring of existing agencies, or building of newer ones, to result

in better institutional structure and capacity. Campaigns therefore represent a theatre in which these various dramas are played out all the time.

Many researchers link campaigns to the Chinese state's non-democratic nature, its revolutionary origins, the nature of power itself, as well as to the historical legacy of the Chinese Confucian-Legalistic bureaucratic state which first came into being more than 2,500 years ago. The mass-mobilization type of campaigns have become rare. They are generally discredited ever since, or even before, the Cultural Revolution ended. Mass political campaign in the Maoist sense has been explicitly rejected by the Party, and anyone attempting to bring it back will face objections. Indeed, when Bo Xilai resorted to some Maoist methods to boost his popularity, including running a Sing Red mass campaign in Chongqing between 2007 and 2011, one verdict the Centre placed on him following his fall was that he was trying to bring the Cultural Revolution back.³⁶ That is to say, the Chinese regime has stopped being a revolutionary regime, and campaigns as political and social movements are unlikely to return.

But how much the spectre of Mao still haunts remains a highly contested question. Perry, for example, while agreeing that the state now only organizes 'managed campaigns', still traces many aspects of them to their Maoist origins, as do her collaborators in the same project to identify Mao's invisible hand in today's governance.³⁷ Some Chinese scholars similarly see contemporary campaigns as reflecting the regime's totalitarian nature. Feng probably gives the most radical view along this line, characterizing contemporary China as a 'revolutionary-disciplining' state. A revolutionary state suffers continuing anxiety in delivering outputs in order to maintain its legitimacy. But due to its weak infrastructural power, in order to extract extraordinary outcomes the state has to invoke campaigns, and does so on a frequent basis. The regime's totalitarian nature also means that, with its full control of power, it is capable of organizing campaigns.³⁸ Feng's argument places great emphasis on the nature of the regime, seeing the regime's ambition as the key factor determining the origin of campaigns.

Other scholars, however, go beyond an overall judgement of the regime and examine the bureaucratic and political processes that gave rise to campaigns. As nation-wide campaigns have become rare and campaigns are mostly launched within a sector or a locality, it is probably more productive to conduct sub-regime analyses. Here the studies of campaigns come closer to general studies of bureaucratic politics, capacity building, and public administration. A highly typical perspective sees campaigns as taking place due to resource misplacement – bureaucracies or state agencies are given mandates which they lack the resources to fulfil, leading to inability to deal with governance issues as they emerge. Tang's analysis, for example, emphasizes the weak infrastructural power of the Chinese state – China's per capita police force stays way below that of many other countries, for example. When the state is faced with the burning issue of rising crimes and insufficient 'governance resources', a campaign-style striking-hard action becomes the natural choice.³⁹

The post-revolutionary Chinese state therefore faces a paradox of institutionalizing governance and pursuing governance with extra institutional methods.⁴⁰ But in analysing how institutional deficiency comes about, it appears necessary to come back to the regime question – the Chinese regime appears to harbour some features not found in other, mostly democratic, regimes. To Wang and Chen, the regime's continuous anxiety regarding results comes not from a sense of revolutionary mission, but from its lack of confidence in its own agents. Using the Qing Court as their case, they argue that because the system concentrates its arbitrary power at its pinnacle, its agents at lower levels will always lack incentives to faithfully carry out their duties. As a result, the normal mode of governance is doomed to fail to meet the objectives designed by the top. The power holders at the top, therefore, are always clear that their agents below are disloyal and unfaithful, and therefore have to recurrently resort to campaigns in order to inject a dose of doping to make the bureaucracy deliver. The vertical accountability built into such a non-democratic hierarchy, therefore, means the monopoly of political control gives endogenous rise to campaigns.⁴¹ Such analysis also points to the origin of campaigns not in the Party's revolutionary era, but in imperial China's large bureaucratic system.

Sociologist Zhou Xueguang also attributes the state's institutional failures to regime-level causes. According to Zhou, 1) state monopoly of power and closeness of the system means many market mechanisms cannot operate; 2) bureaucratic hierarchy and functional differentiation mean information is often stuck when flowing through the system; 3) the vast regional disparities require the system to allow flexibility for different locations, which leads to deviation in local enforcement and erodes trust between higher and lower levels of the system; and 4) the sheer size of the bureaucracy increases difficulty and high cost in regulation, making it impossible to find technical solutions.⁴² The same is true for local states – in a totalitarian or revolutionary-disciplinary state, local state simply reproduces the power structure of the higher level, and local leaders or the local state assume the role of charismatic leader for its locality, therefore having at his or her disposal the arbitrary powers to initiate campaigns and throw the local state into panic and disruptive campaign.⁴³

CONCLUSION

Most of the academic literature seems to hold the assumption that democratic accountability might be able to prevent campaigns from taking place. When the government is subject to parliamentary review and approval, it is often assumed, it loses its arbitrary power to initiate a campaign. But what if an allegedly democratic process becomes a constraint, and the government's hands are tied when it needs to respond to problems that are quickly building up? Has the Chinese state, due to its autonomy, been more effective in dealing with governance issues when compared to some other governments which are apparently held accountable to

a legislature, such as India or the Philippines? If the answer is yes, then campaigns remain a useful and probably necessary tool in terms of delivering governance results as well as resilience of the regime.

Many studies ask the question of how campaign style governance can be avoided, and how a government can rely on a ‘normal mode’ of governance to get its job done. It appears possible, as with the right conditions, normal governance can supersede campaign-style governance.⁴⁴ And various proposals can be formulated in order to both reduce the disruptiveness of campaigns and improve governance outcome. Here probably lies one of the most promising areas of research, i.e. what makes it possible to enable a normal mode of governance to settle in, removing the need for campaign-style responses. Then at the same time, a critical perspective examining different modes of governance will continue to generate exciting readings of power, regarding what power really means, how it is acted out, performed, and reproduced, and how it makes and remakes the identities, relations, and ideas and beliefs of those involved.

Notes

- 1 Military campaigns are not considered in this chapter.
- 2 According to one account, in the *Selected Works of Deng Xiaoping*, in more than 30 places, Deng explicitly stated that the Party will or should not pursue political campaigns. When interviewed by the Italian journalist Oriana Fallaci (21 and 23 August, 1980), Deng explicitly rejected political campaigns as they were used during the Maoist period.
- 3 Studies of the *Yanda* campaign of the 1980s are quite voluminous. See, for example, Tang, Huang-feng, ‘Normal Mode Society and Campaign-Style Governance.’ *Open Times*, 3 (2007): 115–129.
- 4 See O’Brien, Kevin J., and Lianjiang Li, ‘Campaign Nostalgia in the Chinese Countryside.’ *Asian Survey*, 39.3 (1999): 375–393.
- 5 A typical type is a campaign to win the title of ‘civilized and clean’ city. See a study in Xu, Yan, Nana Fang, Nabo Chen, ‘Legitimacy Loading: A New Explanation of Campaign-Style Governance and its Transformation.’ *Public Administration Review*, 3 (2015): 22–46.
- 6 Yang, Zhijun, ‘Paradox of Campaign Style: De-Normalization of Normal Governance.’ *Public Administration Review*, 2 (2015): 47–72 [Chinese].
- 7 Hu, Shen, *From the Opium War to the May 4th Movement* (Beijing: People’s Press, 1981) [Chinese]; Ishikawa, Yoshihiro, *The Formation of the Chinese Communist Party*. Trans. Joshua A. Fogel (New York: Columbia University Press, 2012).
- 8 Perry has recently revisited this case: Perry, Elizabeth, *Anyuan: Minging China’s Revolution Tradition* (Berkeley and Los Angeles, CA: University of California Press, 2012).
- 9 See Mao’s ‘An Investigation of Peasant Movements in Hunan’ in Volume 1 of his *Selected Works*, available at <https://www.marxists.org/reference/archive/mao/selected-works/volume-1/index.htm> (accessed 11-02-2018)
- 10 Many revolutions of the 20th century around the world succeeded in capitalizing on peasant uprising. According to Huntington, in both the French Revolution of 1789 and the Russian Revolution of 1915, the spontaneous uprising of peasants made the eventual success of the revolution a reality; both of course started from the cities. But the Chinese case was the first among the international communist movement to have purposively organized the peasants into the revolutionary force led by the Communist Party. See Huntington, Samuel, *Political Order in Changing Societies* (New Haven, CT: Yale University Press, 1968).

- 11 See Mao's 'Struggles in the Jinggangshan Area' in his *Selected Works*, details see Note 9.
- 12 Renmin Wang (People Daily Web), 'Do it Ourselves, and We Will be Bountiful.' www.people.com.cn/GB/shizheng/252/5303/5304/20010605/481846.html, accessed 24 May 2016.
- 13 During the campaign, the Brigade 359 of the Eighth Route Army opened the previously deserted Nanniwan (南泥湾) area and developed a large area of high yielding farmland, greatly enhancing the revolutionary base's grain supply. A popular song was made, praising Nanniwan as the grain-fertile 'Yangtze delta of northern Shaanxi', and the Brigade as the model for all in the Campaign to learn from. Until today the song is sung across China. Post-1949, the brigade's Commander, General Wang Zhen (王震), would take up the assignment to rule Xinjiang, where the majority of the PLA troops were quickly converted to the Production and Construction Corps to farm the vast province. Much later, of course, Wang would serve as the country's Vice President, 1988–1993.
- 14 There was a big issue of educating and indoctrinating the intellectuals (journalists, writers, artists), but it was in no way a mass-oriented campaign.
- 15 The late Professor Gao Hua of Nanjing University provided probably the most influential study of the Rectification Campaign of recent decades: Gao Hua, *How Did the Red Sun Rise: The History of the Yan'an Rectification Campaign* (Hong Kong: Chinese University of Hong Kong Press, 2000).
- 16 See an account in Li Weimin, 'The Lessons from the Expansion of Sufan in 1955.' *Yanhuang Chunqiu*, 2 (2002). www.21ccom.net/articles/ljsd/ljsj/article_2011022030219.html, accessed 1 June 2016.
- 17 Official Party history claims it was only held twice during the Maoist period – 1951–1954 and 1969–1971. See 'Zheng Dang' as published by the *People's Daily* online Party History Encyclopedia page: <http://dangshi.people.com.cn/GB/165617/173273/10415313.html>, accessed 24 April 2016.
- 18 *People's Daily*. <http://theory.people.com.cn/GB/40557/44735/>, accessed 22 May 2016.
- 19 <http://kxfz.people.com.cn/>, accessed 25 May 2016.
- 20 <http://lxyz.12371.cn/>, accessed 25 May 2016. Chinese phrasing: 两学一做, *liangxue yizuo*.
- 21 Pieke, Frank N., *The Good Communist: Elite Training and State Building in Today's China* (New York: Cambridge University Press, 2009).
- 22 Rothstein, Bo, 'The Chinese Paradox of High Growth and Low Quality of Government.' *Governance*, 28.4 (2015): 533–548.
- 23 See, for example, Wang, Zhengxu, 'Hu Jintao's Power Consolidation: Groups, Institutions, and Power Balance in China's Elite Politics.' *Issues and Studies*, 42.4 (2006): 97–136.
- 24 Those included, most notably, Zhou Yongkang, Bo Xilai, and Ling Jihua. See Wang, Zhengxu, and Jinghan Zeng. 2016. 'Xi Jinping: The Game Changer of Chinese Elite Politics?' *Contemporary Politics*, 22.4 (2016): 469–486.
- 25 *Hunan Daily*, 18 April, 2016.
- 26 Yang (2015) gives a good account of how such campaigns are organized.
- 27 Tam, Waikung, and Dali Yang, 'Food Safety and the Development of Regulatory Institutions in China.' *Asian Perspective*, (2005): 5–36.
- 28 All these posters are on file with the author. They cover the work areas of the Bureau, including infrastructure development, police force training, ideological work, party building, drug fighting, and others.
- 29 Xu, Fan, and Chen, 2015.
- 30 Cox, Robert Henry, and Daniel Béland, 'Valence, Policy Ideas, and the Rise of Sustainability.' *Governance*, 26.2 (2013): 307–328.
- 31 Yang, 2015.
- 32 For this point, a related concept in studying governance and the political system of China is 'Pressurized System' (压力型体制, *yalixing tizhi*). See Yang, Xuedong, 'Pressurized System: A Brief History of a Concept.' *Journal of Social Sciences*, 11 (2012): 4–12 [Chinese].
- 33 Zhou, Xueguang, 'Mechanisms of Campaign-Style Governance.' *Open Times*, 9 (2012): 105–125 [Chinese].
- 34 Wang, Lixin, 'A Hypothesis of "Doping Effect" in Mobilization-Style Policy Implementation.' *Wuhan University Journal*, 68.1 (2015): 77–83 [Chinese].

- 35 William A. Niskanen, *Bureaucracy and Public Economics* (Cheltenham and Camberley, UK: Edward Elgar Publishing [1971] 1994).
- 36 The Premier, Wen Jiabao, at the press conference given at the conclusion of the 2012 National People's Congress session, made such a comment when asked a question about Bo Xilai. See 'China needs political reform to avert "historical tragedy", says Wen Jiabao.' *The Guardian*, 14 March 2012. www.theguardian.com/world/2012/mar/14/china-political-reform-wen-jiabao, accessed 5 May 2016.
- 37 Heilmann, Sebastian, and Elizabeth J. Perry (eds.), *Mao's Invisible Hand* (Cambridge, MA: Harvard University Press, 2011).
- 38 Feng, Shizheng, 'The Forming and Transformation of State Campaigns in China.' *Open Times*, 1 (2011): 73–97.
- 39 Tang, 2007 and Zhou, 2012. Into 2018, Central Government announced a 'Sweeping the Black and Eradicating the Evil Forces' Special-Task Struggle, amounting to another round of nation-wide 'strike hard' law and order campaigns.
- 40 Yang, 2015.
- 41 Wang, Lixin and Chen, Yongniang, "'Jiaohun" zhong de Yundongshi Zhili [Campaign-Style Governance in Soulstealers]' *Fudan Zhengzhixue Pinglun [Fudan Review of Political Science]*, 1 (2015): 272–285.
- 42 Zhou, 2012.
- 43 Feng, 2011.
- 44 Chen, Eng, 'Changgui Zhili heyi Tidai Yundonghshi Zhili' [How can Normal Mode of Governance Replace Campaign-Style Governance]. *Sociological Review of China*, 3.5 (2015): 63–77.



Popular Protest

Wu Zhang

INTRODUCTION

China's market reform has lifted hundreds of millions out of poverty, created a large middle class, and transformed China from a sleepy backwater cut off from the rest of the world into the second largest economy, vibrant and highly integrated with the global market. The reform, however, has also created more social conflicts and instability, as witnessed in the sharp rise of mass incidents since the 1990s. Mass incidents are collective actions ranging from small and peaceful gatherings of more than five protesters to large and violent riots and protests (Chung, Lai and Xai 2006). Participants of mass incidents include both winners and losers of the market reform. This chapter studies a particular form of mass incident: popular protest of workers, peasants, and the middle class over economic rights and interests, which causes the majority of these mass incidents (Tong and Lei 2013).

Perhaps the most remarkable feature of popular protest in China since the 1990s is the lack of a social movement, be it labor, peasant, or the middle class, as protestors have made no coalitions within the same class or across different classes. This feature was particularly salient in the 1990s and the early 2000s, when more than 48 million workers from state-owned enterprises (SOEs) and urban collectives were laid off (Cai 2006: 1) and hundreds of millions of peasants had to pay heavy taxes, fees, and fines. In cities across China, retired and laid-off workers protested constantly over unpaid pension and living allowances. In the countryside, peasant protest against heavy taxation was widespread.

Though both groups targeted the local government, they made no coalitions with each other while protesting. Furthermore, workers were mobilized and protested at the firm level and peasants at the village or township level. With a few rare exceptions, protesting SOE workers made no cross-firm coalitions and peasants made no cross-township coalitions. Popular protest in China since the 1990s is widespread but local, driven by specific grievances, and targeting the local government. Protestors have built no independent protest organizations or posed any ideological challenge to the state. Popular protest thus poses limited challenge to China's political order (Bernstein and Lü 2003; Perry and Selden 2003; O'Brien 2008).

Popular protest, however, challenges seriously political stability at the local level, endangers political careers of local officials, and exerts significant influence on national politics despite its small scale. Its outsized influence is largely due to the disruptive power of protest activities, the ease of disruptive incidents to travel from a local area to the national capital, as protestors often petition the central government, and the danger, however remote, of a region-wide or even nation-wide protest wave that lurks behind these local and uncoordinated protests and riots. The Chinese government therefore has honed its skills and established institutions to defuse popular resistance, established urban and rural safety nets to solve the grievances of protesting groups, and carried out bureaucratic and legal reforms to divert protestors away from the streets and into the courts.

The chapter is organized as follows. The first two sections discuss protest of SOE workers and protest of migrant workers. The following two sections analyze peasant protest against heavy taxes and fees in the 1990s and over land expropriation since the 2000s. In the next section, the discussion turns to middle class protest to protect the value of their property and the environment. Each of these sections analyzes the nature of the grievances and patterns of the protest, including why these protests emerged, how protestors were mobilized, and what demands protestors made. Next follows a discussion of state responses toward popular protests and a concluding section. Sources for the chapter include the author's interviews with peasants, peasant protest leaders, laid-off and retired workers, worker representatives, and local officials in Hunan in the 2000s, 2011, and 2014, and the English- and Chinese-language literature on popular protest in China.

LABOR PROTEST: SOE WORKERS

Grievances

In the mid- to late-1990s, Chinese cities across the nation faced common demonstrations, protests, and sit-ins carried out by workers from SOEs and

urban collectives. SOE workers, the privileged class in the era of the planned economy but the biggest loser in the era of the market reform, staged more protests than any other social group from the 1990s to the early 2000s. They protested for a simple reason: they had lost their livelihood during China's market reform. Theirs, therefore, were 'protests of desperation' (Lee 2007: x).

Beginning in 1986, the working class found its power and privilege reduced when the 'iron rice bowl' was replaced with a labor contract system and when newly empowered managers subjected workers to more labor discipline through various labor optimization programs (Lee 2003). Still, SOE workers kept their jobs and benefits in the 1980s. Starting from the early 1990s, however, SOE workers lost their job, their pension, medical care, and social status when small and medium-sized SOEs collapsed in China. SOEs collapsed for complex reasons, including competition from the thriving private and foreign sector and township and village-owned enterprises (TVEs), heavy welfare cost for SOEs and less favorable tax policies, and corruption (Sun 2004; Naughton 2007).

Unable to reverse the trend and revive the moribund SOEs, the Chinese government decided to privatize them in 1997 during the 15th Party Congress in a policy entitled 'grasping the big but letting go the small' (抓大放小). The state would hold on to big SOEs but would restructure small and medium-sized ones. In the meanwhile, pension and other welfare benefits that used to be provided by SOEs would be financed and provided by the local government. Specifically, the local government would establish pension funds pooled at the city level (Frazier 2010), provide minimum living allowances for the urban poor, and establish re-employment centers for laid-off workers.

The misery of the working class started in the early 1990s, when SOEs stopped production. Retired workers could not receive pensions and tens of millions of laid-off workers had great difficulties finding jobs. Subsistence crises among the laid-off and retired workers and their outrage about managerial corruption prompted workers to protest (F. Chen 2000). Restructuring of SOEs since 1997 caused sharper labor conflicts and more workers' protests, because workers received little compensation while their social status was lowered. During restructuring, workers were severed from their SOEs through buy-outs. Each non-retired worker received a lump-sum amount of money of severance fee, which cut all workers' relationships with and all further claims on the firm. The fee was usually small, not enough for workers to pay their pension contribution (F. Chen 2003; Cai 2006).

Furthermore, restructuring SOEs involved declaring bankruptcy, selling, leasing, or merging firm assets with another firm, forming joint-stock companies, or leasing the land of the firm to a real estate developer to build high-rise towers, a corrupt process dominated by firm insiders. SOE restructuring thus often involved rapid and illegal asset stripping and harmed workers' interests.

Patterns of Protest

Since the 1990s, SOE workers had protested vigorously against the change of fate which brought them down from ‘masters of the state’ to urban paupers. They engaged in two types of protest, including protests over SOE restructuring and protests that targeted the local government over unpaid pension or subsistence living allowance. Both forms of protest started with petitioning, which has become a popular form of contention in the reform era in both rural and urban China (O’Brien and Li 1995; X. Chen 2012). Workers protested about restructuring to protect firm assets and workers’ welfare. They first petitioned the local government to oppose the restructuring, which often involved corrupt deeds and harmed workers’ interests. Repeated futile petitions then escalated into disruption inside the factory, such as workers going on strike or seizing the firm (F. Chen 2003, 2006).

The second type of protest started with workers petitioning or pleading with local officials for pension and living allowances. After numerous useless petitions, peaceful petitions escalated into disruptive protests, such as collective sit-ins and petitions, blocking government compounds, occupying government offices, marching on the streets, and blocking traffic. Pensioners, rather than laid-off workers, carried out most of these protests, because pensioners had the time, they were old and frail, and they had a strong sense of entitlement to their pension (Hurst and O’Brien 2002; Zhang 2015b).

Pensioners had been tenacious in their struggle, using every opportunity to stage petitions or protests, staking their claims on every favorable policy, and continuing to organize and protest until they received the full pension promised by either the social contract or policies. Every penny was raised through hard struggle. Through years of protests, SOE retirees succeeded in raising their pension penny by penny.

Protest Leadership and Mobilization

Both types of workers’ protests were led by representatives who played the role of informal leaders. They disseminated information, petitioned local officials and higher level governments, had dialogues and meetings with officials, and mobilized workers (Cai 2002). Representatives were either self-recommended or selected by fellow workers. They were articulate, public spirited, and many had played important roles such as managers or directors of workshops in their firms before their firm went bankrupt (X. Chen 2017). Usually a workers’ protest had a few representatives and one of them became the core leader of the protest. Representatives discussed tactics and made decisions through holding meetings, and relayed their messages to followers through leaflets, oral communications, and open letters. Usually workers did not establish any protest organization, though occasionally in protest against privatization they did form informal organizations

(F. Chen 2006). Mobilization of SOE workers was swift, because workers lived in the same apartment complexes built by their firms, played cards and mahjong together, and shopped at the same vegetable market (Zhang 2015b).

Protest Frame and Cellular Protest

Workers were enraged by rampant managerial corruption, unfair competition, and other vices of the market reform that stripped them of their high social status, deprived them of their livelihood, and brought nothing but sorrow to their life. They felt nostalgic about the socialist era when they had a secure job, high social status, and a good life. In their protest for pensions and against restructuring, workers targeted the local government not only because the government had failed to uphold people's subsistence rights, but also because it had broken the social contract regarding pension and medical care. SOE workers also turned to the court to defend their legal rights and struggled with the capitalists who bought their firm assets to defend their class interests. Thus protest frames of workers were a mixture of a subsistence ethics embedded in the Chinese political tradition, the obligation of the state toward its SOE workers, workers' class consciousness, and their citizenship rights (F. Chen 2006; Lee 2007).

Workers carried out firm-level protest or cellular protest. They were mobilized at the firm level and refrained from making coalitions with workers in other firms, even with those located on the same street protesting over the same issue at the same time. With the exception of a protest staged by workers from collective enterprises in a city in Hunan over the minimum living allowance, there has not been a single reported case of cross-firm protest staged by workers (Zhang 2015b). Even the Liaoyang protest in 2002, where around 10,000 workers from more than ten SOEs protested together, turned out to be based on the mobilization of a single firm (Cai 2010: 126–130). This was because cross-firm coalition building would invite state repression, because workers' experiences were encapsulated in their individual work units, and because workers were divided by interests (F. Chen 2000, 2003, 2006; Cai 2002; Lee 2007).

Workers' interests were divided across different firms and within the same firm. Firms differed in size, performance, and whether they were state-owned or collectively owned. They also differed in how the firm assets were restructured and how workers were severed and compensated. Within the same firm, workers could be divided into at least four groups, including those who were retired, those close to retirement, those who were severed, and those who were re-employed by the newly restructured firm. The interests of the four groups may clash with one another's. For example, the interests of retired workers often clashed with those of the others, because the money used to pay their pension shrank the value of what was left for everybody else (author's interviews, 2001–2003). For all these reasons, workers' protests, though widespread, were based on individual firms or even on certain groups of workers within a firm.

What is most striking about labor protest in the 1990s and the early 2000s is that it was local, divided, and isolated. Despite a potentially explosive situation, as close to 50 million workers across cities in China lost their livelihood, no labor movement emerged. Workers made no cross-firm mobilization or coalition. Furthermore, no cross-class coalitions emerged during this turbulent time. No intellectuals or students were involved in labor protest. Workers made no coalitions with peasants who were protesting against heavy taxation at that time (Bernstein and Lü 2003: 162–164). As a result, the state had the time and stability to build a social safety-net detached from work-units.

LABOR PROTEST: MIGRANT WORKERS

Background

While SOE workers carried out ‘protests of desperation,’ migrant workers engage in ‘protests against discrimination’ (Lee 2007: X). Migrant workers are usually peasants who have migrated to coastal cities in search of jobs in private, joint-venture, and foreign companies. China has more than 200 million migrant workers, many of whom are concentrated in the Pearl River Delta. Guangdong province, for example, accounted for almost half of China’s interprovincial migration in 2008 (Becker 2012). Migrant workers make far more money working in firms in cities than tilling land in their villages, but face various forms of discriminations and labor rights violations in the city.

SOE workers and migrant workers differ in their position in China’s market economy and their relationship with the state. While laid-off SOE workers represent the bankrupt small and medium-sized public sector in a market economy, migrant workers provide the labor force for China’s thriving export economy. Their importance in the economy gives them disruptive power. Unlike SOE workers, migrant workers enjoy no entitlements such as job security, pension, and medical care. Migrant workers, however, can make legal claims on the state, because China has issued a series of labor laws, including the Labor Law (1994), Labor Contract Law (2008), the Trade Union Law (1992) and its revised version (2002), and the Law on Labor Disputes Mediation, Arbitration, and Litigation (2007). These laws provide comprehensive individual labor rights to migrant workers, though no collective rights such as the right to strike, to organize, or the right of collective bargaining (F. Chen and Xu, 2012: 90).

Protests by migrant workers have been on the rise, due to labor shortage in recent years and rising rights consciousness among the second generation migrant workers. Many migrant workers are denied rights encoded in various labor laws. When this happens, first generation migrant workers either remain silent or seek help from families and friends. Second generation migrant workers (those born in the 1980s and the 1990s), however, being better educated and more

knowledgeable about legal rights, are more determined to seek legal and bureaucratic means to defend their rights and interests (L. Wong 2011: 887).

Patterns of Protest

Migrant workers protest when laws are broken, rights are violated, and interests are hurt. Specifically they protest over wage arrears, wage cuts, overtime compensation, plant closure, increased labor intensity, unsafe working conditions, failure to contribute to workers' pension insurance, and 'disciplinary excesses and assaults on workers' dignity' (Lee 2007: 166). In the 1990s and the early 2000s, most protests of migrant workers erupted over unpaid or delayed wages (Lee 2007: 164; Ngai and Lu 2010; Chan 2011: 36). During the Great Recession in 2008–2009, the Pearl River Delta experienced a sharp rise in labor disputes over both wage arrears and overtime compensation. The recession hit China's export economy hard, many plants shut down or relocated, some bosses absconded, and workers were owed months' of salary and overtime compensation. The rise of labor protest over overtime compensation since 2008 has also been encouraged by China's Labor Contract Law. Effective in 2008, the law stipulated that a worker was entitled to overtime compensation after losing or quitting a job if (s)he did not receive the payment while working for a firm (Chen and Xu 2012: 95–96). In addition to wage arrears and overtime compensation, a sudden wage cut and more labor discipline often lead to protest, such as strikes, marches, and demonstrations (Chan and Ngai 2009; Chan 2011: 47).

Protests by migrant workers take different forms, including work stoppages, strikes, collective petitions, marches, demonstrations, sit-ins, and traffic blocking. These forms of protest can be grouped into two categories: those that start peacefully but become disruptive gradually and those that are disruptive from the very beginning. The first form usually starts with workers' collective petitioning at the local labor bureau, which leads to more collective petitions to higher-level governments, dialogues and meetings among workers, the management, and local government representatives, and legal procedures including mediation, arbitration, and litigation.

Disruptive collective actions, such as blocking traffic, demonstrations and sit-ins in government compounds, smashing machines, and taking managers hostage, can happen at any point during the aforementioned drawn-out bureaucratic and legal process of seeking redress. Workers become radicalized and start using disruptive repertoires when they feel stuck in a bureaucratic and legal maze and find the process to be tedious, frustrating, and utterly useless (Lee 2007: chap. 5). According to Lee, migrant workers protest on the streets only after exhausting bureaucratic and legal channels (2007: 8, 191). According to Chan, however, most protests 'have taken the form of workers rushing out of the factory gate, marching in formation to the offices of the local authorities, blocking major

roads or staging sit-ins inside or outside factory compounds' (2011: 38). Just like SOE workers and peasants, migrant workers tend to use disruptive tactics at some point so that they can influence the public, exert pressure on the state, and increase the chance of a favorable solution.

A common form of labor protest in recent years is an actual work stoppage or strike. Strikes were rare in the early 1990s but have become increasingly common in China's export industries since the 2000s, due to rising labor rights consciousness, labor shortages, and rising labor costs, which gave labor more bargaining power (Chan and Hui 2014: 229), and labor laws that protect individual labor rights. Migrant workers engage in rights-based rather than interest-based strikes, in that they demand implementation of existing rights in laws and policies, rather than interests unspecified by laws and policies (Chan: 2011).

Perhaps the best-known strike is the Nanhai strike of the Honda Auto Manufacturing Factory in the city of Foshan in Guangdong in May 2010. About 1,800 workers participated in the strike, which lasted 17 days. The Nanhai strike may mark the emergence of interest-based protest in China (Chan 2011: 50), as workers demanded a hefty wage increase of 800 yuan a month, an increase of 51.8 per cent, rather than raising their salary to the local minimum wage (Chan and Hui 2014: 229–230). In the past, workers went on strike when the management cut their wage or failed to pay them the legal minimum wage and overtime payment (Lee 2007; Chan and Ngai 2009).

Leadership, Mobilization and State Responses

Protests of migrant workers are spontaneous and leaderless in that they lack identifiable leaders or protest organizations (F. Chen 2010: 114). Of course most group actions require coordination by group leaders. When hundreds or thousands of migrant workers march to the streets or go on strike, some leadership and coordination mechanisms surely exist. However, the existing literature says little about protest leadership of migrant workers. Thus we do not know exactly how protests of migrant workers emerge other than that they flare up as a result of shared grievances.

We do know, however, that migrant workers are neither mobilized by trade unions nor by any formal protest organizations established by workers themselves. They are easily mobilized, because most live in firm-provided dormitories. Many come from the same village or hometown, which facilitates mobilization (Lee 2007; Chan and Ngai 2009). Migrant workers communicate with one another about protests via text messaging, circulating slips of paper or pamphlets among workers, posting notices on the walls of dormitories and bathrooms, and posting letters on the notice boards of workshops (Chan and Ngai 2009; F. Chen 2010). Migrant workers live and work in a geographically concentrated area, so protest in one firm can lead to copycat protests in nearby firms (Lee 2007: 174). Occasionally – the Nanhai strike, for example – strikes in

southern Guangdong can cause contagious strikes in Northeastern China. However, just like SOE workers, migrant workers are mobilized at the firm-level, they protest at the firm-level, and they refrain from making cross-firm coalitions (Lee 2007). Finally, migrant workers demand economic rights over wages, benefits, and work conditions, rather than political rights, such as the right to form an independent labor union, participate in labor policy-making, or bargain collectively over wage.

Local governments try to channel labor disputes into the legal system and away from the streets. The legal system on labor disputes includes three steps: mediation, arbitration, and litigation. Mediation is optional but encouraged. Arbitration begins the legal process of labor dispute resolution and it is mandatory before litigation.

Since the mid-2000s, the Chinese government has encouraged the use of mediation, which is faster, more flexible, less costly, and less contentious than arbitration and litigation (Zhuang and Chen 2015). In 2008, it passed a new Labor Disputes Mediation and Arbitration Law, which abolished the arbitration fee, lengthened the time that a worker could file a complaint, and empowered only the employee but not the employer to appeal the decision of the arbitration committee (Chan 2011: 44–45). It has also encouraged the court to play a more active role in pre-empting protest and pacifying protestors through speedily sending judges to the site of labor protests to provide legal consulting to workers. The court also splits collective labor dispute lawsuits into individual ones, which helps to maintain social stability because it divides workers and is less likely to cause a mass incident in case of an unfavorable ruling to the migrant worker (Chen and Xu: 2012).

Thus labor litigation has been on the rise in the Pearl River Delta and ‘China has been heading in a direction that is becoming increasingly litigious, interrupted sporadically by industrial violence’ (Chan 2011: 49). While litigation can help defuse labor protest and pacify workers after a protest has already started, the arbitration and litigation process itself can also trigger labor protest (Lee 2007: 180). So how effective the legal system is in defusing labor protest remains an open question.

PEASANT ANTI-TAX PROTEST

Background

When SOE workers were protesting on the streets for pensions and layoff fees, peasants rallied against heavy taxes and fees. Most peasant anti-tax protest happened in villages and townships, but some did escalate and targeted the county government when peasants held demonstrations and collective sit-ins in the county seat.

From the 1990s to the early 2000s, the local government, the county government in particular, faced intense urban and rural pressure simultaneously. It had to fend off not only protests from SOE workers, but also peasant riots and protests against heavy taxes and fees, known as ‘peasant burdens’ (农民负担). The two issues (the collapse of SOEs and heavy peasant burdens) were linked, because the collapse of SOEs in counties contributed to heavy rural taxation. But the two groups never made coalitions when protesting. Furthermore, while many peasant protests did spread from the protest center to an entire township, peasant protest was local and contained within the boundaries of a township. Peasants in neighboring townships protesting simultaneously made no coalitions with one another (Zhang 2015b).

In the 1990s, the county and township governments, which governed China’s peasants, taxed them heavily but provided few public goods for several reasons. The tax-sharing system that China adopted in 1994 centralized revenue but decentralized spending, creating a fiscal crisis for the local government (A. Chen 2015: chap. 3). Small and medium-sized SOEs collapsed in the 1990s, depriving counties of their most important source of revenue and burdening them with spending responsibilities for retired and jobless workers, who constantly protested over pension and living allowances. The size of the county and township governments expanded at least ten times during the reform era. Finally, unfunded central mandates and competition among local cadres for higher political offices through developing the local economy translated into heavy taxes, fees, and fines on peasants so that the cash-strapped local government could provide public goods and services that it could ill afford (Bernstein and Lü 2003: chap. 4).

Patterns of Protest

Peasants rioted and protested over different issues in the 1990s, such as rigged village elections and brutal policy implementation regarding family planning (O’Brien and Li 1995, 1999). However, the single most important cause of peasant discontent in the 1990s was heavy taxation. Peasant anti-tax protests and riots broke out in large grain-producing provinces, many of which were located in central China.

Case studies of the Renshou protest in Sichuan and several protests in Hunan (Bernstein and Lü 2003; Pan 2003; Yu 2001, 2003; Zhang 2013, 2015a) demonstrate that peasant anti-tax protests in different localities shared similar causes and trajectories, but also differed in organization, repertoire, and outcome. These protests started when some peasants acquired central policy documents on lowering peasant burdens and the right for peasants to resist unreasonable burdens and started popularizing them among fellow villagers. These early movers of the protests usually disseminated policies first inside a team – a subunit within a village – and then gradually spread the message to peasants in the entire village. Some,

however, mobilized peasants in several villages through recording and broadcasting policies to peasants attending rural markets or through driving vehicles from village to village broadcasting policies. Gradually new leaders in neighboring villages emerged and coalesced around the core leader, usually the one who was better educated and most fearless and who refused to be co-opted by the local government. These peasant leaders mobilized peasants and petitioned higher levels of government, often the provincial government and sometimes the central government. That policy documents prompted peasants to protest and that petitioning formed a crucial component of peasant protest demonstrated that peasant anti-tax protest was indeed policy-based (Li and O'Brien 1996) or rightful resistance (O'Brien and Li 2006). Peasants justified their resistance on government policies and sought coalitions and intervention from within the state.

Scholars on rural China depict a similar profile of peasant leaders. According to Bernstein and Lü, peasant leaders were frequently the educated village elites not in office, including repatriated soldiers and village teachers (2003: 148–149). Among village office holders, protest leaders most likely came from heads of the former production teams, now called villager groups or teams (154). Li and O'Brien found out that peasant leaders include two types: those who played some public role in the village before the protest and those who did not. The former included 'former village cadres, retired government officials, clan elders, school teachers and religious figures' (2008: 10) and the latter were 'frequently male, better-educated, have strong personalities, and have undergone transformative experiences such as serving in the army' (2008: 13). Yu argues that many peasant leaders were repatriated soldiers, migrant workers, relatively well-off, relatively well-educated, and familiar with party policies (2001: 565). Zhang argues that protest leaders were public-spirited, well-educated, and well-versed in state policies and state languages. Many worked for the local party state, most as team heads (Zhang 2015a: 64), just as Bernstein and Lü have suggested (2013: 154).

Leaders mobilized peasants and made decisions regarding protest activities and tactics via frequent meetings among themselves. The mobilization of peasants centered on popularizing policy documents. Leaders visited peasants in their houses, held burden-reduction mass meetings, posted policy documents in village headquarters, and plastered banners and slogans on the walls and doors of peasant houses. Policy documents were relayed from one person to another and the message on peasants' right to resist unreasonable burdens was spread from one peasant to another. Peasant followers donated money to leaders, withheld grain from officials, marched in the streets, sheltered their leaders from state repression, and helped the leaders' families with farming when leaders were imprisoned.

Some protest activities consisted of peaceful policy advocacy on a small scale, others included peaceful but massive peasant meetings, still others were violent and led to a complete breakdown of state power in villages. Some protests were restricted to one village, while others spread to an entire township. Some were

better organized and led by fearless and educated leaders, and succeeded in getting their burdens lowered. Others were loosely organized and led by old peasants with little education, and failed to lower peasant burdens. Some were sustained over years, while others quickly died out. All demanded lowering peasant burdens and fighting village corruption, but some demanded more than others. For example, Qizong peasants in Hunan demanded that the local government return overcharged taxes and fees collected in three years and that it allow peasant leaders to join the work team organized by the prefectural government that audited village accounts (Zhang 2015a).

Overall, peasant protests against heavy burdens in the 1990s were led by peasant leaders, encouraged by central policy documents, and driven by concrete economic grievances. Though widespread, the protest was local, as peasants in neighboring townships made no coalitions. No intellectuals or other social groups were involved in peasant protest and no evidence has been found that clans or religious groups played any role in these protests. Peasant protests usually subsided when the local government arrested the leaders, which happened when the protest elevated the target from the township government to the county government, when the protest became vigorous and spread to an entire township, or when protest activities seriously affected the public finances of the township. These local protests with limited demands and varying degrees of militancy and organization, however, greatly affected Chinese politics at the national level. Deeply worried about maintaining rural stability and improving peasants' welfare, China implemented the tax-for-fee reform in 2002. In 2004, China started to provide direct subsidies to peasants. During 2005–2006, it abolished the agricultural tax, an ancient tax that had lasted longer than 2,000 years.

PEASANT PROTEST AGAINST LAND EXPROPRIATION

Background

The abolition of the agricultural tax in 2005–2006 eradicated a major source of instability in rural China. However, since the 2000s, the local government has expropriated a huge amount of rural land to facilitate urbanization, to develop the local economy, and to raise revenue (Ping 2011). As a result, rural China has been facing a growing number of peasant protests over land expropriation, which is less widespread than peasant anti-tax protest but more violent and emotional.

China has two types of land ownership. Rural land is collectively owned by the village and non-rural land is owned by the state. Collectively owned rural land must first be converted to state-owned non-rural land before it can be used for non-agricultural purposes, such as building expensive high-rise apartments, constructing roads, parks, or airports, or establishing industrial parks or development zones. The conversion process is monopolized by the state, which expropriates

the land from peasants (征地) and leases the usage right of the land to real estate developers and other users through open bidding, auctioning, or listing (Hsing 2010; Lin 2015). The local state can usually make a huge profit from the price difference between what it pays to peasants for compensation and the price it charges for leasing the land to commercial users. The latter, known as land transfer fee, is an important source of revenue for the local state, particularly after the abolition of rural taxes and fees.

Expropriating land often becomes contentious, both because of low compensation, which creates a subsistence crisis for peasants, and because of high compensation, which makes some peasants very rich. Furthermore, land expropriation often involves demolishing peasant houses and resettling peasants, which significantly increases the stake and the degree of conflict between peasants and the local state. Housing demolition by itself, whether in the countryside or in the cities, is conflict-ridden, as the two sides dispute over the form of resettlement (cash or housing resettlement), the amount of compensation, and the location of the new dwelling. It often produces conflicts between ‘nail households’ (钉子户) who refuse to relocate and demolition companies that demolish by force (强拆).

From the 1990s to the early 2000s, land-expropriated peasants were compensated for the agricultural rather than commercial value of the land. For compensation of loss of crop (青苗补偿费), peasants received three to six times the value of the average annual agricultural output of the land in the past three years. The amount was raised to six to ten times after 1999 (Guo 2001: 427). As a result, compensation level for each *mu* of land expropriated was low. Peasants only received 5–10 per cent of the land profit, the village collective took in 25–30 per cent and the local state and the real estate developers shared the rest (Guo 2001: 428). Low land compensation encouraged the local government to speed up land expropriations, creating landless peasants or peasants with little land who faced a subsistence crisis.

Over the years, with urbanization accelerating and housing price skyrocketing, land value has increased dramatically. Thus land compensation level has been raised across the nation, particularly in suburbs of big cities. In villages in Guangdong, for example, land development, including land expropriation, has made peasants wealthy. Some urban villages or ‘villages in cities’ in Guangzhou have gained the right to develop the land by themselves and keep the entire land profit. They can lease land to real estate developers and build high-rise towers and hotels themselves, both of which have made the village collectively rich (Lin 2015: 879). Other villages in Guangzhou are given about ten per cent of the requisitioned land, which the villages can legally develop for commercial purposes, such as building factories and storage facilities (S. Wong 2015: 889). In a real estate development project, peasants whose land has been expropriated and houses demolished are often compensated with several apartments in the newly built expensive residential neighborhood.

Thus some peasants protest over land expropriation to prevent a subsistence crisis, and other peasants seek to extract as much as possible from the expanding profit pie. Both great loss and great gain make the conflict over land expropriation and housing demolition pernicious, protracted, emotional, and violent. Compared to peasant protest against heavy burden, peasant protest over land expropriation has resulted in more deadly or violent clashes between peasants and the local state or demolition companies. Occasionally, people have burned themselves to death during housing demolition conflicts.

Patterns of Protest

Protest over land expropriation usually occurs where cities expand to neighboring villages or in towns/townships where farmlands are turned into industrial parks or development zones. While anti-tax protests mostly targeted the township government but rarely the county government, land protests often target the county and city governments (Yu 2005). Often, land protest has taken the form of direct confrontation between peasants and those who measure farmland, demolish houses, or build infrastructure or real estate projects. Peasants have slept in tents and maintained 24-hour vigils to prevent construction or housing demolition, or staged sit-ins on the construction site. While peasant anti-tax protests pitted peasants against the local government, peasant protest over land expropriation pitted more actors against one another. The line of contention and the distinction between friends and foes in land protest has become fuzzier, because more complex and shifting interests are involved. Serving village cadres, for example, almost never led peasant anti-tax protests, as it was their duty to collect taxes and fees from peasants, but they sometimes led protests against land expropriation to increase compensation to the village as a whole (Yu 2005). Other times, however, village cadres directly caused peasant land protest, as they pocketed proceeds from leasing village land.

Land protest starts with petitions and then escalates to confrontational tactics. Peasants have also filed many lawsuits to protect their interests. Some protests are sustained longer than others, as they are better organized and have an adaptive protest leadership and a broader protest frame (Kuang and Góbel 2013). Other collective actions, however, never got off the ground. Leaders and activists failed to mobilize fellow villagers, as the villagers' interests were divided due to different economic conditions and social standing (Guo 2001: 433).

The best known case of peasant protest over land expropriation happened in 2011 in Wukan, a village in Guangdong with more than 10,000 villagers and three large clans. From 1993 to 2001, Wukan village cadres sold 30,000 *mu* of land illegally for 700 million yuan and embezzled most of the proceeds. The protest started in April 2009 when a peasant from the village posted an open letter online, exposing the corrupt deals of the village cadres and established an online group, the Wukan Hot-blooded Patriotic Youth League, which gradually transformed

into a grassroots organization. The protest escalated during November–December 2011 when the local government arrested five protest leaders, one of whom died in custody, and when the peasants demanded intervention from the provincial government, expelled state agents from the village, and set up check-points in the village to counteract the state's blockade. It ended in December 2011 when the provincial government agreed to investigate the case and elect members of the village council democratically. In 2012, a seven-member village council was elected (Lu, Zheng and Wang 2017). Wukan villagers, however, got neither their land nor money back, and in 2016 protest flared up again.

The Wukan protest reveals the differences between peasant land protest and anti-tax protest, such as the Qizong protest in Hunan (Zhang 2015a). Though both demonstrated the organizing power of the peasants, the tenacity of the protest, and the complete breakdown of state power in the village, they differed in the role played by women, migrant workers, clans, and social media. In peasant anti-tax protests, women were neither leaders nor activists, but supportive wives of peasant representatives. They formed no organizations. Women in Wukan, however, played an active role in the protest and formed their own organization, called the Wukan Temporary Women Representatives Union. Migrant workers led the protest in Wukan, as they learned how to use the internet and acquired knowledge about how peasants elsewhere had become rich collectively through land leasing. Leaders in anti-tax protests, on the other hand, were articulate and educated peasants who knew party policies well largely through performing public roles in the village.

Clans played no role in organized protests over heavy taxation in Hunan or elsewhere, but an important role in Wukan, where ancestral halls and lineage activities are prominent in village life. During the protest, clan heads mobilized members of the same clan. While marching on the streets, 'the crowd naturally organized itself into ordered ranks' because villagers regularly participated in lineage activities (Lu, Zheng and Wang 2017: 12). When the interim village council was formed in 2011, each clan nominated one to five villagers for a total of 117 representatives, out of whom 38 were nominated as candidates and 13 were elected to the council (Peng 2012).

Social media was widely used in the Wukan protest, as young leaders used it both to mobilize villagers and broadcast protest activities. However, it played no role in peasant anti-tax protests, partly because these protests occurred in the 1990s when social media was still rare in China and partly because the leaders of anti-tax protests were old or middle-aged peasants who did not know how to use the internet or social media. They used the telephone and photocopying instead.

Finally, the Wukan protest, though militant and influential, was limited to one village, while many peasant anti-tax protests spread from the village where the protest originated to the entire township/town, simply because heavy taxation affected peasants in the same township, while land expropriation was usually restricted to one village or parts of the village.

MIDDLE CLASS PROTEST

Market reform in China has produced a large middle class, which has mobilized over housing and the environment. In the 1990s, housing was privatized in China. While people used to receive free housing from their work units, they now buy expensive apartments in gated communities built by real estate developers and maintained by property management companies. Since the mid-2000s, housing prices in large cities have skyrocketed, as the Chinese economy has been largely driven by rapid urbanization and the real estate sector. Purchasing an apartment has become the most important investment of the middle class. As a property-owning class, the middle class is keenly interested in protecting the value of their investment and the quality of their neighborhoods. They have protested over disputes with real estate developers and property management and mobilized to prevent chemical plants, mag-lev trains, or garbage incinerators from being built in their neighborhoods.

In the 1990s, collective action by homeowners started to emerge in Chinese cities. In the mid-2000s, as homeownership reached more than 70 per cent in China (Wang et al. 2013: 412), homeowners' collective action became more common. Grievances of homeowners arise when the quality of the apartments is shoddy and the size is cut; when existing green space or green space promised in the contract is turned into parking lots or high-rise buildings; when public space within the complex is developed into commercial property such as fitness centers and stores and sold or rented out to outsiders; when roads, houses, and other infrastructure projects are built within the complex or on the edge of the complex which bring traffic and noise and block the sunlight; when the property management company does a poor job; and when promised schools or subways are not delivered.

Homeowners in a residential complex in Shanghai, for example, carried out a protest lasting nine years. The protest started in 1993 when the real estate developer started constructing a high-rise building in a large open space intended for greenbelt. It erupted again in 1997 when the district government wanted to build a recreation center for retired senior cadres on the same green space (Shi and Cai 2006). In Panyu district of Guangzhou in 2002, hundreds of homeowners slept in tents to block construction of a wide road on the southern edge of their residential neighborhood, where originally a green space was assured (Read 2008: 1250). In a neighborhood in Beijing, residents protested, picketed the construction site, and filed a lawsuit when a 30-story building was constructed outside the complex where a park was originally planned. When a promised public school was no longer forthcoming, the residents formed a committee to confront and meet with the local education officials. When the developer turned a children's playground into a parking lot, contrary to the master plan, the residents pulled down the wall of the parking lot and planted trees there (Tombs 2005: 934–935, 942–943).

While workers and peasants could rarely use pre-existing organizations among themselves when protesting, homeowners' protests are often led by members of the homeowners' committee, a self-governed organization promoted by the state and established in residential neighborhoods since 1994. They are in charge of hiring and firing the property management company, managing the maintenance fund, and managing common property and public facilities. Members are elected by an assembly of homeowners in a neighborhood and approved by the state. Homeowners' committees have been slow and occasionally contentious to establish. They also enjoy different degrees of internal democracy, autonomy, and representational authority (Read 2007).

Leaders of homeowners' committees have good careers, live a comfortable and leisured life, have extensive social networks, and enjoy high social status. They are well educated, good at communication and organizing, and knowledgeable about laws, policies, and political issues (Wang et al. 2013). They also 'tend to have a higher level of rights consciousness and political efficacy' (Cai and Sheng 2013: 519).

Homeowners therefore enjoy better leadership and organization, more resources, and higher social status. Thus their repertoire of protest differs somewhat from that of workers and peasants. They have filed more lawsuits, contacted the media more, gained more allies and access in the local state, and used the internet and social media more. However, the exact impact of leadership, organization, and resources on homeowners' protests is unclear, as homeowners are not necessarily more prone to protest than workers and peasants, their protests are not necessarily more persistent or disruptive, and the outcome of their protest varies from place to place.

Homeowners, just like workers and peasants, carry out cellular protests driven by specific material grievances and turn to the local state to protect their rights. Some leaders of homeowners, however, are asking for limited political rights and engaging in cross-community organizing. They ran for local people's congress, tried to influence policy-making on property management, and pushed to establish organizations to represent homeowners' interests (Read 2008; Cai and Sheng 2013). However, the impact of the activities of these 'value-driven' leaders (Wang et al. 2013) remains limited, particularly the ability to facilitate cross-community protest.

Environmental Protest

In cities such as Shanghai, Xiamen, Guangzhou, and Kunming, the Chinese middle class has also carried out environmental protests against PX plants, maglev trains, and garbage incinerators (Wasserstrom 2009; Steinhardt and Wu 2015). Between 2000 and 2013, half of mass incidents with 10,000 or more participants were over environmental pollution (Steinhardt and Wu 2015: 62). The middle class initiated many of these protests, though peasants also staged protests over toxic chemical plants (Jing 2003).

Mobilization of environmental protest is quick and often anonymous, as the middle class uses the internet, text messaging, and social media such as blogging, microblogging, and WeChat, the most popular social media application in China, to spread information and coordinate collective actions. The leaders and activists of environmental protests are often professors, journalists, environmentalists, lawyers, and business people, people who are either part of the elite or are well-connected with the state.

The middle class has managed to use its resources, knowledge, and connections to exert some influence over environmental policy-making through peaceful and institutional methods, such as drafting motions in the National Political Consultative Conference and providing environmental research reports and policy recommendations to local government agencies. Workers and peasants, on the other hand, have not found a way to influence the policy-making process regarding their welfare other than through disruptive protesting and rioting.

For these reasons, the local state almost always caves in quickly when the middle class protests to demand the halting of a project. Victory for workers and peasants came much harder and more slowly. In the words of retired SOE workers, every penny of their pension was raised through years of petitioning and protesting (author's interviews 2002).

STATE RESPONSES

The rising tide of popular protests of workers, peasants, and the middle class since the 1990s has put great pressure on the local government in China. The responsibility of pacifying protestors largely lies with the local government, since most popular protests target the local government. Since the 1990s, defusing protest and maintaining stability (维稳) ranks equally high, if not higher, as developing the local economy in the evaluation and promotion of local officials.

The central government ranks provinces in the number of disruptive petitions that have reached Beijing (Li, Liu and O'Brien 2012: 324). Stability maintenance also carries a veto power (一票否决) in the performance evaluation of local cadres. They will be demoted or even fired if too many collective petitions from the region have reached higher authorities, if large-scale protests persist, if casualties or even deaths occur during popular protest, and if media exposure damages the image of the local government (Cai 2008). Successful handling of popular protest, on the other hand, can speed up promotion of local officials. Thus when petitions and protest occur, the local government responds quickly. It retrieves petitioners (接访), meets and conducts dialogues with protestors, persuades the protestors to disband, and tries to meet the demands of protestors. The goal is to disperse the crowd and prevent them from petitioning to higher authorities or engaging in further disruptive actions.

While the pressure to pacify protestors was intense, the ability of the local government to make either concessions or use repression was limited. The local government rarely had the financial resources to satisfy protestors, particularly from the 1990s to the mid-2000s when the cash-strapped local government faced constant protests from both SOE workers demanding pensions and subsistence allowances and peasants protesting against heavy taxes and fees (Zhang 2015b). Its ability to use repression was also limited, for the Chinese state rarely used repression against petitioners and protestors who demanded either subsistence rights or their legitimate economic rights. Furthermore, too much repression may escalate the conflict and may lead to the deaths of protestors, which often led to intervention from the central government and dismissal of local cadres (Cai 2008). It was difficult therefore for the local government to find the right combination of repression and concession. Too much repression may backfire and may lead to central intervention. Too little repression may encourage more protest. Too much concession would tax the financial resources of the local government and prevent policy implementation (Cai 2008), yet too little concession would not pacify protestors.

Thus the local government muddled through, procrastinating whenever it could, using repression selectively, persuading leaders to give up protest activities, and making concessions depending on the degree of disruption of the protests. When facing contentious petitioners, local officials would follow bureaucratic rules, shuffle petitioners from one government agency to another, or sit on their cases without taking any action, hoping that the tedious procedures and no response from the government would wear out contentious petitioners (X. Chen 2012: 83–85). The local government used repression when protestors became violent and damaged property or human life (Cai 2008) and when a protest showed signs of escalation in its target or scale (Zhang 2015a). The local government targeted repression at protest leaders, but left the mass followers alone.

Before it resorted to repression though, the local government sent officials and friends and families of protestors to conduct thought-work (思想工作), meaning to persuade the protestors, the leaders in particular, to give up their protest activities. Often those who conducted the thought-work reasoned with the protestors by emphasizing the financial difficulties faced by the local government, the importance of not protesting so that the local economy would prosper, the responsibilities of the protestors toward the state, the need for protestors to follow laws and regulations, and the irrationality of anyone being a protest leader, as protest leaders were singled out for repression but followers enjoyed the fruit of the protest (author's interviews, 2001–2003). Sometimes, however, the thought work was an exercise of power and threat, as those dispatched to do thought-work, who were usually civil servants or teachers, would be fired or demoted if their family members persisted in protest activities (O'Brien and Deng 2015).

Finally, the local government made concessions and doled out money when facing protests that were more disruptive, better organized, and better led

(Zhang 2015a). The bigger the disturbance was, the bigger the payout tended to be. The money often came from emergency funds from the central or provincial government (Lee 2007).

By the mid-2000s, the local government in China had accumulated about ten years of experience and honed its skills in coping with popular protest. Furthermore, after major reforms in the mid-2000s, such as the abolition of the agricultural tax, the fiscal capacity of local governments improved. They devoted more resources and developed mechanisms and institutions to effectively defuse protests. Cities and counties established 'stability maintenance funds' to dole out to aggrieved protestors who demanded material benefits or compensation. Nationwide, public expenditure on maintaining social stability overtook national defense spending for the first time in 2010 and exceeded the combined spending on healthcare, diplomacy, and financial oversight (Lee and Zhang 2013: 1485). Furthermore, local governments have established centers of 'comprehensive management, petition, and stability maintenance' since 2008 (Lee and Zhang 2013: 1487; Zhuang and Chen 2015: 395), which combine functions of multiple agencies including policing, labor unions, social security, and the court and respond quickly to incidents of public protest by dispatching officials and security officers to the scene immediately.

To lower tension, local governments channel protest into bureaucratic and legal procedures such as mediation, arbitration, litigation, and elections. Local officials pressure civil servants, party members, retired people, and former protest leaders to pacify protestors and solve conflicts. When protest does occur, local governments have developed a series of mechanisms to prevent conflict escalation, including categorizing the degree of disruption, controlling the emotions of the protesting crowd, co-opting the protest leaders, deploying force but rarely using it, and bargaining hard with protestors so that they would accept monetary compensation and stop protesting (Lee and Zhang 2013).

More importantly, China has readjusted the central–local relationship and implemented national policies to address the grievances of the protestors, improve local governance, and maintain social stability. It has increased fiscal transfers to the local government, streamlined the local bureaucracy, abolished the agricultural tax, increased public spending in rural China, provided direct subsidies and rural public goods such as free schooling and roads to peasants, and established a basic but comprehensive urban and rural social safety net providing pension, medical care, and subsistence living allowance to its citizens. By the mid-2000s, retired workers regularly received their pensions and peasants were no longer taxed but received direct subsidies and rural public goods. The Chinese state thus responded to the demands of the two groups who have staged most of the popular protests since the 1990s. China has also changed policies on rural land expropriation and housing demolition. It has increased the level of compensation to peasants for their expropriated land and property-owners for their demolished houses. It has abolished many development zones, restricted the amount of

farmland to be expropriated, centralized the power to approve land expropriation from the local government to the central and provincial governments, required public hearings before housing demolition, and forbidden forceful housing demolition (Cai 2010: chap. 8).

CONCLUSION

This chapter has studied popular protest of workers, peasants, and the middle class in China since the 1990s. Decades of successful market reform and rapid urbanization have transformed the Chinese society, destroyed old classes, old interests, and old institutions, and begotten new classes, new interests, and new institutions. The profound, rapid, and dazzling transformation has brought different fortunes to different groups who organized themselves and protested to prevent a subsistence crisis, to protect the value of their property and the quality of their neighborhood, or to achieve great material gain. All protested to protect their rights and interests specified in policies and laws, promised in social contracts, or obliged in ethics.

Collective actions of workers, peasants, and the middle class usually started from peaceful petitions, but often escalated into disruptive protests. Petitions and protests were led by several self-appointed or elected representatives, one of whom played the role of the core leader for the group. Protestors almost never built any formal protest organizations. The better organized ones occasionally built informal organizations, but disbanded them after the group achieved some success through protesting. Mobilization was swift and easy because the protestors shared economic interests, lived in close quarters, and formed thick networks with each other through daily interactions or via marriage and blood. Though popular protests have been widespread in China since the 1990s, these protests have been local, targeting the local government and driven by specific economic grievances rather than by sweeping ideological or political demands. There has been no coalition-building across different classes, locations, or issues.

Despite these common features of leadership, organization, and mobilization patterns, protests also differ significantly. In particular, protests of the middle class and peasant protest over land expropriation may reveal important or troublesome trends for political development in China. The middle class so far has not demonstrated more organizing capacity or disruptive power than workers or peasants. Its protests over property look very similar to protests staged by SOE workers and peasant anti-tax riots. However, compared to other groups, the middle class has more resources, enjoys higher social status, and is more knowledgeable about policies, more connected with the state, and more conscious of their rights. Thus it can potentially challenge state power more. The local state's quick caving in to the demands of urban environmental protestors

demonstrates that among all groups, the state has to tread most carefully when dealing with the middle class and is perhaps most keen in protecting the interests of the middle class. Peasant protest over land expropriation is usually small in scale. However, as the Wukan protest demonstrates, traditional organizations, such as clans, have played an important role in these protests. There has also been some evidence, however thin, of involvement of intellectuals with land protest (Yu 2005). Both can make it hard for the local state to manage land protest and keep social stability.

The Chinese state has responded to popular protest. It has addressed the economic grievances of the protestors, abolished the agricultural tax, and established a basic but comprehensive social safety net covering pension, health insurance, and poverty relief for both urban and rural residents. It has strengthened the rule by law to divert collective actions away from the streets and into the court. It has streamlined the local bureaucracy, increased the fiscal and policing capacity of the local state, and established institutions and procedures at the local level to fragment and defuse popular protest. Through these measures, a new state–society relationship has emerged in China. Compared to the 1990s and the early 2000s, the Chinese people have more legal rights and more social safety nets, which bring some economic security in a fast moving society; thus the system is less vulnerable to disruptive social protest. They are also more conscious of their rights and ready to protect these rights through collective actions, making popular protest a routine part of Chinese politics. The state, on the other hand, has increased its capacity in defusing popular protest, in delivering public goods financed by the local government, and in building a welfare state that has reconnected social groups with the state after the dismantling of the communes and the collapse of SOEs. The Chinese state therefore appears to be resilient and adaptable, a sign of strong and mature political institutions (Huntington 1968: 12–17). Popular protest since the 1990s, though local and limited, has shaped state–society relations in China.

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Bureaucracy and Policy Making

Andrew Mertha

INTRODUCTION

At first glance, policy making in China appears to have somewhat of a Hobbesian quality to it. However, confidential interviews with officials at the Center and local levels, analyses of speeches and official rollouts of key policy pronouncements, access to internal document flows, and the ability to use comparative frameworks with other political systems have allowed scholars to identify and document key structures and processes that explain what occurs within the black box of policy making in China. In doing so, they have been able to transform our understanding of what may seem like highly idiosyncratic behavior (within a highly complex institutional context) into rational, quasi-predictable outcomes.

To understand policy in China – how it is made, how it is implemented and enforced, and how it is manipulated and transformed along the way – it is essential to understand the specific government and Chinese Communist Party (CCP) institutions that provide the opportunities, constraints, and incentives that shape the policy process. This includes understanding how and why a specific policy gains prominence at a given time, how various competing interests force their preferences onto the agenda, and how the delivery systems translate policy to action, all within a continental-sized country possessing (until recently) an extremely underdeveloped infrastructure, and containing the largest population in the world.¹

Many of the organizational pathologies confronting Chinese leaders and citizens alike are a result of attempting to graft a globalized, market-based system

onto a pre-existing Mao-era structure. At the same time, key contours of Chinese policy making have their origins in or are a conscious rejection of their antecedents in the pre-modern era. Thus, it is useful to trace our analysis back even beyond the founding of the People's Republic in 1949 to the practice of statecraft in Imperial China.

HISTORICAL OVERVIEW

The traditional Chinese state was highly centralized, yet extremely limited in its penetration of society. On the one hand, the emperor was expected to be fully engaged in the affairs of the state. This would, of course, vary based on the individual abilities of the men holding the title; the stage of the dynastic cycle (consolidation, pinnacle, and decline); the presence or absence of domestic challenges to his rule, such as famine, flooding, or drought; and external threats to the empire, among other considerations. On the other hand, the state had an extremely limited span of policy activity. The administrative structure established during the Sui Dynasty (581–617) was that of 'three departments and six ministries' (三省六部), in which the latter (also called 'boards') consisted of personnel (吏部), revenue (户部), rites (礼部), defense (兵部), justice (刑部), and public works (工部).² Falling outside of this policy universe, what would today be regarded as other potential 'policy areas' were not of central concern to the state.

Equally important were the limits to the spatial reach of the state, which only extended down to the county (县) level. Below that, cities, towns, villages, and hamlets were managed by local elites who sought these authoritative offices for prestige or financial gain. As G. William Skinner has argued, most Chinese's universe of social interactions was contained within a very limited economic sphere into which politics rarely intruded.³ As for the officials who occupied the administrative levels (province, prefecture, and county) between the emperor and the sub-county local elites, they were appointed and promoted according to meritocratic criteria reflecting, among other things, Confucian standards of stable and harmonious governance. To limit their power, they were subject to the Law of Avoidance and the Law of Mourning, which, respectively, made them ineligible to serve in their home regions and required them to mourn for up to three years after the death of a close relative, seriously interrupting their career trajectories and preventing them from amassing too much power independent of the emperor.⁴

The first half of the twentieth century saw a period of political dissolution in which attempts to modernize governance beginning after the 1912 founding of the Republic of China were thwarted by the Japanese invasion, civil war, and by the Nationalist Government's institutional weaknesses. This changed dramatically after 1949. In the newly established People's Republic of China (PRC), the state, encompassing the government and the CCP, extended beyond the county

level, to the townships (镇), the villages (乡), and even to the hamlets (村). This increased by an order of magnitude the arena within which policy was formulated and contested. In order to manage this change, the functional expanse of the state also multiplied, particularly after 1953, with the creation of Soviet-styled ministries spanning the policy world from education to agriculture, metallurgy to transportation, and finance to national defense. The scale of this enhanced state apparatus would have been impossible for traditional Chinese officials to contemplate. How to achieve any semblance of coherence within this extraordinarily complex and ever-evolving matrix of interests and incentives through the execution of policy has been the challenge for China's leaders ever since.

PARADIGMS OF POLICY MAKING IN CHINA

The *ur*-text of what we know about the institutional structure of the Chinese state is A. Doak Barnett's pioneering 1966 volume, *Cadres, Bureaucracy, and Political Power in Communist China*.⁵ Although specific pieces of the puzzle he unravels have changed over time (e.g., communes have been retired as an administrative level in China), much of what he documented remains startlingly intact. As such, Barnett's work remains fundamentally important as a descriptive indicator of institutional durability in China. Subsequent scholarship has built on this, extending and deepening Barnett's descriptive snapshot to capture the dynamics of the policy process in China along a longitudinal axis.

Power Politics

In their seminal *Policy Making in China*, Kenneth Lieberthal and Michel Oksenberg (1988)⁶ identify (and debunk) what they call the 'power model' that explains policy making and policy change in China.⁷ This follows the conventional wisdom that politics is simply about power and the person or institution with the most power will prevail in a given political contest. Such a scenario may have appeared to conform to the pre-reform era of the PRC when the degree of Mao's authority allowed him to prevail with his policy preferences even when the rest of the Politburo Standing Committee was united in opposition.⁸ Teiwes suggests that other top leaders' access to Mao was hindered by 'the dangers perceived in getting too close to the awesome power in Mao's grasp.'⁹ However, this approach leaves out several things. First, there were times that Mao's policy preferences did not carry the day, such as the proto-capitalist policies introduced following the Great Leap Forward. Second, Mao often needed powerful allies with independent preferences, as when he mobilized the military, the cultural apparatus, and the person of Zhou Enlai to enable the launch of the Cultural Revolution. Finally, even if one posits for the sake of argument that the power model worked for China under Mao, it does not apply to much of the post-Mao reform era.

Rational Choice

In contrast to the ‘power model’, this approach posits that out of a competing set of policy prescriptions, the option with the highest payoff relative to cost will carry the day. This line of thinking follows much of the dominant assumptions of mainstream political science. But it also has a number of shortcomings. First, costs and benefits are hardly uniform among the various parties involved in a particular policy formulation body, let alone among implementation agents. Second, it ignores the empirical reality of widespread policy failures scattered throughout the past seven decades of Chinese history, which cannot be attributed solely to unanticipated outcomes. Third, it eliminates the concept of power from the discussion of actual politicking, flattening the topography of political interaction. Finally, it similarly denies institutional constraints and incentives that can, and often do, lead to organizational choices and patterns that deeply affect the process and substance of policy.¹⁰

Political Bargaining

In 1987, David Lampton introduced the concept of policy making as a **bargaining** process, what he called the ‘bargaining treadmill.’¹¹ What made Lampton’s formulation so innovative was that it suggested important points of comparison with other political contexts, such as the legislatures of democratic countries, by casting policy making as a non-regime-specific case of horse-trading, ‘logrolling,’ or just plain old ‘pork-barrel politics,’ as common in Baton Rouge as in Beijing. It also laid out various dimensions of the policy making process that were not captured by or which were inconsistent with earlier models: bargaining as a process marked by sluggishness, by decisions made on principle with details left for later deliberation, and by separate bargaining arenas at all stages of the policy making and implementation process. Variation in effective processes and outcomes were positively correlated with elite attention, and the specter of corruption always lurked around the corner. Officials were constantly trying to game the system with ‘foot-in-the-door’ projects and *faits accomplis*. For Lampton, bargaining emerged from an institutional context of massive parallel bureaucracies with ineffective horizontal coordinating mechanisms, societal interests baked into institutional culture, and a decentralized system dominated by local political concerns and tempered by norms of fairness and consultation.¹²

Fragmented Authoritarianism

Anticipated by Lampton’s work on bargaining, Lieberthal and Oksenberg formulated what remains perhaps the most durable framework through which to understand Chinese politics: **fragmented authoritarianism**.¹³ This framework extends Barnett’s earlier descriptive framework for understanding Chinese

bureaucratic politics – with its emphasis on functional bureaucratic clusters (系统), gatekeeping functions (口), and vertical (条) and horizontal (块) **authority relations** – into the dynamics of the policy process. Fragmented authoritarianism posits that, in order for policy to stand a chance at implementation, no matter how imperfectly, it must take into account the various interests of implementation agents (that is, local governments or functional bureaucracies) at all administrative levels of the system who take advantage of institutional fragmentation to leverage their own parochial interests. In short, it is based on consensus. During this process, the content of the policy is repeatedly negotiated at all administrative levels, sometimes only bearing passing resemblance to the spirit and letter of the original formulation. Thus, fragmented authoritarianism is neither solely a top-down process (power) nor does it reflect a meritocratic (rational) policy process. Rather, it is the configuration of the divergent interests of all relevant parties necessary for successful implementation that is built into the substance of a policy at the policy making stage. This has become especially true during the reform era, when much economic – and by extension, political – decision making has been downshifted to the localities, and thus is increasingly dependent on local support for compliance success.¹⁴

Recent Trends

During an extended period of opening up starting from about 2002 and lasting until around 2007, there was a noteworthy degree of political liberalization during which ‘policy entrepreneurs’ in China (much like their counterparts in liberal democracies) exploited newly salient issues, often by altering the ways they were framed in policy discussions and in the media, in order to ‘expand the sphere of political conflict’ (a process noted by E.E. Schattschneider in democratic policy contexts a half-century ago), thereby changing the political calculus of decisionmakers in the policy making process.¹⁵ This was a significant development because it lowered the barriers to entry into the policy process for actors hitherto denied access. It was seen most vividly in the environmental policy sphere, but also extended into such unlikely areas as international trade.¹⁶ In the age of social media, gaining celebrity status (referred to as ‘Big V’ actors) within China provides another such entrée of one’s preferences into previously rarefied policy circles.¹⁷ That said, beginning in the second Hu Jintao administration and extending into the era of Xi Jinping, the promising political liberalization of a decade ago that animated this pluralization of the policy process has taken a number of steps back.¹⁸

STYLES OF LEADERSHIP

Part of what shapes the contours of the policy process in an authoritarian state like China is the leadership style of the individual at the top of the system.

While it is important to avoid overstating the power of even the most formidable of modern Chinese leaders when it comes to policy, the authority of the person steering the ship of state has allowed his policy preferences and leadership style to affect to varying degrees the political and institutional nexus within which policy was formulated and executed.

Mao Zedong (1949–1976)

No Chinese leader since 1949 has had the degree of authority that Mao Zedong was able to amass during the Communist rise to power from the 1920s through the 1940s. On the one hand, Mao's articulation of his political vision was largely abstract, Utopian, and almost poetic – often comprised of big ideas with necessarily considerable spaces for discretion or interpretation. On the other hand, as Teiwes has argued, Mao also initially (during the 1950s) carefully fostered a norm of **democratic centralism** (民主集中制), in which policy was discussed extensively, even heatedly, among top policy makers with the understanding that opposition during the policy making stage to what eventually would be adopted would be forgiven if the leadership presented a united front of support for the policy once it was agreed upon.¹⁹ Complicating the process was the fact that Mao was a voracious reader whose indication of having read a Central Committee document was necessary (after 1953) for that document to be considered valid and official.²⁰ In addition, Mao oftentimes changed his mind and indicated his preferences in opaque and suggestive ways that were difficult for many of his associates to understand. Mao was a novice when it came to certain key policy areas, notably the economy, yet this did not prevent him from giving his opinions on even the most arcane policy details, or forcing his colleagues to accept dramatic changes in fundamental policy orientation.²¹

These tensions were mitigated to a degree by the sheer number of face-to-face meetings the top leadership convened during this time in locations throughout the country, enabling them to get a somewhat-less-distorted sense of local conditions than they would get in Beijing, and bringing local leaders (often nominally) into the policy making process.²² But this had its limits.

In the late 1950s, Mao sought to rein in some of the power that he saw the government amassing at the expense of the CCP. In 1958, he discounted expertise and instead mobilized human capital to achieve agricultural and production goals through the Great Leap Forward (GLF, 1958–1961) through the mechanism of mass **political campaigns** (运动). From the earliest days of the People's Republic, campaigns were one of the key delivery systems for policy implementation and enforcement in China. Local cadres were given instructions on what a given campaign's goals, scope, and duration would be, and their citizens would be incentivized to participate, and thus be invested in the outcome. Mass movements (going back to the 1930s–40s experiments at governance in the Yan'an base area)²³ were premised on the idea that China's resource endowments greatly

avored (largely uneducated) labor as human capital, coupled with the idea that the masses could be properly informed through propaganda. If the state could mobilize enough politically enlightened people to tackle a problem, it could be solved – regardless of scientific or natural conditions.

The pathologies that emerged from the campaign approach had as much to do with poorly-thought-out ideas at the policy making stage as with imperfect implementation. Although relying on feedback effects to recalibrate policy, these channels were overwhelmed by and subsumed under the sheer energy, enthusiasm, and career advancement opportunities for (as well as the potential to use national policy goals to advance the parochial interests of) the local leaders that these mass movements unleashed. This culminated in the over-reporting of crop yields during the GLF, which, when coupled with draconian extraction policies based on these inflated numbers, left the countryside without food, and led to the deaths of up to 40 million Chinese.²⁴

Norms of democratic centralism suffered a serious setback at the Lushan Plenum in July 1959, when Mao's takedown of Minister of Defense Peng Dehuai because of the latter's criticism of aspects of the GLF during the policy *making* process led to Peng's immediate dismissal and subsequent purge. The result was a slow but steady trend toward a fracturing of the policy making and policy implementation processes, in which the norms of democratic centralism were *reversed*. In the early 1960s, the Socialist Education Movement demonstrated this corrosive new dynamic: the leadership would ostensibly agree with the general goals and contours of the program during the policy making stage but would deviate from Mao's preferences during the policy implementation stage. This debasement of democratic centralism was untenable politically, as it sowed suspicion among elites and opened a vast political chasm.

This trend ultimately led to the Cultural Revolution (CR), which, above all, was a gargantuan power struggle within the CCP over the country's direction after the revolutionary generation of leaders had passed from the scene. Although the CR is often remembered for its violence and the almost complete breakdown of the Chinese political system, it also counted among its key dimensions a set of policy shifts. Institutionally, this meant the creation of power structures and policy making bodies actually antagonistic to the CCP's traditional structures. This included the Cultural Revolution Small Group, which was in open conflict with established leaders in the Politburo. On the policy front, Mao was preoccupied with the inequalities that were growing between urban and rural citizens as well as within the state and society at large, particularly in education, culture, and medicine. The CR sought to reverse these trends through mass mobilization via political campaigns that violently targeted the very government and Party institutions (now also competing with newly formed revolutionary committees, 革命委员会) that he had spent the previous fifteen years establishing.

By severely weakening these institutions, however, Mao unintentionally made them more flexible, and ultimately more durable. Indeed, what is striking is how

many of these same policy making institutions, created in the 1950s and subverted in the 1960s and 1970s, remain in service today, underscoring an impressive degree of organizational continuity in post-1949 China.

Deng Xiaoping (1978–1992, 1997)²⁵

Given the ways in which post-Mao reforms in China deviate so fundamentally from the Mao era, it is easy to forget that Deng Xiaoping – the man who was purged twice by Mao and who led China through its first decade-and-a-half of reform – was a member of Mao’s political faction. The key difference between the two is that Deng was at heart a pragmatist. Like Mao before him and China’s leaders since, Deng embraced the goal of making China wealthy and powerful. Unlike Mao, Deng was largely secular when it came to the means of achieving this outcome. The saying most closely associated with Deng is that ‘it doesn’t matter if a cat is black or white; if it catches mice, it is a good cat’ (不管黑猫白猫捉到老鼠就是好猫), reflecting his adept manipulation of Mao’s own language to ‘seek truth from facts’ (实事求是) and that ‘practice is the sole criterion for truth’ (实践是检验真理的唯一标准) to employ non-Maoist means to achieve policy goals.

Much of what Deng sought to do was to dismantle the components of the state – mostly economic – that hindered China’s progress. Deng also attempted to maintain CCP control without it being socially and intellectually stultifying. Deng fostered a sense of **consensus-building** among his senior colleagues while providing political cover for his younger protégés to push the envelope of what could be considered ‘Marxist.’ When the negative externalities of such policy shifts such as corruption or inflation emboldened more traditional or conservative elements among the top leadership, Deng would undertake tactical retreats, so long as the overall reform trajectory remained positive.

As noted, Deng sought to embrace a consensus-building norm at the top of the system, whether through a credible counterweight in the person of Chen Yun (according to Richard Baum) or as the first among his top lieutenants (according to Joseph Fewsmith).²⁶ He restored the norm of democratic centralism and enhanced it by offering everybody a little of something in order to give them a minimum investment in any given policy.

Two crucial changes under Deng further deepened this bargaining approach to policy making and implementation. The first was a political calculus. In order to shift the political balance in his favor, he needed a counterweight to political inertia and outright opposition to reform among elites at the Center. He accomplished this by enticing central stakeholders and local leaders to invest further in reform by delegating an unprecedented amount of economic decision making to the localities, what Susan Shirk calls ‘playing to the provinces.’²⁷ Once duly empowered and supportive, these local cadres were recruited into the CCP Central Committee at hitherto unseen levels.

The second change was economic, but with tectonic political effects: the slow dismantling of the planned economy. This was a series of experiments, half-measures, and inelegant political compromises that weaned the economy away from bureaucratic interests and toward market incentives, what Barry Naughton has called ‘growing out of the plan.’²⁸ Initially modest and based in the countryside under the ‘household responsibility system,’ it expanded into urban areas in 1984 and met with considerable challenges. For the sake of policy making, the main consequence of the dismantling of the planned economy was that local leaders could no longer be compelled or deterred from certain courses of action by the threat of withholding key economic inputs for the mandated economic outputs upon which their evaluation and promotion depended.

As under Mao, successful local policy experiments became **models** for the entire country to emulate (encapsulated in the reform-era aphorism of ‘crossing the river by feeling the stones,’ 摸着石头过河). Target areas would be given the political cover necessary to try new approaches to emerging or intractable problems and, if successful, would be rewarded and their policies adopted nationwide. This was particularly true in the economic realm, but also extended into other policy areas.

Toward the end of the 1980s, **factionalism** arose among China’s top leaders, based largely on differing opinions surrounding the scope, depth, and pace of reform, with particular attention to the ways in which economic reform (which was sanctioned) might lead to calls for political reform (which was not). This culminated in the purge of Deng’s two anointed successors, Hu Yaobang (in 1987) and Zhao Ziyang (in 1989), and the rise of protests in 1986–1987 and, on a much larger scale, in 1989. Following the 1989 protests in many of China’s cities and the massacres in Beijing and Chengdu, reform was put on hold. Deng struck back with his ‘Southern Tour’ (南巡) in January 1992, during which (ironically, in truly uncharacteristic, Maoist fashion) he visited the sites of early economic reform as a private citizen and uttered a few catchphrases endorsing China’s continued opening up, thus enshrining the economic trajectory upon which the People’s Republic of China continues today.

Jiang Zemin (1989–2002) and Hu Jintao (2002–2012)

The leadership styles of Jiang Zemin and Hu Jintao could not have been more different, yet both witnessed increases in the power of institutions and some degree of decline in the power of the individuals at the top. The mechanics of policy making and implementation did not differ radically between the two, even as their policy preferences did – sometimes markedly so.

For Jiang, his first few years in power were spent consolidating his political gains from succession and taking command of what he had largely inherited from Deng by the time the latter’s health took a turn for the worse in 1994. Jiang embraced a supply-side approach to economic wealth creation and distribution

and encouraged opportunities for actors throughout the system, often extending deep into the state itself to generate wealth. He continued previous trends of policy experimentation, creative policy implementation, and consensus-based policy making. As far as the latter is concerned, Jiang was constrained and assisted, respectively, by the more unpopular conservative Li Peng and the talented ultra-pragmatist Zhu Rongji. Perhaps counter-intuitively, this allowed Jiang to pursue reform in previously unapproachable policy areas such as the state-owned enterprise (SOE) sector in 1998, as well as to contain the challenges presented by the Asian financial crisis of 1997.

Hu Jintao, on the other hand, took redistribution of wealth as his mandate. Hu sought to rebalance the socioeconomic order and reduce income inequality, channeling economic gains into the less-developed regions of the country through massive infrastructure projects. In particular, Hu championed pro-rural reforms, such as lifting the tax burden on farmers around 2005–2008. On the policy making front, Hu was even more of a consensus-builder than his predecessors, arguably to a fault. If consensus could not be achieved on a particular policy area, it was tabled or sent back for review.

The thing that makes the Jiang and Hu eras stand out in terms of policy making is the complexity of policy and the institutional politics of **policy coordination**. Although China had for a long time been playing catch-up between internal and external demands and the capacity of the state, by the 1990s, it had globalized to a degree that the traditional institutions created early in the Mao era could no longer manage the complexities that they faced in any number of policy areas. As a result, the largely silo-based approach that governed policy coordination under Mao and Deng increasingly gave way to a much broader and more complex set of institutional arrangements to better coordinate policy (see *xitong* and leadership small groups below). Consensus was key to policy success.

This is not to say that campaigns have disappeared from political life altogether. Elizabeth Perry and others have noted echoes of the past in the form of ‘managed campaigns,’ in which top-down, state-managed campaigns have been used to mobilize resources around state priorities and generate normative interest and investment among the citizen-consumers of those policies, such as in the New Socialist Countryside movement of the 2000s.²⁹

Xi Jinping (2012–)

The tenure of Xi Jinping provides an extraordinary contrast to the gradualist cadence of the Hu administration. It has been marked by bold, controversial political acts that have sought to concentrate increasing amounts of power in the hands of Xi and his supporters within the CCP more generally. Faced with an inevitable economic slowdown after a generation of double-digit growth, it has become clear to Xi (as it was to Hu Jintao before him) that the export-based manufacturing model can no longer sustain China’s economic growth and needs

to be replaced with a more service-based, innovation-grounded economy combined with a dramatic increase in consumer spending (thus necessitating fundamental financial reform). This goes against the incentives of tens (if not hundreds) of thousands of local cadres, whose financial coffers and prospects for promotion have been dependent on the *status quo* since the introduction of reform in the late 1970s and early 1980s. Given the concentrations of power at the local level, this presents a formidable obstacle to the Center's desires to reform the economy.³⁰

While the more consensus-based Hu Jintao sought to usher in such economic reform, Hu's failure to do so became a cautionary tale for Xi about how not to effect such policy change. As a result, we have seen Xi's enhanced accumulation of power extending throughout the government and party apparatus in the form of an intense anti-corruption campaign undertaken by the Central Discipline Inspection Commission (中央纪律检查委员会), combined with dramatic institutional changes and concentration of CCP power (both represented by the Comprehensive Deepening of Reform leading group, 中央全面深化改革领导小组), which together seem to be a means of leveraging entrenched opposition throughout the system to allow for the fundamental structural economic reform necessary for China to maintain the minimum degree of economic growth required to meet societal expectations and ensure political stability.

DYNAMICS OF POLICY MAKING

It should be stated at the outset that not all policies are created equal. When supported by demonstrated elite commitment, a dedicated policy-specific financial or budgetary outlay (or, by contrast, strong sanctions for non-compliance), or if they can be easily quantified, all things being equal, such a policy is likely to be more successful. As a dramatic example of this, China's One-Child Policy was able to successfully regulate the most intimate behavior of more than a billion people for more than a generation.³¹ However, casual observers often draw the wrong conclusion: they accurately see the One-Child Policy as what the Chinese state is able to do, but they inaccurately conclude that if Beijing can enforce such a draconian policy, it can also simultaneously enforce any and all other (often more easily enforceable) policies with the same degree of attention and success. This is a fundamental error in evaluating China's state capacity. In fact, Beijing can only mobilize the resources for a handful of such sustained state priorities at any given time, reflecting the main concerns of Beijing at that moment. This does not mean that these other (that is, the vast majority of) policies are not taken seriously; it simply means that they are not seen as overwhelmingly pressing (demographic trends presented an existential threat to China; poor enforcement of intellectual property doesn't yet) and are therefore subject to the institutional constraints and procedural challenges described below.

China's leaders sit atop a policy making Leviathan comprising tens of millions of government officials, Party members, activists, and others engaged in the policy process. China's top leadership recognizes that it needs to carefully navigate the policy making apparatus in order for its political preferences to be successfully translated into policy. Although this seems an impossibly overwhelming task, it represents, in fact, the day-to-day operations of the Chinese state. This section identifies and explains some of the key dimensions of the structure and process governing policy making in China.

Administrative Rank

As complicated and opaque as the Chinese state might appear at first, its administrative ranking system is a remarkably useful indicator as a first cut at identifying power relations. Every bureaucratic unit in China has a specified rank, which determines where it fits within the administrative hierarchy. At the Center, a ministry (部) has a higher rank than a bureau (厅/局/司), which, in turn, has a higher rank than does an office (室); a commission (委员会) is a half-step higher than a ministry,³² while other units (署) may indicate a commission- (审计署) or ministry-level (海关总署) unit. While equal-ranking units cannot issue binding orders to one another, they are incentivized to find a solution among themselves when conflicts arise; otherwise, they have to kick the problem upstairs and risk (1) aggravating a superior and (2) being faced with a solution by which they receive none of the benefits they would have otherwise obtained through a compromise. In short, they have every incentive to negotiate a bargained outcome.

As Table 17.1 shows, there is a clear delineation of rank among Chinese administrative units from the top of the system all the way down to the bottom (Center, province, prefecture, municipality, county, township/village, and hamlet). Such a ranking is defined both functionally in top-down fashion as well as spatially across China's landmass; for example, a ministry in Beijing has the same bureaucratic rank as a province (省). The fact that these two multidimensional categories of bureaucratic agents have the same two-dimensional administrative rank conceals the fact that spatial and functional coordination draw on different mechanisms in the policy making and implementation process.

Document Rubrics

In addition to the grading of offices in China, there is also a rank ordering of policy documents, covering everything from who has access (and what type of access) to the document stream, how much flexibility they allow for implementation, as well as what stage of development they are in at the policy making stage. At one extreme, orders (命令) are to be carried out without question; decisions (决定) allow an ever-so-slight degree of flexibility in their implementation; regulations (规定) posit those cases to be followed to the letter while specifying

Table 17.1 Rank and authority relations in China

<i>Administrative Level (Spatial)</i>	<i>Top-Level Government Unit</i>	<i>Functional Units within (under) the Government¹</i>
National	State Council (国务院)	Commission/ <i>weiyuanhui</i> (委员会) Ministry/ <i>bu</i> (部) Bureau/ <i>ting, ju</i> or <i>si</i> (厅, 局, 或 司) Department/ <i>chu</i> (处) Office/ <i>bangongshi</i> (办公室)
Province/ <i>sheng</i> (省) Provincial-Level Municipality/ <i>zhixia shi</i> (直辖市) Autonomous Region/ <i>zizhi qu</i> (自治区) Special Administrative Region/ <i>tebie xingzheng qu</i> (特别行政区)	Provincial Government – <i>buji</i> (部级) – same rank as Ministry (部)	<i>ju</i> (1) 一级局 (<i>zheng ting</i> (厅)) <i>ju</i> (2) 二级局/副级局 <i>ju</i> (3) Same as a <i>chu</i> – 县级局
Prefecture/ <i>di zhou shi</i> (地州市)	Bureau/ <i>ju</i> (局)	<i>ke</i> (科)
(Rural) County/ <i>xian</i> (县) (Urban) District/ <i>qu</i> (区)	Department/ <i>chu</i> (处) – may use 'ju' (局) – but actual rank is <i>chu</i> (处)	<i>gu</i> (股) – county government functional units have centralized leadership relations with their township counterparts (<i>zhan</i> /站), or, if such counterparts do not exist, exercise direct control at the town/township/village level
Town/ <i>zhen</i> (镇) – over 10 per cent of the population registered as <i>non-agricultural</i> (often, there is no distinction between 'town' and 'township')		<i>zhan</i> (站) – township-level functional units (rare)
Township/ <i>xiang</i> (乡) – often, <i>xiang</i> is referred to as 'village')		
Village or hamlet/ <i>cun</i> (村)		

¹Note: These distinctions can be muted in practice, particularly at the national level.

others in which only the spirit of the policy is to be considered; instructions (指示) provide an opportunity for experimentation, subsequently reviewed by higher-ups; circulars (通知) are used as cover letters for reference materials to

explain how they are to be used; while opinions (意见) suggest that the policy is still being discussed at the policy making stage and considered tentative. These document rubrics provide important information for local cadres in terms of how to approach any given policy initiative by which they are confronted. They are thus a key source of information for officials on how to maneuver within the complexities and hidden dangers of the policy realm.³³ Indeed, local governments are incentivized to expand their number of functional offices so that they can maximize the amount of information supplied through the document stream.

Spatial Coordination

The traditional aphorism 上有政策 下有对策 ('those above have their policies while we down below have our countermeasures') has a long and distinguished pedigree in China. One of the key challenges to the leadership in Beijing on the policy front is to take this into account when formulating policies as well as establishing the enforcement mechanisms and incentives necessary to implement them. At the same time, even at the height of China's centralization under the planned economy, the PRC was substantially less centralized than the Soviet Union.³⁴ In fact, much of China's government is, surprisingly to many, highly decentralized. According to Pierre Landry, it remains one of the most decentralized governments in the world.³⁵

This is explained by and reflected in the configuration of authority relations, something that is invisible to the naked eye but absolutely fundamental to the policy process in China. Any single bureaucratic unit has a number of formal and informal responsibilities that link it to a constellation of other units in China (sometimes referred to in the bureaucratic vernacular as 'mothers-in-law' 婆婆) that may wax and wane, depending on where within the policy space it finds itself at a given place and time. Without an organizational logic to untangle this Gordian knot, the system would grind to a halt. The way by which the Chinese state is able to accomplish this is simple and powerful: distinguishing between centralized and decentralized leadership relations.

To simplify, there are two types of authority relations in China. They are non-binding, consultative 'professional' relations (业务关系) and binding 'leadership' relations (领导关系). A given bureaucratic unit in China can have professional relations with any number of other bureaucratic units, but it can *only have leadership relations with one other unit*. The trick is to identify which unit is the one with which a subordinate unit has leadership relations. Those units that have leadership relations with their functional equivalent at the next administrative level up (e.g., a provincial-level customs bureau will have leadership relations with the national General Administration of Customs) are said to have centralized leadership relations (条上领导). In such a case, the provincial-level customs bureau has only non-binding, consultative relations with the provincial

government in which it is ostensibly embedded. The vast majority of Chinese bureaucracies, however, have decentralized leadership relations (块上领导) in which a functional unit has leadership relations with the government at the same administrative level. For example, a provincial agriculture bureau will not have leadership relations with the national Ministry of Agriculture, but rather with the provincial government in which it is rooted.³⁶ The logic is that local governments understand the conditions in their locales than would a ministry in Beijing. However, this also introduces a degree of ‘implementation bias’ (bending the

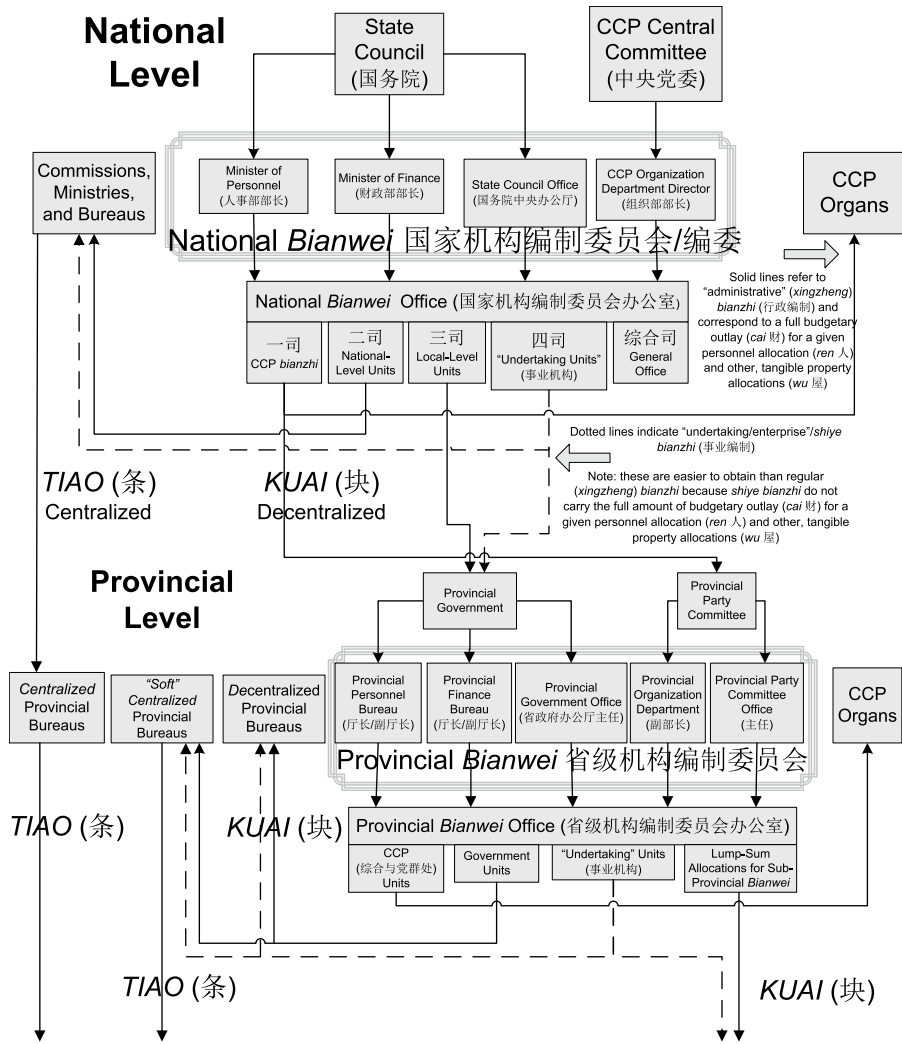


Figure 17.1 Budget-based authority relations

spirit of the law into unrecognizable contortions to accord with local incentives while staying, sometimes barely, within the letter of the law) into the streams of policy implementation.

The question of authority relations is much more than a simple conceptual distinction. Real power over the disbursement of government funds is held by relatively few (in the neighborhood of 3,000³⁷) high-ranking cadres, and the ways in which these funds are translated into personnel, budgets, and property (人财屋) and transmitted from superior to functionally- or spatially-subordinate units is the mechanism through which authority relations throughout the system are exercised. These resources are transferred through what is called a personnel/budgetary allocation (*bianzhi*, 编制) that is handled through a government- and Party-controlled leading group and its local counterparts throughout the system.³⁸

As was the case with Bob Woodward and Carl Bernstein's reporting on Watergate, when attempting to understand authority relations in China – and, by extension, how policy is made and implemented – it is necessary to 'follow the money.' *Bianzhi* is at the very root of, institutionally, who has power over whom in China, as shown in Figure 17.1

In the past twenty years, there have been attempts to re-centralize the system, or to re-establish some of the control that Beijing has given up in empowering local state actors. In 1994, the government instituted tax reform,³⁹ while in the early 2000s, there was an attempt to recentralize certain key financial, commercial, and regulatory bureaucracies, with mixed success.⁴⁰ Under Xi Jinping, formal and informal mechanisms are being introduced to further centralize Xi's power. These attempts illustrate one of the most important tensions inherent in enforcing policy in China.

In addition to instituting a mandatory retirement age and limiting tenure at any given position, a key method by which superior administrative units try to rein in the localities under their jurisdiction is through managing the criteria by which local leading cadres are evaluated for promotion. One way to explain patterns of policy enforcement is to separate out policies that are easily quantifiable from those that are not (e.g., economic growth rates, birth rates, incidence of protest). Because their results are more concrete, policies concerning the former tend to have higher rates of enforcement than do the latter.⁴¹ Over the past decade or so, certain policy areas – particularly environmental protection – have become more privileged among these promotion criteria and have thus received more attention. Under Xi, there has been a shift toward more ambiguous indicators (such as quality of life) that are far more open to interpretation and for which it is more challenging for local cadres to demonstrate compliance.⁴²

Functional Coordination

China's complex network of government ministries, commissions, bureaus, and other administrative units was forged under the Stalinist-oriented First Five Year

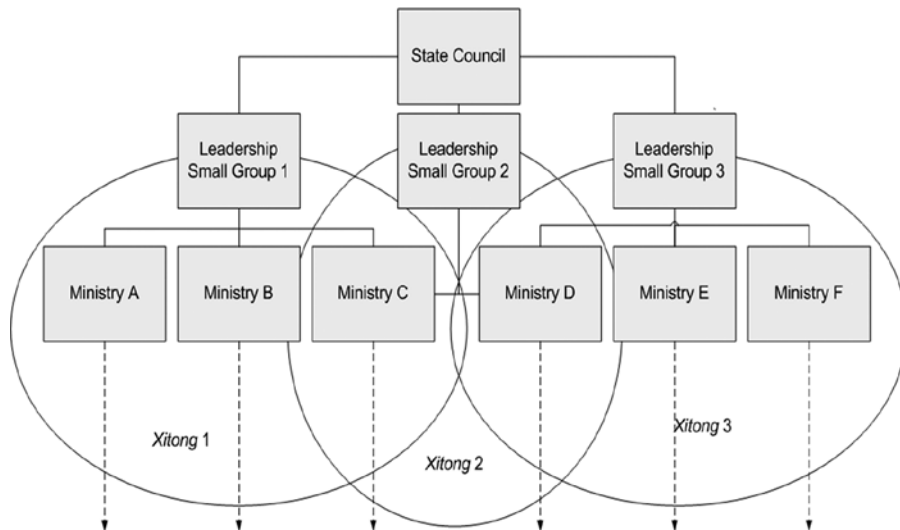


Figure 17.2 *Xitong* and leading groups

Plan of the early 1950s. Although they have evolved over time, they remain in many ways products of the period in which their functions and organizational logic were institutionalized. Traditionally, these bodies were coordinated by the roles they played in the planned economy. Since the end of the Mao era, two things have occurred which have changed these main government bodies. First, as noted, the planned economy has been dismantled, and with it the key coordinating mechanism that provided the functional anchor of these entities within the system. Second, in the twin eras of reform and globalization, many of the challenges that China faces are dramatically different from and in many ways more complex than those that these ministries and other units faced when they were first established. Policy areas are multifaceted, in flux, and do not fit neatly within the purview of an individual ministry or bureau. The result has been a proliferation of coordinating organizations (协调机构) to match up relevant bureaucracies with a given policy area. The most important of these are the *xitong*, as indicated in Figure 17.2.

Xitong (系统) translates into ‘system,’ but in the context of policy making and implementation, it is a cluster of bureaucracies that are placed in a working relationship around some policy area and which is ultimately coordinated by a **leadership small group** (领导小组) – comprising the leaders of some of the key bureaucracies that make up the *xitong*, as well as other elites that outrank even these leaders – that sits at its apex.

Alice Miller articulates the peculiar but very real logic of power for leadership small groups over the *xitong* they sit atop.

Leading small groups are not formalized bodies in any meaningful sense. They lack bureaucratic documentation, they lack standard operating rules, and they cannot appoint their own

members. They occupy no dedicated office space as a group, nor do they hang out a shingle. They have no dedicated budget to expend funds. They have no legal authority to issue formal orders to other offices; instead, they rely on superior or related institutions to issue documents that circulate internally within the political order and that do have binding force. They meet only a few times over the course of a year, mainly to hear reports. At the same time, the general offices of leading small groups have serious bureaucratic power.⁴³

Miller distinguishes between ‘leading small groups’ and ‘coordination small groups,’ but the distinction can be parsed even further. She cites Zhou Wang, who identifies three types: permanent, term-oriented, and task-oriented. Permanent small groups – and the *xitong* they sit atop and supervise – were ‘established to deal with broad policy sectors and issues of abiding strategic importance, these are the most important, highest-ranking, and most authoritative... [including] foreign policy, Taiwan affairs, the economy, and other issues and several State Council groups, such as the State Science, Technology, and Education Leading Small Group.’⁴⁴

Term-oriented small groups are established to coordinate a certain task in policy areas that no longer fit comfortably into the traditional *xitong*. Their terms may vary; some are one-shot efforts, while others can be brought back on a fairly regular basis, as necessary. These have multiplied over time (paralleling the similar proliferation of Central ministries); the State Council in 1981 had 44 leading groups, but by 1988 there were 75 and by 1991 there were 85. They were then reduced to 26 in 1993 and then to 19 in 1998, but by 2008 they had grown to 29. Finally, there are the most specific (and most common) leading groups, task-oriented small groups, which are more *ad hoc* in nature and convened to manage natural disasters, large-scale social eruptions, and other emergency situations. Bureaucracies that make up these latter two types often belong to two or more *xitong* at any given time. As was the case in the above section on rank, there are powerful incentives for equally ranked members within a *xitong* to resolve issues among themselves.⁴⁵

The utility of leading groups and *xitong* has not been lost on Xi Jinping, who has placed certain policy areas once squarely within the government’s purview – most notably the economy – under leadership small groups headed by the Party. Many have focused on the role of the CCP’s Central Discipline Inspection Commission within the anti-corruption campaign in China, but equally if not more significant is the creation of the Comprehensive Deepening of Reform leading group.⁴⁶

Government–Party/CCP Relations

Another critical dimension of the policy process is the relationship between the government and the Party. Charlotte Lee writes that single party systems serve a very clear purpose to the stakeholders of the system in which they are embedded: ‘parties lengthen the regime’s time horizon for survival,’ managing short-term setbacks against long-term gains, thus generating ‘expectations that [parties] will remain in power, which in turn promotes elites’ willingness to invest’ in them.⁴⁷

Leninist parties consist of a set of elite ‘professional revolutionaries’ that ‘coordinate political functions [and] distribute economic power’ by managing the state (read: government) bureaucracy. In China, one of the most decentralized of authoritarian states, Party control is particularly challenging, especially in the post-Mao era, as ‘organizations forged during and for a revolutionary context have limited purchase in the management of a state no longer bent on revolution but rather focused on routine.’⁴⁸

There are several ways to conceptualize the relationship between the Party and the government. One of these is that the government handles the everyday running of the state, all the way down to the most mundane and prosaic tasks, while the Party provides the larger normative or ideological context. One might even make a more secular argument that the Party simply prioritizes the multitude of tasks that the government undertakes. Another way of looking at government–Party relations is that the CCP supervises the implementation of *government and Party* policies. Traditionally, the Party would implement policies through mass-based political campaigns; today, Party activism continues to soften up the body politic for shifting CCP priorities, but in a more targeted fashion.⁴⁹ Earlier in the reform era, the Party concentrated less on micromanaging the government in terms of actual policy, focusing instead on ensuring that government and Party cadres involved in policy making and implementation maintained the values and priorities of the Party. This trend away from micromanagement appears to be reversing under Xi Jinping.

Barnett, Lieberthal, and others, particularly John Burns,⁵⁰ identify some key mechanisms through which the CCP manages and controls the government that have a direct bearing on policy: *nomenklatura* appointments, ‘interlocking directorates,’ and Party core groups.⁵¹ Apart from the direct control of the military (the military reports to the Party and not to the government in China), *nomenklatura* (职务名称表) is the mechanism through which the CCP maintains its monopoly of power over the Chinese state. The Party Organization Department (中国共产党中央组织部) holds the monopoly right on placing individuals of its own choosing into any and all top government (and Party) positions throughout the country via government personnel allocation lists (the *bianzhi* described above). Since most organizations in China – including schools, hospitals, and factories – are government entities, this gives the Party a remarkable degree of control throughout the system.

‘Interlocking directorates’ refers to the fact that in the hierarchy of Party committees that parallel government organizations at all points within the system, the leaders in both of these (i.e., the provincial governor and his counterpart in the CCP apparatus, the provincial Party secretary; the mayor and his Party counterpart, the municipal Party secretary; and so on) are CCP members, and ultimately beholden to it. In addition, although the *administrative* rank between these two office holders is the same, the individual within the CCP apparatus holds a higher *Party* rank than his government counterpart.

Party groups (党组) exist throughout any given organization in China to ensure that the organization is complying with the political ‘line’ (路线) at any given time. These groups include leaders as well as a seemingly random set of other individuals representing the various parts of the organization. Moreover, the Party ranks (as opposed to the public, administrative ranks) of these individuals can be highly idiosyncratic to the outside observer. William Alford once recounted how the ranking Party member – that is, the individual with the most political power – for an entire legal institute in Beijing during the early 1980s was, in fact, the driver assigned to the unit.

One of the hallmarks of Zhao Ziyang’s tenure as Premier (1980–1987) and then as Party Secretary (1987–1989) was to separate out the Party from the government and to rationalize the relationship between the two. Jiang Zemin sought to reverse this trend, although in a relatively gradual fashion. Under Xi Jinping, as noted, the role of the CCP in policy making has increased dramatically. Party-based leadership small groups have increasingly taken over key policy areas that had long since been clearly within the domain of the government. Yet another has been a re-emphasis on the normative molding of Party cadres.

Normative ideology and Policy

Douglass North was able to square the circle on how organizations can police themselves without incurring costs so prohibitive as to render the entire project unworkable. The solution was the existence of an ‘ideology’ that would encourage an investment in the system and therefore reduce considerably the costs of compliance.⁵² This has been a foundational feature of the Chinese policy world since the Mao era.⁵³ In addition to the basic mechanisms of policy making, there are regular normative, educational drives (there is some disagreement as to whether they are ‘campaigns’ or ‘movements’) to prime key cadres (usually from the department-level 处 on up) so that they provide more support and/or less resistance to a particular policy bundle. These movements can be a function of policy shifts – reflecting elite policy differences – at the top (the 1984 ‘Anti-Spiritual Pollution’ campaign) or the canonization of a given leader’s legacy (such as Jiang Zemin’s ‘Three Represents’ 三个代表 or his lesser-known ‘Three Stresses’ 三讲 movements).⁵⁴

More recently, authors have reoriented their focus to the importance of ideology in the policy making process, not simply as an explanation for how transaction costs might be reduced but of how longstanding behaviors (immune to capture by a purely structure-based approach) normatively endure. Sebastian Heilmann and Elizabeth Perry find that normative historical practices deeply embedded within the fabric of the Party continue to shape cadres’ approach to policy formulation and enforcement.⁵⁵ Christian Sorace looks at the flip side of this phenomenon, arguing that Maoist conventions and repertoires continue to

trip up local cadres in their attempts to square China's revolutionary traditions with the practical challenges they face on the ground today.⁵⁶

CONCLUSION

The Chinese state is extremely complex and often opaque, but it is not a black box. There are all sorts of formal and informal institutions, rules, and norms that act as a roadmap both for cadres within the system as well as for scholars attempting to make sense of it. Being able to understand even some of the broad contours of the structure and processes of policy making and implementation in China provides us with the ability to assign some transparency and even some predictability to this fundamental area of Chinese politics. Understanding the ways in which it has changed as well as the ways in which it has remained stable over time also helps us understand seemingly irrational outcomes and behaviors as normal responses to the crucible of a highly complex and fragmented policy environment.

Notes

- 1 I focus on domestic policy making in China, but some of what is contained herein applies to some key aspects of foreign policy, particularly non-strategic (commercial- and trade-centered) foreign policy, especially with policy that involves or affects subnational-level actors in implementation or enforcement.
- 2 Arthur P. Wright, The Sui Dynasty (581–617), in Denis C. Twitchett, John K. Fairbank, eds., *The Cambridge History of China, Vol. 3, Sui and T'ang China, 589–906*, New York: Cambridge University Press, 1979, pp. 81–82.
- 3 G. William Skinner, 'Marketing and Social Structure in Rural China, Parts I, II, and III,' *Journal of Asian Studies* 24, 1 (Nov. 1964): 3–44; 24, 2 (Feb. 1965): 195–228; 24, 3 (May 1965): 363–99.
- 4 Kenneth Lieberthal, *Governing China: From Revolution through Reform*, New York: Norton, 1995, p. 13.
- 5 A. Doak Barnett, *Cadres, Bureaucracy and Political Power in Communist China*, New York: Columbia University Press, 1967.
- 6 Lieberthal and Michel Oksenberg, *Policy Making in China: Leaders, Structures, and Processes*, Princeton: Princeton University Press, 1988.
- 7 On the 'power model,' Lieberthal and Oksenberg cite Roderick MacFarquhar, *The Origins of the Cultural Revolution Vol 1: Contradictions Among the People, 1956–1957*, New York: Columbia University Press, 1974; Lucian Pye, *The Dynamics of Chinese Politics*, Cambridge: Oelgeschlager, Gunn, and Hain, 1981; Jurgen Domes, *The Government and Politics of the PRC: A Time of Transition*, Boulder: Westview Press, 1985; Byung-joon Ahn, *Chinese Politics and the Cultural Revolution: Dynamics of Policy Processes*, Seattle: University of Washington Press, 1976; Parris Chang, *Power and Policy in China*, University Park: Pennsylvania University Press, 1978; and Edwin Rice, *Mao's Way*, Berkeley: University of California Press, 1972.
- 8 These include China's entry into the Korean War, the pace of agricultural collectivization in the mid-1950s, and the launching of the Hundred Flowers campaign in 1957.
- 9 Frederick C. Teiwes, *Politics at Mao's Court: Gao Gang and Party Factionalism in the Early 1950s*, Armonk: M.E. Sharpe, 1990, p. 19.
- 10 They cite Graham T. Allison's *Essence of Decision: Explaining the Cuban Missile Crisis*, Boston: Little, Brown: 1971, particularly Allison's Model 1. It is also important to note that Allison implies that

- this model is an ideal type that misses much of what occurs during the policy making process, thus necessitating Model 2 (organizational process) and Model 3 (bureaucratic politics).
- 11 David M. Lampton, 'Chinese Politics: The Bargaining Treadmill,' *Issues and Studies* 23, 3 (1987).
 - 12 Lampton, 'The Implementation Problem in Post-Mao China,' Lampton, ed., *Policy Implementation in Post-Mao China*, Berkeley: University of California Press, 1987, pp. 3–24; and "A Plum for a Peach," in Lieberthal and Lampton, eds., *Bureaucracy, Politics and Decision Making in Post-Mao China*, Berkeley: University of California Press, 1992, pp. 33–58.
 - 13 Not surprisingly, Chinese leaders themselves would characterize the overall policy making arena somewhat differently – that is, as far more cohesive – as they utilize the same bureaucratic and administrative conceptual shorthand upon which the FA framework is constructed.
 - 14 Lieberthal and Oksenberg, *op cit*.
 - 15 E.E. Schattschneider, *The Semi-Sovereign People*, New York: Holt, Rinehart and Winston, 1960; and Andrew C. Mertha and William R. Lowry, 'Unbuilt Dams: Seminal Events and Policy Change in China, Australia, and the United States,' *Comparative Politics*, 39, 1 (Oct. 2006): 1–20.
 - 16 Mertha, "'Fragmented Authoritarianism 2.0": Political Pluralization in the Chinese Policy Process,' *The China Quarterly* 200 (Dec. 2009): 995–1012.
 - 17 Elizabeth Plantan and Chris Cairns, 'Hazy Messaging: Framing Air Pollution on Chinese Social Media' (unpublished manuscript).
 - 18 Jessica Teets, *Civil Society under Authoritarianism: The China Model*, New York: Cambridge University Press, 2014. See also Timothy Hildebrandt, *Social Organizations and the Authoritarian State in China*, New York: Cambridge University Press, 2013; and Diana Fu and Greg Distlehorst, 'Grassroots Participation and Repression under Hu Jintao and Xi Jinping,' *The China Journal* 79 (Jan. 2018): 100–122.
 - 19 Frederick Teiwes, *Politics and Purges in China*, Armonk: M.E. Sharpe, 1993.
 - 20 Kenneth Lieberthal, with the assistance of James Tong and Sai-cheung Yeung, *Central Documents and Politburo Politics in China*, Ann Arbor: Michigan Papers in Chinese Studies 33, 1978, p. 2.
 - 21 Teiwes, *Politics in Mao's Court*, *op cit*.
 - 22 See, for example, Kenneth Lieberthal and Bruce Dickson, *A Research Guide to Central Party and Government Meetings in China, 1949–1986*, Armonk: M.E. Sharpe, 1989.
 - 23 Mark Selden, *The Yanan Way in Revolutionary China*, Cambridge: Harvard University Press, 1971.
 - 24 MacFarquhar, *Origins of the Cultural Revolution, Volume 2: The Great Leap Forward, 1958–1969*, New York: Columbia University Press, 1983.
 - 25 Deng gave up his key position in 1989, and retired completely from politics in 1992, but his 'era' is recognized as ending with his death in 1997.
 - 26 Richard Baum, *Burying Mao: Chinese Politics in the Age of Deng Xiaoping*, Princeton: Princeton University Press, 1994; and Joseph Fewsmith, *Dilemmas of Reform in China: Political Conflict and Economic Debate*, Armonk: M.E. Sharpe, 1994.
 - 27 Susan Shirk, *The Political Logic of Economic Reform in China*, Berkeley: University of California Press, 1993.
 - 28 Barry Naughton, *Growing out of the Plan: Chinese Economic Reform, 1978-1993*, New York: Cambridge University Press, 1995.
 - 29 Sebastian Heilmann and Elizabeth Perry, eds., *Mao's Invisible Hand*, Cambridge: *The Political Foundations of Adaptive Governance*, Harvard Contemporary China Series 17, 2011; and Kristen Looney, 'China's Campaign to Build a New Socialist Countryside: Village Modernization, Peasant Councils, and the Ganzhou Model of Rural Development,' *The China Quarterly* 224 (Dec. 2015): 909–932.
 - 30 Fewsmith, *The Logic and Limits of Political Reform in China*, New York: Cambridge University Press, 2013.
 - 31 Tyrene White, *China's Longest Campaign: Birth Planning in the People's Republic, 1949–2005*, Ithaca: Cornell University Press, 2006.

- 32 Of course, there are some complications, such as bureaus with ministerial rank (部级局), which fall between the two in terms of actual authority. Of course, depending on function or individual leadership (often correlated) some ministries (or, for that matter, provinces) are more equal than others, and so on down the functional or geographic line.
- 33 Lieberthal et al., *Central Documents and Politburo Politics in China*, pp. 12–13.
- 34 Huang Yasheng, 'Information, Bureaucracy, and Economic Reforms in China and the Soviet Union,' *World Politics* 47 (Oct. 1994): 102–34.
- 35 Pierre Landry, *Decentralized Authoritarianism in China: The Communist Party's Control of Local Elites in the Post-Mao Era*, New York: Cambridge University Press, 2008.
- 36 Lieberthal, *Governing China*, chapter 6.
- 37 Kjeld-Erik Brødsgaard, 'Managing China's Civil Servants,' in Wang Gungwu and John Wong, eds., *Interpreting China's Development*, Singapore: World Scientific Publishing, 2007, pp. 44–47.
- 38 Brødsgaard, 'Institutional Reform and the *Bianzhi* System in China,' *The China Quarterly* 170 (Jun. 2002): 361–386.
- 39 Le-yin Zhang, 'Chinese Central-provincial Fiscal Relationships, Budgetary Decline and the Impact of the 1994 Fiscal Reform: An Evaluation,' *The China Quarterly* 157 (Mar. 1999): 115–141.
- 40 Mertha, 'China's "Soft" Centralization: Shifting Tiao/Kuai Authority Relations,' *The China Quarterly* 184 (Dec. 2005): 791–810.
- 41 Kevin O'Brien and Lianjiang Li, 'Selective Policy Implementation in Rural China,' *Comparative Politics*, 31, 2 (Jan. 1999): 167–186.
- 42 Jeremy Wallace, 'The New Normal: Reform, Information, and China's Anti-Corruption Crusade in Context' (unpublished paper).
- 43 Alice Miller, 'More Already on the Central Committee's Leading Small Groups,' *China Leadership Monitor*, Hoover Institution 44 (Summer 2014). See also Lieberthal, *Governing China*, chapter 7.
- 44 Miller, *op cit*.
- 45 It is also important to note that *xitong* are replicated at lower levels of the system but vary in size and composition due to local policy considerations.
- 46 Naughton, 'Reform Retreat and Renewal: How Economic Policy Fits into the Political System,' *Issues & Studies*, 51, 1 (March 2015): 23–54.
- 47 Charlotte Lee, *Training the Party: Party Adaptation and Elite Training in Reform-Era China*, New York: Cambridge University Press, 2015, p. 3.
- 48 *Ibid.*, p. 12.
- 49 Joel Andreas and Yige Dong, '"Mass Supervision" and the Bureaucratization of Governance in China,' in Vivienne Shue and Patricia M. Thornton (eds.), *To Govern China: Evolving Practices of Power*, New York: Cambridge University Press, 2017, pp. 123–152.
- 50 John Burns, 'China's Nomenklatura System,' *Problems of Communism* 36 (Sept.–Oct. 1987): 36–51.
- 51 Lieberthal, *Governing China*, chapter 7.
- 52 Douglass North, *Structure and Change in Economic History*, New York: Norton, 1982.
- 53 Franz Schurmann, *Ideology and Organization in Communist China*, Berkeley: Center for Chinese Studies and University of California Press, 1969.
- 54 Mertha, '"Stressing Out": Cadre Calibration and Affective Proximity to the CCP in Reform-Era China,' *The China Quarterly* 229 (Mar. 2017): 64–85.
- 55 Heilmann and Perry, *op cit*.
- 56 Christian Sorace, *Shaken Authority: China's Communist Party and the 2008 Sichuan Earthquake*, Ithaca: Cornell University Press, 2017.



Local and Grassroots Governance

John James Kennedy and Dan Chen

INTRODUCTION

Local governance in rural and urban China has experienced dramatic changes over the last 30 years. In the countryside, communes and brigades during the 1960s and 1970s gave way to towns and village committees after 1982. In the cities, the end of the work unit system and massive closure of state owned enterprises in the 1990s led to a greater reliance on residence committees for local governance. In general, the central leadership has overseen major shifts in local administrative divisions and functions during this time period. However, the types of local governance, functions and provisions of public services vary across China. This chapter assesses the establishment and function of rural and urban grassroots governance as well as the uneven reforms and innovations since the 1980s.

Grassroots governance refers to basic level policy implementation and service provision, but it is not the lowest level of government. In China, the lowest rural administrative level is the township or town government, and in the urban areas it is the sub-district or street office.¹ Grassroots governance refers to village committees and party branches within a town and residence committees under the street office. The people who work at the grassroots levels are frequently referred to as local cadres. Unlike leading cadres and salaried officials at the higher administrative levels (i.e. town and above), grassroots cadres are typically community members.

Indeed, these local cadres have a dual function as the face of local government as well as members of the community they serve. Local cadres have face-to-face interactions with citizens on a daily basis, and they are required to implement a wide range of policies. These include unpopular policies, such as tax collections and family planning, as well as service provision such as land management and local sanitation. Moreover, grassroots governance involves mediation and conflict resolution within the community. Thus local cadres have dual accountability to higher level administrators and community members.

The number of these grassroots organizations and institutions has gone through various changes since the 1990s. There were over 700,000 village committees and over 100,000 urban residence committees in 1995. However, by 2015, there were about 500,000 village committees and over 97,000 urban residence committees. This reflects the demographic change due to rural to urban migration and rapid urbanization. Over the period of ten years there was a significant decrease in the number of village committees, but roughly the same number of urban residence committees. Indeed, in 2012 the urban population exceeded the rural population for the first time in China. Yet, the same number of residence committees are left to govern a larger number of urban residents. This demographic change will have a significant influence on grassroots governance in urban as well as rural communities.

The function and selection process of these grassroots cadres have also gone through significant changes. In the 1980s and early 1990s, local cadres controlled basic resources to meet community needs, such as agricultural inputs in the rural areas and housing through the work unit system in urban areas. By the late 1990s, market reforms had greatly reduced local cadre authority over resources, changing the function and role of grassroots cadres. In addition, local election reforms and experiments in selection methods were introduced in the countryside and in a more limited capacity for urban residence committees. This was an attempt to increase local accountability at the grassroots level. However, the combination of expanding market reforms and rapidly changing demographics creates new challenges for local governments. This in turn generates a greater need for innovation in grassroots governance to manage and meet citizen and community demands.

The first section of this chapter covers the development of the villagers' committees, including dual governance between the popularly elected village leaders and appointed party secretaries as well as uneven implementation of the grassroots elections. The second section surveys the urban street offices and grassroots residence committees. This includes reviewing the literature on representation and the relative autonomy of residence committees. The third part examines public service delivery and local governance in rural and urban areas. The fourth section assesses local government and grassroots innovations including local experiments with selection methods and citizen participation as well as participatory budgeting. Finally, a concluding discussion is included

of the current central government policies and their influence on local governance and grassroots reforms.

VILLAGERS' COMMITTEES

With the end of the communes and collectivization in the early 1980s, the central government formally established grassroots governance structure in rural China through villager committees. Written into the 1982 constitution under Article 111, 'the residents' committees and villagers' committees established among urban and rural residents on the basis of their place of residence are mass organizations of self-management at the grass-roots level.' Moreover, 'the chairman, vice-chairmen and members of each residents' or villagers' committee are elected by the residents.' As a result, village elections in the post-Mao era began in the early 1980s. Yet, Article 111 reflects only limited legal development of village committees, and many areas of governance remained under the authority of the town and village party branch. As a result, a central leadership debate ensued over the level of village autonomy that should be allowed, including 'free and fair' elections without town or party interference (Kelliher 1997). Some leaders, such as Peng Zhen, vice-chairman of the National People's Congress Standing Committee, supported village elections and greater grassroots autonomy from the town government (O'Brien and Li 2000). Other national leaders, such as the Premier of the State Council Zhao Ziyang, suggested that the villagers' committees need to have less autonomy to ensure that town governments can fully carry out policies down to the village level (*ibid.*). The result or compromise was the introduction of a trial law in 1988, the Organic Law of Villagers' Committees.

In 1998, the trial law became a full law and established the right to have direct competitive elections with an open nomination process for village committee (VC) members, and it also laid out the functions of the elected leaders, including land management, mediation and transparency regarding village revenues and expenditures. VC members are also responsible for implementing unpopular policies such as tax and fee collection, family planning (birth quotas) and grain quotas for town governments.

From its inception, the Organic Law has had mixed results regarding the level of village autonomy and grassroots democracy. For example, Howell (1998) and Jennings (1997) provide a relatively optimistic view of the election process and villager participation. Indeed, some scholars suggested that the elections were a form of grassroots democratization (Howell 1998; Epstein 1997; Tan 2006). However, over the last 20 years the general consensus is that VC elections, while effective in replacing VC members, are not intended to democratize the countryside (O'Brien and Li 2000; O'Brien and Han 2009; White 1998).

Indeed, with over 700,000 villages in the 1990s it is nearly impossible for higher authorities at the county level and above to monitor village cadres.

This was critical because ineffective governance at the village level can undermine political legitimacy of party-governments at higher levels. One solution to improve local governance is to provide a mechanism for community members to monitor and replace grassroots cadres. Thus, village elections (when fully implemented) provide villagers with a way to nominate new candidates and directly elect VC members. The Organic Law also allows villagers to recall elected leaders between elections. In addition, villagers may be more compliant with directly elected cadres when they carry out unpopular policies, such as tax collection and family planning. Yet, since 1988, the open nomination process and direct competitive elections have not moved beyond the grassroots level, and early local attempts (innovations) to directly elect town leaders were quickly suppressed. In short, village elections function more as a mechanism for villagers to monitor grassroots cadres, thus shifting the monitoring costs from high authorities to local residents.

While much of the literature on village elections focuses on the process, a few studies examine the post-election functions of the village committee (Alpermann 2001, 2009; Schubert 2009). In the early 1980s, village cadres had a significant control over village resources such as fertilizer, seeds and off-farm employment opportunities (Rozelle 1994). Due to villagers' limited market access, cadres continued to control local agricultural inputs and collective enterprises. As a result, village cadres had broad authority and leverage to implement unpopular policies within the village. However, by the late 1980s–early 1990s village cadre authority began to erode due to market reforms and villager access to fertilizer, seeds and other agricultural inputs in open markets (Oi and Rozelle 2000). In addition, rural residents had greater opportunities to migrate and find employment outside the village. Nevertheless, critical village leader functions, such as collective land management, mediation and policy implementation, remained. One of the key issues regarding post-election duties is the dual authority between the popularly elected village leader and the appointed village party secretary.

Dual Governance

One of the defining features of rural governance is the role of the village party branch and the village committee. According to Article 3 of the Organic Law (1998), the village party branch is the 'primary organization of the Communist Party of China in the countryside,' and despite the popularly elected VC the party branch continues 'playing its role as a leading nucleus.' Conflict between the elected leader (*cunzhang*) and village party secretary (*shuji*) is not inevitable nor is it apparent in every village, but studies suggest that resource management contributes to this conflict. Several studies also find that the issue is related to the direction of accountability for the appointed party secretary (PS) and elected leader (Guo and Bernstein 2004; Oi and Rozelle 2000; Sun et al. 2013). The PS is typically appointed or approved by the town party committee, and the town

party committee shapes village PS incentives. Thus the direction of accountability is upward. For the elected leader, the direction of accountability is assumed to be towards the villagers who monitor the VC members and replace them through elections. Conflict may occur over resource management when the PS decides how to manage the existing village enterprise or lease collective land. This includes local employment decisions and especially how the enterprise or land lease profits are to be spent. Town governments will look to the PS to ensure town government fees and costs are covered. In fact, town governments have been gaining greater influence over village finances since the late 1990s and especially after the tax-for-fee reform of 2002. Zhao (2007) finds that a number of town governments began to adopt a policy of ‘town-management-over-village-accounts.’ This system can erupt into disagreements and even conflict over how collective funds are spent or divided. While the party secretary typically has the last word among leading cadres at the town level and above, at the grassroots level, scholars suggest dual authority is due to the direct interaction between popularly elected leaders and the appointed PS. One way town and county governments set out to resolve this particular problem is to combine the PS and the village leader into a single position.

In the late 1990s, towns introduced the ‘carrying on one shoulder’ approach, where the town and village party branch nominate candidates for the VC elections who can serve as both the PS and village leader. While villagers can select from the approved candidate list, this method violates the open nomination clause of the Organic Law (1998) and strengthens the party at the grassroots level (Su and Yang 2005; Guo and Bernstein 2004). Nevertheless, the ‘one shoulder’ approach may indeed reduce conflicts between PS and the village leader. While scholars express concern over the deepening influence the party has through this selection method, it is important to point out that the PS is also a villager. The fact that appointed and elected village cadres are community members is the basic principle of grassroots governance. Even the PS, who is elected as village leader, cannot ignore community demands and issues without losing control of the village (i.e. social instability). Thus the PS and the elected leader are accountable to the town government and the villagers, suggesting dual governance as well as dual accountability.

Uneven Implementation

Since the introduction of the Organic Law, it has been unevenly implemented across rural China. As a result, we observe a variety of grassroots governance and elections methods. There are several explanations for the disparity including lineage groups and selective policy implementation. The strength of lineage groups and family clans can shape the community structure (Tsai 2007; Bernstein 2006). Selective policy implementation is where town and village cadres decide whether or not to fully implement popular and unpopular policies

such as village elections and family planning (O'Brien and Li 1999; Edin 2003; Zeng et al. 1993).

Lineage groups or family clans can also have an influence on the election process and post-election governance (Tsai 2007; Manion 2006; Bernstein 2006; Kennedy 2002; O'Brien 1994). Lineage groups are extended family (i.e. same surname) within the village or community and this may result with single surname or multiple surname villages. Tsai (2007) finds that when the village committee or even the town governing institutions are weak, well organized lineage groups tend to fill the political vacuum regarding the provision of public services and mediation functions. Some studies find that stronger lineage groups may co-opt the elections and village committees (O'Brien 1994; Bernstein 2006). Indeed, Kennedy (2002) and Manion (2006) found that fully implementing the Organic Law can also upset the balance and influence of lineage groups within multiple surname villages. For example, the town government may have previously appointed the village party branch and village committee members in order to balance the influence of lineage groups, but with the introduction of the Organic Law stronger and larger groups may use the elections to gain greater influence in village grassroots governing bodies.

Selective policy implementation is based on an institutional explanation and the cadre management system. O'Brien and Li (1999) point out that town government officials and grassroots cadres tend to prioritize policies based on promotion measures and rewards while paying less attention to other popular policies that do not have a direct influence on their performance evaluations. In the 1990s, town and village cadres had to carry out unpopular policies, such as tax collection and family planning, as well as more popular policies such as open nomination process for elections and transparent (public) accounting. However, performance evaluations for these local government and grassroots cadres were based on measurable outcomes such as tax-fee collection (i.e. increasing government revenues) and family planning (i.e. decreasing birth rates). Moreover, higher authorities in the county government tend to stress the importance of revenue generating policies and family planning as opposed to fully enforcing 'free and fair' village elections. Consequently, some village elections tend to have a higher degree of town or village party branch interference in the nomination and election process than others.

Yet, selective policy implementation may also be used to improve rural grassroots governance. Due to the relative autonomy of village cadres, both the PS and the VC members may unevenly implement unpopular policies to maintain social stability and good relations with the villagers (cadre-mass relations). For example, during the 1980s and 1990s village leaders allowed underreporting of grain output to reduce government grain quotas. This served villager interests because they could use the surplus grain as feed for livestock and increase family income (Crook 1993). For the village and town cadres, more local livestock meant an increase in local revenues through the slaughter tax. Another example is family

planning and birth control. Some local cadres may allow ‘out of plan’ births for families over time and in return villagers may be more compliant regarding tax collection and local development projects (Shi and Kennedy 2016; Zeng et al. 1993). Moreover, birth control is a very personal and divisive policy within the village community. Thus, local cadres may also allow ‘out of plan’ births to maintain good cadre–community relations (i.e. cadre–mass relations).

However, as demographics change and more people are living in urban areas, the relative autonomy that allowed village cadres to selectively implement unpopular policies within these tight communities is disappearing. Urbanization is reshaping and increasing the importance of urban grassroots governance, especially the residence committees.

RESIDENCE COMMITTEES

Residence committees (RC) are grassroots organizations established under the 1982 constitution (Article 111) and are an administrative sub-unit below the street office (*jiedao banshichu*). In 2015, there were approximately 97,000 residence committees and over 7,500 street offices. According to the Urban Residents Committee Organic Law passed in 1989, urban communities are self-governing grassroots organizations, but they are under the guidance of street office, town, county or municipal governments. As a grassroots unit, the RC is not part of the regular administration, it is typically under the supervision of the lowest level of urban government – the street office. In 2010, the State Council issued Directives on Strengthening and Improving Urban Community Residents Committees, incorporating the expenditures of the RCs into the local government (street office) fiscal budget. This reduced the autonomy of RCs and increased state control over these units.

RCs came into prominence during the decline of the *danwei* (work unit) system. Although typically translated as work unit, a *danwei* functions more like a community unit. It is a social space centered on the state-owned enterprise such as a factory, government agency, university or K-12 schools. It provides public services and welfare to urban residents (i.e. employees), including social security, housing and schooling. This community reliance on services creates a work unit identity and a feeling of social belonging (Heberer and Göbel 2011, 2; Bray 2005, 5). In addition, the work unit system structured neighborhoods so that workers from a single enterprise often lived in the same housing complex. However, market reforms and privatization, especially after the 15th Party Congress in 1997, have led to the closure of many state-owned enterprises and the decline of the *danwei* system. The result was extensive layoffs in urban areas and dramatically reduced social welfare services such as health and medical insurance. The immediate problem for central policy makers and local governments was to find an alternative grassroots governing unit to replace the eroding

work unit system. At the same time, the social composition of urban housing was changing with increased rural-to-urban migration and the privatization of the real-estate market. Urban neighborhoods now comprise a wide variety of people with different occupations and social strata (Heberer 2009). More importantly for local governance, the socioeconomic transformations in urban areas have generated new social demands and community needs, such as sanitation and security as well as sports and leisure (Benewick and Takahara 2002). These factors together made it necessary for an urban grassroots organization to meet the needs of residents and provide social control for the state (Derleth and Koldyk 2004). Thus, RCs after 2000 were structured for welfare provision and social control (Benewick and Takahara 2002; Heberer and Göbel 2011, 3).

Although RCs existed from the 1950s, mostly staffed by elderly volunteers, in the late 1990s they were restructured as part of community construction (*shequ jianshe*) efforts to deal with a changing socioeconomic environment. Each RC consists of five to nine members, including salaried officers and unpaid elected members from the community (Wong and Poon 2005). As part of the restructuring effort, many elderly RC staff were replaced with young and better-educated members, who received higher salaries and more training. RC cadres are tasked to deal with minor crimes, regulate migrant workers and maintain political stability (Read 2000). Officially, RCs have several principal duties including publicizing laws and regulations, mediating civil disputes, and most importantly assisting the street office in matters relating to public hygiene, birth planning and social welfare (Wong and Poon 2005, 416). Thus RCs tend to have much less autonomy than their rural counterparts (the village committee). Moreover, the continuing urban trend is to merge smaller RCs into larger ones with populations of up to 16,000 people (Derleth and Koldyk 2004; Heberer 2009). Thus, few RCs are left to govern a larger number of diverse urban residents.

The larger goals regarding the development of the RC include three main target areas: management effectiveness and efficiency, welfare and service delivery, and autonomy (Benewick et al. 2004). As with village elections, uneven implementation characterizes the function and effective governance of RCs. For example, while some RCs successfully provide a wide range of services to their constituents, others suffer from paralysis, with some urban communities lacking RCs altogether (Read 2000). Increasing population mobility and changing neighborhoods have also contributed to the difficulty of urban community development.

Some municipalities tend to use new innovations and political experiments to improve governance and management efficiency. For example, in 1999 Qingdao municipal party committee and its organization department chose Sifang district to experiment with reorganizing the street party committee (*jiedao dangwei*) into a street party work committee (*jiedao dang gongwei*). The latter has more authority as the core leadership of all offices and activities, while the former only has authority over specific offices. The purpose of the new street party work

committee is to discuss and decide on all matters related to urban community development, so that it can mobilize resources and coordinate public works more effectively. In 2000, this experiment was implemented citywide in Qingdao. The success of the Qingdao model led the central Ministry of Civil Affairs to promote a national model (Benewick and Takahara 2002). The Qingdao model was one of the 11 designated 'model street offices' that was introduced to other cities at the time (Derleth and Koldyk 2004).

Restructuring RCs includes improving service delivery (Xu and Jones 2004). While the social welfare function of the grassroots RC can be vague or indistinguishable from the street office, Wuhan municipal government introduced a new RC model that clearly distinguishes responsibilities for the district, street office and the RC. The result is that the RC receives additional resources and greater autonomy to implement policy. In Fushanhou, a Qingdao residential area, another experiment took place in 2001 where a new RC was established without a street office. Due to the expansion of private residential complexes, the existing street office was unable to fulfill its obligations for a substantially larger new community. As a result, Qingdao municipal government created a new autonomous RC to serve over 1,600 households. Effectively, the Qingdao innovation expanded the responsibilities of the new RC to include functions that used to be administered by the street office and previous work units (Derleth and Koldyk 2004).

However, a prevailing problem with welfare and service delivery for many RCs is the lack of resources. Scholars find remaining tensions between RC responsibilities and available resources (underfunded mandates) that often limit the effectiveness of RC work (Lin et al. 2011).

Autonomy is closely related to how members of a RC are selected and allowed to govern. According to the Organic Law of 1989, residents should be able to freely elect RC members. Despite this stipulation, the majority of RC cadres are not popularly elected, but appointed by higher-level authorities (Derleth and Koldyk 2004). This severely restrains the autonomy of RCs because the committee members are more accountable to higher authorities than residents. Moreover, RCs mostly rely on district and street office government funding for operations and staff salaries. As a result, most RC work is carrying out assignments from the street office (Lin et al. 2011). These institutional limitations severely undermine the autonomy of RC members. Indeed, as Read (2003, 38) points out, 'While officially defined as a body through which residents engage in "self-administration, self-education, and self-service", their task is not self-administration but rather the fusing of government administration with local social networks.'

RC cadres have less autonomy and authority than their rural counterparts (village cadres) to selectively implement policies and adjust to changing local conditions. Rapid urbanization and increasing internal migration has created more diverse and fluid urban communities. Indeed, the Fushanhou, Qingdao

experiment demonstrates how municipal governments have to make quick, innovative decisions just to catch up with the fast paced real-estate development. The continued pace of urbanization will generate significant challenges for local governments and grassroots units, and the need for more innovative solutions to effectively deal with service provision, community construction and social stability.

LOCAL FINANCE AND GOVERNANCE

As market reforms continued during the 1980s and 1990s, the responsibility of local governments to fund and implement public welfare services in the cities and the countryside increased dramatically. In addition, the shifting obligations between grassroots organizations and local governments had a significant influence on service provision. The introduction of fiscal contracts between 1980 and 1993 ended the central government's responsibility for financing local expenditures, and expanded the role of local government to both providing and financing services (Jin et al. 2005; Saich 2008). However, from 1994 to 2002 the central leadership regained some authority over tax collection and revenue sharing at the provincial level through a tax assignment system. The new system increased central government revenues, but it left local governments at the municipal level and below, especially county and town level, with underfunded mandates. As a consequence, the main function for town and village cadres during this time was tax and fee collection, or 'villager burdens'. As these burdens on rural residents became progressively higher, along with villager complaints and protests, the central leadership introduced the tax-for-fee reforms in 2002 and eliminated the agricultural tax in 2006. Nevertheless, the problems associated with funding local services continue over ten years later.

An important consequence of fiscal decentralization after 1994 was that local governments were pressured to raise more revenue for the basic provision of public goods as well as salaries for administrative staff. In short, grassroots urban and rural units as well as the lowest levels of government were faced with underfunded mandates. While the central government had retained control over policy agenda, it effectively exacerbated local government fiscal burdens to fund central mandates such as unemployment insurance, social security and welfare (Saich 2008, 185). Local government had to create means to generate revenues. As a result, many local leaders preferred development plans that could bring in much needed short-term revenues rather than long-term necessities and paid little attention to distributional and welfare priorities (Saich 2008, 184). Extra-budgetary and extra-system funds are off-budget revenues that were collected over and above the regular taxes and fees. These extra-budgetary funds grew exponentially throughout the 1990s and 2000s (Han 2003; Saich 2008; Tsui and Wang 2004, 74). Practices such as converting agricultural land to commercial or residential

land use are common to raise funds for local governments (Saich 2008, 186). A long-term consequence is the weakened capacity to provide comprehensive and sustainable development.

In the 1990s, these tax and fee burdens made life difficult for rural residents as well as for local cadres. In 2002, the central government responded with the introduction of the tax-for-fee reform, and the abolition of agricultural tax in 2006, which were meant to reduce the fiscal burden for farmers, streamline local revenue collection, and establish a more transparent and efficient provision of services. Municipalities and counties regained greater authority over revenues and expenditures. As a result, town and village cadres could now spend less time collecting revenues and more time providing services. Consequently, town governments became less autonomous and for some regions the provision of local services suffered due to a lack of local revenues, especially for poor areas where revenue sources were limited (Kennedy 2007).

The Private Sector and Urban Homeowners Associations

While residence committees (RCs) play an important role in public welfare and service delivery, the private sector is also involved. As early as 1987, the Ministry of Civil Affairs decided to encourage the private sector to offer supplementary fee-charging welfare services, such as commercial insurance for medical care, retirement pensions, and private care centers for seniors (Xu and Jones 2004). However, these policies have resulted in uneven distribution of benefits that, in some cases, can undermine the welfare and service provision for poorer and at-risk groups. Indeed, Xu and Jones (2004) suggest many residents in this socioeconomic group cannot afford private fee-charging services.

Due to the rapid pace of urbanization and internal migration, the central, provincial and municipal government leaders recognize the increasing urban resident demands for public goods and social welfare services. In response, the central leadership advocated a 'big society, small government' model, where community agencies facilitate service provision and are encouraged to innovate (Wong and Poon 2005). This approach provides opportunities for grassroots organizations to shape their responsibilities and better serve residents. Against this backdrop, urban homeowners' associations formed to address residents' public service concerns.

As housing reform and the real-estate industry developed, urban residents had more freedom to purchase and sell their apartments (condominiums). However, problems arose during this process, including the construction of poor-quality high rises with minimal or no maintenance services from the private property-management companies. Limited regulations to protect homeowners were on the books, but were unevenly enforced. This provided a strong impetus for homeowners to organize and advocate for their own interests. Indeed, due to the unique socioeconomic conditions in Chinese cities, many newly developed

condominium complexes are located outside of the traditional RC system. For these communities, the government approved a new form of association to fill the political and public representation gap – the homeowners' association. Unlike RCs, homeowners' associations are wholly made up of residents, rather than a mix of residents and paid government staff members. As a result, homeowners' associations are not responsible for government administrative duties; their main responsibility is to represent the interests of homeowners rather than to directly provide services (Read 2003).

INNOVATIONS ON GRASSROOTS DELIBERATION AND PARTICIPATION

Recent rural and urban innovations at the local government and grassroots level involve aspects of deliberative democracy, such as participatory budgeting and various selection methods, and citizen participation in party branch elections and town government heads. Indeed, the Chinese Communist Party (CCP) has a long history of local policy experiments that start as innovative solutions to a local problem and then become national policy (Heilmann 2008; Heilmann and Perry 2011). In addition, national leaders may create 'openings' by encouraging general reform ideals that may prompt local officials to experiment with policy innovations (Li 2002). However, some model experiments continue locally and may expand regionally or even nationally, such as participatory budgeting or the two-ballot system, but most of these local governance experiments and innovations do not become policy and are soon extinguished after the initial introduction, such as direct elections for town government heads. Thus, most innovations tend to be at the margins and do not address systematic problems within established institutions and practices such as the cadre management system (Kennedy and Chen 2014).

Selection Methods and Citizen Participation

Beyond village elections and residents committee elections, a number of local innovations in selection methods for party branch elections and town government heads developed in the 1990s and after 2000. One of the earliest is the two-ballot system for the village party secretary in Shanxi Province (Li 1999). The innovation began as a way to deal with villager complaints regarding corrupt and inept village party secretaries (PS) within a town. The previous appointment process whereby the town party committee appointed the village PS did not resolve the problem. One solution is to allow villagers to participate in the nomination process, but not the final selection, because according to party regulations only party members can elect the PS. For the nomination process, village party members with at least 50 percent of the popular vote become primary candidates,

and then the list is vetted by the town party committee. The final lists of candidates are then presented to the village party members for the final vote. The process allows the town government to select their preference as well as providing the villagers with an opportunity to participate. The problem is the limited number of village party members to choose from, especially in poorer areas. However, the selection method spread to other provinces across China after 2000.

The issue of popular elections for town government head is more complicated because the national election law states that only town People's Congresses can elect town government heads and the town PS (leading cadre) is selected through the county party organization bureau (i.e. the nomenclature). Nevertheless, several county leaders in Sichuan and Guangdong provinces attempted local experiments with direct popular elections for town government heads in 1998 (He and Lang 2001; Li 2002; Saich and Yang 2003; Lisheng 2006). By most accounts these experiments were relatively successful, but short lived. The central leadership quickly nullified this innovation, citing national law, which requires town government heads must be elected by the Town People's Congress. Since 1998, there has been no movement at the national level for open nomination and a direct popular election process for government leaders above the grassroots level.

At about the same time in the late 1990s, other county party leaders were also experimenting with more legal innovations regarding the selection of town government heads (Fewsmith 2013). One method is the Open Recommendation and Selection (Saich and Yang 2003). The initial selection criteria are based on education, rank and age, including a written examination on political theory and public administration. The open recommendation process is where the candidates that passed the initial selection criteria make 'campaign' speeches and present themselves to official representative groups within the town, such as town and village party members and the local People's Congress. After deliberation, the final selection is announced. The candidate then must receive the approval vote from the county party committee and the town People's Congress. According to Saich and Yang (2003), this method 'is clearly more open than it is competitive,' and that 'in terms of public participation, it is more open and competitive than traditional practice but less so than a direct election.' Given that the open recommendation method technically remains within the legal framework of China's election laws, this method has spread to other towns, counties and provinces.

Participatory Budgeting

One of the more recent innovations at the local government level for urban and rural areas is the participatory budgeting experiments in the districts and towns of Wuxi and Wenling cities. Unlike other more indigenous innovations, participatory budgeting has its roots in Brazil, where in 1989 local governments began

to experiment with citizen participation in the budget process and implementation. The problem was local corruption and mismanagement of public funds due to the lack of transparency and the budget process remaining within the hands of a few top officials. The proposed solution was introducing a citizen participation budgeting process. In 2005, China adopted the process in several towns and districts within two cities, Wuxi and Wenling (He 2011; Fewsmith 2009, 2013; Wu and Wang 2011). Despite the variations between the two experiments, both rely on the individual and personal commitment of party secretaries at the town and district levels to push forward the local innovations. The Wenling model begins with a public review of the budget before the People's Congress session convenes. This is the 'democratic consultation' aspect of the process, where residents voluntarily participate in the budget evaluation with government officials, and write a report (Fewsmith 2009). Then the People's Congress convenes and reviews the budget and residents are allowed to attend the sessions and raise questions before the final budget is passed. The Wuxi model begins with resident participation in the selection of key public works projects (Wu and Wang 2011). The town or urban district budget office selects volunteers from the residence committees (RCs), who then work with the district finance bureau officials to determine candidate public works projects. This is where citizens are directly involved in the budget planning stage. Then the list is present to the People's Congress members for consideration.

Although participatory budgeting spread to districts and towns within Wenling and Wuxi, the innovation was not adopted as a regional or national policy. Moreover, there are distinct limitations involved in the process. Citizen participation is often low and restricted to a few volunteers because residents have inadequate information regarding local budgets and they also tend to have a low level of interest in the budget process (He 2011). Another aspect of the budget process is that leading cadres (party secretary and government head) at the town and street office levels are reluctant to give up complete control over budget decisions as even limited citizen participation may be viewed as an impingement on their authority. Indeed, Fewsmith (2009) points out that reform in general tends to be driven by open-minded leading cadres at the town and county levels who never remain in one locality for more than a few years due to the cadre exchange system (i.e. cadre management system), and when these officials are transferred their reforms or innovations tend to wither away. Thus, 'reforms tend to be highly personalistic; institutionalization is perhaps the most difficult part of the reform process' (5).

CONCLUSION

Under the leadership of president Xi Jinping, who took over the top positions in the Chinese political system in late 2012, the incentives for local governance reform and innovation have diminished. The re-centralization of authority to the

top leadership and the anti-corruption campaign slowed institutional reform and curtailed local experiment with new forms of local governance. This creates an even greater challenge for local government and grassroots leaders at a time when the continued pace of urbanization and rural-to urban-migration demands local administrative innovation and adaptation.

Xi established the notion of ‘top-level design’ that signaled political recentralization and substantially diminished the practice of local governance innovation. According to the official journal of the Chinese Communist Party, *Study Times* (*xuexi shibao*), Xi is the top-level designer who will effectively push forward and deepen the reform.² This has been widely interpreted as an important step for Xi to recentralize power in order to push through his political and economic agenda. For local officials, this is a clear signal that local governance should adhere closely to the central direction. According to Yu Keping in 2015, a top government official and the initiator of the ‘Chinese Local Government Innovation Award,’ the willingness of local governments to innovate has been declining dramatically since Xi came into office.

Xi’s far-reaching anticorruption campaign launched in 2013 has had a strong impact on local official incentives discouraging innovation and increasing uncertainty that their behavior may be misconstrued as defying the center. This nationwide anticorruption campaign is still ongoing and has shown no sign of winding down. Although some scholars argue that this campaign is mainly consolidating Xi’s position and it may lead to anticorruption institutionalization and good governance (Manion 2016), others have pointed out that the severity of the campaign seems to be carefully managed and that it has decreased legal development and institutionalization (Teets 2016).

Since the introduction of market reforms, rural and urban local governments and grassroots units have undergone administrative changes and innovations in order to adapt to new economic and demographic conditions. These include the level of cadre autonomy to implement policies, public finance and service provisions as well as elections and citizen participation. Much of the literature presents a picture of forward momentum, but reforms are slow and inconsistent. Indeed, many of these local government experiments and grassroots innovations tend to reflect idiosyncratic rather than systematic changes. Still, service provision and responsiveness of grassroots organizations and local governments has improved and adapted in recent years to socioeconomic changes and greater citizen demands. In the end, local and central leadership may need to speed up innovation in grassroots governance to manage and meet growing citizen demands.

Notes

1 The township has less than ten percent of the population with non-agricultural residents, while the town has over ten percent of the residents designated as agricultural. We use the term town as a simplification.

- 2 Article titled 'From crossing the river while touching the stones to top-level design,' published in *Study Times*, 4 April 2016. Available: <http://theory.people.com.cn/n1/2016/0404/c40531-28248108.html>

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Labor Politics

William Hurst

INTRODUCTION

China was declared by the Communist Party as a ‘workers’ state’ more than six decades ago. More people go to work each day in China than the combined total across the next three most populous countries (Hurst 2015). Yet, until relatively recently, workers were the neglected stepchildren of Chinese politics research, even as sociologists and historians examined them more intently (e.g., *inter alia*: Hershatter 1986; Honig 1986; Walder 1986). Far more attention was paid to villagers, intellectual and commercial elites, cadres, and revolutionaries than to the supposed principal beneficiaries of the revolution and those arguably most affected by market reform. Still, a vibrant literature has emerged over the past couple of decades, such that we can begin grouping research into a number of traditions or strands that can later be tied together. Before delving into discussion of the literature, however, it is useful to review briefly the history of Chinese labor politics.

Prior to the early 20th Century, Chinese urban labor was of minimal importance to its economy. A few centers of mining and other resource extractive industries had been established – for example at Kaiping in Hebei Province – and major entrepôts like Shanghai, Guangzhou, and Tianjin had some relatively small manufacturing sectors, producing goods like textiles. But the world of modern industrial work expanded significantly during the first four decades of the century. In treaty ports and elsewhere, light industrial sectors boomed. Resource industries enjoyed a similar surge, in places far away from the coast, like Anyuan.

And Japanese and Russian investments into the Northeast, which in 1932 became the puppet state of Manzhouguo, fostered the development of one of the earliest and largest concentrations of heavy industry in Asia beyond Japan. These new developments grew on the backs of migrant laborers, who moved from rural areas into cities in either nearby areas or completely different parts of the country. Workers in the new sectors tended to be stratified by skill level, native place, dialect group, and relationship to the owners of capital, leaving the incipient working class highly segmented (even within a single workplace).

The political turmoil and upheaval of roughly 1920–1955 shook the new world of labor to its foundations and gave rise to a new order in labor relations, shaped by the CCP, that would dominate Chinese urban life for 35 years. The Household Registration (or *hukou*, 户口) system encircled cities with nearly impregnable ramparts that effectively excluded new migrants who might enter, but also prevented urbanites from moving to other localities in search of new work. Within these walls, workers were bound to work units (or *danwei*, 单位) that functioned as cellular mini-states, providing welfare and lifetime employment to workers, in exchange for depressed wages and consumption and a lack of any job mobility.

Reforms of the 1980s began to break down this system, as migrants from the countryside began again to enter cities in search of work and state-owned enterprises (SOEs) began experiencing financial difficulties and laying off workers. By the 1990s, private and foreign-invested firms (FIEs) began to employ increasing numbers of workers, while whole sectors and industries emerged – especially in export processing manufacturing and in services – that relied almost entirely on rural migrant labor. Near the end of the decade, an official policy of promoting SOE layoffs resulted in a net loss of at least half the jobs in the state sector, even while foreign direct investment and export-related manufacturing employment soared.

The period from roughly 2002 to 2008 saw the government initiate new welfare programs for laid-off SOE workers alongside new protections for rural-to-urban migrants. The world financial crisis of 2008 caused a precipitous decline in China's exports and the loss of perhaps as many as 30 million manufacturing jobs in about six months. It is quite likely that many of these jobs will never return to China as globalized production networks have shifted in search of lower labor costs to places like South and Southeast Asia or Sub-Saharan Africa. In fact, some of the Chinese contract manufacturers that had helped bring so much employment to regions like the Pearl River Delta became agents for the off-shoring of thousands of jobs as far afield as Cambodia and Lesotho.

Turning to the scholarly literature, we can categorize work according to the historical period with which it is primarily concerned. A good deal of research on labor politics during the late-Republican and Revolutionary periods, as well as during the Maoist Era, characterized the field throughout the 1980s and much of the 1990s. While study of these periods has become less common among political

scientists and sociologists of late, debates and discussions continue. Quite distinct has been research on post-Mao labor politics, when workers confronted the rise of the market for the first time in contemporary China, which has blossomed into a vibrant area over the past two decades.

Additionally, we can group research on particular themes or policy areas together. This is especially useful when that research touches on multiple time periods or segments of the Chinese working class. Thus, research on, for example, contentious politics, social benefits and pensions, the politics of production, and factory governance can be assessed alongside other similar work, even when it addresses both state and private sector workers or issues during both the Mao and post-Mao eras.

Finally, it is useful to examine research on segments of the working class alongside similar work that addresses aspects of that same segment's political or social engagement. Thus, scholars of state-owned enterprise (SOE) workers, or of workers in export-oriented private sector factories and foreign-invested or wholly foreign owned enterprises, or of labor in informal urban or rural settings, ought usefully to be placed together, rather than trying to force them to speak across boundaries that are both salient and impermeable in most contexts.

LABOR POLITICS IN THE REVOLUTIONARY AND MAOIST PERIODS

Elizabeth Perry has devoted most of the past 25 years to the study of labor politics in the Revolutionary and Maoist periods and has been probably the single most influential analyst of workers' politics between about 1920 and 1975. Her seminal book on Shanghai workers' activism in first half of the 20th Century (Perry 1993) emphasized divisions within the working class based on skill levels and native place, with higher-skilled workers or workers from Shanghai clustering around different political positions than their counterparts from rural areas in other parts of China or with lower skill levels. Her later works on the Cultural Revolution's high tide in Shanghai (Perry & Li 1997), on workers' militias and the making of urban citizenship during the 1950s and beyond (Perry 2006), as well as on the politics of the CCP's famous Anyuan coal miner mobilization in the 1920s and its later mythologizing (Perry 2012), extend this tradition in several directions. Importantly, almost all of Perry's scholarship is rooted in extensive and painstaking archival research, especially in Shanghai, but also further afield.

Others have also taken up similar lines of scholarship. Notably, Mark Frazier (Frazier 2002) completed one of the most comprehensive micro-level analyses, examining four firms in two different sectors, located in both Shanghai and Guangzhou, over several decades as they transitioned from pre-revolutionary capitalist companies to state-owned enterprises, and then underwent dramatic,

often painful and contentious, further changes during the 1950s and early 1960s (including throughout the early and mid-1950s campaigns, the Great Leap Forward, and the Socialist Education Campaign). Importantly, Frazier traces the roots and construction of what eventually became the *danwei* system of comprehensive benefits and job protection in exchange for low wages and extensive factory control over workers' lives. His work thus fills a critical gap left by earlier scholarship (e.g.: Walder 1986; Whyte & Parish 1984) that tended to focus more narrowly on the politics of work unit socialism during the 1970s and beyond.

While research on pre-1978 labor politics in political science and sociology has trailed off, historians have become increasingly interested in the Maoist period over the last ten to fifteen years. To the extent that scholars across these three disciplines can remain in dialogue as new research proceeds, this will be immensely beneficial. Historians need not plough the same ground the same way, but they are very likely to turn up new layers of details, nuance, and contingency as they apply the methods and perspectives of their field. Political scientists and sociologists should be ready to adjust their understandings of Maoist labor politics and its continuing influence in response.

POST-MAO LABOR POLITICS IN THE WORLD OF STATE-OWNED ENTERPRISES

After a lull of roughly 15 years following the publication of groundbreaking studies during the 1980s (Blecher & White 1979; Walder 1986; Whyte & Parish 1984), research on labor politics in State-Owned Enterprises (SOEs) during the reform era flourished from about 2000 to 2010. The relative absence of English language scholarship between the late 1980s and mid-1990s coincided with a hiatus of genuine reform in the SOE sector (despite ongoing 'paper reforms' and landmark legislation, including a contract law and bankruptcy law, during this period). One more meaningful reform was the 1994 Labor Law, but this was less notable for its passage or contents than for the manner in which it was cited and utilized in later administrative and political moves to advance mass lay-offs, aimed at 'reducing staff to increase efficiency' (减员增效, as the slogan of the time said). These moves were adopted in earnest only at the 15th Party Congress in 1997 and at a special Work Conference in May 1998.

In a number of articles (e.g., inter alia: Blecher 2002; Cai 2002; Chen 2003; Gallagher 2004; Lee 2000; Solinger 2002), Marc Blecher, Yongshun Cai, Feng Chen, Mary Gallagher, Ching Kwan Lee, and Dorothy Solinger led the way in opening up what became a fertile literature. Most of the focus was on workers laid off from the state sector after the start of more rapid and thorough reforms in the mid-1990s. Some, like Solinger, Gallagher, and Cai, explored the processes through which lay-offs occurred (including the decision-making of

SOE managers), as well as workers' contentious manifestations and quieter coping strategies. Blecher, Chen, and Lee concentrated on how workers perceived and framed their grievances in ways that either facilitated or deterred collective action. These studies proved to be the leading splashes of a wave of research on Chinese labor politics that then crested by about 2005, in the wake of dramatically improved research access and data availability during the high-tide of SOE reform under Jiang Zemin (when these and other authors completed most of their fieldwork). The issues were salient and the research doable, and so the literature blossomed.

Subsequently, books by Yongshun Cai (2006) and William Hurst (2009) sought to draw together various strands in this literature to make sense of workers' contention, the political economy of lay-offs, how policies to deal with lay-offs were initiated and implemented, and what became of workers' lives after jobs were lost. Mary Gallagher's book (Gallagher 2005), meanwhile, focused more broadly on the political economy of SOE reform, with particular attention to the dynamics and implications for labor relations. These three books took somewhat different approaches to an essentially similar question. Gallagher saw SOEs as racing to trim costs and adopt profit-maximizing strategies learned from capitalist firms, in part at the behest of the state, but even more so due to a kind of mimetic isomorphism and inexorable forces of a global market economy. Hurst saw differentiated regional patterns, in which SOEs in some parts of China nearly collapsed and sought labor cuts out of desperation, while in other places market competition played a strong role, while in still others the state commanded lay-offs by bureaucratic fiat, even in economically healthy firms. Cai, meanwhile, saw shifting political incentives and structural rules coming together to expose gaps in allocative efficiency that demanded redress in the form of lay-offs. His primary focus, then, was on state policies to address what he saw as a basically naturally induced – if politically revealed – crisis, rather than on the roots of the crisis itself. Both Cai and Hurst also examined the frameworks of state policies deployed to address workers' livelihood issues and the collective resistance of the dislocated. Gallagher, on the other hand, was more concerned with the fate of firms as they navigated labor force reductions and new mandates to make profits.

More recently, several scholars have looked with fresh critical perspectives at attempts to ameliorate laid-off workers' material living conditions and ease their psychological pain. A primary focus of this research has been on issues such as the urban 'minimum livelihood guarantee' (*dibao*, 低保) (Gao 2017; Solinger 2008, 2011), how other social benefits like healthcare have been reconfigured (Duckett 2004, 2011), the proliferation of urban 'communities' (*shequ*, 社区) (Derleth & Koldyk 2007; Heberer & Göbel 2011), and the difficulties of resolving traumatic feelings among those once lionized but now left behind (Yang 2015). These works have helped fill in important lacunae left by earlier studies that concentrated perhaps too much attention on the mobilization and

coping strategies of the displaced, offering more nuanced portraits of policy and state–society relations at the grassroots level.

Overall, the literature reached a consensus by about 2010 that SOE reform had caused tectonic shifts in the Chinese working class and industrial landscape. But most scholars stopped working specifically on SOE reform and its effects on labor around this same time, believing the changes to be mostly complete or seeing greater urgency for research on other sectors and populations. The world recession of 2008–2009 also had the effect of halting most lay-offs that may have been still ongoing and generally improving conditions for workers remaining on-post in Chinese SOEs (Hurst & Sorace 2011) – though this trend too seems to have reversed as of early 2018. Much of the action and disruption, and therefore most scholarly interest, has shifted to the plight of migrant workers in private industry (especially that geared toward export production).

POST-MAO LABOR POLITICS AMONG MIGRANT WORKERS IN INDUSTRY

Large-scale rural-to-urban migration began in China during the 1980s, and began to attract significant scholarly attention around the world in the 1990s. Ching Kwan Lee and Dorothy Solinger were among the first to focus on how migration patterns had shaped the worlds of work in Chinese industry during the reform era. In particular, Lee examined how gendered patterns of migration, based largely on native place and other forms of particularistic ties, structured the politics of shop-floor production in Guangdong Province's Pearl River Delta – already the prime center of China's globalized export production sectors by the 1990s (Lee 1998). Solinger, meanwhile, looked at citizenship and migrants' political and social status in the city more broadly, in addition to their patterns of participation in industry (Solinger 1999). By including small entrepreneurs and myriad informal workers in her analysis, and by looking at places as far away as Beijing (in addition to more traditional centers of migration), she also broadened the scope of research on migrants.

Following these two important books, research on migrants has burgeoned in the new millennium. Tamara Jacka's work on migrant women built usefully on Lee's earlier analysis (Jacka 2006). Pun Ngai (2005) pressed further with detailed field research and participant observation in a Guangdong electronics factory. Pun's findings, especially, help give vivid contour to the personal lives of those on the front lines of China's globalizing workplaces in the early 21st Century, exploring not only the relations of production on the shop floor, but also workers' daily routines in dormitories and beyond the factory walls.

More recently, Eli Friedman (Friedman 2014) has explained patterns of contention among workers in export manufacturing zones across both Guangdong and Zhejiang Provinces. Notably, Friedman argues that China's failure to provide

for the incorporation of labor into the polity with any independent voice or representation has exacerbated the tendency of workers to stage strikes and to engage in other forms of transgressive protest. A great deal of additional work on Chinese trade unions has been done by Mingwei Liu, for example Liu (2010) and Liu and Li (2014), who reach somewhat different conclusions from Friedman and, importantly, have been examining the post-2009 period with greater care than almost anyone else. A more micro-level analysis of contention is offered by Parry Leung, in his book on workers in the Pearl River Delta's jewelry industry (Leung 2015), in which he argues that personal networks, family ties, and specific relations between managers and workers give rise to several distinct varieties of strikes and other actions.

Most recently, Sarah Swider has offered the most in-depth study to date of the lives of different segments of the migrant working class engaged in construction in major Chinese cities (Swider 2015). Based on painstaking ethnographic research, she describes the relations of mediated, embedded, and individual employment arrangements in which workers, respectively, are brought to a job-site by an agency operating in their hometowns, hire themselves out in small groups or gangs to complete finishing work inside buildings already largely built, or ply informal labor markets seeking jobs as day laborers doing anything for which they can find a demand. Existing at the margins of urban society or within enclaves even more distinctly separate than those described nearly two decades earlier by Solinger and others, Swider's migrant construction workers have come to constitute a new precarious working class at the core of China's booming urban construction sector. Standing alongside, and in many ways opposed to, the experience of workers employed in export manufacturing, the lives of this new segment of the working class, which is growing in both relative and absolute terms, demands further analysis in the years ahead and more directly comparative studies are sorely needed. The presence of roughly similar groups of informal workers in other developing countries, from India to Nigeria, suggests that comparisons beyond China might be relatively easy and especially useful.

Overall, the picture painted of migrant labor by these authors and others remains rather bleak. Caught in a structurally weak position, hundreds of millions of mostly informal workers may be becoming increasingly savvy and assertive (even through underground organizations and 'disguised' forms of protest: Fu 2016), but they remain unable to change the basic dynamics that facilitate their exploitation. What had looked like a set of hopeful trends a decade ago – rising wages, tightening supply, etc. – shifted after the 2008–2009 world economic crisis to the disadvantage of China's migrant workers. With more and more production shifting to Southeast Asia, South Asia, Africa, and elsewhere and China's macro-economic outlook darkening, job security and conditions have stagnated or deteriorated for this still-enlarging sector. The years ahead will prove a critical test of whether China can manage a transition to a new model of economic

growth and at the same time promote improvements in the working lives of those whose labor continues to underpin its integration into the world economy.

POST-MAO LABOR POLITICS IN THE SERVICE SECTOR AND BEYOND

Two works stand out for the attention given to workers in the service sector, and for examining how aspects of gender and class intersect in this rapidly developing sphere of the Chinese economy. In her book, Amy Hanser unpacks the dynamics of work in state-owned and private department stores in Harbin in the early 2000s (Hanser 2008). Sales workers in Hanser's story help elite shoppers cultivate a sense of entitlement and social hierarchy by stroking their egos and engaging in increasing displays of subservience and obsequiousness.

Eileen Otis studied hotel employees in Beijing and Kunming to explain how workers participate in intricate processes of structuring inequality and stratification (Otis 2011). Workers are stratified among themselves by gender and place of origin, as well as by skill level and education. Invidious distinctions between employees and hotel guests or between workers and managers are also constantly performed and enforced in the operation of luxury hotels. By monetizing the desires of wealthy consumers, workers also form an essential part of the operation of this critical node of market social reform.

So far, despite a proliferation of media reports about the plight of unemployed or under-employed recent graduates, the difficulties of white-collar workers, and rising costs of living, relatively little scholarship has looked at the labor politics of this rising and growing group. Benjamin Read's study of home ownership and housing politics (Read 2012) and some of the chapters in Cheng Li's edited book on the middle class (Li ed. 2010) made some headway, but much fertile ground remains untouched. If we are to look beyond dying SOEs or Taylorist sweatshops in the Pearl River Delta, lower-end service workers and white-collar employees must figure more prominently and frequently in future research than they have in the past.

CROSS-CUTTING RESEARCH AND WORK ON BROAD THEMES IN CHINESE LABOR POLITICS

Interestingly, relatively little research has sought explicitly to compare workers in China's migrant and SOE sectors. The most important exception to date, published over a decade ago, has been Ching Kwan Lee's book on protests and the law (Lee 2007). In it, she argues that SOE workers engage in restorative, 'Polanyi-type', collective action through cellular networks bounded by enterprise walls, while migrants participate in proactive, 'Marx-type', mobilization

and make use of the law and legal tactics to advance their class-based claims to basic rights and status as citizens. Despite the book's relatively narrow focus on protest, the endeavor to look at differences between the two great segments of China's working class is admirable. The greatest weakness of the work, however, is Lee's tendency to conflate sector with region, age, and sometimes gender. Had she examined more laid-off younger SOE workers, and from places like Hunan or Sichuan as well as from Liaoning, alongside migrants working outside Guangdong or from older age groups, for example, Lee might have been better able to avoid this pitfall.

More recent research has looked at larger issues that affect multiple categories of workers. Staying with contention, Dorothy Solinger's cross-national comparative analysis of neoliberal retrenchment and workers' reactions in France, Mexico, and China (Solinger 2009) also broke new ground as the first study to look at Chinese workers in an international comparative context. Solinger finds, somewhat counter-intuitively, that Chinese workers succeeded where their counterparts largely failed in pressing the Chinese state to adopt crucial measures of accommodation and assistance. Unfortunately, this book did not showcase the kind of attention to micro-level detail and variation that has been a hallmark of Solinger's other work. For that reason, its influence and applicability has been perhaps more limited. But most unfortunate is that others have yet to take up the call to compare China with other countries in terms of its workers' experience and broader labor politics.

Without seeking to compare across countries, Mark Frazier's study of pensions across different regions and sectors within China usefully compares wealthy coastal centers with deindustrializing old bases and poor inland provinces to tease out the dynamics of China's largest and most contentious welfare project (Frazier 2010). Frazier finds that officials in wealthy urban areas on the coast face moral hazards and temptations to divert pension funds for other purposes, while governments in deindustrializing areas like the Northeast confront insurmountable problems of waves of retirees and few on-post workers to support them, and those overseeing pensions in poorer inland areas struggle to secure sufficient assistance from higher levels to balance the books but at least must deal with relatively less onerous liabilities. While Jane Duckett's work on healthcare (e.g.: Duckett 2011) is a step in a similar direction, more such studies on other aspects of welfare and labor politics ought usefully to follow but have so far mostly not been forthcoming.

Another promising approach is to compare workers and working conditions within a single industrial sector, but across different regions, ownership types, or sizes of firms. In this vein, Lu Zhang's extremely impressive research on the auto sector (Zhang 2015) breaks new ground. By unpacking shop-floor politics and management relations in seven factories across Changchun, Yantai, Qingdao, Wuhan, Shanghai, and Guangzhou, she provides fresh perspectives on how researchers might link the micro and macro levels of labor politics in China and

how they might begin to understand conditions for China's working class seen as a whole, rather than only for more tightly defined segments of it.

Finally, some multi-authored edited books have aimed to uncover broader dynamics of labor politics. Two prominent such volumes (Lee ed. 2006; Kuruville et al. eds. 2011) include chapters on multiple sectors, on both migrants and SOE workers, focusing on many issue areas (i.e. not just contention or welfare), and drawing on different types of research across a variety of localities and regional contexts. Their shortcoming has been that they have represented more scatter-shot than focused approaches, targeting many themes in a manner more reminiscent of a blunderbuss than of a laser. As further research attempts to look more broadly (e.g.: Chan ed. 2016), it would be useful for editors and authors to keep a tighter focus on coherence firmly in view.

DRAWING THE STRANDS TOGETHER

A frustrating aspect of research on Chinese labor politics is that its disparate strands cannot easily be made to speak to each other, much less be brought together. The assumed segmentation of the Chinese working class is mirrored in the segmentation of the literature about its politics. Such a framework renders ideas about class segmentation and its contours self-fulfilling. We assume that Chinese workers are segmented by the ownership type of the enterprises in which they work or by their urban versus rural *hukou* status and, because we research them along such lines, we are unable to test systematically whether such assumptions are valid. But if we look at the diverse threads together, even while boundaries between them remain both salient and problematic, we can begin to draw out some conclusions.

Recognizing several points can help the different scholarly traditions enter into closer dialogue with each other. First, we must recognize that stratification within any given segment of the working class can often be almost as important as – and on some occasions more important than – distinctions between segments. There also can be sharper differences between SOE workers in different industries or regions of the country than between SOE workers and their private sector or migrant counterparts in a specific locality, for example. Workers in the Northeast experience a very different political economy and social world of unemployment and employment pressure from that of their counterparts on the Central Coast. Similarly, the differences between migrants working in manufacturing versus in restaurants – or even within different parts of the construction industry in a particular city (as Swider reminds us) – can be much more salient and illuminating than the gaps between any of those workers and those in a state-owned steelworks across town. Many migrants in manufacturing tend to live in housing compounds, work in large firms, and produce for the world market. Those in the service sector are concentrated in small firms and serve mostly

domestic demand. But looking more closely, we can also see that workers in small jewelry shops face much more difficulty organizing than do those in large electronics factories, while employees of local restaurants (or even domestic chains) are much less likely to enjoy social protections or benefit from government oversight of their employers than their counterparts in foreign-owned fast food chains.

Second, changing structural dynamics can render one segment or another ascendant or in decline. Since 1990, we can observe an ascendant migrant worker class alongside a declining SOE cohort up until the mid-2000s, when the trends reversed, for instance. Simply charting these swings in relative position and trajectory is important and a necessary first step, but offers limited rewards. It is the nature of the processes through which positions shift – not the mere fact of shifting positions – that determines how workers react and with what political consequences. If SOE workers are downsized by administrative fiat, rather than by firms collapsing under the weight of accumulated debts, in other words, this can be a more important distinction than the overall direction of their trajectory. Also, the type of downward pressures that have plagued the migrant and export manufacturing sectors since the great recession of 2008–2009 are distinct from those that boosted export processing zones or depressed old industrial bases during the 1990s. Analyzing the political and social character of structural forces and their effects can provide a greater utility than merely tracking and scoring them.

Finally, recognizing diversity and analyzing it does not preclude holistic insight. Indeed, understanding micro-level variation facilitates the drawing of more accurate macro-level conclusions. The long-standing tendency of scholars to shy away from drawing broader conclusions or making bigger claims about the totality of the Chinese working class or labor politics, allegedly in the interest of unpacking differences, is thus unfortunate. Splitting can actually facilitate more reasonable and accurate attempts at lumping, as once fine-grained differences are well understood, generalizations can better be judged as being either well-founded or spurious. Scholars of Chinese labor politics thus should be braver in moving up the ladder of generality when speaking of their conclusions. In particular, the field cries out for more systematic assessments of the dynamics of Chinese labor politics as a whole. It would be extremely useful to have a clearer sense, for example, of the extent to which Chinese workers can be said to inhabit a cellular or disaggregated set of labor and welfare state regimes or, conversely, of the ways in which attempts at universalizing the world of work over the past 20 years have taken hold. It would be even better if we could begin thinking about the dynamics of Chinese working class politics as a whole, rather than always qualifying our assessments as applying only to state or migrant segments. Can we, for instance, speak of Chinese workers generally as ‘winning’ or ‘losing’, as being ‘mobilized’ or ‘quiescent’, or as politically ‘incorporated’ or ‘excluded’? Bridging the gaps between strands in the extant literature and bringing future

research into closer and more fruitful dialogue are necessary steps if the research cycle on Chinese labor politics is to advance.

CONCLUSION

Where should research most usefully go from here? While there has indeed been a great proliferation of work, three areas stand out as in need of greater and more careful attention. This is true both because of changing empirical conditions on the ground in China and because of persistent theoretical or explanatory lacunae in the scholarly literature.

First, there is a clear need for more attention to be paid again to SOE workers and for more work on migrants outside of Guangdong. Since 2009, the conditions of SOEs have changed and become far less dire. Yet, beginning in 2015 and 2016, we can see clear signs of a renewed weakening. In particular, strategic mainline heavy industrial sectors like steel and coal are now expecting massive layoffs once again. If large scale layoffs and declining conditions emerge as dominant in the SOE sector in the years ahead, for the first time in more than 10 years, this shift is important. But even more important will be to understand the specific character and dynamics of any new round of layoffs, which are certain to be distinct from that which began in the 1990s.

Thinking about migrant workers outside of Guangdong has been a persistent gap, even though some recent leading books on labor politics have indeed done so (e.g. Friedman 2014; Solinger 1999; Swider 2015). Too often, when we think of migrants, we think of young manufacturing workers toiling in export processing zones in the Pearl River Delta – producing things like shoes for Yue Yuen or Apple computers for Foxconn. While these workers and sectors are, of course, important, we have to remember that they do not represent the entirety, or even the majority, of China's vast migrant worker sector. Understanding the labor politics of an informalized workplace outside this critical node of China's interaction with the world economy is essential to placing the export-oriented manufacturing economy of that one region in broader context and sharper relief.

Second, there is an urgent need for more research on the Chinese working class as a whole – not just on its segments (though, to do this properly, we also must carefully consider, and likely update, our conceptualization of low-income, seemingly proletarian urbanites as a 'class', see Solinger 2012). As the fates of SOE and migrant workers in China are beginning to converge (Hurst 2015), segmentation may not be such an easy retreat conceptually anymore. As already discussed, more holistic analyses would be most welcome. They would also help facilitate more of the kind of cross-national comparative research, pioneered by Dorothy Solinger (2009), that promises to connect insights from China with broader debates in sociology and political science.

To conclude on this note, why is Solinger's book the only cross-national study of Chinese workers so far? Would it not be useful to examine Chinese labor politics in comparison with India, Southeast Asian countries, Russia, or elsewhere? The short and simple answer is that undertaking cross-national research is difficult. There are two primary risks. First is that accuracy and attention to within-country variation (across regions, over time, between sectors, etc.) can be sacrificed in a rush to abstract up and compare national level units as simple and coherent wholes, rendering both China and the comparator country little more than caricatures of themselves. The second is that the comparison can become uneven or lopsided, with China examined in great detail and the cross-national comparison brought in only at selected points and with a rather superficial treatment. The only true solution is to undertake careful research in *both* China *and* another country or set of countries, requiring time, language skills, background knowledge, and efforts by the researcher that few may wish to invest in properly (Hurst 2015, 2016). Such hurdles mean the field of Chinese labor politics is likely to remain relatively insular, despite attempts to frame debates in more explicitly comparative terms (e.g.: Chan ed. 2016), for the foreseeable future.

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Legal and Judicial System

Vivienne Bath

INTRODUCTION

The modern Chinese legal system dates from 1978, with the introduction of Deng Xiaoping's 'Open Door policy'. The formulation of a comprehensive code of legislation, the establishment of a functional court system and the invigoration of a lively academic and professional legal profession all owe their inception to Deng's recognition that the opening up of the economy required the establishment of a functional legal system (Wang, 2010). The development of the system and the ongoing challenges that this has presented and continues to present at all levels of Chinese society constitutes a study that fascinates Chinese and foreigners alike.

This chapter looks briefly at the development of the legislative and judicial systems and the political and policy influences which have played a role in that development and at the commentators, scholars and observers of Chinese law and the legal system. Participants, observers and commentators include the Chinese government and the Communist Party, as well as practitioners, academics, businesspeople, journalists, non-profit organizations and foreign governments. Issues include the development of the legal and judicial systems and the rule of law in China; the impact of foreign law and legal transplants and, most recently, the role of the Internet and increasing public participation and commentary both on the content of law and on the behaviour of the courts. In one relatively short chapter, it is of course impossible to cover the complexities and challenges of the legal system. This chapter will therefore look briefly at the development of the legal

systems and the participants in the study and discussion of Chinese law, using the framing and implementation of the controversial Enterprise Bankruptcy Law and the surrounding debate as an example. It will then look at the judicial and court system and the contested issue of the rule of law in China to illustrate some of the issues in the debate about law and the legal system in China.

THE DEVELOPMENT OF A NEW LEGAL SYSTEM

In 1979, the National People's Congress (NPC) passed the laws which initiated the revival of the Chinese legal system after the excesses of the Cultural Revolution (Wang, 2010). The areas in which these first laws were passed indicated the legal priorities of the government and party at that time, which included creating a solid government structure, supporting economic growth through foreign investment and providing some degree of legal certainty for Chinese citizens. Thus the laws passed from 1979 to 1981 began in 1979 with the Forestry Law of the PRC, the Electoral Law of the NPC and Local People's Congresses and Organic Laws of the local People's Congresses and Local Government, the People's Courts and the People's Procuratorates. In 1980, the NPC and its Standing Committee moved on to the enactment of the Individual Income Tax Law and Income Tax Law for Equity Joint Ventures and the Marriage Law and Nationality Law.

In 1982, the Constitution of the PRC was rewritten and reissued in the form which, with some amendments, is still effective today. This intensive legislative programme continued unabated in the following years and the mammoth task of creating an entire legal regime virtually from scratch was well underway. In 2010, the government proclaimed that the task of creation of 'a socialist legal system with Chinese characteristics' had been completed (Chen, A., 2011, quoting Wu Bangguo, p 45). Notwithstanding this, the programme of legislative revision and the enactment of new pieces of legislation continues unabated.

The legislative programme for both new laws and for revisions of current legislation follows the priorities and initiatives identified in work programmes and plans laid out by the Chinese Communist Party and in the five-year plans issued by the government, most recently the 13th Five-year Plan (Xinhuanet, 2016b). The judiciary, particularly the Supreme People's Court (SPC), is also required to implement reforms identified in these documents.

The result of this intensive programme of legislation at all levels of government has been, if anything, an excess of regulation – so much so that in 2000 the effort was made to standardize the issue of legislative instruments and the hierarchy of regulation through the Legislation Law, since rewritten and reissued in 2015. The Legislation Law reiterates the constitutional delimitation of legislative power between the central government, the provinces and cities, and the administrative silos that dominate Chinese governments at all levels. The power to

issue laws (*falii*) in relation to fundamental matters under the 1982 Constitution (Articles 62 and 67) is limited to the NPC and its Standing Committee. Pursuant to Article 8 of the Legislation Law, these matters include State sovereignty, the structure and powers of courts and governments, criminal offences, the deprivation of political rights and restriction of freedom of citizens, tax, expropriation, the civil, economic and fiscal systems and dispute resolution systems. The State Council, the primary executive body of the Chinese government, may issue administrative regulations (*xingzheng faui*).

Together, these laws and regulations constitute the most important legislative instruments of the Chinese government. In addition, however, even though China has a unitary government system, provincial and municipal People's Congresses, central ministries and local government departments at all levels and, increasingly, the SPC and the Supreme People's Procuratorate, all have the power to issue authoritative legal instruments of various kinds. The development of a comprehensive legislative structure in China has therefore seen the proliferation of legislative instruments of all kinds, creating a legal regime which can be complex and difficult to navigate for Chinese and foreigners alike.

Implementation and enforcement of these requirements, particularly in relation to such matters as imposition of taxation, the creation of licencing and approval requirements and other interventions by local governments, is a constant struggle in China, not only politically but legally. Thus in 2003, the Administrative Licencing Law was passed in an attempt to cut back on rent-seeking by local authorities in the form of the extraction of charges and fees for licences and approvals for legitimate business activities. This was done by reducing the power of local authorities to impose approval and licencing requirements on business activities (Bath, 2008). Since 2003, however, each year has seen the issue of a new list of repealed licencing measures by the State Council, suggesting that reducing the imposition of new approval requirements at the local level is an ongoing challenge.

The creation – or recreation – of the legal system also required the construction of a functioning judicial system, as well as the training of lawyers and judges and, consequently, the development of a legal academic community. Thus the law schools of China were gradually reopened, the judiciary was expanded and subsequently professionalized, and the training of a legal profession began (Jiang, 2010; Huo, 2010).

In 2001, China acceded to the World Trade Organization. The impact on China's legislative system was substantial, as China revised its investment regime to comply with WTO directives, rethought its intellectual property regime and used WTO accession to push programmes of economic and hence legislative reform (Cohen J.A., 2001; Halverson, 2004). Subsequently there has been an aggressive programme of both legal revision (such as amendments to the Criminal Law, most recently in 2015 (Standing Committee, 2015), to deal with the problems of the new economy, including increasing corruption) and legal

reform to implement major economic and social changes put through by the government. Examples include the consolidation of the tax regimes for foreign and local enterprises through the promulgation of the Law of the People's Republic of China on Enterprise Income Tax in 2007, revision of the labour laws to cope with the increased mobility of workers and the rise of the private sector through the Labour Contract Law of the PRC in 2007 (revised in 2012) and the revision of China's environmental laws, particularly the Environmental Protection Law in 2014 (see generally Qin, 2015).

CHINESE LAW AND PARTICIPANTS IN LEGAL SCHOLARSHIP AND THE DEBATE OVER LAW

Foreign Commentators and Participants

The development of China's legal system and the progress of reform has, from its inception, attracted considerable interest from a wide range of commentators. Legal scholars such as Jerome A Cohen, from Harvard University, had studied China's approach to international law in the 1970s (Cohen and Chiu, 1974). From the end of the Cultural Revolution, when Deng announced the open door policy, commentators outside China, in Hong Kong and elsewhere, including not only academics but legal practitioners and business people, were deeply interested in legal developments. Foreign legal professionals were quick both to commence operations in China and to produce detailed commentary and analysis on the developments in China's regulation of foreign trade and investment, focused, as one would expect, on the practical aspects of content and implementation (Moser, 1985). Chinese universities also promptly recommenced their legal research. The East China University of Political Science and Law, for example, recommenced publishing its journal, *Faxue*, in 1981, the first edition since 1958 (Huadong Zhengfa Daxue, 1981).

The creation of a Chinese judiciary and legal profession proved to be a lengthy task. Although the Chinese law schools were reopened over time, commencing with the reopening of the Southwest University of Political Science and Law in 1977, there was a significant lack of legal professionals and qualified judges (Huo, 2010). By 2007, however, there were 607 law schools in China, with an enrolment of 100,000 students (Huo, 2010, p. 265). A unified bar exam was first held in 2002, providing formal qualifications for lawyers, judges and procurators (Huo, 2010, pp. 272–273). At the same time, China began to send both professors and students overseas, a number of whom studied law, particularly in the United States, where they acquired expertise in foreign legal systems which they brought back with them to China (Edwards, 2009).

Foreign law and legal thought have played a role in China's legislative renaissance from the beginning, through a number of influences, including socialist

law concepts derived from the influence of Russian jurists; civil law concepts, particularly German law concepts, which were introduced into Chinese law by way of Japan and Taiwan; and international law (such as the United Nations Convention on Contracts for the International Sale of Goods) and common law concepts introduced by way of Hong Kong and the United States (particularly in relation to securities law) (Chen, T., 2011; Clarke, 2006). This has resulted in a widespread foreign-language discussion on the role of foreign transplants in Chinese law and their influence in the Chinese legal system. Foreign commentators have also commented on, and attempted to contribute to, drafts of Chinese laws and legislation as and when they became available. A recent example of this is the comments of the American Bar Association Section on International Law on the SPC's recent draft of the Fourth Interpretation of the Company Law (American Bar Association, 2016).

Foreign-language journals and publications (particularly journals published in English) containing articles written by practitioners and academics, which increasingly include overseas Chinese academics and academics based in China, continue to be a major forum for the dissemination of information and discussion on Chinese law – so much so that even though there are now a large number of important Chinese academic legal journals, a number of Chinese universities have started issuing legal journals in English (such as Renmin University's journal, *Frontiers of Law in China*). Current legal developments are covered online by websites and commentary of many legal professionals and academics (such as ChinaIPR.com (Cohen, M., 2016), China Law Blog (Harris, 2016) and China Law Prof Blog (Clarke, 2016)), as well as interest groups with a China focus (such as Dui Hua Foundation (Dui Hua, 2016) and China Labor Watch (China Labor Watch (2016))). This is due both to the existence of a large and interested audience which is competent in English, and to ongoing Chinese government censorship (and possible reprisals) of commentary on the legal system, especially human rights – reflected most recently in attacks on 'western influences' in education in China (Wade, 2016).

International Agencies

Important contributions to the Chinese law-making process have also been made by the international and national agencies that play an important role in loans, development and aid work and the provision of legal services and advice. In the case of the Enterprise Bankruptcy Law, for example, technical assistance was obtained from a range of Chinese academics as well as from the Asian Development Bank, the World Bank and the Deutsche Gesellschaft für Technische Zusammenarbeit, as well as consultants from Australia, New Zealand and Hong Kong and a range of other jurisdictions (Halliday and Carruthers, 2009: Chapter 7).

The Role of Chinese Legal Academics

The role of the Chinese legal academic, including the public academic, in the formulation and drafting of Chinese legislation, has also grown in importance over time. The most prominent example of this is the former Procurator-General, Cao Jianming, who started his career as a lecturer, and then professor in the International Law Department of the East China University of Political Science and Law (China Vitae, 2016). A number of professors from prestigious institutions have become well-known advisors and commentators on legal developments. Similarly, Chinese academics, such as Liang Huixing, and scholars from a range of institutions, including the Chinese Academy of Social Science and Peking, Renmin, Yantai, Fudan and Shandong Universities, among others, have played an active role in shaping important laws such as the civil code (Liang, 2010).

Chinese professionals, academics and institutions are important in the development and implementation of the legal system. Legal journals and public commentary by academics on the operation of particular laws has become influential. An example of the prominence of Chinese academics can be provided in relation to the Real Property Law, a controversial piece of legislation which sets out the rights for private persons in connection with the ownership and dealing with real property. The passage of the law was held up for a considerable period of time mainly as a result of the writings of Professor Gong Xiantian from Beijing University, who argued that the spirit and principles of the draft law contravened the Constitution (Mo, 2008, p.341). Legal professionals have become increasingly vocal in commenting on short-comings in the system, and, in the case particularly of human rights lawyers, have become the subject of prosecution and persecution themselves (China Human Rights Lawyers Concern Group, 2016).

Public Participation in the Law-Making Process and the Development of the Legal System

As discussed below, due to the increased availability of information on the law and cases, empirical work in Chinese law is now becoming possible (as opposed to analysis by anecdote). This has not only facilitated interesting and useful studies by scholars based outside China on such questions as enforcement of judgments (He, 2009), but has led to the growth of China-based organizations and scholars conducting studies on difficult questions relating to the operation of law in China (see, for example, Horsley, 2016).

As part of its commitments in acceding to the World Trade Organization, the Chinese government committed that it would publicize, in Chinese and a foreign language, generally English, its laws and regulations on trade and investment (Bath, 2009). This commitment was part of a general move towards

transparency in relation to the law: Article 34 of the Legislation Law passed in 2000 required the solicitation of opinions on draft laws by the holding of fora, seminars and hearings (Cai, 2010, p.76), a provision subsequently expanded in the 2015 version of the Law. Similarly, the 2003 Administrative Licencing Law requires that all matters subject to administrative licencing must be publicized online (Article 33). A further advance was made by the 2007 State Council Regulations on the Disclosure of Government Information, which set out requirements for the disclosure to the public of government information. These were reiterated in late 2015 by the Opinions on Comprehensively Promoting the Work of Open Government (Communist Party Central Committee General Office, 2016; Horsley, 2016),

As a consequence of these reforms, central and local government ministries now provide a significant amount of information online in relation to the law, including laws, regulations, and present and future legislative proposals. Correspondingly, the rapid growth of the Internet in China and the tremendous growth of Chinese participants in chat rooms and other forms of online social media have resulted in an intense online discussion on law, the courts and the legal system as a whole. When the draft Labour Contract Law was circulated for comment in 2007, for example, over 191,000 submissions were received from members of the public (Cai, 2010, p. 76).

The rapid increase in the availability of the Internet and social media in China, when combined with these moves towards additional transparency, have contributed to a lively public debate about the legal system, the courts and particular cases which stir the interests of the public. The Regulations on the Disclosure of Government Information have given rise to a range of litigation directed at forcing local governments to release information, and studies by academics and private foundations on compliance (Horsley, 2016). In a recent case, a group of academics reportedly filed a case requesting the release by the Ministry of Education of information relating to a ban on western values and the imposition of other ideological controls over universities, although the progress of this case is unclear (Fei Chang Dao, 2015). The general effect is a greater amount of transparency within the system, although compliance is clearly not consistent.

Media and social media play an active role in public debate on law and the legal system. In relation to trials, the role of the media and the netizens is mixed, while access of the media to court proceedings is also inconsistent (Cheung, 2016). In addition, censorship of the Internet and social media is pervasive and prompt, and appears to be increasing under the current regime in China (Creemers, 2015; Freedom House, 2016). When this is considered together with the increase of ideological control over universities heralded by a 2015 party circular on strengthening propaganda and ideological training in universities (Buckley, 2015; Communist Party Central Committee, 2015a), it seems likely that foreign commentators and academics able to publish outside China will assume a greater role after some years of relative openness in the Chinese debate.

Legal Implementation and the Challenge of Bankruptcy

The Enterprise Bankruptcy Law, a piece of legislation which has been surrounded by controversy since it was first proposed, epitomizes the issues presented by the interaction between economic and political reform and the consequent difficulties in legislative enactment and practical implementation.

The formulation of a comprehensive regime in relation to bankruptcy presented a number of major conceptual and political problems in China's economic reform from the outset, due largely to the number of state-owned enterprises which occupied state assets and provided employment to a large number of people but could not be restructured on a viable economic basis. From the 1980s, it was clear that a regime needed to be put in place in order to deal with the systemic debt problems of state-owned enterprises, to provide a way in which to provide security for creditors and to provide a method of winding up unviable enterprises. The political task of accomplishing this was, however, extremely difficult, with employees, local governments and well-connected enterprises all contesting the need for and the scope of the legislation – based in part on ideological objections to the concept of bankruptcy in a socialist state and in part on both practical and self-interested considerations.

The first stage was the passage of a law which would provide for the bankruptcy and winding up of state-owned enterprises, the Enterprise Bankruptcy Law (for trial implementation), which was promulgated in 1987, and came into effect in 1988 (Chang, 1987). The number of bankruptcies actually carried out under this law was very low, however, and in 1994, it was decided to start work on a more comprehensive piece of legislation, which would provide for the bankruptcy and winding up of all enterprises. The Enterprise Bankruptcy Law was not, however, promulgated until 2006, after a long and disputed process of discussion and negotiation (Booth, 2004; Halliday and Carruthers, 2009: Chapter 7). Even then, the law exempted certain existing state owned enterprises from its operation, on the basis that their financial problems would be dealt with separately (Article 133); left the bankruptcy of financial enterprises to the State Council (Article 134) and did not cover the insolvency of individuals.

The structure finally adopted in the Enterprise Bankruptcy Law requires a court-conducted and supervised bankruptcy procedure, with administration of the bankruptcy to be carried out by professional liquidators appointed by the court. Provision was made for both debtors and the bankrupt enterprise to institute bankruptcy proceedings and for creditors to be represented and protected in the bankruptcy. Options for enterprise reorganization and a composition with creditors are also elements of the new legal regime. The law has attracted a great deal of academic and professional interest, both inside and outside China, and substantial amounts of commentary and speculation on how it does and should operate.

The SPC was, however, very slow to issue comprehensive regulations clarifying the implementation of the law, which did not come out until 2011. In practice, the number of bankruptcy cases before the courts has declined since the law came into effect despite the increase in companies and enterprises operating in China, dropping from 4,000 cases per year before the introduction of the Law, to an average of 2,000 per year thereafter (Wan, 2016), rising to 3,000 in 2015. This does not reflect the numbers of companies that actually go out of business, approximately 700,000 to 800,000 enterprises each year (as reflected by the cancellation or revocation of their business licences) (Wan, 2016, quoting Professors Wang Xinxin and Li Shuguang). The implications of this are that the creditors, the employees and other stakeholders are left without remedies. In addition, enterprises which are no longer viable but do not go out of business or into bankruptcy although insolvent (referred to in Chinese as *jiangshi qiye* or ‘zombie enterprises’) continue to soak up government and financial resources.

The failure of the formal bankruptcy regime – and what should be done about it – has been the subject of discussion both inside and outside China. There seem to be a number of important factors, which illustrate the social, political and legal difficulties surrounding the implementation of bankruptcy legislation in China.

The first is that although the courts are in charge of bankruptcy proceedings, there is only a small number of trained judges within the Chinese legal system specializing in this area. Li Shuguang comments that due to the structure of the system for assessment and reward of judges there are few advantages for judges in acquiring such a specialization (Wan, 2016). Li Shuguang has also observed that there is little financial incentive for practitioners to become involved in bankruptcy procedures, as the fee for liquidators is low by international standards in the context of the work and complexity of the transactions, as are legal professional fees (Wan, 2016; Zhang, 2016). Government – particularly local government – is also a large part of the problem. Not only does local government often prop up zombie enterprises rather than deal with the social dislocation and stigma attached to allowing local enterprises to fail, it has also refused to step back from engagement in bankruptcy proceedings. This intervention has been facilitated by the Enterprise Bankruptcy Law itself, which left open the option for local government intervention by allowing the appointment of the old-fashioned liquidation committee, which consisted predominantly of government officials, rather than neutral professionals. An example of this style of liquidation (which was criticized at the time by Chinese commentators) occurred in the case of Sanlu Group Share Limited Company in 2008 in the aftermath of the tainted milk scandal. The bankruptcy proceedings were instituted by a state-owned bank, the bankruptcy was conducted by a liquidation committee, and the debts were bought up at a discount by another state-owned enterprise – presumably in an attempt to minimize the scandal (Bath and Ip, 2011).

Although the implementation of – or failure to implement – the law demonstrates a number of issues in relation to the Chinese legal and judicial systems, the problem of zombie companies, particularly state-owned enterprises, also represents a failure of economic management. Thus the Party, governments, banks and courts are all regarded as parts of the solution. The Central Party Committee, in its Economic and Work Plan issued in late 2015 (Finder, 2016b), concluded that the issue of zombie companies should be addressed by a number of methods, including by speeding up trials of bankruptcy cases in an environment conducive to implementation of bankruptcy procedures based on market rules (Xinhuanet, 2015; Zhang, 2016). This was followed by reports of a number of bankruptcies in sectors such as ship-building, suggesting that pressure had been applied to allow these enterprises to go bankrupt (Xinhuanet, 2016a). The SPC, through its spokesman, Du Wenhua, is proposing various methods to strengthen the bankruptcy courts and the handling of bankruptcies, which will promote corporate reorganizations and conciliation, rather than liquidation (Finder, 2016b). The application of the law by the courts, therefore, will be driven by stated government policy.

THE JUDICIAL SYSTEM AND THE DEBATE OVER THE RULE OF LAW

A major problem when China started to rebuild its legal system was the lack of a coherent court system staffed by competent and fully trained judges, and a dearth of qualified lawyers. Since 1980, major steps have been taken in terms of reopening the law schools, training lawyers both at home and abroad and improving the competence and status of the Chinese court system (Huo, 2010; Jiang, 2010). The courts, the judiciary and the judicial system, however, continue to be a focus of government, academic and public debate and the ongoing process of judicial reform and modification is led mainly by the Party and government and by the courts themselves. It is also the subject of review, discussion, criticism and suggestions by professionals, government officials, academics, non-government organizations and the public.

China and the Rule of Law (Fazhi)

Discussion of the role of the courts and the behaviour and capability of the judiciary tends to be part of the intellectual debate and discussion about the ‘rule of law’ in China. Article 5 of the Chinese Constitution was amended in 1999 to state that ‘The People’s Republic of China governs the country in accordance with law, and establishes a socialist rule of law country’ (*Zhonghua renmin gongheguo shixing yifa zhiguo, jianshe shehui zhuyi fazhi guojia*) (Wang, 2010, p. 12). An exact definition of ‘rule of law’ is, however, by no means self-evident

or agreed inside or outside China. Within China, the approach of government officials and agencies, human rights groups, the public and academics of what constitutes the rule of law – and what the Chinese legal and judicial system should achieve in aspiring to the rule of law – differs substantially. Peerenboom sets out a range of the Chinese views, and offers his own distinction between the ‘thick’ and the ‘thin’ rule of law, where the ‘thick’ theory (very generally) requires substantive normative content, while the ‘thin’ theory is focused on procedure – transparency, consistency, predictability, stability, acceptability and enforcement (Peerenboom, 2002, pp. 65–76). Wang identifies as factors in the rule of law (as contrasted to rule by law): a changing and dynamic legal system; principles such as supremacy, impartiality, universality and transparency of law, with a role in checking power and guaranteeing human rights; the goal of limiting government power and the assurance of citizen’s rights; and a requirement that it be built on the basis of market economy and a democratic political system (Wang, 2010, p. 10).

The idea that rule of law is important in China is generally accepted in Chinese society, despite differences of view as to what it means, what it actually involves, and how it should be achieved. The ‘rule of law’ in China and the issue of whether China has attained it is a popular subject for Chinese and foreign legal articles. The foreign press, non-government organizations and such government based organizations as the United States Congressional-Executive Commission on China (CECC) pay close attention to what they perceive as the rule of law, particularly, in the case of the CECC, in relation to religious freedom and human rights abuses. The rule of law is also the subject of public debate in China, particularly in the context of the lively online discussion on the fairness of the criminal trial system (generally in relation to particular controversial trials), court corruption and the effectiveness of law in the Chinese system (Lei and Zhou, 2016; Liebman, 2011).

The Party and government also claim ownership in the concept of the rule of law and the implementation of government in accordance with law. This was reiterated in 2014, when the fourth plenary session of the 18th Communist Party Central Committee (‘Fourth Plenum’) resulted in the issue of the *Decision on Several Major Issues Concerning Comprehensively Promoting Ruling the Country in Accordance with Law*. The Decision concentrated on the comprehensive advancement of the ‘socialist rule of law with Chinese characteristics’, which involves conducting government on the basis of law; improving judicial impartiality and raising credibility; strengthening the notion of rule and creating a ‘rule of law’ society; raising the competence of rule of law professionals and strengthening and improving the Party’s leadership over efforts to advance comprehensively the law-based governance of China. In particular, this includes such aspects as ruling in line with the Constitution as supervised by the NPC and its Standing Committee; having a government which abides by review of major decision-making in the government; transparency; prevention of interference by

officials in judicial cases and protection of human rights; and improvement by the Communist Party of its own internal processes (Communist Party Central Committee, 2014). In subsequent policy documents, the significance of the rule of law and the importance of improving China's legal environment are referred to as a necessary part of the implementation of China's strategies to improve the business environment, open up the economy and encourage economic activity according to market conditions (for example, the Several Opinions on Developing a New System of Open Economy, Communist Party Central Committee and State Council, 2015b). Views vary on whether there can be rule of law under the leadership of the Communist Party and – if this is possible – whether real efforts have been made to implement it.

The Judiciary and the SPC

Over the years the SPC has become an important participant in shaping the interpretation and application of Chinese law, as well as the procedural aspects which play a vital role in the administration of justice. The court plays a significant role in a number of ways. The first of these is the court's role in the administration of the judicial system generally, particularly in relation to judicial reform, where the court has issued four five-year plans designed to improve the operation of the Chinese legal system, most recently in 2015 (Supreme People's Court, 2015a). Indeed, the Chinese courts in many ways demonstrate an enviable readiness to accept criticism and to take steps to respond to it. The SPC is also, however, an integral part of Chinese government structure and therefore plays an important role in the interpretation and implementation of state and Communist Party policy. Thus the 2015 Opinions on Comprehensively Deepening the Reform of the People's Courts referred to above, which set out the fourth five-year reform for the courts, refer to, and are designed to implement, Party policy and, in particular, the requirements of the CPC Decision on rule of law issued at the Fourth Plenum.

Secondly, the court plays a major role in case administration and the application and administration of the legal system. Thus the court issues interpretations, which tell the lower courts how to apply legislation and sometimes expand considerably the scope of the basic legislation, notwithstanding the fact that the courts are not entrusted with the definitive interpretation of legislation. For example the 2015 Opinion of the SPC on the Interpretation of the Civil Procedure Law is considerably longer and more detailed than the Civil Procedure Law itself. Similarly, SPC interpretations of and regulations on the Company Law, the Arbitration Law and the Bankruptcy Law constitute an important part of the substantive law applying to those important pieces of legislation. More recently, the SPC has been issuing Guiding Cases for the courts (following on from a programme of approving model and leading cases for study by the lower level courts), and has ordered that all court decisions should be made public on the Internet.

The court's steps towards reform are generally designed to deal with issues which have arisen in the judicial system and reflect the social and economic environment in which the courts operate. Steps which the SPC have recently taken in an attempt to deal with practical problems include the issue of instructions to prevent courts from refusing or failing to accept cases which are sensitive or politically inconvenient (Supreme People's Court, 2015c); attempts to improve the enforcement of court judgments and regulations following up on the Party's provisions which attempt to stop cadres from interfering in the courts and the conduct of particular cases (Supreme People's Court, 2015b); as well as dealing with the perennial issue of allegations of corruption at various levels of the court system (Cohen, J., 2016). These processes do not occur in a vacuum, but are often the result of commentary, criticism and debate from within and outside the system. The Internet and active social media commentary and analysis of well-publicized cases before the courts (particularly criminal cases) also play an important role in publicizing instances of potential injustice and inadequacies in both the police and the judicial systems and thus keeping these problems in the public eye (Cheung, 2016).

The decision by the court to issue Guiding Cases and to make public millions of case decisions also provides opportunities for commentators, scholars and the public to look at the reasoning behind published decisions. This not only puts pressure on courts to produce consistent, better reasoned and better formulated decisions but also makes possible the conduct of empirical research into the workings and decisions of the courts which has not previously been possible. For example, the growth of empirical studies in relation to the activities of the courts now provides more information on the existence of bias and the role of local protectionism, some of which supports the somewhat jaundiced views of the public in relation to the courts (Lu et al., 2015).

Nevertheless, there is an inherent conflict in the legal and judicial system between well thought out legal and judicial reform, which is directed towards the establishment and operation of a fair legal and trial system, and the role of politics and party and government officials which significantly undermines, and in some cases works against, the stated aspirations of the government and the courts. Thus, a major practical issue in the legal and judicial system for lawyers, business people and Chinese citizens alike in China is the gap between the written law and the way in which the system works in practice.

Underlying Issues in the Judicial System

The Chinese courts and the judicial system are under stress in a range of ways, notwithstanding the ongoing process of legal and court reform. First, the sheer number of cases which come to be decided by the four levels of the Chinese courts increases every year. In 2015, the courts accepted 19,510,000 cases and resolved 16,710,000 (Finder, 2016a; Supreme People's Court, 2016). In addition, the organization of the courts, and the relationship between the courts, local government, the

Communist Party and the police and Procuratorate, present constant potential conflicts in legal administration. Judges are public servants and are hired, assessed and promoted in a highly bureaucratic way. The President of each court is appointed by and answers to the People's Congress at the same level and there is often significant local interference with the activities of the court. This problem is amplified by the ongoing issue of court funding, which has traditionally been a matter for local government. Most importantly, there is an ongoing practical problem with the concept of the leadership of the Communist Party and the concept of judicial independence. A significant degree of control over the court's decisions has in the past been exercised by the relevant politico-legal committee of each court, backed up by the court's judicial committee, to which decisions on difficult or controversial cases are referred (He, 2012), and the fact that most judges are members of the Communist Party (Cohen, J., 2016; Fu, 2013).

All of these issues are well known and well understood in China. However, while recent judicial reforms – such as the issue of provisions designed to stop cadres from interfering with the courts (Communist Party Central Committee General Office, 2015) – have been made in an attempt to deal with some of the issues, police and officials continue to engage in legal and illegal actions to silence criticism, which is seen as dissent (by human rights lawyers, for example). Bureaucratic processes and rules (such as the imposition of quotas on judges which have the effect of entrenching older and more reliable judges) (Cohen, J., 2016) and attacks on judges also have an adverse impact on the courts (Zhuang, 2016).

A further problem is presented by the *shuanggui* system – the extra-judicial system pursuant to which Communist Party members are detained and investigated for offences by the Party before any matter goes before the courts (Sapio, 2008, 2015; Wan, 2014). This system completely bypasses the Criminal Procedure Law and its procedural protections for the 90 million members of the Party (Cohen, J., 2016).

In addition, various parts of the government appear to be fighting a long-term battle against lawyers attempting to utilize the opportunities in the legal and judicial system to protect procedural rights of litigants and human rights generally, even when the rights concerned are merely the right to defend an accused person aggressively in a trial. The reported use of both legal and extralegal means to seize and prosecute these lawyers and other persons not only indicates weakness in the legal structure, where procedural safeguards can be so easily sidestepped, but points to the lack of independence of the courts which conduct trials and hand out sentences (China Human Rights Lawyers Concern Group, 2016).

CONCLUSION

The Chinese legal system, including its legislative programme, legal efficacy and implementation of laws and the theoretical basis and underpinnings of the

system, as well as China's judicial and legal professional systems, has since its inception been the subject of detailed study by practitioners, scholars and lay persons both inside and outside China. A particularly interesting component of the system is the role played by so many commentators and participants on the legal and judicial system, and the interplay between Party and government policy and politics, the Chinese bureaucracy and the ongoing programme and pressure for reform and development. While many avenues of commentary and complaint are closed off in China through the filtering of the Internet and the censorship of media, many opportunities for the garnering of information, study and observation of government and legal activity, and the presentation of the opinions and views, have been opened up by initiatives of the government and the courts. Moves to provide government information have made substantial amounts of information open to the public (Horsley, 2016). The opening up of case reports by the courts also increasingly provides insights into the reasoning of judges and decisions on particular aspects of Chinese law. Even the absence of particular case reports from the public record provides information for observers.

The Chinese legal system operates subject to constant stresses and contradictions. On the one hand, there is a gap between theory and reality particularly in relation to criminal procedure, the scope of extralegal behaviour by Chinese government actors in the case of human rights lawyers, and the gap between government protestations of support for the rule of law and behaviour which appears to be tolerated or supported by a government which undermines the neutral administration of justice. In addition, the pervasive and overriding presence of the Communist Party in the justice system has a direct impact on the independence of the judiciary and the operation of the justice system. On the other hand, there has been major progress since 1978 in relation to the drafting and promulgation of new and revised laws and legislation designed to create a fair and efficient legal system, the training and dedication of a highly qualified legal profession and judges, as well as relatively outspoken and competent academic observers, together with the active participation of the public and the media.

In short, the Chinese legal system is a constantly changing and developing work in progress. It can be expected to continue to provide a fascinating source of discussion, debate and disagreement for the many interested academic, professional, government and public observers, both inside and outside China, who consider themselves to be stakeholders in the Chinese legal and judicial systems.

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PART IV

China on the Global Stage: Introduction

Mark W. Frazier



During China's nearly four decades of reform and opening, a central question in international affairs has been the extent to which the Chinese government would be influenced by its expanding participation in the international system (or international society as some prefer). Could China be 'socialized,' as some termed it, into the existing, largely American-led arrangement of international institutions? Or would China, as some concluded based on past experiences with rising global powers, and on China's own actions in global politics, seek to transform or even to overturn these international institutions, possibly developing an alternative set of institutions to rival those of the West?

The framing of this question, and the way most scholars addressed it, reflected the two dominant theories of international politics. Liberal institutionalists, as the label suggests, have placed emphasis on the positive effects of deepened engagement with international institutions. As China joined and expanded its participation in such institutions, it would over time come to view compliance with prevailing norms and practices of these institutions as something that served its own interests, rather than only the interests of leading states in these institutions. The benefits of participation would more than offset the costs of making these adjustments. Realists, on the other hand, countered that as a rising power, China may take part in such global institutions but would do so on terms that allowed it to 'free ride,' gaining the benefits of participation while letting the United States

and others absorb the costs of leadership. China might honor the norms of these global institutions, realists contended, but considerations of national power and interest would always come first. A rising power might supplant the leading states in global institutions or develop its own multilateral arrangements to challenge existing global regimes.

Both the liberal and realist positions make assumptions and predictions that view the Chinese case as no different from other states, and the 21st century as no different from past eras of global governance. But the circumstances of China's economic growth and resurgence as a global power, including the timing and manner in which it 'joined the world,' are without precedent. Awareness of this fact may be the reason that the concept of a 'China model,' popular a decade ago, seems to have been laid to rest as a replicable strategy for other countries to adopt. The unique manner and timing of China's taking part in global institutions may account for the difficulties in squaring its behavior with either liberal or realist frameworks. The PRC gained its seat as a member of the Permanent Five of the United Nations Security Council in 1971, at a time when it was unthinkable to join the capitalist economic order. (UN members removed the Republic of China from the P-5 that year and replaced it with the PRC.) By 1980 the PRC had also joined the World Bank and International Monetary Fund, and in that decade began negotiations to enter the World Trade Organization (finally acceding in 2001).

At least in terms of these pillars of global governance, it is hardly conceivable that the PRC today would seek to transform or overturn organizations in which it plays such a prominent role, and from which it enjoys a great deal of benefits. In terms of trade and finance, and when viewed over the perspective of three decades, China has adopted many (but not all) of the norms and policies found within institutions such as the World Trade Organization, International Monetary Fund, and World Bank. Xi Jinping's 2017 speech at the Davos Forum calling for continued openness and deepening of reforms in the global system of trade and financial flows could have been made by any of the past leaders of the WTO, IMF, and World Bank. In other ways, China has remained resistant to or promoted alternative norms from those found in international institutions. Critics of China's trade and technology policies, and of its monetary and currency policy, would counter that far from adopting the norms of the international financial institutions, it has benefitted from them while paying few if any costs. Beyond these minimal commitments, China has continued to adhere to the principle of state sovereignty, viewing interventions in civil wars and the humanitarian crises they spawn as interference in internal affairs of another country, a position that for many critics continues to undermine global human rights institutions and norms of 'responsibility to protect' the victims of civil wars and related conflicts. But resistance to adopting norms and principles of some international regimes is not the same as seeking to overthrow or replace them. In fact, the most pressing issue according to some is not over China's obstructionism or possible aggression. Instead, the challenge as many see it is how to persuade China to engage in

international affairs by sharing the burdens of leadership with the United States, Europe, and Japan to address issues of nuclear proliferation, climate change, and global financial risks.

Many of the chapters in this section underscore the central point that the dichotomous view of rising powers either internalizing the norms of international institutions or replacing them with their own norms and institutional arrangements is too simple a formulation. As Andrew Nathan argues (Chapter 23), based on a comprehensive review of dozens of international regimes in which China takes part, China's approach reflects an attempt not to overturn but to influence the existing liberal international order to serve its interests. In this respect, he notes, China behaves like almost every other state. For example, during the 1990s China joined global arms control and disarmament regimes, including the Nuclear Nonproliferation Treaty and the Comprehensive Test Ban Treaty. Later in the decade it even acceded to international covenants and conventions on human rights, such as the International Covenant on Economic, Social, and Cultural Rights, and the related UN conventions against genocide, slavery, racial discrimination, and torture. China did so most likely in order to align itself, as a Permanent Member of the United Nations Security Council, with global regimes crucial to the work of the United Nations. Nathan also points out the need to compare China's actions in international regimes with those of other non-Western states such as India, rather than measuring its participation against the US and its Western allies. In their comprehensive study of China's engagement with multiple international forums associated with global health governance (GHG), Bei Tang and Yanzhong Huang (Chapter 24) reach much the same conclusion, noting how the Chinese government moved strongly toward multilateral approaches to global public health following the SARS crisis of 2003. But China's attachment to sovereignty, and its suspicion of participation by non-governmental organizations in multilateral fora, remains strong. As they observe, 'The very nature of GHG, its rule-based and multi-stakeholder nature, goes against China's sovereignty-first principle, its country-specific development experience, and state-centric model.'

A common theme that runs throughout these chapters is the tension between the Chinese government as a unitary actor in global regimes contrasted with those who view its position in these regimes as the consequence of a highly fragmented, if not to say pluralistic, set of competing interests. The chapters by Tang and Huang and by Gaye Christofferson (Chapter 22) take the latter perspective, and show how powerful agencies and corporate interests influence the stances that the PRC takes in international fora and negotiations. Christofferson focuses closely on the enduring influence of the 'petroleum faction' in China's stances on multilateral organizations such as the International Energy Agency (IEA) – though this influence was sharply curtailed by the stunning sweep of detentions and convictions of energy sector executives and officials as part of Xi Jinping's anti-corruption campaign. The global expansion of Chinese economic influence, seen in measures such as outward direct investment (ODI), are no longer the

domain of a handful of state enterprises but, as Arthur Kroeber notes (Chapter 21), now made up by a significant share of private sector companies, who comprise about half of all China's ODI.

If China's global influence is the product of a multiplicity of different actors at various points of contact in global regimes and in far-flung regions, much of the 'China in the World' analysis, in the United States at least, centers on the question of presumptive strategic intent. In what is perhaps the most commonly cited example of a strategic 'end run' around international institutions, the Asian Investment Infrastructure Bank (AIIB) was interpreted by critics in the United States, including the Obama administration, as an attempt to put in place a rival to the World Bank and other multilateral lending agencies. The American effort to persuade its allies not to join the AIIB badly backfired when they signed on anyway. Upon closer inspection, the contrasts with the vaunted institutions of the 'Washington Consensus' are not so clear, and the areas of convergence probably outweigh the contrasts. Similarly, critics or skeptics of the Belt and Road Initiative (BRI) view it as a strategic endeavor to enhance Chinese political influence by way of development and infrastructure projects in Southeast, South, and Central Asia. China's negotiations with the ten ASEAN states, Japan, South Korea, Australia, New Zealand, and India in the proposed free trade agreement known as the Regional Comprehensive Economic Partnership (RCEP) is seen as another challenge to US leadership, which was badly damaged by its own rejection of the Trans-Pacific Partnership in 2017. But in the way that these Chinese-led regional and multilateral initiatives are being framed and promoted, the rationale is no great departure from the principles and norms of many current multilateral regimes for development and trade. It is true that some Chinese commentators have expressed views that see the BRI as a strategic counter to the Obama administration's 'pivot to Asia' and as a way to integrate a trans-regional Eurasian economic bloc that excludes the United States. Yet it is difficult to attribute a coherent strategy to an endeavor as broad as the BRI, which is more of an assemblage of investment, infrastructure, and commercial flows than a unitary development plan.

Perhaps more so than in any other area of research, the study of 'China in the World' spans broad levels of deep expertise and technical knowledge, and thus is a field in which many analysts take part with limited if any background in China Studies. Financial sector analysts, energy consultants, public health professionals, climate change scientists, cyber-security specialists, among many other communities that pay close attention to issues of global governance within their domain of expertise, all have growing stakes in engaging with counterparts in China and in better understanding the interests and influence of Chinese agencies and institutions that take part in global governance. How can China specialists from traditional academic disciplines inform these deliberations and the participants in global organizations in which the PRC government takes part? What can China specialists learn from closer observations and research on the

international conferences and proceedings over public health or climate change, for example? It would seem that the field is rich and potentially beneficial for both professional–scientific communities and for China specialists to inform each other’s work. This cross-fertilization of knowledge already takes place within traditional areas such as foreign policy and diplomacy, where China experts are frequently called upon for their insights, and certainly in the energy sector as corporations and institutions seek to better understand the workings of China’s energy-related agencies and corporations by calling on experts on Chinese domestic politics. But deepened engagement between China scholars and technical experts in other fields could better inform the kinds of questions that both sides ask when they seek to understand China’s perceptions, ambitions, and influence in international regimes and global governance more generally.

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China as a Global Financial Power

Arthur Kroeber

INTRODUCTION

China has enjoyed one of the longest sustained high-growth periods in history, but for most of its recent history it has been a financially closed economy. Since about 2005 its global financial influence has been steadily growing, and this chapter describes the debates over this rise in influence, in five main subject areas: 1) China began to exercise an important financial influence outside its borders in around early 2005, when its large accumulation of foreign exchange reserves caused it to start exerting significant influence on the US Treasury market and, by extension, on US interest rates. 2) In 2007, the establishment of a sovereign wealth fund and an upsurge of Chinese outward direct investment (ODI) triggered concerns about the influence of Chinese state-owned enterprises and policy banks in the rest of the world, and especially in developing countries. 3) These concerns broadened in subsequent years as the scale of China's outward investments increased and private firms, often with very low transparency, accounted for a larger share. 4) Following the global financial crisis of 2008, China embarked on an effort to internationalize the use of the renminbi, which culminated in November 2015 with the decision of the International Monetary Fund to include the renminbi in its artificial reserve-currency basket, the special drawing right (SDR), alongside the US dollar, the euro, the yen, and the pound sterling. Renminbi internationalization was closely linked with policies designed to reduce China's capital controls and increase the integration of Chinese and global financial markets. 5) Finally, the government announced a strategy of

increasing its sponsorship of infrastructure projects throughout Asia – the so-called ‘Belt and Road Initiative’ – and led the creation of two major new multi-lateral lending institutions to help finance these efforts. These moves prompted discussion of whether China’s main objective was to integrate with existing global financial norms institutions, substantially modify these norms, or set up a new set of international institutions subject to its influence.

RESERVE ACCUMULATION, THE ‘SAVING GLUT,’ AND EXCHANGE RATE ISSUES

After its entry into the World Trade Organization in 2001, China enjoyed a period of extremely rapid export growth and rising current account surpluses. This prompted concerns that China’s exchange rate was systematically undervalued, with problematic consequences for the rest of the world. Goldstein (2005) and Goldstein and Lardy (2007) argued that currency undervaluation was significant, resulted from government policies, and should be corrected with an immediate small revaluation followed by the adoption of a more flexible exchange rate regime that would permit steady appreciation. Cheung, Chinn, and Fujii (2007), using a statistical analysis of relative prices, found that there was little evidence of persistent renminbi undervaluation. Frankel (2005), using a historical understanding of previous transitions from fixed to floating rate exchange rate regimes, agreed that there was a substantial undervaluation of the renminbi, and predicted that at least half of the misalignment could be eliminated over a decade with the adoption of exchange-rate measures falling well short of a free float. In the event, China loosened its currency’s peg against the dollar in July 2005 and conducted a heavily managed revaluation of the renminbi over the next ten years, with the result that the International Monetary Fund in 2015 declared the currency no longer undervalued (IMF 2015). A useful compendium of the major views at the peak of the renminbi controversy is Lardy and Goldstein, ed. (2008).

A related discussion was China’s contributions to ‘global imbalances’ which arguably contributed to the global financial crisis of 2008. Bernanke (2005, 2007) attributed the persistently high US current account deficit to an excess of saving in Asian countries, of which China was the most prominent. Dooley et al. (2003) postulate that Asian countries including China in the early 2000s effectively re-created the pre-1973 Bretton Woods system of fixed exchange rates in order to sustain export-led growth. Bernanke et al. (2011) document how the resulting surpluses generated demand for risk-free assets, disproportionately US Treasuries, with the consequence that long-term interest rates in the US were held unusually low. Ferguson (2008) describes the financial and economic linkages between the US and China in terms of a unified economic entity, ‘Chimerica.’ Obstfeld and Rogoff (2009) analyze

the ways in which these linkages, and the mutually supporting imbalances of excessively easy monetary policy and leveraged consumption in the US, and exchange rate policies in China and other developing countries, precipitated the global crisis.

A final component of the imbalances debate relates to the impact of Chinese competition on manufacturing employment and investment in the United States and Europe. While strictly speaking this question relates to many non-financial factors affecting the relative competitiveness of Chinese industry, it is an important component of policy-oriented analyses of China's financial power in two respects. First, China's exchange rate policies could contribute to its industrial competitiveness, if systematic undervaluation of the currency ensures that Chinese exports remain relatively cheap. Second, now that China is a large scale direct investor in many economies, including the United States, there is a discussion about the net benefit of such investments. Harney (2008) uses an anecdotal approach to document the sources of Chinese competitiveness. Lardy (2012), using the lens of financial repression, attributes large gains in Chinese heavy industry to a domestic policy of keeping interest rates at ultralow levels. Autor et al. (2013) find that about one-quarter of the decline in US manufacturing employment in 1990–2007 is attributable to competition from imports, mainly from China. Ebenstein et al. (2013) find that a combination of import competition and offshoring of US production to China led to significant declines in wages and labor force participation for US workers. In a similar vein, Flueckiger and Ludwig (2013) document a strong negative impact on European Union exports from Chinese competition, with inferred negative consequences on labor income. Milanovic (2005, 2016), in studies of global inequality, finds that income gains since 1988 have been greatest in middle-income Asian countries and in the global 99th percentile of income distribution, and weakest in the US and European working classes. The extremely large income gains in Asia – of which China is by far the largest component – imply a corresponding shift in financial power in favor of China, as rapidly rising domestic wealth ultimately creates pressure for investment in international assets.

SOVEREIGN WEALTH FUNDS, POLICY BANKS, AND STATE-LED INVESTMENTS ABROAD

China's persistent large current account surpluses, combined with capital controls that severely limited the ability of these surpluses to be recycled by the private sector, led to a large accumulation of foreign exchange reserves, which were mostly recycled in low-yielding US Treasury bonds. To diversify its holdings and increase returns, China set up a sovereign wealth fund, China Investment Corp. (CIC) in 2007 and actively encouraged state-owned enterprises (SOEs) to increase their investments abroad, especially in natural resources. Many of these outward

investments received funding support from Chinese policy banks, notably the China Development Bank (CDB) and the China Export–Import Bank (Exim).

These developments led to three major strands of debate. First, to what extent were Chinese SOE investments driven by strategic state policy objectives, rather than commercial ones? (Answers to this question rest heavily on positions on the debate over whether China’s economic system can accurately be described as ‘state capitalist.’) Second, what risks arose from the heavy reliance on non-commercial funding from the very opaque policy banks? And finally, did China’s no-strings-attached approach to investment, concessional lending, and aid in developing countries (especially in Africa) lead to a lowering of standards of political accountability, environmentalism, and social justice?

Bremmer (2011) lays out the most general case for the emergence of a ‘state capitalist’ model, exemplified by China and other large emerging economies, as a competitor to the traditional free-market Western capitalist model. McGregor (2012) more specifically describes the Chinese state-capitalist model and the challenges this poses in international markets. The scholarly debate over the state-capitalist nature of China’s economy is exemplified by Naughton and Tsai (2015), who come down in favor of a state-capitalist understanding in which SOEs play a dominant role and are at least to some degree effective agents of strategic state aims, and Lardy (2014), who argues that the role of the state has steadily eroded in favor of private-sector actors. Lin and Milhaupt (2013) describe the structure of SOE business groups in comparative perspective (using Japan’s keiretsu and South Korea’s chaebol as comparators) and discuss the extent to which groups structured in this way may or may not be effective state agents. Downs (2011) details the mechanisms of CDB’s financing of Chinese petroleum investments and purchase contracts. Forsythe and Sanderson (2013) investigate CDB’s international lending in greater detail.

A summary of the concerns that Chinese investment and aid could lead to greater corruption, environmental damage, or the strengthening of authoritarian regimes is in Reisen and Ndoye (2008) and is further explored by Brautigam (2008). Brautigam (2011) extends the critique of these concerns and argues that Chinese engagement in Africa is on balance positive. Corkin (2013), using a case study of Angola, analyzes the ways in which recipient countries try to use Chinese financial sources to support their own, indigenously determined development objectives. Strange et al. (2013) introduce a systematic method for tracking the volume of Chinese aid projects in Africa, and Parks and Strange (2014) use this database to suggest that Chinese aid in the continent was larger than previously thought, and more diverse in its targets and consequences. Lin (2011) and Chandra et al. (2012), arguing from a development economics perspective, present the case that Chinese investment can spur local development by shifting large scale labor-intensive manufacturing from China to sites in Africa.

For China’s impact on Latin America, Gallagher and Porzecanski (2010) document the influence both of Chinese investment and Chinese industrial competition,

with a focus on patterns of trade and industrialization: the increasing tendency of Latin American countries to rely on exports of raw commodities, while manufacturing bases are undermined by competition from Chinese firms. Ray et al. (2015) examine China's investments in Latin America and find that social and environmental safeguards are generally high for a middle-income country, but variable, so that additional regulatory effort by the target countries is required.

CORPORATE OUTWARD DIRECT INVESTMENT AND ITS IMPLICATIONS

In its early days China's outward direct investment was dominated by state owned enterprise investments in developing countries, but by 2016 that picture had changed appreciably, with private sector companies accounting for nearly half of ODI flows, and advanced economies being the major targets. In addition, for the first time China's direct investments abroad exceeded other countries' direct investments in China, a trend that is likely to continue. Factors in this shift include slowing growth in China, which increases the relative attractiveness of investment elsewhere; relaxation of Chinese regulatory controls on outbound capital flows; the increasing maturity and sophistication of Chinese private firms; and a rising interest in gaining access to advanced-economy markets and technology (Hanemann and Rosen 2016; Hanemann and Gao 2016). Detailed documentation of the changing patterns and diversification of Chinese direct investment in Europe is in LeCorre and Sepulchre (2016) and in Hanemann and Huotari (2015).

While the composition of China's ODI may be changing, the underlying concerns of observers elsewhere remain largely the same as in the earlier era of state-dominated ODI: that Chinese investors, both state and private, will pay less attention to governance, environmental, and social standards, and that reciprocity is lacking because China's restrictions on inbound FDI are unusually high by global standards. Dollar (2016a), using cross-country comparisons, finds that, like most other countries, China's ODI is attracted by large markets and natural resources (with a slightly larger than normal preference for natural resources), but that unlike most other countries China's ODI does not correlate with rule of law. Dollar also notes that China's own restrictive FDI regime creates an unlevel playing field on which foreign firms are barred from making in China the kinds of investments that Chinese firms can make elsewhere. The measurement of China's restrictiveness on FDI is an index developed by the OECD (OECD; Koyama and Golub 2006; Kalinova et al. 2010).

The impact of Chinese firms' direct investments in developing countries, and especially in Africa, continues to be of interest. Dollar (2016b) finds that China's participation in natural resource investment, infrastructure finance, and investment in manufacturing in services in Africa is significant, but considerably less in scale than often supposed (less than 5% of all FDI into Africa in 2013–2014,

and about one-sixth of infrastructure finance). He also finds that private-sector investment in non-extractive industries is rising, in response to shifting economic and demographic trends in both Africa and China. More detailed support for these findings, including a sectoral distribution of Chinese investment in Africa, is in Chen et al. (2015).

RENMINBI INTERNATIONALIZATION, EVOLUTION OF RESERVE CURRENCY, AND FINANCIAL MARKET OPENING

Before 2009 China's currency, the renminbi, was used almost exclusively in domestic transactions and was to all intents and purposes not tradable outside China's borders. Beginning in 2009 the Chinese government launched a series of policies to increase the international use of the currency including: permitting offshore renminbi bank accounts (initially in Hong Kong and later in other jurisdictions); encouraging the issuance of renminbi bonds in Hong Kong; encouraging the use of renminbi to invoice and settle trade transactions; and opening swap lines between the People's Bank of China and other central banks. By the end of 2015 these policies had achieved several milestones: more than a quarter of China's trade was invoiced in renminbi, over Rmb350 billion (US\$53 billion) in renminbi-denominated bonds; and the renminbi became one of the world's top five currencies for payments, trade finance, and general currency trading (PBOC 2015). Also in 2015, the renminbi was included by the International Monetary Fund in its reserve currency basket, the special drawing right (SDR), signifying the renminbi's arrival as a global currency comparable in importance to the US dollar, euro, yen, and pound sterling.

There has been much discussion of the aims of the renminbi internationalization policy (and to what extent the program is motivated by a desire by the Chinese government to promote the renminbi as an alternative reserve asset to the US dollar); the relationship of this policy to domestic financial liberalization and the dismantling of capital controls; and the degree to which China's currency internationalization drive conforms to or departs from earlier precedents. The discussion has been constrained by the paucity of official statements on these issues. PBOC governor Zhou Xiaochuan signaled the beginning of the internationalization effort with two papers which criticized many elements of the international financial architecture and attributed the 2008 global financial crisis in part to an overreliance on the US dollar as the main reserve currency (Zhou 2009a, 2009b). Although Zhou made no direct reference to a policy aim of increasing the renminbi's global status, and advocated the SDR basket, rather than any individual currency, as an alternative to the dollar, his remarks were widely interpreted as signaling a desire by the Chinese authorities for the renminbi to play a larger role in the global financial system. Chinese scholarly descriptions and justifications of the renminbi internationalization program are in Gao and Yu (2012) and Zhang and Chan (2010).

At the broadest level, Subramanian (2011) makes the case that renminbi internationalization is likely to be successful in establishing the renminbi as a major world currency, and (2013) that much of Asia has already become part of an effective 'renminbi bloc,' with the movements in their currencies determined largely by the movements in the renminbi. Prasad and Ye (2012) are more cautious, noting the complexities of the internationalization, the linkages with difficult-to-execute domestic financial reforms, and problems of sequencing. Kroeber (2013) argues that the main objective of renminbi internationalization was to force the pace of domestic financial liberalization and reduction of capital controls, and that the ability of the renminbi to function as a global reserve currency is severely constrained by the government's desire to maintain control over domestic financial markets. The structure of the Chinese financial system and the degree of its subjection to political objectives of the Communist Party is detailed by Walter and Howie (2011). The ability of China to simultaneously pursue currency internationalization and maintain domestic financial stability is explored by He and McCauley (2010).

The relationship between renminbi internationalization and capital account opening is detailed by Prasad and Ye (2012) and by McCauley (2011), who finds from a study of interest rate differentials and equity prices that despite some liberalization, Chinese capital controls are still binding. This finding is reinforced by researchers employing the standard Chinn-Ito index of financial openness (Chinn 2012) and by a newer alternative index, which ranked China 94th out of 100 countries in financial openness (Fernandez et al. 2015). Prasad and Rajan (2008) offer a 'pragmatic prescription' for gradual capital account liberalization that minimizes risks to the domestic financial system.

Finally, the comparative and historical literature notes several differences between China's currency internationalization drive and previous examples such as the United States (after World War I), Germany (in the 1970s), and Japan (in the 1980s). The most notable are that a) in other countries, substantial domestic financial liberalization preceded currency internationalization, whereas in China the reverse is the case; and b) in other countries currency internationalization was in part a response to pressure from domestic financial market actors, whereas in China the motivation appears to be almost entirely policy-driven. A survey of historical precedents is in Frankel (2011) and more specific comparison to the Japanese experience is in Ito (2011) and Takagi (2012). A general overview of issues involved in currency internationalization, with an emphasis on Asia, is Kenen (2012).

THE BELT AND ROAD INITIATIVE, INTERNATIONAL INFRASTRUCTURE DIPLOMACY, AND NEW MULTILATERAL POLICY BANKS

A very recent augmentation of China's international financial influence is the 'Belt and Road' Initiative (formerly known as 'One Belt, One Road').

This initiative, formally launched by the Chinese government in late 2013, consists mainly of two large-scale transport infrastructure plans: a 'New Silk Road Economic Belt' running from western China through Central Asia to Europe; and a 'New Maritime Silk Road' running from southern China through maritime Southeast Asia and the Indian Ocean to Africa. The parameters of the program are vague, and the Belt and Road policy should be understood less as a detailed blueprint than as a very general strategic directive to increase Chinese infrastructure investments in regions where such investments will facilitate greater trade and economic opportunities for Chinese firms. Because it is so recent, scholarly assessments of the motives, substance, and likely effects of the initiative are limited. A good summary of Chinese sources explaining the origins and motivations of the Belt and Road, and offering critiques of its prospects, is Godement and Kratz (2015).

International concerns about the wider implications of the Belt and Road strategy divide into two main areas. First is the concern that China will use its extensive infrastructure investments to build political and strategic influence in Southeast and Central Asia, changing the geopolitical balance of power in Asia. Second is the broader concern that Chinese leaders aim to reshape global institutions, norms, and governance ideas, not only through the 'connectivity' provided by its international infrastructure program, but also by new financial institutions established to fund it. Goh (2016) presents an analysis of China's rising political and financial influence in Southeast Asia, and the strategies of countries in that region to mitigate or channel that influence. Comparable consideration of Central Asia is in Scobell et al. (2014) and Pantucci and Petersen (2014). Callahan (2016) argues for a comprehensive understanding of both the infrastructure 'hardware' and financial and institutional 'software' of China's effort to use the Belt and Road to create a Sinocentric Asian community.

In tandem with the Belt and Road initiative, China oversaw the development of three new financing vehicles, two of them multilateral but with decisive Chinese influence which are likely to invest mainly in infrastructure projects in developing countries. These are the New Development Bank (NDB; formerly the BRICS Bank); the Asian Infrastructure Investment Bank (AIIB), and the Silk Road Fund. The third of these is a private equity fund controlled by the People's Bank of China and the first is a bank owned equally by the governments of China, Russia, India, Brazil, and South Africa, headquartered in Shanghai. The AIIB's establishment in 2015 occasioned a great deal of attention, thanks to a perception that it was positioned as a rival to established institutions such as the World Bank, and to a diplomatic campaign by the United States government to discourage its allies from joining. In the event, 57 nations joined as founding members, including many European nations. Dollar (2015) puts the formation of the AIIB and the Belt-and-Road strategy within the context of China's very large domestic financial and development challenges. Kroeber (2015) skeptically compares the new Chinese-sponsored financial institutions with established multilateral

lending institutions, and concludes that the influence of the AIIB and NDB will be limited, while the bulk of Belt-and-Road financing is likely to come from the established policy banks, CDB and Exim.

CONCLUSION

The expansion of China's global financial influence since 2005 has generated considerable discussion and concern in foreign policy circles. The accumulation of foreign exchange reserves, the rapid expansion in ODI, the launch of a massive inter-regional infrastructure project, and the formation of new multilateral lending institutions have raised questions about the strategic intent of these initiatives, and whether they challenge or complement existing global financial institutions and norms. This chapter has examined the debates over China's rise as a global financial power and noted a range of scholarly findings which demonstrate a number of crucial points: first, one of the intentions of China's expanding global financial influence may in fact be to push the financial liberalization domestically, as noted in the case of the internationalization of the renminbi. Second, China's ODI is impressive but diverse and with few signs of broader strategic intent, as exclusive attention to the ODI of only a few state-owned enterprises sometimes suggests. Finally, the widespread concern over the Belt and Road Initiative and the multilateral lending agencies that have emerged to finance some of its projects can also be overstated, although the long-term effects of the BRI remain to be seen and are an important focus for future research.

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China and Global Energy Governance

Gaye Christoffersen

INTRODUCTION

In the early 20th century, China was dependent on oil imports and international oil companies in what Chinese perceived as an exploitive relationship. Chinese said that China was ‘戴着贫油帽子’ (wearing the oil poor hat), weak and dependent on ‘羊油’ (oil imported from across the Pacific Ocean). In the past century, China’s energy identities have shifted from dependent net oil importer, self-reliant economy, net oil exporter, industrializing net oil importer, and currently world’s largest net oil importer seeking a larger role in global energy governance.

China’s relationship to the world oil market has been a source of ongoing domestic debates. Although coal is China’s primary energy source, this chapter will focus on Chinese oil policy since petroleum is a strategic good, non-substitutable in the transport sector, and more politicized in China than any other form of energy. Chinese debates over oil have been more dramatic and emotional than other energy forms.

How China makes decisions over petroleum remains unclear to outsiders. Although watching Chinese debates is often like watching shadow puppets, with minimal empirical data, debates over energy issues provide a window for understanding the energy choices facing Chinese decision makers. In the absence of greater transparency in Chinese decision-making, a focus on debates provides a general understanding regarding energy choices.

Chinese policy debates in general are characterized by negotiations and bargaining (Lieberthal and Oksenberg, 1988). Chinese energy policy debates are more one-sided, often dominated by a small circle of the petroleum faction in Chinese national oil companies (NOCs) – China Petrochemical Corporation (Sinopec), China National Offshore Oil Corporation (CNOOC), and China National Petroleum Corporation (CNPC) and its trading arm PetroChina.

Since 1949, there is continuity in the way China's domestic energy policy debates have unfolded. Erica Downs and others have noted certain patterns in Chinese energy debates:

- Information is not available on ongoing energy debates. Announcements are not made public until after one side wins.
- Debating factions do not address each other in a dialogue, or dispute the opposition's position, or even recognize that it exists, but rather attempt to attract the attention of one of the CCP leaders to gain his patronage.
- There is no Ministry of Energy to synthesize different positions into a coherent whole, leaving policymaking fragmented with different organizations advocating different strategies (Downs, 2004; Christoffersen, 1986).

Although evidence of energy debates is fragmentary, it has been useful for understanding the conflicting choices energy decision makers must face. This chapter will identify some of the major debates over Chinese energy choices from 1949 until the present.

1949–1979 SELF RELIANCE

After 1949, China became dependent on the Soviet Union for its oil imports and oil exploration in Karamay oil field in Xinjiang and Daqing oil field in Heilongjiang. The Sino-Soviet dispute (1960–1989) was especially difficult because it would lead to reduction in Soviet oil supply and withdrawal of Soviet petroleum engineers and geologists in 1960. It was soon after that Daqing came online in 1964, celebrated as a symbol of self-reliance.

The Sino-Soviet dispute prevented recognition of foreign assistance from the outside world at Daqing. Instead, Maoist identity was constructed in 'Oilman Wang', Wang Jinxi (王进喜), also known as 'Ironman Wang', made famous in Cultural Revolution posters. Wang was said to have struggled in harsh conditions until he, with his bare hands, brought in Daqing oilfield. China was told to 'Learn from Daqing' by the Cultural Revolution Group. CNPC today refers to him as one of its early pioneers, an outstanding representative of Chinese oilmen.

After Daqing came online, these Chinese oilmen in the oil industry began to form a powerful political group. Yu Qiuli, Vice Premier from 1975 to 1982, helped found China's modern oil industry, was in charge of Daqing, and led the petroleum faction (石油帮) in the 1970s. Domestic energy debates centered on

whether there was a need for opening to the world capitalist economy. The petroleum faction wanted to export oil for hard currency earnings, and use these earnings to import offshore oil technology.

In the early 1970s Deng Xiaoping first proposed exporting China's natural resources to earn foreign exchange for purchasing foreign technology, formalized in a document entitled 'Some Problems in Speeding Up Industrial Development', issued in August 1975, as a draft for discussion after a series of conferences on industrial production. This document provided the basic guidelines for development in the post-Mao era, arguing the necessity of exporting natural resources to pay for imported technology (Some Problems, 1977).

The export pipeline from Daqing to Dalian was completed in 1974. It would make Daqing the major export oil field. During 1974–75, the Cultural Revolution Group was opposed to exporting oil to imperialists, especially in exchange for imports of Japanese technology. After the arrest of the Cultural Revolution Group, the petroleum faction continued to promote petroleum exports to finance high technology imports from the West. This was presented as an alternative to more comprehensive reform and opening. The petroleum faction claimed China would produce '10 more Daqings', which was echoed by Premier and Chairman of the Chinese Communist Party Hua Guofeng, but ultimately there were no '10 more Daqings' and Daqing itself had peaked in 1979.

Yu Qiuli was held responsible for the 1979 collapse of an oil rig in the Bohai Gulf that had used Japanese technology. The rig was being towed during a storm. Improper procedures and inexperience contributed to the disaster, which killed 77 workers. The petroleum faction's strategy of importing advanced offshore technology, and assuming Chinese workers would learn how to use it, was a failed strategy. China required greater integration with the world capitalist economy. Chinese oil companies needed to form joint ventures with international oil companies (IOCs). Deng Xiaoping replaced Hua Guofeng, and the Chinese oil industry shifted from self-reliance to internationalization.

At this time, there were only a few Western analysts studying Chinese energy and they did that from the outside. China's domestic debates over energy had no foreign participants. Only one notable volume studied China's energy relations with the world, mentioning that the US had promised offshore oil drilling technology as an incentive to encourage China's opening (Woodard, 1981).

CHINA AS OIL EXPORTER 1980S

The 1980s Dengist economic reforms promoted expanding oil exports to pay for technology and industrial goods imports, a strategy not different from the 1970s petroleum faction, except Deng accepted foreign involvement in the domestic economy, not just the import of foreign technology.

In 1980, the World Bank began a comprehensive assessment of China's development needs. On energy, World Bank assistance focused initially on reviving Daqing oilfield, the major export field in China, to earn foreign currency to finance the economic reforms. The World Bank's *China: The Energy Sector* volume was published in 1985, predicting China would become a net oil importer within a decade (World Bank, 1985). Western analysts began to understand Chinese energy issues from the inside.

Chinese exports quickly expanded in the early 1980s, making China the largest oil exporter in the Asia-Pacific, with its petroleum product prices often sold below international oil market prices. The author and other Western analysts were unclear on China's motives: whether China was dumping petroleum products on the Asia-Pacific market to earn hard currency, or China was expanding its market share (Christoffersen, 1986). At the time, China's decision calculus was opaque. The author learned much later that Chinese refinery output was being calculated with handheld calculators to determine the optimal mix of petroleum product output for export to earn foreign exchange. This was a laborious, time-consuming process that meant decisions regarding refinery output could never respond to changing market prices and conditions although it had been sufficient for the planned economy. Opening to the world oil market required China's oil industry to adapt to a more challenging environment.

China's need to explore offshore oil reserves and to import offshore oil drilling technology led to the formation of a Chinese company in 1982, China National Offshore Oil Corporation (CNOOC). CNOOC formed joint ventures with international oil companies (IOCs). These IOCs required legal regimes for joint ventures, creating some of the earliest demand in the economic reforms for laws protecting investments, which would expand as foreign investors demanded governance based on rule of law.

In 1983 Beijing faced a decision on domestically produced oil – whether to consume or export (Tong, 1983). The Chinese oil industry had increased oil exports even as the domestic economy suffered from energy shortages in ongoing energy crises. There were shortages of petroleum products, electricity, and coal. Many Chinese economists pointed out the losses to the domestic economy, reducing the industrial growth rate with many factories operating below capacity. Rural areas' shortages reduced agricultural growth. The author remembers opposition to oil exports was voiced in a slogan accusing the petroleum faction of 'selling one's blood in order to buy bread'.

A domestic debate over oil exports continued until the end of 1986, when it was decided that China would curtail exports, consuming oil domestically to support industrialization and export industrial products (Christoffersen, 1986, 1987). The author interviewed members of the China Energy Research Society (CERS) in December 1986. CERS had been created after 1979 to give energy reformers a larger voice in policymaking, and to create horizontal linkages that spanned the vertically organized Soviet-style ministries. Another purpose of CERS was to interface with foreign organizations and researchers.

In November 1986, a report was issued jointly by CERS and the National Research Center for Science and Technology for Development titled 'Energy Problems and Policies under the New Situation', a position paper for policy-makers suggesting an optimal strategy. The report suggested petroleum import and export policies be more responsive to changing conditions, i.e., when the price on the world oil market dropped, China's oil exports should be reduced. In addition, petroleum imports were proposed because of domestic shortages of petroleum products.

The China Energy Research Institute (ERI), under the State Planning Commission (later called the National Development and Reform Commission), also issued a report at that time estimating at what point China should reduce petroleum exports. The price/barrel suggested by the Institute, \$15/bbl, was much higher than what Sinochem and the Ministry of Petroleum had been exporting Chinese crude at throughout 1986 (as low as \$10/bbl) (Christoffersen, 1986). CERS and ERI have articulated the interests of domestic consumers, a reform agenda, and the broader national interest vis-a-vis export-promoting Chinese NOCs and the petroleum faction.

This domestic debate had tremendous importance as it would determine China's relationship with the world capitalist economy – whether it would continue as a raw material supplier or export industrial goods. The petroleum industry wanted to continue exporting oil to earn hard currency. However, energy reformers won the debate, with China slowly reducing exports. This choice reflected a strong confidence that China would become an exporter of manufactured goods that could compete with Japanese and South Korean exports. This domestic debate went virtually unnoticed by the West.

In the 1980s international oil companies sought entry into China onshore. Western analysts were uncertain how China made energy decisions, motivating scholars to produce studies trying to clarify. Through extensive interviews and extraordinary access to energy experts and organizations, Kenneth Lieberthal and Michel Oksenberg published one of the first books that examined in greater detail Chinese energy decision making (Lieberthal and Oksenberg, 1988).

Lieberthal and Oksenberg introduced the concept of 'Fragmented Authoritarianism' to explain the lack of coherence in energy decision-making, the proliferation of bureaucratic actors, and endless debates over energy choices. Fragmented Authoritarianism refers to the fragmentation of formal authority, inter-ministerial competition that leads to ministries bargaining with each other, and policy groups lobbying for different energy policy choices. Within this fragmented state, factional debates thrived. This concept continues to inform analyses of Chinese policy, beyond the oil industry, a recognition that China is not a monolithic authoritarian state.

With China's opening to the world oil market, US–China cooperative energy research projects began to emerge in the 1980s involving a relatively small number of scholars (Yuan, 1982). The East–West Center in Honolulu had a China

Energy Study, begun in the mid-1980s, that advised Chinese on the workings of the world oil market, created China's first computer model for refinery operations, and trained several Chinese and American specialists. China as a net oil exporter, and needing foreign technology and expertise, was open to cooperative projects with the US, Japan, and Europe.

CHINA AS OIL IMPORTER – 1990s AND THE 'GOING OUT' STRATEGY

In 1991, CNPC indicated it would internationalize its operations due to declining production in aging domestic fields. China's transition from oil exporter to net oil importer led to a domestic debate within China, the existence of which was only faintly visible. In 1993, a month before China became a net importer of petroleum products, Wang Tao, head of CNPC, and Sheng Huaren, President of Sinopec, responded to domestic critics in the *People's Daily*. Sheng declared

We have all along been proud of taking the '戴着贫油帽子' [oil-poor country label/hat] off China since we put an end to the history of using 羊油 (oil imported from across the Pacific Ocean) in the 1960s. Today, 羊油 has again returned to China, and this is emotionally difficult for the nation. (Wang Yantian, 1993)

Sheng stressed that national feeling, no matter how strong, was not the deciding factor in whether China would become a net oil importer. He argued it was decided according to economic rationality rather than national feeling. On the positive side, Sheng pointed out China had gained membership in the international oil industry: '...Sinopec has entered into the ranks of the world's large-scale petrochemical circles ... and now has the ability to import from, and export to, foreign countries' (Wang Yantian, 1993). China participating as an equal in the world international oil industry indicated the country had indisputably 'stood up'.

Chinese petroleum self-sufficiency had been traded for membership in the international oil industry and access to foreign oil reserves. The import of oil was redefined as a measure of state capacity and strength rather than an indication of weakness and dependency.

China's identity in the 1990s was that of an insatiable oil consumer as Chinese imports rapidly increased. The international debate over China's net importer status was whether this would moderate its international behavior by requiring greater integration into the world economy, or make it more assertive and belligerent in the South China Sea and the East China Sea. There was a parallel Chinese domestic debate over the impact of increased oil imports on Chinese security (Downs, 2004).

Wang Tao, former head of CNPC, was a major early supporter of the 'going out' strategy whereby Chinese NOCs acquired oil reserves overseas, through

mergers and acquisitions, with generous funding from the Chinese state banks. The Chinese NOCs invested in equity oil because Chinese generally did not trust the world oil market.

Energy experts such as Zha Daojiong pointed out that inefficient energy management in Chinese industry was a greater threat to Chinese energy security than the world oil market (Zha, 2006). Nevertheless, a fundamental distrust of the world oil market motivated the Chinese search for equity oil, defined as the right of an oil company, based on investment, to explore for and develop petroleum fields in host countries for a share of production in kind.

Wang Tao had studied in Russia, and was particularly interested in investment in Russian and Central Asian oil. An oil pipeline to China from Russia had been under discussion between Chinese and Russians since 1993. The Chinese NOCs' 'going out' strategy expanded ties to Russia, Central Asia, the Middle East, Latin America, Africa, and the South China Sea (International Energy Agency, 2011). Scholars examined the domestic drivers to explain how and why Chinese NOCs journeyed across the globe in search of oil (Andrews-Speed and Dannreuther, 2013).

The concept of 'China's energy diplomacy' [能源外交] emerged with China's going-out strategy as Chinese NOCs required assistance from the Ministry of Foreign Affairs to develop relations with oil producing states through the provision of economic assistance and military technology. This also gave China a larger diplomatic presence in the Middle East, Central Asia, and Africa (Andrews-Speed, 2012, p. 151).

In one year, oil imports had dramatically increased – 37 MMT in 1999 to 72 MMT in 2000 – while world oil prices tripled during that time period. Beijing securitized its oil import dependence, i.e., China's vulnerability due to oil import dependence became a security issue to an extent that had not occurred before. Some analysts believe the Chinese NOCs might have promoted securitization to deflect domestic criticism of their overseas investment strategies (Hu, 2005).

This securitization led to increased Chinese anxiety over dependence on the sea lines of communication (SLOCs) from the Middle East and a perceived need for a larger naval force. Chinese debated energy security and whether it was wise to develop a blue water navy (Kennedy, 2010). China's foreign policy behavior changed in the process. By 2003, Hu Jintao spoke of China's 'Malacca Strait Dilemma', China's dependence on the SLOCs from the Middle East which it lacked the naval capacity to guard. It was a time of tight oil globally.

Doubts about oil import dependence created political space for energy efficiency policies. In 2004, the energy reformers in the Energy Research Institute and the Development Research Center of the State Council, with their joint report, 'China National Energy Strategy and Policy 2020', managed to win policy support for energy conservation and efficiency (Meidan, 2014).

The Chinese NOCs had a niche strategy of investing in rogue states that international oil companies were prohibited from entering. These states included Sudan

during the Darfur crisis, Myanmar under the military junta, and illiberal regimes in Central Asia and Africa (Sun and Wang, 2010). Chinese debated whether the Chinese NOCs' going out strategy was beneficial for China or whether it was actually hurting China's national interests (Chen, 2011).

Chinese critics claimed Chinese ownership of equity oil did not enhance Chinese domestic energy security since transporting equity oil would still need to depend on the SLOCs, transport costs were high, and much of the equity oil was sold on the international market rather than being shipped back to China (Chen, 2011). Access to oil resources seemed to dominate China's diplomacy (CCTV, 2012).

The dominant Western debate at the time was to what extent this 'going out' strategy was driven by Chinese NOCs' commercial interests and to what extent was it driven by the Chinese government's geopolitical and strategic interests (Downs, 2010). An International Energy Agency (IEA) study thought the drivers of Chinese NOCs' overseas investments were commercial (Jiang and Sinton, 2010).

As Chinese NOCs' investments in Africa, Latin America, and Central Asia rapidly expanded, some Chinese analysts well understood the geopolitical goals of Chinese NOCs' overseas investments and that China's oil demand could transform the world oil market (Xu, 2002). Nevertheless, CNOOC's attempt to buy out Unocal's oil and gas assets in Southeast Asia in 2005 was presented by CNOOC as a purely commercial deal. This produced a political storm in the US. The US Congress strenuously opposed CNOOC's bid, holding hearings and charging CNOOC with taking over American energy resources and threatening US security. CNOOC withdrew its bid for Unocal, arguing it had commercial purposes and the US had mistakenly assumed CNOOC promoted Beijing's strategic interests (Hu, 2005).

As China became the world's largest oil importer, a major player in oil markets, it began to transform the world energy economy to become a price-maker rather than a price-taker. At the International Energy Forum (IEF), Xu Xiaojie, leader of an energy team at the Institute of World Economics and Politics, Chinese Academy of Social Sciences, noted that China's domestic energy demand was a major factor affecting the world oil market (Xu, 2014). A similar thesis appeared in Western analysis (Economy and Levi, 2014).

China's new assertiveness in international energy relations was the work of the petroleum faction. Since Daqing came online in 1964, the petroleum faction had been a constant factor in Chinese energy decision making. It was a powerful interest group that viewed Chinese NOCs' interest as China's national interest. The petroleum faction had pushed for the going-out strategy that led to oil and gas investments throughout the world. It did not solve the 'Malacca Strait Dilemma' since transportation of equity oil would depend on the SLOCs. In 2013, Zha Daojiong and other energy analysts questioned the legitimacy of the 'Malacca Strait Dilemma' (He, 2016, p. 9).

THE OIL INDUSTRY'S ANTI-CORRUPTION CAMPAIGN

Global energy governance includes monitoring the operations of oil companies for transparency and corporate social responsibility. *Transparency International* had placed Chinese NOCs at the bottom of its list on transparency because they routinely operated behind closed doors in deals that lacked transparency. The oil obtained overseas was sold in the world oil market rather than being shipped back to China.

The Chinese NOCs' 'going-out strategy' had moved billions of dollars overseas, funded by the Chinese state banks. The Chinese niche strategy was to invest in rogue nations, countries sanctioned for corruption and human rights abuses that the international oil companies could not invest in due to sanctions. This niche strategy had put Chinese NOCs into contact with numerous corrupt governments. The business environment in rogue nations includes bribery and graft. All of these conditions led to suspected wide-spread corruption.

An investment in Indonesia is illustrative of lack of transparency. PetroChina Daqing bought control of a shell company registered in a tax haven, the British Virgin Islands. This shell company invested \$85 million to pump from three blocks in an aging oil field with depleted oil reservoirs that would never produce sufficient oil to justify the price. Price and financial details were not disclosed at time of purchase. A senior Chinese oil industry official claimed '...I have no idea where the money has actually ended up' (Zhu et al., 2014).

Sinopec International Petroleum Exploration and Production Corp. (SIPC), the overseas investment arm of Sinopec, paid \$1.87 billion for Angolan offshore oil blocks worth only \$933 million to the owner, Hong Kong businessman Sam Pa. China detained Sam Pa in October 2015. Pa had worked with Sinopec's Su Shulin in Angola, and he also had oil exploration projects in North Korea.

At the height of China's influence as an oil importer and oil investor, the Xi Jinping administration launched the 'Party Rectification Campaign' (整党整风运动) at the 18th Party Congress in October 2012, investigating corruption. The anti-corruption campaign was especially interested in reviewing the NOCs' overseas investments.

Zhou Yongkang, leader of the petroleum faction, former Vice Minister of the Petroleum Industry, former Minister of State Security, and former General Manager of CNPC, was the most prominent target. The campaign would roll up his extensive network in the oil industry. The charges against numerous oil company executives were uniformly similar: bribery, graft, and helping friends and family obtain contracts and positions.

Zhou was sentenced to life imprisonment. Members of his network and senior officials related to Zhou in the oil industry would be investigated and subjected to *shuangui*, an internal party disciplinary interrogation process, carried out by the

CCP Central Commission for Discipline Inspection, which uses torture to obtain forced confessions and often leads to heart attacks and suicides.

In September 2013 Jiang Jiemin, former general manager and chairman of CNPC, and then director of the State-owned Assets Supervision and Administration Commission (SASAC), was removed from his post. Jiang had been a key figure in CNPC's going-out strategy. From 2008 to 2013, CNPC spent \$25 billion on overseas oil and gas assets and \$241 billion on capital expenditures.

Shuanggui was carried out in all Chinese NOCs. In 2014, the General Manager of CNOOC Gas & Power group, a wholly owned subsidiary of CNOOC, Luo Weizhong was detained. In 2015, the Deputy General Manager of CNOOC, Wu Zhenfang, was detained and investigated. The anti-corruption campaign did not sit well with the company's executives. One executive in charge of *shuanggui* at CNOOC, Zhang Jianwei, was found dead in company headquarters in broad daylight in November 2015. His death was investigated as a potential homicide or suicide. Vice-President of China Shenhua Energy Co., Wang Pingang, died in his office in late October 2015, a possible suicide.

CNPC, and its listed subsidiary PetroChina Company Ltd, had lost more than a dozen senior officials. In May 2013, the head of China's National Energy Administration, Liu Tienan, was removed from his position. In May 2014, Bo Qiliang, Vice-President of PetroChina, in charge of the company's overseas businesses, was detained. In September 2014, Wang Lixin, head of CNPC's Discipline and Inspection Department, was detained. Wang Lixin would have been in charge of *shuanggui* in CNPC. Wang Yongchun, Deputy General Manager of CNPC, Li Hualin, Deputy General Manager of the CNPC Group, and Wen Qingshan, CNPC's chief accountant, were investigated. Ran Xinquan, vice-president of PetroChina, was detained. Wang Daofu, PetroChina's Chief Geologist and President of the Research Institute of Petroleum Exploration and Development, was detained. In 2015, PetroChina's Vice Chairman Liao Yongyuan was prosecuted.

In December 2014 Xue Wandong, general manager of Sinopec Oil Field Service Corp. (SOSC), was detained. In April 2015, Wang Tianpu, president of Sinopec Group, the parent of Sinopec Corp, was *shuanggui'd* and pleaded guilty in November 2016. In October 2015, Su Shulin, former General Manager of Sinopec, member of the CCP Central Committee, and governor of Fujian, was *shuanggui'd*. Also in October 2015, Zhang Yaocang, chairman of Sinopec's two overseas subsidiaries, was detained. Guo Yongxiang, former Sinopec employee, personal secretary of Zhou Yongkang, and vice governor of Sichuan, was sentenced in December 2015.

By the end of 2015, it was noticeable that the anti-corruption campaign had decimated the executive ranks of Chinese NOCs, leaving oil executives and other state-owned enterprise executives immobilized (*Wall Street Journal*, December 11, 2015).

In March 2016, Fu Chengyu, former chairman of Sinopec Group, argued that the anti-corruption campaign would help reform the oil industry (Du, 2016).

In October 2016, Chinese state television CCTV launched a miniseries featuring crimes and confessions of jailed officials. Jiang Jiemin, former head of CNPC, confessed on TV 'I'm the historic sinner of CNPC'.

CHINA AND GLOBAL CLEAN ENERGY GOVERNANCE

Since the beginning of the economic reforms, there had always been Chinese energy reformers advocating energy efficiency, renewable energy, decreasing energy intensity (energy consumption per unit of GDP), and mitigating environmental impact, but they had been overshadowed by the petroleum faction.

Although Chinese scholars have debated the efficacy of China's participation in international energy organizations, Chinese energy reformers found support in international organizations to bolster their efforts. The world's interest in reducing Chinese carbon emissions gave energy reformers a political opening, as domestic and international interests coincided, and transnational environmental discourses linked China and the World.

China has had numerous energy conservation projects with the United States, Japan, Europe, the World Bank, the Asian Development Bank, the United Nations, the IEA, and hundreds of research institutes. These organizations are best understood through the liberal institutionalist theoretical approach as they promote certain liberal values – corporate social responsibility, transparency, regulation of illicit trade, good governance, economic liberalization – that are meant to create global and regional order (Dannreuther, 2010, pp. 7–8).

The purpose of energy diplomacy, previously mentioned, was to promote the commercial interests of Chinese NOCs. An additional purpose was to elevate China's role in international energy organizations, introducing new norms and rules that favored emerging economies such as China (Wang Haiyun, 2012).

Beijing began an association with the IEA in 1996 as a non-member economy. The IEA is an organization created by the OECD to coordinate member countries' strategic petroleum reserves (SPRs) in the event of an oil crisis. Additional IEA functions include collecting and publishing reliable data, encouraging energy efficiency and alternative energy, and integrating environmental and energy policies. Since 1996, China and the IEA had cooperated in energy efficiency, information and statistics, technology transfer, and environment.

China has not yet become a member in the IEA because of a requirement to hold a 90-day strategic petroleum reserve (SPR). China would not begin to fill its first SPR until 2006. China had not been transparent about its SPRs, reluctant to disclose petroleum data to the IEA.

The IEA reflected the West's preferences in global governance. The IEA was concerned about the rapidly expanding demand of emerging economies, without efforts at energy efficiency, and sought to restrain their energy consumption.

The IEA's *World Energy Outlook 2007* reflected this critique, contending that China and India would account for 45% of the world's incremental oil demand by the year 2030 (IEA, 2007).

Chinese fossil fuel subsidies had encouraged wasteful consumption. Abolishing subsidies was a goal that awaited conclusion of an ongoing Chinese domestic debate on what energy was – a consumer good or a social welfare/quasi-public product. By 2013, Beijing decided energy was a consumer good, and therefore subsidies should be removed (Zhu, 2016, p. 17). They were reduced but not completely removed.

The 12th Five-Year Plan (FYP), 2011–2015, planned reduction in energy intensity and carbon intensity. The Plan stated China's global energy governance goals on issues of energy conservation, CO₂ emissions mitigation, climate change, and clean energy. The Plan called for establishing a new order of global energy and collectively protecting energy security. It was the first Chinese FYP to have global energy governance goals.

In June 2014, towards the end of the 12th FYP, Xi Jinping called for an 'Energy Revolution' [能源革命] in the way China produced and consumed energy, with increased international cooperation. Xi Jinping's style of launching a campaign for an energy revolution was meant to mobilize the entire government and society. Energy initiatives that are given strategic importance by the central government are likely to generate strong political support, and have a high probability of success (Andrews-Speed, 2014). The campaign gave energy reformers greater clout. It was the first time a Chinese president had officially recognized that China participated in international energy cooperation (Zhu, 2016). The previous 35 years of energy cooperation with the IEA, the World Bank, UNDP, and numerous American, European, and Japanese organizations were virtually unknown to the Chinese public.

The 12th Five-Year Energy Development Plan (2011–2015) and the 12th Five-Year Plan for Renewable Energy Development successfully exceeded their targets. Energy intensity declined by 18.2 percent and carbon intensity declined 20 percent during the 12th FYP.

An environmental crisis in the fall of 2014 motivated China's State Council in November to issue a new energy strategy plan (2014–2020) whose goal was to reduce energy intensity. These goals would be incorporated into the 13th Five-Year Plan, which was being written. Also in November 2014, Xi Jinping and Barack Obama announced a US–China climate change agreement at the Asia-Pacific Economic Cooperation forum (APEC). Both leaders committed to a successful United Nations Climate Conference in Paris in 2015. China promised to peak its carbon emissions by 2030. By announcing jointly, the US and China hoped to provide leadership for global environmental governance.

Since 2010, the IEA had received energy experts seconded from China's National Energy Administration and Chinese energy companies. As Beijing drafted the 13th Five-Year Plan, it invited the IEA to provide inputs.

The 13th Five-Year Plan (2016–2020) called for renewables to supply 15 percent of primary energy by 2020. Offshore oil and gas exploration would be increased in the Bohai Sea, the East China Sea, and the South China Sea. The 13th FYP's goal was to reduce energy intensity by 15 percent. The Plan would allow China to meet its commitments for carbon emission reductions under the Paris Agreement it signed in December 2015.

The 13th FYP specified expanding international energy cooperation, promoting energy cooperation within the 'One Belt, One Road.' It was written into the 13th FYP that China would be more active in international energy governance and rule-making.

In November 2015, China became an IEA Association Country, a title that would allow China and IEA to further cooperate (Zhu, 2016, p. 56). An IEA Association country has a strengthened institutional tie to the IEA. As an IEA Association country, China will have easier access to increased information and expertise.

But China is not an IEA member country. China could only be an IEA member country after it had an SPR of 90-days' supply of oil. During low world oil prices in 2015–16, Beijing seemed focused on this goal. China's SPRs held 191.31 million barrels in 2015, double the 91.11 million barrels they had held in 2014. Beijing hoped to have a 90-day supply in its SPRs by 2020.

China as an IEA Association Country would have a greater role to play in global energy governance. The IEA intends to integrate China further into the organization, eventually drawing China's SPRs into the IEA's collective emergency response system (Zhu, 2016, p. 59).

At the Paris Climate Negotiations, in December 2015, China was more supportive of multilateral agreements than it had previously been because they reinforced domestic energy reform goals of creating a low-carbon energy economy. Much of the success of the Paris Climate Negotiations was credited to China and the United States taking a leadership role. At the G-20 Hangzhou meeting in September 2016, Xi Jinping and Barack Obama ratified the Paris climate change agreement.

CHINA'S LEADERSHIP OF NON-WESTERN GLOBAL ENERGY GOVERNANCE

The world debates whether China is intent or not on restructuring global governance and overturning the US-led liberal world order. In fact, Chinese have indicated they would like to restructure global energy governance, creating a global energy regime according to Chinese rules rather than those organizations created by the West such as the IEA.

In July 2011, *People's Daily* declared that China's participation in global energy governance and climate change negotiations was an important strategic

goal for China's energy diplomacy. It felt China's current status in global governance did not reflect its status as the world's largest oil importer. China needed to create a new framework for global energy governance that gave China a larger role and greater status (*People's Daily*, July 27, 2011).

A Chinese analyst warned that China could become a 'Black Energy Swan' capable of sudden, unexpected black swan events in the world oil economy as long as it was forced to operate under the West's global governance system. If China had a larger role in global energy governance, it might evolve into a 'White Energy Swan', leading to China becoming more transparent, responsible, and predictable, and following international rules and practices (Xu, 2011a, 2011b).

Some Chinese analysts argued for constructing alternative energy governance structures through organizations of which the West was not a member – the BRICS, Shanghai Cooperation Organization (SCO), and ASEAN Plus Three (the 10 members of the Association of Southeast Asian Nations plus China, Japan, and South Korea). Most SCO countries are energy exporters to China. ASEAN Plus Three countries have a longer history of energy cooperation (Zha, 2013).

In autumn 2013 the Silk Road initiative, the 'One Belt, One Road', would more comprehensively challenge the world energy order. All of China was mobilized in support of 'One Belt, One Road', now known as the Belt & Road Initiative (BRI). The BRI incorporates the oil and gas resources of Russia, Central Asia, and the Middle East, and directs those resources towards China.

The Chinese Foreign Ministry is responsible for energy diplomacy along the Silk Road (Shi and Yang, 2015). It issued the Action Plan for BRI in March 2015. The energy component of the Plan included: energy infrastructure within the BRI region, oil and gas pipelines, cross-border power-transmission lines, joint development of coal, oil, gas, and minerals, and cooperation in renewable energy (Visions and Actions, March 2015). The multilateral organizations that the Action Plan designated as arenas for Beijing to implement BRI were primarily organizations that lacked US membership (Visions and Actions, March 2015).

In 2015, Chinese NOCs were instructed to define their contribution to BRI, to gain better access to oil resources along the Silk Road (CNPC, 2015). Xu Xiaojie urged Chinese NOCs to shift their 'going out' strategy from global investing to concentrating investment within the BRI region, further enhancing the 'Silk Road' strategic concept (Xu, 2015). China has built oil and gas pipelines across Central Asia which predate BRI. All these older pipelines and any new pipeline are now designated a BRI project (Downs, March 2015).

Beijing created the Global Forum on Energy Security (GFES), meeting since 2012, to be China's international platform for consulting on transformations in global energy governance and China's role in it. The GFES 2015 was organized by the Chinese Academy of Social Sciences with support from other organizations. In June 2015, the GFES annual meeting focused on the Silk Road energy order titled 'Strengthening Energy Cooperation in the One Belt One Road Regions'.

CONCLUSION

In the post-1979 reforms, and as Chinese collaborated with foreign companies on joint energy projects, Western and Chinese energy debates no longer had a separate existence. Chinese and Western analysts viewed world energy issues as China's issues, and China's energy issues as the world's problem.

China's changing energy identities have led to domestic debates over how best to ensure Chinese energy security. Initial Chinese concerns focused on how the world energy economy would transform China's domestic economy. Later, the world was concerned over how China would change world oil and gas markets, and global energy governance.

Many of China's contemporary domestic disagreements over energy choices reflect the same themes of several decades ago: should China try to be more self-reliant or depend on foreign oil imports and foreign technology imports. At present, development of shale gas requires close collaboration with international oil companies and dependence on shale gas technology transfer from the West.

Western analysts have debated whether China's international energy relations were essentially cooperative or competitive (Leverett and Bader, 2005–06). Perceptions of competition are rooted in Chinese acquisition of equity oil overseas that threatens to close off these resources to the world oil market. Americans have interpreted this as a grand strategy that would inevitably lead to US–China conflict (Friedberg, 2006; Zweig and Hao, 2015). Beijing's securitization of its dependence on oil imports and the bureaucracy's inability to control domestic energy demand became a key driver of the perception of increased US–China competition.

Chinese energy analysts perceive simultaneous competition and cooperation (Zhou, 2012). A Chinese domestic debate continues over whether China should become more integrated in western-created international energy institutions such as the IEA, or should China form alternative global energy governance institutions without the West's participation. The most logical choice is to choose both strategies, which China has done: cooperate with the West for energy technology transfer while also creating a sphere of Chinese control over oil and gas exports within the BRI which would be closed off to the US.

Within regions covered by the Belt and Road Initiative, which includes the Middle East, Eastern Europe, Central Asia, South Asia, and Southeast Asia, China will assume a large role in energy governance. The purpose of BRI is to create energy corridors that lead to China. China's NOCs will continue their 'going out' strategy within this BRI region. Future studies could fruitfully study the energy corridors of China's BRI, and how the BRI framework might influence Chinese NOCs' relations with host countries.

Conceptually, Chinese perspectives on the world oil market have begun to diffuse into both international industry meetings and scholarly seminars.

Debates over Chinese energy became transnational. Western-trained Chinese energy analysts, economists, MBAs, and oil traders began to take positions in Chinese NOCs, research institutes, the World Bank, and universities in the US, Europe, and Japan. These analysts opened up increased access to hitherto obscure Chinese publications. On the less positive side, work by Chinese scholars, on the whole, tended to avoid policy issues considered sensitive by Beijing, which left large gaps in the literature. Future research by Western scholars could explore these gaps.

In 2016, as the world's largest oil importer in a time of low oil prices, China was courted by all the net oil exporters trying to maintain their market share. Many oil exporters responded positively to BRI as it promised security of demand for their exports. The world carefully watched the rise or decline in Chinese domestic oil demand as a primary indicator of the direction of world oil market prices. Future research could study the means by which Beijing incorporates oil exporters into the BRI framework, drawing their exports away from the world oil market.

China, as the world's largest oil importer, motivated organizations such as the IEA to further incorporate China into its governance structure of net importers. Future studies might study Chinese behavior within the IEA and other international and regional organizations to identify the strategies China will use to increase its influence.

Future studies of Chinese international energy relations will view policy that is not as dominated by the petroleum faction as it was in the past. Chinese energy debates in the future should demonstrate more influence from energy reformers, with greater emphasis on domestic energy conservation and the environment. Nevertheless, it is certain that Chinese energy debates will continue, providing a window on Chinese energy decision making.

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China and Global Regimes¹

Andrew J. Nathan

INTRODUCTION

The dramatic increase in Chinese economic, military, and soft power since the 1990s has generated rising concern that Beijing seeks to overturn the liberal international order. This order, created under American dominance after World War II and sustained until now by American power, consists of a set of norms and institutions (or ‘regimes’) that are open to all states, which promote free trade and other ‘open’ economic interactions, and which establish rule-bound procedures for settling interstate disputes peacefully.² The liberal international order includes regimes governing trade, finance, arms control and disarmament, human rights, and many other domains.

The scope and complexity of these regimes – and more controversially, but supported by most scholarship, their influence over the behavior of states and other international actors – has grown steadily, especially since the end of the Cold War.³ For example, in the international trade regime, the GATT became the World Trade Organization (WTO) in 1995, added more rules and more members, and took on a more powerful role in resolving trade disputes through its Dispute Settlement Process (DSP). Starting in the 1990s, the US and the EU, and then states in other regions, concluded a growing series of bilateral and multilateral Free Trade Agreements (FTAs), and these agreements grew increasingly complex with the inclusion within some of them of human rights and environmental provisions.⁴ In the arms control and disarmament (ACD) regime, the Nuclear Nonproliferation Treaty entered into force in 1970; the Biological Weapons

Convention in 1975; the UN Conference on Disarmament was established in 1979; the Missile Technology Control Regime was established in 1987; and the Chemical Weapons Convention entered into force in 1997. Along with these major enactments came a large number of more technical norms and the establishment of various committees and organizations. In the international human rights (IHR) regime, the UN General Assembly (UNGA) adopted the International Covenant on Civil and Political Rights and the International Covenant on Economic, Social, and Cultural Rights in 1966; the Convention on the Elimination of All Forms of Discrimination Against Women in 1981; the Convention Against Torture in 1987; and the Convention on the Rights of the Child in 1990. The Annan Doctrine (on the international community's responsibility to prevent crimes against humanity) was promulgated in 1999; the Global Compact (on business and human rights) was adopted in 2000; the Millennium Development Goals were adopted in 2000; and the Declaration on the Rights of Indigenous Peoples was adopted in 2007. Alongside these normative enactments there was a growth of related institutions: the UN Department of Peace-keeping Operations was established in 1992; the Office of the High Commissioner for Human Rights was established in 1993; and the International Criminal Court was established in 2002.

These are only examples of the late- and post-Cold War regime expansion process, out of many that could be given. Also of note – although there will be no space to discuss them further in this chapter – has been the rise of many regional and international forums and associations, such as the G7 (later expanded into the G20), the BRICS, ASEAN (the Association of Southeast Asian Nations), APEC (Asia Pacific Economic Cooperation), the East Asia Summit, and so on. The rules of these regional institutions have been consistent with those of the more all-encompassing global institutions, thus reinforcing the principles of the liberal international order.

Some scholars believe China seeks to change this order in fundamental ways. Amitav Acharya, for example, writes, 'It is a fallacy to assume that just because China, India, and other rising powers have benefitted from the liberal hegemonic order, they will abide by its norms and institutions. They may not seek to overthrow it but push for changes that might significantly alter the rules and institutions of that order.'⁵ Similarly, Mark Leonard writes, 'The Chinese ... do not feel inclined to uphold a Western-led international order that they had no role in shaping [R]ather than being transformed by global institutions, China has taken part in sophisticated multilateral diplomacy that has changed the global order.'⁶

This chapter argues to the contrary, that China's relationship with the liberal international order is essentially the same as that of other major states, because in most respects this order serves Chinese interests. China has joined the agreements and institutions that make up the liberal international order; it complies with these regimes' requirements about as much as other major states do. States constantly work to shape and reshape international regimes to better serve their

own interests, and China is no exception. It seeks to influence, but not to overthrow or fundamentally alter, the liberal international order.

To be sure, there is a sense in which the rise of China by definition constitutes a change in the global order – that is, if the global order is defined as the structural distribution of power among states, in the manner of Kenneth Waltz.⁷ Defined in that way, the global order has shifted from a unipolar structure in the 1990s to what most scholars today would call a multipolar structure, with China positioned as a powerful pole.⁸ But a shift in the structural distribution of power among states is not the same as a shift in the norms that go to make up global regimes. As G. John Ikenberry writes:

[A]lthough the United States' position in the global system is changing, the liberal international order is alive and well. The struggle over international order today is not about fundamental principles. China and other emerging great powers do not want to contest the basic rules and principles of the liberal international order; they wish to gain more authority and leadership within it.⁹ (p. 57)

PREVIOUS RESEARCH

Some excellent research has been done on China and international regimes, but most of it proceeds from a problematic that differs in three ways from the one proposed here.¹⁰ First, instead of viewing international regimes as essentially contested and evolving, most of the literature views the regimes as having some stable meaning consistent with the American or general Western interpretation of their content. Second, accordingly, instead of comparing China's negotiating position in each regime to those of other actors, the literature asks how much and why China's position has or has not moved closer to the position of the West. Third, in answering this question, the literature tends to argue that Chinese policies shift in response to Western persuasion and socialization, rather than exploring the extent to which its policies might be motivated by the pursuit of its own foreign policy interests.¹¹ The approach taken here, by contrast, is to see regimes as evolving, to see all actors, including Western actors, as engaged in a contest to shape them, and to pose a question about China that can in principle be posed about each state actor – what drives its policy toward each regime?¹²

A variety of theories have been proposed for what drives China's foreign policy, including in international regimes. One set of theories sees China promoting a particular ideology or vision of the international system and its role within it, such as the principle of sovereignty, a multipolar world, Asian values, or Chinese domination.¹³ Alternatively, China's policies can be seen as pragmatic responses to specific material interests.¹⁴ An investigation of China's behavior in international regimes can help to clarify what type of goals it is seeking, and throw light on the larger question of whether China's rise supports or threatens the liberal international order.

CHINA JOINS

During the Mao period, China rejected in principle participation in international regimes governing ideas like arms control, intellectual property rights protection, the exchange of public health information, international human rights, and so on. It accepted no foreign direct investment and conducted little foreign trade. The PRC was a member of no international organization except, in the 1950s, those that formed parts of the socialist camp.

After Mao's death, however, step by step China became an international joiner. There are some institutions in which China is not eligible to participate, such as the Community of Democracies, which bars China on political grounds, the Missile Technology Control Regime, which for security reasons has not invited China to join, and regional organizations that China is not geographically eligible to join. And there are some treaties and organizations that China has not joined. Some of these are treaties that have attracted the participation of a minority of states, including today, for example, the Convention on Cybercrime, the Anti-Counterfeiting Trade Agreement, and many conventions of the International Labour Organization. There are a few others to which China has a principled objection – often the same ones that the United States has rejected. These include the Rome Statute (the treaty that establishes the International Criminal Court) and the Land Mines Convention.

But with these few exceptions, China has joined all of the major international treaties and organizations in which it is eligible to participate. After the PRC regained the China seat in the UN in 1971, it began to join international organizations connected to the UN, such as the World Health Organization and the Food and Agriculture Organization. It started to take an active role in UN bodies related to human rights. It regained the China seat in bodies such as the World Bank, the International Monetary Fund, and the Asian Development Bank. China applied in 1986 to join the General Agreement on Tariffs and Trade (GATT) and acceded in 2001 to what had by then become the WTO. In the financial field it joined the major global standard-setting organizations, such as the Basel Committee on Banking Supervision, the Committee on Payment and Settlement Systems, and the Financial Stability Board.¹⁵ China acceded to the main international conventions governing intellectual property rights, such as the Berne Convention.¹⁶

One of the most dramatic shifts came in China's participation in the global arms control and disarmament (ACD) regime. Under Mao, China rejected all international limits on the proliferation of missiles, nuclear weapons, and other weapons of mass destruction, arguing that such restrictions served only to consolidate the two superpowers' hegemony. Starting in the mid-1980s and accelerating during the 1990s, China acceded to a host of treaties – including the Biological Weapons Convention (1984), the Nuclear Nonproliferation Treaty

(1992), the Chemical Weapons Convention (1993), and the Comprehensive Test Ban Treaty (1996) – and it joined a long list of additional agreements, institutions, and committees.¹⁷ Through its diplomatic activity, China cooperated with international efforts to prevent or roll back the nuclear weapons programs of North Korea and Iran.

Also noteworthy was China's embrace of the international human rights regime. Besides acknowledging the validity of the Universal Declaration of Human Rights (UDHR, which is not a treaty, and hence cannot be signed by states), China ratified or acceded to the International Covenant on Economic, Social, and Cultural Rights, and the conventions on slavery, genocide, children's rights, women's rights, racial discrimination, torture, and the rights of persons with disabilities, among others. In 1998 it signed (but has not yet ratified) the International Covenant on Civil and Political Rights. In the 1984 Sino-British Joint Declaration on the retrocession of Hong Kong to PRC sovereignty, China agreed to allow the two international covenants on civil and political rights and economic, social, and cultural rights to continue in force in Hong Kong for fifty years after 1997. China has been an active participant in the UN Human Rights Council (previously Commission) and has promoted codification of the right to development, the rights of indigenous populations, and the rights of migrant workers, among others. In 1998 China entered into a dialogue with the newly established Office of the United Nations High Commissioner for Human Rights (OHCHR) and in 2000 it signed a memorandum of understanding for a program of technical cooperation on issues like human rights education.

China's joining behavior is remarkable in comparative perspective. India, for example, has been far less forthcoming in signing treaties and participating in international institutions. Its engagement has been hampered by its focus on immediate regional security problems, a continuing commitment to 'strategic autonomy,' a complex and inward-looking domestic politics, and even a shortage of diplomatic staff. Although India has lobbied for permanent membership in the UN Security Council, it has kept an arms-length relationship with the World Bank and the International Monetary Fund, placed obstacles in the way of agreements in trade and climate negotiations, and avoided international arms control commitments.¹⁸

Why has China been such a strong joiner? Just as with the puzzle of regimes in general, different theories yield different answers to different parts of the puzzle. China presumably joined the international trade, intellectual property rights, finance, and other economics-related regimes in order to enjoy material benefits, and this calculation has clearly paid off, contributing to China's phenomenal economic growth in the post-Mao period. Although the motives for joining different parts of the ACD regime varied, in general the shift reflected Beijing's judgment that arms control was good for China's security.¹⁹ In joining the human rights regime, Chinese policy-makers probably calculated that to benefit most from its position as a UN Security Council Permanent Five state, China needed

to position itself as an active participant in all the regimes closely associated with the UN, of which human rights is one. The diplomatic inconvenience of refusing to join one major regime while joining all the others was greater than the problem of managing participation within the regime, a challenge successfully addressed by many other states with human rights problems and with less impressively staffed foreign ministries. China could better manage attacks on its reputation by being in the regime than outside of it.²⁰

In joining each regime, China not only achieved specific benefits, whether economic, military, or diplomatic, but also gained the opportunity as a member to try to shape the future evolution of that regime to its preferences. In joining the regime system as a whole, China gained access to and influence over the system as a whole, making itself a more consequential diplomatic actor, with enhanced possibilities of trading support and opposition with other states across regime platforms.

CHINA COMPLIES

China has complied with the regimes it joined to approximately the same extent as any other state. The degree to which states comply with international regimes is difficult to measure with precision.²¹ Some norms, such as WTO accession agreements, are detailed and concrete, with formal tribunals that determine compliance or violation. Other norms, such as human rights treaties, are widely accepted but are written in vague terms, and are interpreted by bodies that have no enforcement power. The meaning of still other norms is disputed among states, such as the meaning of the right of ‘innocent passage’ in the UN Convention on the Law of the Sea (UNCLOS). And there are some norms, often referred to as ‘emergent,’ that are considered binding by some states but not by others, such as the norm of the Responsibility to Protect (R2P). Only with the most detailed and hardest norms, or those interpreted by authoritative institutions like the WTO DSP or the European Court of Human Rights, can one say that compliance must take the form of implementing the letter of the law as interpreted by an independent authority. In other cases, states’ compliance may take the form of claiming that whatever actions they have taken comply with prevailing norms – a claim that, of course, may be contested by states with other interests. States rarely declare that they are violating a norm.

There is a large number of regimes with which China, like most states, complies fully and non-controversially. Many of these are purely functional, involving mutual benefit and having no obvious political or competitive component. Examples include the international postal regime, the air travel regime, the international arbitration regime, international sports law, and the international tourism regime. Such regimes are characterized by a preponderance of instrumental benefits over economic and political costs.

China complies largely, perhaps not fully, with its WTO obligations. The WTO accession agreement required China to phase in various changes over the course of five, ten, and fifteen years from 2002, and we know that the central government has in many respects worked to do so. Indeed, even before acceding to the WTO, China had reformed many of its domestic laws and institutions to ‘join tracks’ (*jiegui*) with global trade norms. But the central government has faced resistance from large state enterprises, economic ministries, and local governments. A major study of China’s record during its first ten years of membership concludes, ‘Beijing is generally engaging in an “acceptable level of compliance” with its WTO commitments and has demonstrated a willingness to abide by WTO rules and operate within the WTO system.’²²

Even for states that one would regard as fully compliant, it is characteristic of the WTO regime that every country interprets, stretches, and tests the rules. China and its trading partners, especially the US and the EU, have charged each other with numerous violations. But both sides have taken such disputes to the WTO DSP for settlement, a procedure consistent with WTO requirements, and have complied with decisions handed down by the DSP.²³ When in 2016 the Western powers reneged on their commitment to give China ‘market economy status’ (MES) after fifteen years of membership in the WTO (a status that would have made it harder for other WTO members to sue China for ‘dumping’), it was not because China had violated specific WTO commitments but because it had not turned into a Western style market economy under the influence of WTO rules as the Western powers had expected when they made the commitment in 2001.

In many other regimes China seems to be in the midst of a process of coming into compliance. Examples include the international public health regime (China has been cooperating more closely to provide timely and accurate information to the World Health Organization on public health events and to share information and samples with foreign partners like the U.S. Centers for Disease Control);²⁴ military transparency (an informal norm, with which China increasingly complies by issuing national defense white papers, although these are far from giving as much information as foreign partners would like); environmental protection (China cooperates increasingly thoroughly with international agencies and NGOs promoting various elements of environmental protection);²⁵ and management of financial institutions (as the administration of Chinese stock markets, banks, and other financial institutions moves closer to international standards).²⁶

A more controversial question is whether China complies with the International Monetary Fund’s norm against currency manipulation. The IMF’s articles of agreement commit members ‘to assure orderly exchange arrangements and to promote a stable system of exchange rates.’ Although China disagrees with the IMF’s emphasis on market-determined exchange rates, and expressed its opposition to the 2007 revision of the IMF surveillance rules, it nonetheless undergoes

the standard IMF review process, and has gradually allowed the values of its currency to appreciate to a market level. But it has not accepted IMF guidance to speed up its move toward full currency convertibility. Some Western analysts and politicians have accused China of violating its IMF obligation to allow the market to set currency exchange rates. But IMF standards are vague, and China claims that it does not violate them.²⁷ As one commentator has put it, ‘the accusation that China is today violating the rules [of the international monetary regime] is far-fetched; the rules do not exist.’²⁸

Because of the secrecy that attends arms transfers, it is hard to be sure how strictly China has complied with its ACD obligations. On the one hand, it is not clear from the public record that China has ever violated an explicit arms control treaty commitment after signing the treaty. On the other hand, the US often accused China of violating non-treaty nonproliferation norms or commitments. For example, on the basis that China’s arms sales were destabilizing, the US accused China of proliferation when it supplied, e.g., a nuclear power plant to Algeria, missiles to Syria, Silkworm missiles to Iran, and so on. The fact that up until 2007 the US was still announcing sanctions on specific Chinese companies for transfers to Iran of a character not publicly specified suggests that there may have been some continuing transfers of chemical weapons precursors and missile related technology after China agreed not to make them. So far as we know, however, China eventually complied with U.S. demands in all of those cases and there has been no public revelation of China violating its ACD commitments in the past decade.²⁹

China complies with the international human rights regime in all formal respects. It attends the necessary meetings and files the necessary reports on time with the relevant treaty bodies. It has so far twice undergone the Human Rights Council’s process of Universal Periodic Review. It participates in some programs with the Office of the High Commissioner for Human Rights and participates in bilateral human rights dialogues with Western states. In 2004, the National People’s Congress amended the Chinese Constitution to say, ‘The State respects and preserves human rights.’ Substantively, China has made progress in achieving many economic, social, and cultural rights. A wide range of its actions at home systematically violate widely recognized civil and political rights.³⁰ But the Chinese government does not acknowledge these acts as violations. It variously says that its acts are in conformity with Chinese law and hence with human rights norms, or that it complies with international norms by engaging in a process to eliminate violations that still occur. In short, China plays the human rights game defensively, by engaging rather than opting out.³¹

In the last decade or so, China has participated – and often led – in the creation of new multilateral institutions in fields ranging from security and anti-terrorism to finance and trade. These include the Shanghai Cooperation Organization, the Asian Infrastructure Investment Bank, the Chiang Mai Initiative Multilateral, the Regional Comprehensive Economic Partnership, and the Free Trade Area

of the Asia Pacific. These are not, however, ‘alternative institutions,’ according to one scholar who has studied them, but ‘parallel institutions.’³² They operate according to rules that are consistent with existing institutions in the same fields – e.g., the World Bank and the Asian Development Bank – and their participants continue simultaneously as members of the older Western-dominated international institutions. China’s reason for creating them is not to challenge existing norms but to enlarge its influence among neighbors and provide more channels to invest its enormous foreign exchange reserves.

The assessments and examples offered in this section are subject to refinement, but the larger point would remain: China is broadly similar to every other major state in its pattern of compliance with international regimes. It is more compliant than not.

CHINA’S ROLE IN THE EVOLUTION OF INTERNATIONAL REGIMES

One of the reasons why the question of compliance is hard to evaluate is that, as already noted, no international regime is static. All are in a state of change, some no doubt more dramatically than others. The typology of levels of compliance used above depends on measuring a state’s behavior against a given interpretation of a given set of regime norms at a given point in time. But states are also constantly proposing new interpretations of existing norms, as well as new norms to be added to existing regimes and, sometimes, whole new regimes.

Regimes evolve through overlapping processes we might label interpretation, negotiation, contestation, and innovation. Interpretation takes place as the member states, involved bureaucracies, interested civil society actors, and relevant experts debate over how to interpret the rules and institutions that exist, or seek rulings from authoritative bodies like international courts. Negotiation takes place as actors try to create new rules and institutions via diplomatic discourse, lobbying, posturing, or mobilizing public opinion. Contestation takes place when states undertake tests of strength over the interpretation of regimes, for example via threats of trade or financial sanctions over economic disputes or military confrontations over varying interpretations of norms relating to territorial or security interests.³³ Innovation is the creation of new sets of rules through a combination of argumentation, negotiation, and action. Although most international regimes are ultimately created by states, other actors (transnational activist networks [TANs], NGOs, corporations, aggrieved communities or peoples, UN staff members, UN treaty bodies, academic experts, individual plaintiffs before international human rights courts, and others) may engage in or seek to influence these processes.³⁴

Every state that has any degree of expertise and staffing with regard to a particular regime participates in the processes of regime evolution. China is

no exception. As China's power has increased – and its diplomats' sophistication about each regime's rules has grown – it has increasingly become not only a rule follower, but a rule shaper.³⁵

The International Trade Regime

The Doha Round of negotiations in the WTO was launched in 2001, the same year in which China joined the organization. This round has not reached resolution at the time of this writing, and is regarded by many commentators as dormant. Although some analysts have blamed China for the lack of progress in the Doha Round, most agree that China has adopted a relatively passive position in these negotiations; some even characterize the Chinese role as moderately helpful.³⁶ Given that the issues on the table are of peripheral relevance to Chinese trade interests, which center on the export of manufactured goods, China has tended to side with other developing countries that have more at stake, thereby fostering diplomatic good will. It has backed the general developing-country position that calls for the elimination of agricultural subsidies by the developed countries, to allow developing countries' agricultural products to be more competitive on world markets.

In the WTO DSP, China has used its positions as a complainant, defendant, or interested party to try to clarify issue areas in its own interest, for example, by arguing that its pricing system does not constitute dumping. China has begun to use its domestic laws to exert an influence on the international trading system: with the implementation of its antimonopoly law on August 1, 2008, China became one of three markets (US, EU, and China) with the power to regulate the ability of transnational corporations to merge. A wave of investigations of foreign firms operating in China on allegations of monopolistic behavior, fraud, or corruption, have been interpreted either as efforts to clean up the Chinese marketplace or as attempts to use the law to create advantages for home-grown competitors of foreign firms.

In regional trade negotiations, China's position favors further opening of world markets to manufactured exports, which would obviously benefit China as a manufacturing powerhouse.³⁷ When the Trans Pacific Partnership was being negotiated, China showed an interest in it, but not a desire to join, presumably because the TPP framework imposed environmental and labor rights conditions that Chinese policy makers viewed as unfavorable to China's interests. It has instead worked to join or create bilateral and regional FTAs, such as the China-ASEAN Free Trade Area, Regional Comprehensive Economic Partnership, and Free Trade Area of the Asia Pacific that set lower standards than the TPP on environmental and social protections.

In all, China's negotiating positions in the international trade regime seem obviously to be interest-driven. These interests, and the corresponding negotiating positions, are in some respects the same as those of other major trading

nations – namely, to expand international trade, – and in other respects they are different – namely, to enjoy competitive advantages in its own and in others' markets. The pursuit of these interests by way of trading agreements and institutionalized dispute resolution is consistent with the basic open, rule-bound character of the contemporary international trade regime.

The International Financial Regime

In this regime as well, China's positions appear to be pragmatic and interest-driven, and the changes China seeks appear to be adaptive rather than revolutionary. Within the IMF, China has lobbied for an increase in the quota shares and voting rights of its own and other emerging market and developing countries to reflect their growing share of world GDP. It also seeks changes in the IMF's annual review of countries' currency practices and the governance and transparency requirements for IMF loan recipients. At the same time, it has cooperated with other countries in creating some parallel, regionally based financial institutions that operate independently of the IMF and thereby give China and other cooperating countries the power to act without the approval of the US and other old-line financial powers. These regional mechanisms include the Chiang Mai Initiative Multilateralization and the Asian Bond Fund. Such efforts increase China's clout in the international financial regime consistent with its growing economic power, but so far China has used this clout to help maintain the global financial stability that is necessary for its foreign trade to prosper.³⁸

The US and other trading partners have lobbied China to increase the exchange value of its currency, the *yuan*, and move toward free convertibility, and Chinese policy makers have done both of these things, although more slowly than its trading partners wanted. (China meanwhile, as the holder of an estimated US\$3 trillion in dollar-denominated debt and foreign exchange reserves at the time, showed strong concern for the stability of the US dollar during and after the 2008 financial crisis.) By gradually strengthening its currency, creating currency swap arrangements with some trading partners, selling *renminbi*-denominated bonds, and authorizing *renminbi* clearing and trading operations ('hubs') in several foreign countries, China has begun to challenge the hegemony of the dollar and Euro as international reserve currencies. However, China has not pushed any of these initiatives to the point of hampering the functioning of the existing financial system; on the contrary, such measures serve to facilitate the international flow of currencies. China continues to use the dollar, Euro, and other international currencies in its trade – as indeed it must if it wishes to conduct a high volume of foreign trade – and to hold its foreign exchange reserves in assets chiefly denominated in these currencies. Although some analysts perceive a Chinese intention to replace the dollar with the yuan as the main international reserve

currency, most think that China has no such ambition for the foreseeable future.³⁹ In short, according to one analyst:

[W]hile continuing to call for more substantial reforms on the existing global financial architecture, Beijing has been neither a key policy innovator nor a principal objectionist vetoing major policy initiatives. China has played a constructive role in the institutionalization of the G-20 summit and the reform of the FSF/FSB [Financial Stability Forum/Financial Stability Board] even though it did not take the lead in those global initiatives.⁴⁰

With other countries, China participated in the creation of two development banks outside the previous Bretton Woods framework of the IMF, World Bank, and Asian Development Bank. They are the BRICS New Bank, announced at a meeting in Johannesburg in 2012, and the Asian Infrastructure Investment Bank, established in 2014. The mere fact of channeling more money into development loans presents no challenge to the existing international system. It remains to be seen to what extent the operations of these banks will challenge the lending standards of the older institutions.

Arms Control and Disarmament

China's participation in the existing ACD regime supports the strategic status quo. China backs opposition to North Korean and Iranian nuclear weapons development and proliferation, and it supports the further development of the ACD regime in certain respects. In all these ways, China's positions support the idea of limiting arms development, proliferation, and utilization by international agreement.

On the other hand, many of its specific negotiating positions for the development of the regime aim to serve its own strategic interests by weakening or constraining areas of American superiority. For example, China supports the declaration of nuclear-free zones, which the US as the dominant nuclear power does not support. China backs proposed treaties to ban the first use of nuclear weapons, to ban the development of antiballistic missiles, and to ban an arms race in outer space – all areas in which the US enjoys advantages. China advocates the 'norm of non-discrimination,' in which nonproliferation does not only target certain regimes like Iran and North Korea but is universalistic. Also, China does not favor coercive measures (military strikes or sanctions) to enforce nonproliferation commitments but favors persuasive measures, a stance that comports with China's maintenance of good relations with Iran and North Korea. As a smaller nuclear power, China is less concerned than the US and Russia with limiting the growth of nuclear arsenals and more concerned with agreements on 'nuclear operation,' meaning 'how nuclear forces are prepared for use, including elements such as nuclear signaling, targeting, alerting, launching, and patrolling.' As a major user of nuclear energy and uranium importer, China is in favor of the establishment of a global nuclear fuel supply mechanism, in which China would

probably emerge as a major supplier.⁴¹ In short, China is a supporter of the ACD regime as such, but like other countries it pursues its own interests with respect to how that regime is applied and developed.

The Human Rights Regime

Over the past quarter-century, China has exerted considerable influence over the way the international human rights regime works. In the Human Rights Council, China and cooperating states pushed a principle of universality, which reduces the degree to which individual countries are singled out for targeted attention. The current process of Universal Periodic Review, which China helped promote, subjects every state – the US as much as China – to review by the Council, and does so in a way that allows the state being reviewed and its sympathizers heavily to shape the agenda of the review.⁴² Similarly, China was one of the promoters of a Council initiative to have each state submit a Human Rights Action Plan – something China has done – which allows each state to put forward its own interpretation of how international human rights norms should be interpreted for application in that country. China had already been doing this by issuing a series of human rights white papers in previous years. China has worked to restrict the role of NGOs in the Council and in the Treaty Bodies and to restrict the length and scope of mandates given by the Council to the so-called Special Procedures. The net effect of these efforts has been to position China in compliance with self-set priorities and to insulate it from serious pressure via the Human Rights Council, an improvement over the pressure China felt in the Council's predecessor, the Human Rights Commission, in the early 1990s.⁴³

China has found wide support among other states for its position that it is up to each state to interpret how its international human rights obligations should be interpreted and implemented within its domestic political system. China (along with Russia and others) has pioneered regulations and administrative measures that make it difficult for domestic NGOs to receive foreign funding without prior government approval. China and like-minded countries have tried to delegitimize international democracy assistance as a form of subversion.

China has sought to establish a norm that government-to-government complaints about human rights issues should be conducted in private, and that public airing of such interventions is disruptive of diplomatic courtesy. In the process of state-to-state human rights dialogues, China has promoted the norm that such dialogues should be secret, should be bilateral rather than multilateral, that foreign dialogue partners should not coordinate with one another, and that invitees to the nongovernmental specialist components of these dialogues need to be vetted by both sides (i.e., China can veto participants proposed by the other side). It has sapped the value of human rights dialogues by frequently postponing them and when they meet, engaging on a merely pro forma basis.⁴⁴

China and its partners in the Shanghai Cooperation Organization (SCO) challenged a well-established human rights norm when they concluded secret treaties which allowed for the *refoulement* (coerced return despite the well-founded fear of political persecution) from one SCO member state to another of any of its own citizens that the receiving state designated as a terrorist.⁴⁵ (China has also insisted on the *refoulement* of its citizens from other states, including Pakistan, Cambodia, Thailand, and Egypt, on the grounds that China has designated them as terrorists.) However, this occurred against a background in which the United States was also challenging the existing norms on torture and ‘extraordinary rendition’ by sending suspected terrorists to countries where they could be expected to be tortured. China was therefore not alone in trying to alter the way in which prevailing due process norms would apply in the new situation of an international ‘war on terror.’

Given its diplomatic achievements in shaping the human rights regime in ways that blunt the regime’s ability to embarrass or influence the Chinese regime, China does not appear to be aiming for any major changes in the regime or its abandonment.

Humanitarian Intervention, R2P and UN Peace-Keeping

As the liberal democracies have promoted expanded use of humanitarian intervention, China is one of many states that have gone along only partially with this normative shift while emphasizing the need to continue to respect the previously dominant norm of non-intervention in the internal affairs of states. In the UN Security Council, China has sometimes allowed interventionist resolutions to be adopted (either by abstaining or by voting in favor of them), but it has more often delayed, modified, or blocked such resolutions on the grounds that states should settle their internal problems by themselves. When China has allowed such resolutions to go forward, it has usually done so to maintain solidarity with states in the affected region (e.g., the African Union on Sudan, the Arab League on Libya) and with Russia, to protect Chinese economic interests (Sudan, Libya), and with the proviso that the intervention should not be used to overthrow a regime.⁴⁶

With respect to the emergent R2P norm promoted by some UN officials and Western statesmen, Rosemary Foot writes:

Beijing was a full participant in the debate that generated the World Summit Outcome document of September 2005. ... [Beijing] placed its main efforts behind the state capacity-building functions of the R2P mandate – what is referred to as Pillar I It has also worked to ensure R2P’s focused application and a definition that constrains the operational methods associated with humanitarian intervention. ... Beijing has aimed to develop the norm in a direction that gives primacy to the preventative aspects ... in the hope of diminishing the instances where the norm of non-interference ... is breached. ... Its interpretation ... lies at the conservative end of the spectrum when compared with the positions of several of its Asian neighbours.⁴⁷

On UN Peace Keeping, China moved from opposing such operations to active support and participation, but it emphasizes the principles of host state consent and the use of development projects as part of the peace-keeping process.⁴⁸

On this set of norms China seems content to continue to implement its nuanced position, which accepts the right of the international community acting through the UN to intervene in the domestic affairs of states, but under conditions more restrictive than those favored by some other states. Such a position allows China to position itself as a peacefully rising developing country rather than as an assertive great power, and to support or oppose interventions based on its specific interests in each case, including the need to maintain solidarity with regional organizations and the desire to limit as far as possible the US's use of humanitarian intervention as a pretext for increasing its own power.

Some Other Regimes

Under Hillary Clinton, the US State Department pursued an initiative to codify a broad concept of *information freedom* in several international venues. China (and like-minded states) pushed back. In 2011, 'delegates from China, Russia, Tajikistan, and Uzbekistan submitted a joint proposal for a "Code of Conduct for Information Security" at the 66th session of the UN General Assembly. The proposal calls for greater state-based regulation of the Internet rather than the current multistakeholder arrangement.'⁴⁹ In the SCO, China supported a Russian push to define a concept called information warfare and call for a norm of cyberdisarmament. At the December 2012 meeting of the International Telecommunications Union, China, Russia, and other states submitted a proposal that would, according to one source, 'redefine the Internet as a system of government-controlled, state-supervised networks.'⁵⁰ In its recent diplomacy, China has promoted the idea of 'cyber sovereignty,' seeking 'to generate international norms that reinforce and support domestic controls on information and data.'⁵¹ It is clear that Chinese preferences would define international norms on the Internet in ways that are very different from American ideas of free speech. But given the facts that free speech boundaries vary widely even among Western countries, and that the Internet is so new, it is hard to say at this point whether the American position or that of China and its allies represents a more radical challenge to existing global norms.

The *law of the sea* is inherently complicated, and China, like all other states, has interpreted it in its own favor. Having acceded to the UNCLOS in 1996, China has interpreted its provisions on the continental shelf and Exclusive Economic Zones to claim control over large maritime areas. It has presented claims to land forms at sea based (although so far vaguely) on customary international law provisions such as first discovery, continued occupation, effective administration, and unchallenged claims. China interprets the UNCLOS provisions on 'innocent passage' as denying US navy ships and air force planes the right to

conduct intelligence operations and what the US calls ‘freedom of navigation operations’ in Chinese waters without Chinese permission.⁵² (The US has not acceded to the UNCLOS but says that it respects its provisions, and interprets the innocent passage rule as allowing military noncombat operations within other countries’ EEZs.)

China, India, and other developing countries supported the *Kyoto Protocol* principle that developed countries should reduce emissions sooner and faster than developing countries and should also provide financial support for developing countries to change their energy economies. China joined the 2016 Paris Climate Agreement, and after US President Donald Trump announced US withdrawal from that agreement China stated that it would continue to comply with it. Meanwhile, China has moved faster on renewables than the US not only in response to international requirements but as part of its own energy security policy.⁵³

China resists stricter rules in the *World Intellectual Property Organization* (WIPO), the institution where intellectual property rights norms are negotiated. China has less IP to protect and more IP that it needs to acquire. The US has pushed for stricter rules.

Even though China is an up-river state with eleven major rivers flowing into neighboring states, the underdeveloped *international water regime* imposes no specific obligation to respect the water rights of other states.

So far China has been largely unresponsive to the concerns of its neighbors, among them India, Kazakhstan, Myanmar, Russia and Vietnam. Since 1997, China has declined to sign a United Nations water-sharing treaty that would govern the 13 major transnational rivers on its territory. “To fight for every drop of water or die” is how China’s former water resources minister, Wang Shucheng, once described the nation’s water policy.⁵⁴

This quick review of selected international regimes supports the view that China’s negotiating positions are interest-based, and that the interests China pursues lie in protecting its material welfare, enhancing its influence, and/or diminishing the influence of rival powers like the United States. The ‘parallel institutions’ in which China participates enhance Chinese influence and autonomy, but so far they have introduced few operating norms that are different from those of incumbent regimes. A study of these initiatives concludes, ‘Chinese foreign policy is not seeking to demolish or exit from current international organizations and multilateral regimes. Instead, it is constructing supplementary — in part complementary, in part competitive — channels for shaping the international order beyond Western claims to leadership.’⁵⁵ I find no evidence that China seeks to abandon, overthrow, or fundamentally revolutionize any of the regimes I have reviewed.

CONCLUSION

Chinese behavior in international regimes does not show a pattern of promoting a distinctive ‘Chinese model’ or an alternative vision of world order. If there is a

larger pattern, it is that China tends to be a conservative power, resisting efforts by the US and its partners to shape regimes in ways that are unfavorable to China and its partners. This happens fairly often, because the US continues actively to try to shape the future evolution of regimes. In its competition with the US and American allies, China often defends the more old-fashioned interpretation of sovereignty against efforts to reinterpret sovereignty in a more limited way. China in this sense is more of a status quo power than the US.

As long as China remains roughly in its current trajectory – politically stable with a growing economy – its stake in various international regimes is unlikely to change dramatically. It will continue to gain more than it loses from the trade, finance, and arms control regimes, and to resist Western efforts to strengthen the human rights, humanitarian intervention, and information freedom regimes. If China becomes an even stronger power relative to its rivals, it is likely to bid for more influence in existing regimes rather than try to overthrow them. If it suffers economic or political setbacks, it will have less influence on the evolution of the regimes, but will hardly be able to afford to abandon them. While China will continue to influence the evolution of global norms, it is hard to imagine a realistic scenario in which it will try to revolutionize or overthrow them.

Notes

- 1 This chapter is a condensed and updated version of Andrew J. Nathan, 'China's Rise and International Regimes: Does China Seek to Overthrow Global Norms?' From *China in the Era of Xi Jinping*, Robert S. Ross and Jo Inge Bekkevold, eds. (Washington, DC: Georgetown University Press, 2016), pp. 165–195. Reprinted with permission. www.press.georgetown.edu.
- 2 G. John Ikenberry, *Liberal Leviathan: The Origins, Crisis, and Transformation of the American World Order* (Princeton, NJ: Princeton University Press, 2011). In Ikenberry's conception the liberal international order was created under American dominance but can persist even if American hegemony wanes.
- 3 Among others, Jan-Erik Lane, 'On the Growth in Normativity in International Relations,' *Journal of Politics and Law* 6:1 (2013), pp. 15–23.
- 4 Emilie M. Hafner-Burton, *Forced To Be Good: Why Trade Agreements Boost Human Rights* (Ithaca: Cornell University Press, 2009), esp. Chs. 1, 6.
- 5 Amitav Acharya, *The End of American World Order* (Cambridge, UK: Polity Press, 2014), p. 50.
- 6 Mark Leonard, 'Why Convergence Breeds Conflict: Growing More Similar Will Push China and the United States Apart,' *Foreign Affairs* (92:5, September/October 2013, pp. 125–135). Other authors who believe China seeks fundamentally to alter the world order include Martin Jacques, *When China Rules the World: The End of the Western World and the Birth of a New Global Order* (New York: Penguin, 2009); Charles Kupchan, *No One's World: The West, the Rising Rest, and the Coming Global Turn* (New York: Oxford University Press, 2012); and Michael Pillsbury, *The Hundred-Year Marathon: China's Secret Strategy to Replace America as the Global Superpower* (New York: Henry Holt, 2014).
- 7 Kenneth Waltz, *Theory of International Politics* (New York: Random House, 1979).
- 8 A book by Øystein Tunsjø (Columbia University Press) argues it is a bipolar structure; Øystein Tunsjø, *The Return of Bipolarity in World Politics: China, the United States, and Geostuctural Realism* (New York: Columbia University Press, 2018).

- 9 G. John Ikenberry, 'The Future of the Liberal World Order: Internationalism After America,' *Foreign Affairs* 90:3 (May/June 2011), p. 57. Other works offering similar arguments include Yong Deng, *China's Struggle for Status: The Realignment of International Relations* (New York: Cambridge University Press, 2008); and Marc Lanteigne, *China and International Institutions: Alternate Paths to Global Power* (London: Routledge, 2005).
- 10 Examples include Alastair Iain Johnston, *Social States: China in International Relations, 1980–2000* (Princeton: Princeton University Press, 2008); Rosemary Foot and Andrew Walter, *China, the United States, and Global Order* (New York: Cambridge University Press, 2011); Ann Kent, *Beyond Compliance: China, International Organizations, and Global Security* (Stanford: Stanford University Press, 2007); Joel Wuthnow, *Chinese Diplomacy and the UN Security Council: Beyond the Veto* (New York: Routledge, 2013).
- 11 An interest-based explanation does not entirely rule out the effect of learning, especially prudential or instrumental learning about the way a given regime works and the opportunities it offers to pursue interests, as well as learning about security dangers that were not previously salient or appreciated. But an interest-based explanation does not include changes in ultimate goals or values.
- 12 A similar approach, leading to similar conclusions, is taken by Scott Kennedy and Shuaihua Cheng, *From Rule Takers to Rule Makers: The Growing Role of Chinese in Global Governance* (Bloomington, IN, and Geneva, Switzerland: Research Center for Chinese Politics & Business, Indiana University, and International Centre for Trade & Sustainable Development, September 2012), online at <http://www.indiana.edu/~rccpb/pdf/Chinese%20Rule%20Makers%20RED%20Sept%202012.pdf>, accessed February 27, 2015.
- 13 For example, John J. Mearsheimer, *The Tragedy of Great Power Politics*, second ed. (New York: W.W. Norton, 2014); Martin Jacques, (2009); Henry Kissinger, *On China* (New York: Penguin Press, 2011); Aaron L. Friedberg, *A Contest for Supremacy: China, America, and the Struggle for Mastery in Asia* (New York: W.W. Norton, 2011); Rex Li, *A Rising China and Security in East Asia: Identity Construction and Security Discourse* (London: Routledge, 2009); David C. Kang, *China Rising: Peace, Power, and Order in East Asia* (New York: Columbia University Press, 2009); Randall Schweller and Xiaoyu Pu, 'After Unipolarity: China's Visions of International Order in an Era of U.S. Decline,' *International Security* 36:1 (Summer 2011), pp. 41–72.
- 14 Andrew J. Nathan and Andrew Scobell, *China's Search for Security* (New York: Columbia University Press, 2012); David Shambaugh, *China Goes Global: The Partial Power* (New York: Oxford University Press, 2013).
- 15 Injoo Sohn, 'Between Confrontation and Assimilation: China and the fragmentation of global financial governance,' *Journal of Contemporary China* 22: 82 (July 2013), p. 642.
- 16 Martin Dimitrov, *Piracy and the State: The Politics of Intellectual Property Rights in China* (Cambridge; New York: Cambridge University Press, 2009).
- 17 Shirley Kan, 'China and Proliferation of Weapons of Mass Destruction and Missiles: Policy Issues,' CRS Report for Congress (2007), Order Code RL31555.
- 18 Waheguru Pal Singh Sidhu, Pratap Bhanu Mehta, and Bruce Jones, eds., *Shaping the Emerging World: India and the Multilateral Order* (Washington, DC: Brookings Institution Press, 2013).
- 19 China gained by seeing certain weapons banned that it did not want to use or to see used, such as chemical and biological; from nonproliferation by seeing its advantage over nonnuclear states sustained; from disarmament by seeing its nuclear disadvantage relative to the US and Russia diminished; from promoting nuclear free zones by creating a disincentive for the use of nuclear threats by other nuclear powers; and so on. For more arguments along these lines see Nathan and Scobell, *China's Search for Security*, Ch. 11. Other factors included American lobbying and China's social learning from other states. Evan S. Medeiros, *Reluctant Restraint: The Evolution of China's Nonproliferation Policies and Practices, 1980–2004* (Stanford: Stanford University Press, 2007); Johnston, *Social States*.
- 20 Nathan and Scobell, *China's Search*, Ch. 12.

- 21 For example, see Abram Chayes and Antonia Handler Chayes, 'On Compliance,' *International Organization* 47:2 (Spring 1993), pp. 175–205.
- 22 Ka Zeng, 'Conclusion,' in Ka Zeng and Wei Liang, eds., *China and Global Trade Governance: China's first decade in the World Trade Organization* (London: Routledge, 2013), p. 283.
- 23 'Marcia Don Harpaz, Sense and Sensibilities of China and WTO Dispute Settlement,' in Zeng and Liang, eds., *China and Global Trade Governance*, pp. 233–260.
- 24 Gerald Chan, Pak K. Lee and Lai-Ha Chan, *China Engages Global Governance: A New World Order in the Making?* (London: Routledge, 2012), Ch. 7.
- 25 Chan, Lee, and Chan, *China Engages*, Ch. 6.
- 26 Chan, Lee, and Chan, *China Engages*, Ch. 4.
- 27 Jonathan E. Sanford, 'Currency Manipulation: The IMF and WTO,' CRS Report for Congress, January 28, 2011, <http://www.fas.org/sgp/crs/misc/RS22658.pdf>, accessed April 2, 2013; also see Foot and Walter, *China, the United States, and Global Order*.
- 28 Michel Aglietta, 'Prospects for the International Monetary System: Key Questions,' in Wouters et al., eds., *China, the European Union and Global Governance*, p. 157.
- 29 Medeiros, *Reluctant Restraint*; John W. Garver, *China & Iran: Ancient Partners in a Post-Imperial World* (Seattle: University of Washington Press, 2006).
- 30 Rosemary Foot, *Rights Beyond Borders: The Global Community and the Struggle Over Human Rights in China* (Oxford: Oxford University Press, 2000); Ann Kent, *China, the United Nations, and Human Rights* (Philadelphia: University of Pennsylvania Press, 1999).
- 31 Andrew J. Nathan, 'China and International Human Rights: Tiananmen's Paradoxical Impact,' in Jean-Philippe Béja, ed., *The Impact of China's 1989 Tiananmen Massacre* (London: Routledge, 2010), pp. 206–220.
- 32 Oliver Stuenkel, *Post-Western World: How Emerging Powers Are Remaking Global Order* (Cambridge, England: Polity, 2016).
- 33 For example, the US Navy engages in 'freedom of navigation operations' to promote its own interpretation of the norm of freedom of navigation and some other states, including China, engage in operations to harass US vessels conducting such operations. China, Japan, and various Southeast Asian states engage in actions by their maritime forces to promote their interpretations of how customary international law and the UNCLOS apply to their contested territorial claims in the East and South China Seas.
- 34 Aryeh Neier, *The International Human Rights Movement: A History* (Princeton: Princeton University Press, 2012).
- 35 Kennedy and Cheng, *From Rule Takers*; Kent, *Beyond Compliance*; Foot and Walter, *China, the United States, and Global Order*.
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Engagement in Global Health Governance Regimes

Bei Tang and Yanzhong Huang

INTRODUCTION

In a world of interdependence and globalization, public health is no longer a purely domestic policy concern or an isolated issue area. Its implications for economic growth, social justice, and national security have been widely acknowledged.¹ Major states are calling for a closer health-diplomacy nexus,² and a variety of mechanisms have been developed to coordinate relationships among state- and non-state actors. It is safe to say that Global Health Governance (GHG) is one of the most vigorous and dynamic fields in today's world politics.

Given China's sheer population size and its economic and political clout, the form and substance of its involvement in GHG is increasingly important in shaping the landscape of GHG and affecting the willingness and capacity of other countries to cope with global health challenges.

In retrospect, China has a long history of engaging in international health cooperation. Since the early 1960s, China's medical teams, along with other forms of health-related development assistance, have provided people in the developing world with desperately needed healthcare services. Bilateral health aid has proven to be an important component of China's diplomacy, beefing up China's soft power in the developing world.

In the aftermath of the 2002–03 SARS crisis, however, a multilateral approach has gained prominence in China's health diplomacy. Although in 1978 China resumed its seat at the World Health Organization (WHO) and began to participate in other multilateral organizations and international agencies, its full embrace of

GHG is a relatively recent development. In recognition of WHO's central role in coordinating international response to SARS and other global health challenges, the Chinese government has not only attached great importance to complying with its norms, rules, and regulations, but has also sought to have its voice on GHG heard through the international health agency. China has incorporated health as an important form of cooperation in its regional cooperation mechanisms, such as the BRICS and China-African Cooperative Forum (Programme for China-Africa Cooperation in Economic and Social Development, <http://www.focac.org/eng/ltada/dyjbzjhy/DOC12009/t606797.htm>).

This chapter will focus on China's efforts to engage GHG. China approaches GHG through three aspects: actors, practices, and perspectives. Robert Cox's theory on world order defines the 'anatomy of influence' in terms of material benefits, institutions, and ideas.³ Following this analytical framework, we first provide an overview of China's bilateral health aid, including its history and its administrative structure. We then examine China's multilateral health cooperation, with an emphasis on its policy-making and administrative mechanisms. The chapter concludes with a discussion of China's vision and global role with regards to GHG.

BILATERAL HEALTH AID

China is no stranger to international health cooperation. As early as the 1960s, China has used health assistance as a diplomatic tool to strengthen political and economic ties with a wide range of developing countries. Health assistance has been regarded as a 'golden signboard' of China's diplomacy.⁴ With the rise of China's economic prowess, the scale of assistance is expanding in all forms of bilateral health aid. Although pragmatic considerations dominate China's bilateral health cooperation, humanitarian concerns and a sense of 'global community' have increasingly driven China's health-related development assistance.

Medical Teams

Chinese medical teams are an important component of its development assistance program. Indeed, China's initial engagement in international health mainly took the form of dispatching medical teams to developing countries. Maintaining health commitments in the absence of any apparent economic benefits demonstrated China's humanitarianism, and has proven to be a cost-effective diplomatic tool in expanding its political influence in the host countries.

In 1963, upon Algeria's request, China dispatched its first medical teams to Africa. This new practice coincided with China's urgent need to expand relations with the so-called 'intermediate zones' (*zhongjian didai*), against the perceived dual strategic threats from the Soviet Union and the United States.⁵ In the next few years, ten more developing countries, including eight in Africa,

received Chinese medical teams. Chinese medical teams provided virtually free medical services in African countries where access to healthcare was difficult or impossible for local people. In the 1970s, the number of medical teams increased dramatically, as China established diplomatic relations with a majority of the African countries. In order to reward African countries for helping China regain its UN membership, China expanded its foreign aid programs.⁶ Later, as China resumed its relations with Western countries and focused on its domestic economic development, Africa's diplomatic status declined in China's foreign policy. As a result, China cut back its foreign aid and reduced its health aid. From 1988 to 1995, China dispatched no new medical teams to Africa and the total number of medical team workers also decreased.⁷ Moreover, rather than provide free medical services, China began to ask recipient countries to chip in to finance Chinese medical teams.

The twenty-first century has witnessed a new round of expansion and upgrading of Chinese medical teams. At its second ministerial meeting of the Forum on China-Africa Cooperation, held at Addis Ababa in 2003, China agreed to 'consider the requests of African countries for new, renewed or additional medical teams,' and 'endeavor to address African countries' request about the composition of the teams.'⁸ This commitment was reaffirmed at the third, fifth, and sixth ministerial meetings. In addition, the Chinese government launched short-term medical services, such as the 'Brightness Action' (*guangmingxing*) project, which provides free cataract treatments to local people in recipient countries.⁹

The dispatch of medical teams hinges on the establishment of diplomatic relations between China and the recipient country. After receiving a request from the country, China's Ministry of Foreign Affairs will review it based on diplomatic necessities.¹⁰ This decision-making mechanism defines medical teams as a tool of Chinese foreign policy, as well as a barometer of bilateral relations. When Liberia established diplomatic relations with Taiwan in 1989, for example, China withdrew its medical team and later re-sent it as the country resumed a diplomatic relationship with PRC in 2005. The same case can be seen in other countries, including the Central African Republic, Niger, Senegal, and Gambia. Indeed, China sent a medical team to Malawi just one year after the two countries established diplomatic relations.

To date, China has sent a total of more than 23,000 medical workers to 67 countries and regions. By 2013, it had provided diagnostics and treatments to as many as 260 million people.¹¹ In 2015 alone, China had 52 medical teams stationed in 51 countries. According to Wang Liji, the deputy director-general of the Department of International Cooperation of National Health and Family Planning Commission (NHFPC), the Chinese medical assistance model is unique in terms of the duration of its presence and coverage of medical services.¹² At present, among all forms of medical assistance, only the dispatch of medical teams falls under the purview of the NHFPC, which designates subordinated provincial health departments to select and appoint medical workers to serve on

medical teams. Under the government directive, hospitals are expected to select medical workers with outstanding skills, whose professional titles (*zhicheng*) are usually above the level of attending doctors (*zhuzhi yishi*).¹³ The dispatch of medical teams is used as an indicator for evaluating the hospital and its managers.¹⁴ Over time, a pattern has emerged so that each province is paired with a recipient country. For example, Hubei Province is in charge of dispatching medical teams to Algeria, while Fujian Province is responsible for sending medical teams to Botswana. This government-led system guarantees the skill set of medical teams and the knowledge of local conditions in recipient countries can be passed down despite the dispatch of different sets of medical practitioners.

That said, Chinese medical teams as a form of health assistance are currently facing some important challenges. One of the challenges is how to coordinate the dispatch of the medical teams with other forms of health-related assistance. Also, due to harsh working environments and low salary levels, it is becoming difficult to enroll quality and experienced doctors to serve on medical teams. In addition, there is the need to protect Chinese medical teams themselves from security and health hazards.¹⁵

The effectiveness of Chinese medical teams is also subject to debate. The Chinese government claims that this kind of medical diplomacy has indeed served the interest of local people. As the white paper on China's foreign aid says, 'with sound medical skills, lofty medical ethics and a high sense of responsibility and mission, [Chinese medical teams] have worked hard to serve the people of the recipient countries, and [have] thus won respect and praise from the governments and peoples of these countries.'¹⁶ Critics nevertheless view Chinese medical teams as a politically driven project, which is symbolic in nature and sometimes neglects the real health needs of recipient countries.¹⁷

Emergency Health Assistance

China has provided emergency health assistance since 2003, offering medical treatments and disease control measures to people afflicted by natural disasters. This type of health aid is usually carried out by the medical branch of the China International Search & Rescue (CISAR) team, which was founded in 2001. Thus far, China has offered emergency health assistance to Algeria, Iran, Indonesia, Pakistan, Haiti, Myanmar, New Zealand, Japan, and the United States. To the extent that strong political and diplomatic considerations drive traditional bilateral health aid, humanitarian considerations appear to be the principal motives of emergency health assistance. This is evidenced by the fact that China sent out a rescue team just a few hours after the devastating 2010 earthquake in Haiti, even though there were no diplomatic relations between the two countries.

The very nature of disaster relief bestows some unique features upon China's emergency health assistance. CISAR is under the supervision of the Earthquake

Emergency Rescue Department of the China Earthquake Administration. The medical team is formed by the PLA Armed Police General Hospital, whose military-style management enables the team to be assembled and ready for departure in a very short period of time. Generally speaking, the scale of emergency health assistance is limited and does not last long. It addresses medical needs similar to those in a battlefield situation.

Nevertheless, the 2014 Ebola outbreak in West Africa was a watershed in China's emergency health assistance. It was the first time that China provided large-scale health assistance in a major international health emergency. From April to October, China provided four rounds of aid with a total value of 750 million RMB, covering 13 African countries, as well as the United Nations, the WHO, and African Union. More than 700 public health experts and medical workers were dispatched.¹⁸ Beijing seemed to have also responded to the crisis earlier than the WHO and the OECD countries, whose aid did not arrive until August 2014. China's rapid response made up for the deficiency in international assistance during the early stages of the outbreak. Also, China combined emergency health assistance with efforts to strengthen health system capacities in African countries. In the fourth round of health aid, China donated a 100-bed treatment center to Liberia and a bio-safety laboratory to Sierra Leone. In the meantime, China held training sessions on public health and epidemic control, conducted joint research on tropical diseases, and assisted African countries in building public health information platforms and surveillance networks of infectious diseases.¹⁹ In addition, China developed an integrated medical force in fighting Ebola, including public health and medical experts from both military and civil sectors. Despite a decentralized health aid system, its ability to coordinate emergency health assistance in this respect was indeed impressive.

Other Forms of Health-Related Development Assistance

Besides dispatching medical teams, China donates medicines and medical equipment, constructs hospitals and clinics, and helps with human resource capacity building in developing countries. Since 1970, China has constructed more than one hundred health facilities overseas. In recent years, this type of health cooperation has gained traction as the Ministry of Commerce (MOFCOM), which is in charge of China's foreign aid, made it a higher priority in projecting China's soft power overseas.²⁰ From 2007 to 2011, the value of donated health facilities is estimated to be \$60 million annually.²¹ Three quarters of donated Chinese hospitals and clinics are in Africa. At the third ministerial meeting of FOCAC, China pledged to donate 30 hospitals, in addition to medicines and medical supplies. The pledge was part of China's six foreign aid programs aimed at achieving the Millennium Development Goals, all of which were to be completed by 2011. As far as human resources development is concerned, the Chinese

government offers scholarships to foreign medical students in China while they help train doctors, nurses, and administrative staff for other developing countries. The expansion of China's public health assistance has been noted as an example of the shift from traditional health aid to 'population-based and system-based strategies.'²²

A distinctive feature of China's health aid model is the emphasis on malaria control. It has pledged to build 30 malaria control centers in Africa.²³ In 2007, China launched a malaria eradication program in the Comoros Islands, which was characterized by mass administration of artemisinin and piperazine. While the Chinese malaria control model has been found to be cost effective, its validity is called into question because the model contradicts the WHO's vector-control approach.²⁴

Over the past years, the design and implementation of China's health aid policy has attracted the attention of China and global health scholars.²⁵ They have identified two problems in the health aid policy process. The first is the lack of input from professional health authorities. MOFCOM has dominated the decision-making and implementation of health-related development assistance. Take hospital building as an example. Building a hospital in a recipient country usually starts with the country's request to the Chinese embassy's Economic and Commercial Counselor's Office, whose staff is posted by MOFCOM. With China's consent, the two governments will put it forward as a candidate project in bilateral aid agreements. MOFCOM will then organize experts to review the feasibility of the project. After exchanging notes on setting up the project, MOFCOM will select Chinese enterprises to design and construct the hospital through a bidding process. Experts from both countries are responsible for checking the quality of the project, and the process ends with both governments signing a transfer agreement.²⁶ Although a loose coordination mechanism has been built between MOFCOM and the NHFPC, there is no institutional guarantee that the NHFPC's policy inputs will be adopted. This institutional flaw sometimes causes inefficiency in Chinese health aid. For example, the donation of health facilities in the form of a 'turnkey project' often lacks a comprehensive planning of their functions, locations, and follow-up supplies and human resources, which limits the capacity and sustainability of the completed hospitals and malaria control centers.²⁷ Another major concern is Chinese health aid's inconsistency with international practices. Chinese health aid does not come with political strings attached (except when it involves the issue of Taiwan). Thus, its programs run in direct competition with programs that emphasize governance, accountability, and human rights. China sometimes repackages health aid to promote the exports of its pharmaceutical products, which goes against the code of conduct of 'untied aid'. Also, in reporting foreign aid, China's classification and nomenclature often do not follow international standards, making it difficult to gauge the full extent and nature of its health aid program.²⁸

MULTILATERAL HEALTH COOPERATION

China's engagement in multilateral health organizations can be traced to the 1970s, when China resumed its seat in the WHO. In addition, it began to contribute to the United Nations Children's Fund (UNICEF) and used loans from the World Bank to improve medical education and rural health care.²⁹ Despite its relationship with these organizations, China's involvement in multilateralism was confined to technical cooperation and program planning, with emphasis on making use of the technologies and managerial expertise introduced through the international collaboration programs.³⁰ The low prioritization of global health was indicated in China's initial reluctance to share information with the WHO about the 2002–03 SARS outbreak or allow WHO experts to visit Guangdong, the epicenter of the outbreak.³¹

In the wake of SARS, China's progress in engaging multilaterally in GHG has been driven both by necessity and conscious design.³² Under strong domestic and international pressures, China not only became more transparent and cooperative in dealing with international health issues, but also started to play a more active role in shaping international health rules. In revising the International Health Regulations (IHR) and negotiating the Framework Convention on Tobacco Control (FCTC), China showed greater willingness to prioritize health values over economic development and state sovereignty. However, it still has a long way to go to fulfill its international obligations.

The Legacy of SARS

The 2002–03 SARS crisis lasted less than eight months and claimed 349 lives in mainland China. It shaved an estimated seven-tenths of a percentage point off China's 2003 GDP. An information blackout in the early stage of the outbreak caused an immediate social–political crisis and dealt a heavy blow to China's efforts to improve its international image as a responsible power. Nevertheless, the crisis generated new dynamics for China to engage multilaterally in GHG.

To begin with, public health issues, especially acute disease outbreaks of international concern, are increasingly framed as security challenges with greater political importance. Before the SARS outbreak, public health was among the least of Chinese leaders' concerns.³³ However, as the virus and the fear it generated continued to spread, and international pressures built up (as shown in the WHO's unprecedented travel advisories and criticisms of China's mishandling of the crisis), Chinese leaders showed some apparent flip-flop on policy. On April 2, 2003, then Premier Wen Jiabao said, 'the health and security of the people, overall state of reform, development, and stability, and China's national interest and international image are at stake.'³⁴ To show its political resolve, China sacked the Minister of Health and Mayor of Beijing. Vice Premier Wu Yi was appointed the

acting Minister of Health. She took the lead in mobilizing government agencies and organized an effective national campaign against SARS.

It is worth noting that, after the SARS crisis, the 'securitization' discourse in GHG (which defines health risks as existential threats to nation-states and calls for responses beyond routine political procedures) was echoed in China's policy statements and leaders' remarks. For the first time, for example, the government described the treatment and control of HIV/AIDS as something that has bearing on 'economic development, social stability, state security and the rise and decline of the whole nation.'³⁵ Then President Hu Jintao stated in his speech at the G8 Summit in St. Petersburg that 'the newly emerged epidemics of SARS and Avian Flu, in addition to the grave spread of HIV/AIDS, tuberculosis and malaria, are jeopardizing people's health and physical safety in all countries, shaking social-economic development in some countries, and even posing threats to regional and global security.'³⁶ This new thinking gave impetus to China's involvements and investments in multilateral international health forums.

Second, the SARS episode represented a transitional milestone in China's relationship with the WHO, which has become the centerpiece of China's multilateral health diplomacy ever since. By taking autonomous actions during the SARS crisis, the WHO established itself as an indispensable authority in international health regulations and even some of the most ardent supporters of state sovereignty appeared to have acquiesced to the WHO's leadership in GHG. In recognition of the WHO's role in global health, China started to play a more active role in WHO-convened international health rule-making while seeking more influence in the international organization. Indeed, it has not only played a more active role in revising IHR and negotiating FCTC, but also orchestrated a successful campaign for Margaret Chan's bid for the position of WHO director-general.³⁷

Third, China's SARS diplomacy led to growing regional health cooperation with ASEAN countries. To fix its credibility and international reputation problem, China strengthened its cooperation with Southeast Asia in the wake of the crisis by pleading for understanding from the neighbor states, associating itself with the measures proposed by the ASEAN declaration, and setting up a special fund against public health crises. Cooperation over health was later included in seven regional forums, including China-ASEAN, APEC, and the Shanghai Cooperation Organization.³⁸ A regional approach has been developed in China's control of epidemics. For example, during the outbreaks of Avian Flu in 2005, China, along with other East Asian countries, adopted the 'East Asia Summit Declaration on Avian Influenza Prevention, Control and Response' in order to kick off a regional prevention strategy and build regional medicine stockpile networks. It began to release disease surveillance reports through the internet-based infectious diseases information center of ASEAN+3 countries (ASEAN members plus China, Japan, and South Korea). In addition, China partnered with regional partners in launching joint disease control programs such as the ASEAN+3 Emerging Infectious Disease Program.³⁹

China and the Framework Convention on Tobacco Control (FCTC)

Tobacco use is the largest preventable cause of death worldwide. Since China has the world's largest tobacco industry and the world's largest smoking population, it is arguably the biggest stakeholder in the negotiation of and compliance with the FCTC. However, tobacco control efforts in China have been obstructed by its giant tobacco industry. The situation is further complicated by the fact that the national regulatory body, the State Tobacco Monopoly Administration (STMA), shares its management staff with the China National Tobacco Corporation (CNTC), a state-owned manufacturer of tobacco products and also the world's largest cigarette maker.⁴⁰ The tobacco industry's interests thus compete with the tobacco control efforts in China's negotiation and implementation of FCTC.

China was among the 59 countries that pledged financial and political support for FCTC while the WHO member states were voting for WHA52.18, a resolution to establish an intergovernmental negotiating body (INB) to draft and negotiate the FCTC. China's interest in tobacco control could be attributed to its desire to be viewed as a responsible power that values international norms and rules, especially after its entry into the World Trade Organization (WTO) in 1999. Nevertheless, because tobacco had provided the biggest single source of tax revenue and generated 8 percent of China's fiscal revenue in 2002, the Chinese government took the position that tobacco control was an internal affair subject to sovereignty discretion, and that member states should take gradual steps suiting their own situation and developmental needs. Accordingly, China would only be flexible on 'general or non-binding rules.'⁴¹

In addition to its ambivalent attitude, the composition of the Chinese delegation was another disappointment to tobacco control advocates. During the negotiation of FCTC in 2001 China was the only country that included a tobacco industry representative in its delegation. Merely two months after the passing of WHA52.18, the STMA formed a working group to study countermeasures against the international regulations. The working group convened four meetings to decide moves against the INB meetings and participated in every negotiation after INB3. In total, the STMA working group provided the delegation with 128 suggestions, and 51 were adopted and written in China's position documents.⁴² In contrast, the Ministry of Health (MOH), the primary central ministry supporting strong tobacco control, did not have sufficient leverage in the inter-departmental bargaining process within the delegation. Even though the Chinese delegation went along with the treaty making process after receiving instructions from the State Council (which demanded a more cooperative and proactive attitude towards the negotiations), the interference of the tobacco industry not only influenced China's positions, but also watered down the final FCTC rules. In defining states' responsibilities, for example, strong words like 'should' and

'must' were replaced in their translation to Chinese by much more flexible words and phrases like 'it is better to' and 'according to the circumstances.'⁴³ In particular, the STMA opposed having pictorial warning labels on tobacco packages, and tried to water down the provisions on 'responsibilities and liabilities,' which initially would allow people to use the convention to sue tobacco industries for compensation. Lack of Chinese support on these provisions contributed to a less robust and more generic FCTC.⁴⁴ In the five years since China signed and ratified FCTC, little progress has been made in its compliance with the international law. With an average score for the implementation of FCTC policies of only 37.3 out of 100 points, China lagged behind other developing countries in the translation of FCTC to policy practice.⁴⁵

That said, over the past five years, China has become more proactive in implementing FCTC. The MOH (later NHFPC) has issued its departmental regulations on tobacco control and has started to report annually on the tobacco epidemic in China. It published the 'Report on the Health Hazards of Smoking in China' in 2012, which clarifies many misconceptions on smoking. The National Medical Examination Center has listed tobacco control as content on professional tests. In addition, it launched a series of projects such as smoke-free Olympics, smoke-free hospitals, and smoke-free schools. To encourage the MOH's pioneering tobacco control efforts, the WHO granted then Minister of Health Chen Zhu the 2012 World No Tobacco Day award. In addition, China's NGOs played a limited, yet visible, role in promoting tobacco control. For example, the Chinese Association on Tobacco Control, which mainly consists of retired health officers, has been pushing for tobacco advertisement-free cities since 1996 and has assisted the MOH in its smoke-free hospital program.⁴⁶

China and the Revised International Health Regulations (IHR)

The revision of IHR is another testing ground of China's willingness to subordinate its sovereignty concerns to the common interests of the international community. By highlighting the importance of international cooperation to address trans-boundary infectious diseases, the SARS outbreak helped put the IHR revision at the top of the agenda during the 56th World Health Assembly. Per the WHA's request, the director-general established an Intergovernmental Working Group (IGWG) for the revision of IHR and the work was completed in May 2005.

China participated proactively in the revision process. In sharp contrast to India, which sent only three delegates to each of the three IGWG meetings, China sent 12 delegates between November 2004 and May 2005. The relatively large delegation size enabled China to have enough negotiators to cover concurrent sessions, 'corridor negotiations,' and other processes. This proactive attitude towards IHR revision was a reflection of China's recognition of the importance

of international cooperation in global epidemics, as well as its desire to fix the tarnished international image during the SARS outbreak.⁴⁷

Unlike the Chinese delegation to the FCTC negotiations, the delegation to the IHR revision was represented by only three central agencies: the MOH; the Ministry of Foreign Affairs (MOFA); and the General Administration of Quality Supervision, Inspection and Quarantine (AQSIQ). Since none of the agencies have a portfolio of tourism or trade, the potential economic loss due to demanding international health regulations was not a major concern of the Chinese delegation. Indeed, the revised IHR would potentially increase the power and authority of the MOH and AQSIQ in China's bureaucratic hierarchy. This in part explains why the Chinese delegation showed great flexibility in revising the IHR. During the negotiations, China allowed the WHO to take into account information provided by non-state actors in decision-making. Its negotiators indicated that China preferred the WHO to deal with these 'rumors' and found it acceptable when the wording was changed to 'sources other than notifications or consultations.'⁴⁸

China's handling of the Taiwan issue in the negotiations over IHR revision also highlighted the tension between sovereignty considerations and the need to build a seamless global surveillance and response network. During the first two IGWG meetings, the head of the Chinese delegation made strong remarks and left no room for Taiwan's participation. He insisted that IGWG had neither the right nor the ability to handle political issues beyond rule revision, otherwise the negotiation would 'head to a wrong road, jeopardizing the conclusion of IHR revision and the universality of its future implementation.' He said that 'health issues are very important, but sovereignty and territorial integrity are more important to a sovereign state. China will firmly defend its sovereignty and territorial integrity at all cost.'⁴⁹

Given China's long-held opposition to Taiwan's membership in the WHO and other UN agencies, such statements were not surprising. However, to avoid being seen as creating gaps in the global surveillance and response network, the PRC made a statement at the 60th WHA that the revised IHR would be applied to the 'entire territory' of China, including Hong Kong, Macao, and Taiwan. In 2009, with the rapid thaw of cross-strait relations, Taiwan was allowed to participate in the WHA as an observer under the title 'Chinese Taipei.'

The implementation of the revised IHR in China has a mixed record. On the one hand, China has taken a series of measures to fulfill its treaty obligations. It revised the Frontier Health and Quarantine Law and invested in building public health capabilities. In 2014, China announced that it had met 91.5 percent of IHR's core competency requirements, which cover disease surveillance, laboratory capabilities, biologic management, and core competence of exit and entry port.⁵⁰ The central government has been overall transparent and cooperative in responding to major disease outbreaks. In 2007, for example, China shared the Avian Flu virus sample and information with the WHO, in sharp contrast with

Indonesia's refusal to do so under the name of 'viral sovereignty.' In 2013, a decade after SARS, less than half the days lapsed between the first avian influenza H7N9 case and China's submission of a report to WHO.⁵¹

On the other hand, there remain concerns surrounding China's potential violation of IHR. Despite the central government's instructions, local governments have been reluctant to abide by the IHR. In October 2007, the Ministry of Agriculture received an avian influenza report from Anhui Province and sent out an investigation team. However, the local officials obstructed the work, preventing poultry farmers from handing over samples for further testing.⁵² Similarly, in March 2013, scientists in Shanghai had already identified a novel influenza A virus (later confirmed to be H7N9), but the local health authorities continued to deny there was anything unusual. For nearly two weeks, the China CDC in Beijing was not aware of this information.

In addition to the failure of some localities to collect and report information on outbreaks, over-reactions towards international public health emergencies also invited criticism of China's compliance with IHR. In the 2009 H1N1 pandemic, China likely violated the IHR by instituting trade and travel-restrictive measures not based on legitimate public health reasons.⁵³ The discrimination against Mexican citizens and the ban on pork products from North American countries also sent a signal to other countries that those complying with IHR and honestly reporting diseases in their territories would not be rewarded, but punished by other countries.⁵⁴ The overreaction and the pursuit of short-term domestic political goals undercut trust and goodwill among states, potentially exacerbating the 'stag hunt' dilemma in international disease prevention and control.⁵⁵

CHINA'S VISIONS OF GHG

Like many developing countries, China does not yet have a documented global health strategy. With the expansion of China's engagement in global health, many have argued for such a national strategy, viewing it as a necessity to overall planning and resource mobilization in China's health diplomacy.⁵⁶ While China has not clearly described and defined its interests, and approaches in engaging global health, its motivations of engaging GHG and its preferred approaches can still be identified by taking a look at its global health policy and practice.

China's Interests in Engaging GHG

There is no denying that mitigating trans-boundary health risks and their negative social-economic impacts is in China's national interest. Learning from the SARS crisis, China has listed severe transnational epidemics as a non-traditional security threat. Top leaders have been involved in the decision making process,

giving the issue a sense of prominence and gravity. In 2009, after the first case of H1N1 was reported in China, President Hu Jintao issued a directive of ‘sparing no effort to prevent its spread in China’ while the State Council made disease surveillance and international cooperation over H1N1 a policy priority.⁵⁷ Efforts to integrate international health risks into domestic policy concerns have continued in the new administration. When addressing the Ebola outbreak, Chinese leaders emphasized the need to protect people’s health as the foundation to build a prosperous society and achieve the ‘Chinese dream.’ President Xi Jinping himself viewed the Ebola outbreak as ‘a test on China’s capacity to respond to public health emergencies.’⁵⁸

With the ‘going global’ strategy of Chinese enterprises, the investment in GHG also helps protect and expand China’s national interests overseas. High disease burden in developing countries could have negative impacts on China’s investment overseas by, for example, having its workers exposed to infectious diseases and other health problems. Indeed, during the Ebola outbreak, the drop in production and increased costs of shipping and inspections caused China’s largest iron ore project in Liberia to lose an additional 115 million RMB within three months. Even worse, more and more Chinese enterprises and workers chose to withdraw from West Africa. In Liberia, for example, by late September 2014, 13 Chinese firms evacuated all their Chinese personnel, and 60–70 percent of Chinese workers chose to leave the country.⁵⁹ The Ebola epidemic highlighted China’s role as a stakeholder in improving public health capabilities in developing countries.

Economic incentives notwithstanding, political and foreign policy objectives are also strong motivations for China’s engagement in GHG. As early as 2007, the MOH made it clear that ‘providing health technical assistance is a long-term political assignment with strategic implications.’⁶⁰ In 2008, the MOH explicated that health aid must serve China’s diplomatic strategy and medical teams should be redeployed to where Chinese-donated hospitals or other major health projects are located, in order to gain greater visibility.⁶¹ In justifying the need to incorporate health cooperation in the ‘One Belt One Road’ project, a health official argued that it would help win the hearts and minds of people along the route, reducing and even eliminating neighboring countries’ suspicions towards China, and weaken the negative impact on local environmental pollution caused by China’s investment.⁶²

Finally, China also has an interest in building its image as a responsible great power through contributing to GHG. Ever since the 1980s, the need to maintain a good international image has led China to comply with some international rules that could potentially undermine its sovereignty. A relatively positive image in the developing world also helped counterbalance the perceived Western states’ attempts to isolate China diplomatically.⁶³ The reputation issue becomes more prominent with growing international concerns about how China will use its rapidly growing power. In his speech during China’s National Health Conference

held in August 2016, President Xi Jinping again emphasized that active participation in GHG had demonstrated China's 'international humanitarianism' and 'image of a responsible great power.' He further put forward three priorities on the agenda: playing an energetic role in researching and negotiating health-related international standards and norms, improving China's working mechanism in participating in international emergency health aid, and strengthening bilateral health cooperation with countries involved in the 'One Belt One Road' initiative.⁶⁴

China's Approaches to GHG

Given China's instrumental and normative interests in GHG, it has developed its own approaches to GHG. These approaches are in line with China's overall foreign policy strategy, combining traditional policy tools with growing interest in multilateralism.

First, as a donor country, China has sustained its own health aid model and principles. Despite diversified forms of health assistance, China mainly put this issue under the framework of South–South cooperation, which, according to Chinese diplomats, serves as a 'supplement' to the North–South partnership and is conducted on a voluntary basis.⁶⁵ It provides aid to developing countries usually with few political strings attached. The model's emphasis on non-interference seems to affirm China's respect of recipient countries' sovereignty, although it also demonstrates its sensitivity about China's own sovereignty, especially over the issue of Taiwan. As long as China's own national interests are at stake, it would hardly renounce the bilateral approach nor fully subject these efforts to international coordination. Moreover, engaging global health through South–South cooperation reduces the normative pressure for China to shoulder binding multilateral agreements. A more recent development is China's growing emphasis on country ownership in its development assistance projects. The Beijing Declaration of the Ministerial Forum of China-Africa Health Development called for cooperation to be tailored to 'support African countries' national plans and priorities, and to be guided by existing African continental strategies and frameworks.'⁶⁶ In assisting West Africa in its fight against Ebola, China summarized its approach as one that was 'in Africa's needs, with Africa's consents, and having Africa's participation' (*feizhou xuyao, feizhou tongyi, feizhou canyu*).⁶⁷ This points to a more recipient-centered and results-based approach in future China's health aid.

Second, 'example setting' rather than 'rule making' is China's main approach towards shaping GHG agendas. With its ascent as a major global power, China does expect itself to have a larger say in GHG. In the recently promulgated program to promote health cooperation in the 'One Belt One Road' project, China set a clear goal of enhancing its role in regional and global health governance mechanisms.⁶⁸ However, unlike its Western counterparts who set standards for

other countries to meet, China seems to prefer a 'soft' approach of sharing experience and best practices. Indeed, China did not take any major initiatives in the negotiations of FCTC and IHR revision. It just 'went along' while removing unwanted items from the draft. An examination of China's role in the Agreement on Trade Related Aspects of Intellectual Property Rights has also found that, being a new player in GHG, China still does not have the will or the capacity to set the global health agenda.⁶⁹ To China, one of the potential resources it could mobilize to influence GHG is its domestic public health model. According to the NHFPC, 'China has accumulated lots of experience and ideas that merit developing countries' reference ... and strengthening international exchanges of policy experience and ideas in public health ... will help China gain soft power and influence in regional and global health governance, thus lift our country's status as a major power.'⁷⁰ This method is consistent with its policy of non-interference and will mitigate concerns that China might become a challenger of the existing international system, although it also makes it difficult to measure China's influence in GHG.

Third, a state-centric approach is evident in China's engagement in GHG. Although the term 'global governance' suggests that government and non-governmental actors work cooperatively and synergistically, China remains suspicious of NGOs' role, and places constraints on their participation at both international and domestic levels. When negotiating IHR, China sought to limit the role of NGOs by declining to gather inputs from them prior to the regional consultations and IGWG negotiations.⁷¹ Similarly, China joined the United States to deny NGOs' access to the informal sessions in the FCTC negotiations. At the domestic level, Chinese NGOs play an auxiliary and limited role in GHG. The government imposes many constraints on NGO registrations and management, as well as their international activities.⁷² These constraints, along with the existence of a large number of government-sponsored NGOs, have increased Chinese NGOs' dependence on the government. As observed by a Chinese scholar, 'a successful NGO should learn to handle a butcher's cleaver skillfully, that is, to gain support from some government departments to cope with the suppression of other departments.'⁷³ The state dominance has narrowed China's policy space in engaging GHG.

CONCLUSION

A study of China's involvement in GHG, in terms of its role as a bilateral donor and a participant in multilateral health diplomacy, has shed some important light on the incentives, processes, and approaches associated with GHG. On the one hand, as part of its diplomatic tradition, China looks to health-related, bilateral development assistance as a means of projecting its soft power in the developing world. That role has been enhanced by China's growing power and overseas presence.

On the other hand, after the 2002–03 SARS outbreak, the global health security agenda prevailed and multilateralism gained currency in its foreign policies. The WHO has been and will continue to be the primary venue of this endeavor. Since viruses respect no boundary and epidemics can arise from every corner of the world, a leading specialized agency for global health seems to be the best place to coordinate and organize collective action. Concerns about sovereignty have not prevented China from being cooperative in the negotiation of FCTC and revised IHR.

Against this backdrop, the political dynamic of China's involvement in GHG – how its leaders perceive achievements in the area as a source of internal and international legitimacy on the one hand, and how bureaucracy and other interest groups interpret the notion and translate it into policy reality on the other, remains the key to understanding China's foreign policy behavior, which is yet to be explored fully. In addition, it is a clear sign that China had its alternative global health agenda in mind when President Xi invited the WHO to join China's 'One Belt One Road' project and donated a bronze acupuncture statue when meeting with Margaret Chan in Geneva at the beginning of 2017. In other words, China's initiatives in some sub-fields of GHG, such as the popularization of traditional Chinese medicine and the investment in health infrastructure building, are also areas worth examining for their effects on the processes of GHG and the fulfillment of sustainable development goals.

Still, several factors have hamstrung China's engagement in GHG in a more effective manner. First, China lacks a coordinated global health policy-making and implementation mechanism. Different government agencies handle international health activities separately. As shown in China's negotiation of FCTC, this decentralized and fragmented system makes effective interdepartmental collaboration difficult, sometimes impossible. A promising new development has been that China is following the Swiss example and drafting its global health strategy.⁷⁴ It has also launched a new foreign aid agency equivalent of USAID. A strategy that clarifies China's national interests and delineates responsibilities of different government agencies should facilitate more efficient and effective engagement in GHG.

Second, the sovereignty concern will continue to nurture a distinctive approach toward GHG. It will not only limit the participation of China's civil society groups in GHG, but also discourage in-depth involvement in multilateralism. The problem is that while the lack of civil society participation will create implementation problems for China in coping with major health challenges, approaching GHG in an individualistic and state-centric manner threatens to lead towards further fragmentation of the global health regimes. This concern is deeply rooted in China's history and national identity, and thus will not disappear in the foreseeable future. Moreover, in the present international system where national states remain the key actors in global health, China's assertions will continue to find echoes, especially in the developing world.

Finally, domestic politics continues to be an important factor in shaping China's position in multilateral health diplomacy. In the negotiation of FCTC, the inclusion of the powerful tobacco industry in the delegation effectively undermined the

bargaining power of the MOH, making China a ‘spoiler’ in negotiations.⁷⁵ The powerful tobacco industry also hinders China’s efforts to comply with the treaty, which calls for a complete public smoking ban. As Yanzhong Huang noted, ‘while sovereignty concerns will continue to be a major facet of China’s engagement in future international health negotiations, domestic political economy issues have strong potential to determine the direction and discourse of such engagement.’⁷⁶

Evidently, China’s awareness of GHG has increased significantly over the past decade. It has also become more cooperative and constructive internationally. As David Shambaugh observed, after 2009, China actually stepped up its contributions to various global governance activities in many areas, including public health, humanitarian assistance, and disaster relief.⁷⁷ However, the very nature of GHG, its rule-based and multi-stakeholder nature, goes against China’s sovereignty-first principle, its country-specific development experience, and the state-centric model. This collision has been a crosscutting theme in China’s interactions with GHG, causing coordination problems in its bilateral health assistance and frictions with multilateral international regimes.

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PART V

China's Foreign Policy: Introduction

Mark W. Frazier



The study of China's foreign policy and external relations in recent decades has drawn close attention from international relations theorists, security specialists, and military analysts, many whose academic training came in fields outside the domain of China Studies (Luttwak 2012; Allison 2017). In fact, some of these specialists assert in private that their lack of area studies work gives them greater detachment to observe and critically analyze Chinese foreign policy behavior and strategy than scholars trained in the complexities of Chinese history and culture. But as the chapters in this section illustrate, there is much to be said for the contributions that China scholars have made to the study of Chinese foreign relations. As a group, these works acknowledge the rapid expansion of China's regional and global influence, but stop well short of accepting the dubious claim of many foreign policy analysts who cast China in the role of the 'rising great power' and predict Chinese behavior based on that of past rising powers, whether in 19th century Europe, or in the Greek city-states of the fifth century BCE.

The work of China Studies scholars in the field of foreign policy has been both carefully contextualized and theoretically grounded. Unlike their counterparts whose research focuses on China's domestic politics and society, scholars working on Chinese foreign policy have a more complicated 'field site' in which to conduct their research – they hold interviews or dialogues with interlocutors in Chinese government and academia, scrutinize White Papers and other

diplomatic pronouncements, and compile datasets on the observed behavior of the Chinese state in various foreign policy domains. Beyond these more conventional methods, the field of Chinese foreign relations also includes more interpretive approaches, in which discourses and narratives are examined through a close reading of texts, social and conventional media, and other clues as to the identities and interests articulated by elites and the public.

The chapters in this section demonstrate the range of approaches that can be taken to studying China's foreign relations. One is the conventional (largely American) view of foreign relations as state-to-state engagements, including diplomatic and security discussions among leaders and their foreign policy managers. A second is foreign relations as a broader set of interactions that includes commercial and cultural exchanges. This perspective on the non-state dimensions of foreign relations, constituted as flows of commerce and culture across history, is found most clearly in the contribution of Taomo Zhou and Hong Liu on China and Southeast Asia (Chapter 29). A third perspective places perceptions at the center of the analysis, investigating how both official and public attitudes and beliefs influence different foreign policy choices and outcomes. Alexander Lukin's discussion of Chinese relations with Russia (Chapter 27) points out the ways that each country's perception of the other's ideological debates have influenced their self-assessments as great powers and have translated into foreign policy choices. Other contributions, such as those by Carla Freeman on the Koreas (Chapter 28) and Edward Griffith and Caroline Rose on Japan (Chapter 26) pay close attention to the specific ways that scholars within different countries have studied China's foreign relations, and how their views might influence foreign policy debates. These chapters offer an interesting contrast in the way that China's relations with Japan and with the Koreas are most commonly studied in the United States.

In many ways, the chapters in this section address several enduring questions in China's foreign relations as well as more recent and pressing issues related to the perceptions and behavior of a Chinese government that has shed the old dictum of Deng Xiaoping to 'keep a low profile and bide your time' (*tao guang yang hui*). One of these longstanding questions is the extent to which ideology influences Chinese foreign policy. The earliest studies, such as those related to the decision to enter the Korean War in 1950 and China's engagement with communist insurgencies in Asia during the Cold War, analyzed these decisions as a foreign policy extension of Maoist ideology. But long after the demise of Maoism, ideology remains a central source of foreign policy. In what some characterized as a post-ideological world of reform and opening, scholars noted the continued and longstanding adherence in Chinese foreign relations to the principle of state sovereignty, which is itself an ideological position.

To what extent does Chinese nationalism constitute an ideology? One often hears that the decline of the CCP filled an ideological vacuum in the wake of the 1989 political crisis with a new nationalism. Whether this ideological void

was ever as far-reaching as some contend, it is clear that in the case of Chinese nationalism, a consistent set of meanings and narratives have emerged over the past three decades. The predominant form that nationalism has taken is a victimization narrative in which China suffered a 'century of humiliation' at the hands of imperial powers beginning with the Opium War (1839–42). Historical grievances and territorial and maritime claims associated with this narrative have produced, intentionally or otherwise, a rigid official stance on the status of the contested claims in the East China Sea and the South China Sea, as well as the Himalayan borderlands. When it comes to relations with Japan, foreign policy in the 1990s and the first two decades of the 2000s was heavily influenced by popular nationalist sentiment. And in the realm of US–China relations, nationalism remains central to how Beijing responds to developments on Taiwan. But as is usually the case in any analysis of foreign policy choices, identifying behavior that is ideologically motivated can be difficult to separate analytically from that which arises from simple power calculations.

Another common approach found in foreign policy studies by China scholars, using their detailed knowledge and access to China's foreign policy community, is to look inside the 'black box' from which foreign policy decisions emerge and piece together the respective interests and positions of dozens of agencies within the PRC state and the Chinese Communist Party that take part in the foreign policy-making process. Scholars have notably found that China's Ministry of Foreign Affairs is often less influential than financial and economic ministries in some realms of foreign policy. There is no doubt that the CCP's 'leadership groups' (*lingdao xiaozu*) over specific domains of foreign policy are by far more powerful than formal agencies of state. The influence of the People's Liberation Army in foreign policy choices seemed to be quite prominent during the 1990s, to the possible detriment of civilian leaders in the CCP. The Party's repeated incantations of the absolute loyalty on the part of the PLA to the CCP (and now to Xi Jinping) reveals as much about the CCP's anxiety over civil–military relations as it does about the actual state of affairs.

What makes the Chinese case of such importance, and what has drawn so many specialists from outside the field of China Studies to examine Chinese foreign policy, is the unquestionable expansion in Chinese power and influence over the past three decades. The central question remains, what will China do with its newfound power and influence? This is where general studies situating China as a classic rising power compete with those that seek a more contextualized position. In short, do all rising powers, irrespective of time and place, share the same set of core attitudes and behavior in dealing with status quo powers? Or does China depart from the traits ascribed to rising powers, and if so, how?

This debate over China's foreign relations as a rising power is most clearly demonstrated in work that examines PRC relations with the United States. As Rosemary Foot shows (Chapter 25), assessments of the future of US–China relations range from those who view China as intent on removing the United States

from its position of hegemony in the Asia–Pacific region, to those who argue that the American-led global order can influence the choices of China in such a way that it views cooperative relations with the US as a primary interest. The idea of a China–US accommodation to jointly manage global issues has been invoked by China’s leadership as a ‘new type of great power relations.’

The question Carla Freeman raises in her conclusion on Chinese relations with North and South Korea (Chapter 28) is applicable beyond the scope of Beijing’s relations with the Korean peninsula: To what extent has scholarship on China’s foreign relations contributed to and informed the policy choices of the US and other governments in their relationships with Beijing? Are these studies generating insights from the ‘analytical altitude’ (as Freeman terms it) accorded by their position and removal from the day-to-day work of diplomacy, or do they too often take form as ‘news analysis,’ reacting to and interpreting recent developments? Few would contest the claim that studies of China’s foreign policy should seek to draw out broader lessons beyond the foreign policy events and crises of the day. But one significant barrier to the production of deeper analysis is the daily demands on Chinese foreign policy specialists in think-tanks and related institutions to respond to the latest news, through the production of op-eds, news commentary, and social media. On the flip side of this question is to what extent the foreign policy managers pay attention to or even read the work of scholars who spend time writing about the nuance and details of China’s foreign policy making community or the historical patterns of foreign policy behavior.

The question of China’s soft power is also addressed in many of these chapters. PRC initiatives to promote greater awareness of Chinese culture, language, and traditions are well documented, but their effects are more complicated to measure. As Zhou and Liu note in their conclusion (Chapter 29), no amount of soft power investments and programs can offset the negative consequences when Beijing takes actions to assert sovereignty over disputed territories or when Chinese corporations and even tourists engage in practices that fuel negative perceptions of Chinese abroad. Can the Belt and Road Initiative (BRI), with its massive transportation and infrastructure projects, foster a kind of soft power by enhancing the PRC ‘brand’ as a provider of high-quality, large-scale railway and port facilities? Many believe this is already a prominent effect of China’s outward investment in infrastructure programs. The BRI is spawning numerous research projects on China’s regional and global influence and will likely offer new understandings of China’s soft power and its connections with more conventional forms of power.

Finally, the chapters as a group also make revealing observations about the prospects for China’s foreign policy establishment to develop an adequate knowledge base for the multiple regions of the world in which China is now engaged. If one challenge of being a global power, as Americans have discovered, is to produce area studies experts who can inform the foreign policy community, then China also faces a similar problem and shortage of such expertise. On top of this,

the ability of area studies scholars to challenge prevailing wisdom in foreign policy circles remains extremely limited. Freeman shows (Chapter 28) that Chinese scholars writing about PRC relations with North Korea have taken professional risks in the past if they have been too strident in their criticism of China's support for Pyongyang. Zhou and Liu (Chapter 29) note the serious 'intellectual deficit' within China that hampers a deeper understanding of Southeast Asian cultures and histories, at a time when China's engagement with this region is rapidly expanding. Whether China's 'intellectual deficit' with respect to Southeast Asia, Central Asia, the Middle East, and elsewhere is any worse than that of the United States, relative to its history of military and economic ties with these and other regions, is uncertain but very likely no better than at the time of early US engagement (military and otherwise) in those regions. But Chinese foreign policy, much like US foreign policy in the past and present, will be vulnerable to the mistakes and misassumptions that frequently arise when area and regional expertise is in short supply, or dominated by only one or two institutions. Whether China as a global power repeats some of the same mistakes as the US in failing to produce sufficient depth in terms of area studies scholarship, and how this deficit translates into foreign policy choices, will be of crucial interest in decades to come.

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China–US Relations in a Changing Global Order

Rosemary Foot

INTRODUCTION

From the Cold War era to the current day, the People's Republic of China's (PRC) relationship with the United States has been one of considerable significance for global politics. At the height of the Cold War, levels of animosity were high in part because the establishment of a communist regime on the mainland of China reinforced the sense that the US-led liberal world order had met an additional serious challenger. The former Soviet Union at that time was America's primary strategic opponent, but the PRC also positioned itself as an alternative political-economic model in the global system and one that might be especially attractive to newly decolonized states. That challenge was to be subdued in its intensity as the two sides moved towards rapprochement and normalization of relations between 1972 and 1979, only to arise again in a more comprehensive form in the late twentieth and early twenty-first century. Indeed, many scholars, commentators, and officials (including former US President Barack Obama) would agree that in the contemporary period the China–US relationship has emerged as the most important state-to-state relationship in global politics, and uniquely important to the shaping and reshaping of world order.

Shifts in China's relative power in this recent period, together with Beijing's more overt use of its material strength to protect and project its political traditions and value system, explain the primary importance of these bilateral ties and why they are consequential for world order. As of 2017, the United States is the first and China the second largest economy in the world, the US has the world's first

and China the second largest defense budgets, and they are the top two emitters of carbon gases. China emerged in 2013 as the world's leading trading nation and since 2014 has become the world's largest importer of oil. It is largely agreed that a number of third party issues will defy solution or be difficult to manage unless these two states can find a way of cooperating – over financial regulation, climate change, cyber security, and nuclear weapons' proliferation.

In terms of bilateral ties, there are a number of important if contradictory trends that relate to these material indices. China has developed a military position in the Asia-Pacific that constrains some of a still-predominant America's military and strategic choices, but the United States remains China's major trading partner. For the US, China ranks second only to North America as an export market. Beijing had adversarial security relations with some of Washington's allies in the region (notably Japan), but has become the leading trading partner of most of its Asian neighbors, including several of those same US allies.

These evolutions in Chinese capacity and influence have not only affected world politics but have also affected the study of Sino-American relations in terms of the questions asked, the sources used, and the theoretical approaches that are being deployed. The analysis of the relationship is no longer primarily the preserve of area studies specialists and international historians. While these analysts will continue to provide an enduringly valuable window on the relationship, specialists in International Relations (IR), including scholars of international political economy, have entered the field in a major way. Moreover, the bilateral relationship has become of wider interest to academic generalists in the social sciences, journalists, and policy-makers around the globe because it touches on a number of fundamental questions, including those relating to war and peace. Is a war of hegemonic transition probable or will economic interdependence and great power management strategies tame the more competitive dynamics in the relationship (Khong, 2013/14; Cui and Buzan, 2016)? Does China's rise and ability to influence global politics directly and indirectly portend a fundamental reshaping of the post World War II global order, or is China gradually being accommodated and is itself being reshaped (Johnston, 2008; Foot and Walter, 2011; Ikenberry, 2015; Wang and Zhu, 2015)? Does the competition and rivalry evident in China–US relations support the argument that geo-politics has reemerged as a more important phenomenon than globalization, integration, and fragmentation as a way of understanding and characterizing twenty-first century global politics (Ikenberry, 2014; Mead, 2014)?

This chapter explores some of these questions, focusing first on the overall significance of this bilateral relationship since the establishment of the PRC on 1 October 1949. Next, it investigates how the relationship has been studied over this period and which disciplines have taken the lead in shaping the understanding of contemporary China–US ties. It references some of the source materials available for study and notes how those materials have influenced research priorities.

The third section outlines some of the policy positions that scholars and policy elites on both sides have attempted to promote over the years. Finally, the chapter assesses the prospects for the relationship and how the positions adopted relate to the analytical preferences of leading commentators on this bilateral encounter.

CHINA-US RELATIONS AND THEIR BROADER SIGNIFICANCE

The Chinese Communist Party victory in the civil war in China in 1949 marked a major turning point in the Cold War. In many respects it served to globalize that East-West conflict, particularly once the Korean War (1950–53) had brought US and Chinese military forces into direct contact on the battlefield. The Korean conflict reached a stalemate at its conclusion in 1953. In 1954, China helped support the successful North Vietnamese expulsion of the French from Indochina. Beijing took a stand against the United States in the two Taiwan straits crises of 1954–55 and 1958, and established a formidable presence at the Bandung Conference in April 1955 among 28 Asian and African nations. Its successful negotiation and championing of the Five Principles of Peaceful Coexistence (mutual respect for territorial integrity and sovereignty, mutual non-aggression, mutual non-interference in internal affairs, equality and cooperation for mutual benefit, peaceful coexistence) with India in 1954 appealed to other countries fearful of intervention by the powerful in their internal affairs, and keen to reinforce the sovereign legal equality of states (Chen, 2001). The PRC's early domestic gains post 1949 also served to unnerve governments in the West and impress elsewhere. Beijing had apparently restored order in a country that had been laid waste by international and civil war, from 1952 had embarked on a five-year plan that showed a signal determination to make China a prosperous and powerful socialist state, and soon started to post impressive growth rates. Developments such as these helped drive the perception that a major new presence had emerged in world politics.

In response to these Chinese successes, the primary concern of US administrations became to dent the growing prestige of the socialist bloc, and especially of the PRC, as well as reverse the apparent shift in the balance of world forces in favor of communist Asia. The Chinese communist political and economic model had started to appeal to other newly decolonized countries and had given a boost to the already-present intellectual sympathy for Marxist economic concepts among countries that mostly had no choice but to accept a prominent state role in the planning and finance of their country's major economic development projects. By the time of the Eisenhower administration, parts of the US political elite had come to believe that many in Asia thought Chinese-style communism was the 'wave of the future' (Foot, 1995: 197–202). Democratic India simply could not match the scale and speed of China's progress. As Walt Rostow, the

influential US ‘modernization’ theorist, noted, ‘even an indifferent outcome on mainland China could still represent an important relative achievement both to the Chinese and to Asians generally.’ Rostow went on, this would allow Beijing to ‘maintain its posture as Asia’s wave of the future, both in terms of military strength and, especially, as possessor of the “correct formula” for the solution of Asia’s problems’ (1954: 310).

The Chinese leadership could not but agree. Despite continuing high levels of poverty it embarked on an overseas aid program in the mid-1950s that offered assistance for labor-intensive light industrial and agricultural projects that reflected a belief in the wider applicability of China’s experience. In 1973, those aid levels reached seven per cent of the country’s fiscal budget (Ren, 2016: 342). Beijing’s scientific progress (initially with Soviet assistance) had been such that it could test its first atomic weapon in 1964. The fact that the Soviets stopped their help to the Chinese nuclear program reinforced a sense that with sufficient determination the weak and less-industrialized nations could overcome the monopoly over nuclear weapons that had previously been enjoyed by the most powerful states (Lewis and Xue, 1988; Horsburgh, 2015).

Of course, that sense of communist China as an alternative and successful model for other developing countries faded dramatically after the failure of the country’s disastrous Great Leap Forward policies and then the chaos associated with the Cultural Revolution. Moreover, as China’s rate of growth declined or stagnated in the 1960s and early 1970s, those of its neighbors – notably Japan, South Korea, Taiwan, Singapore, and Hong Kong – dramatically accelerated. Japan, for example, emerged as the world’s second largest economy in 1968, having posted average growth rates of over 10 per cent since the early 1950s. Chairman Mao Zedong’s eventual successor, Deng Xiaoping, decided it imperative in late 1978 to push through radical economic reforms as well as political opening. In the years immediately after Deng’s decision, China seemed not to be a positive example to anyone; instead it seemed to be a country learning how to survive and prosper in a liberal global political economy. Certainly there were serious economic and political tensions in the US–China relationship in the 1980s and early 1990s, but overall Washington approached Beijing less as a looming strategic and economic competitor and more as an economic opportunity and future candidate for full membership in a US-led global system, difficult though that would be to bring about.

However, China’s double-digit growth rates over several years, a steadily augmenting defense budget, and a rapid increase in its membership of international organizations started to change that depiction of Beijing’s place in the global system. In the twenty years after 1977 it doubled its membership in formal international organizations and joined over 1,000 international non-governmental organizations (Lampton, 2001: 163). From 1978 to 1999 China quadrupled its gross domestic product. It joined the World Trade Organization in 2001 and,

between then and 2008, its exports grew by an annual average of 29 per cent (Yao, 2015). In 2010, it went on to become second only to the United States in terms of the size of its economy. According to World Bank figures, it had lifted 700 million Chinese out of extreme poverty over this time period.

Beijing also cemented relations overseas. In the 2000s it became the primary trading partner of most of its Asian neighbors, including several of America's major formal and informal allies. It steadily emerged as a major aid donor and international investor and in 2013 proposed a new multilateral development institution, the Asian Infrastructure Investment Bank (AIIB), which came into being in 2015. It played an important founding role in the BRICS New Development Bank (2014) headquartered in Shanghai. Under President Xi Jinping Beijing has strenuously promoted its 'One Belt, One Road' (OBOR) project, later referred to as the 'Belt and Road Initiative' (BRI), a revival of an idea loosely drawn from the Tang dynasty of a Silk Road Economic Belt, linking China with West and South Asia and Europe, as well as a Maritime Silk Road aimed at strengthening China's bonds with the countries of Southeast and South Asia, Africa, and Europe. Infrastructure projects are destined to be at the heart of these strengthened ties through the financing of ports, railways, roads, oil and gas pipelines, and telecommunications networks. For some observers of these developments, a central question has been to evaluate the extent to which this initiative, if successfully enacted over the long term, will bring about a dramatic shift in world order (Johnson, 2016; Wang Yong, 2016). In the meantime, many assume that China, through the promise of the BRI, is starting to deploy its economic strengths as a potential source of increased global and regional political influence to the detriment of America's own.

Military-strategic developments have also made their mark on the bilateral relationship and on Asia-Pacific regional relations. The Chinese government has made generous annual contributions to its defense budget in the wake of its enhanced economic position, especially since the early 1990s. Where once analysts focused on China's military modernization as primarily directed at the recovery of the de facto independent state of Taiwan, wider strategic goals now appear within its grasp (China's Military Strategy, 2015). China's armed forces may still lack extensive power projection capabilities beyond their own region; nevertheless, they do now challenge US primacy in the Asia-Pacific. These developments have foreclosed some of America's military options and raised the costs and risks of its prospective military operations (Brooks and Wohlforth, 2015/16; Zhang T., 2015). This matters particularly in the context of a Chinese willingness to protect and promote more determinedly its unresolved territorial claims in the Asian region and an expressed desire to offer an alternative 'community of common destiny' in Asia, reducing the influence of, or eventually removing entirely, the US-constructed security architecture that has been extant in the region in the post-World War II era (Xi, 2014).

The overall effect of these changes in relative power has been to shift the terms of the intellectual debate on China–US relations. The emphasis on the extent to which China was being or could be socialized or shaped into supporting a US-led global order (Johnston, 2008; Ikenberry, 2014; Christensen, 2015) came to be matched by those who suggested that China intends to displace US hegemony in the Asia-Pacific (Friedberg, 2011; White, 2012; Mearsheimer, 2014; Shi, 2015), or indeed might come to dominate not just its region but the twenty-first century world order itself (Jacques, 2012; Fenby, 2014). China began to be described as a global norm maker, or certainly a norm shaper, rather than simply a norm taker (Foot, 2016; Zhang, Y., 2016). Others debated less the idea of China's world or regional dominance but focused instead on the prospects for a China–US 'G2' where together these two states manage key elements of global governance. This has been a topic of considerable interest in China itself in part because of President Xi's initial emphasis on the need for a China–US 'new type of great power relations' [xinxing daguo guanxi] (Shi, 2014; Qi, 2015; Zeng and Breslin, 2016).

The prospect for a major China–US conflict has also become a topic of growing academic and policy concern. The 100th anniversary of the start of World War I sparked a spate of publications that sought comparisons and contrasts between the onset of war in Europe and the prospects for war in Asia, with the China–US relationship at the heart of that contemporary comparison (Chong and Hall, 2014; Macmillan, 2014; Krause, 2014; Rosecrance and Miller, 2015). Power Transition Theory predicts that war becomes more likely when shifts in power, mostly caused by rapid economic growth in one dissatisfied party relative to that of a declining hegemonic status quo power (Organski and Kugler, 1980; Gilpin, 1981), became prominent again (Chan, 2008; Levy, 2008; Mearsheimer, 2014; Foot, forthcoming). The idea has been popularized among policy officials in China as well as in America, one US analyst terming it the 'Thucydides Trap' (Allison, 2015, 2017), with this gloomy prognosis even appearing in the speeches of top Chinese officials such as Presidents Hu Jintao and Xi Jinping, as well as Foreign Minister Wang Yi.

Thus, the arrival of the PRC regime drew attention to fundamental questions involving East–West as well as North–South relations. With China's late twentieth century resurgence, many IR theorists and generalists began to take notice of a state whose presence touched on the central questions that had long preoccupied the field, including the prospects for war or peace in an interdependent world experiencing obvious shifts in relative power. Those focusing on globalization explored the extent to which that phenomenon was playing a role in homogenizing state behavior, perhaps to include the most populous state in the global system. Others pondered whether China was helping to shift the balance in world politics away from a late twentieth century focus on global governance and the solution of collective action problems towards a geo-political world of contending states.

THE PRC'S EMERGENCE AND ITS IMPACT ON THE METHODS OF STUDY

Undoubtedly, the sources available for the study of this relationship have shaped the questions asked and the conclusions reached. With the greater openness of China, as well as shifts in Chinese policies, a wider range of materials has become available from the country itself. China's increase in power relative to the United States has also prompted attempts to assess how close it has come to overtaking the United States in the most significant indices of material and soft power, as well as prompting historical comparison with the behavior and consequences of rapidly rising state power in earlier eras.

From the 1980s onwards, China's Reform and Opening, the ending of the Cold War, and the accompanying opening of Soviet-bloc archives, together with greater access inside China, inevitably affected the appraisal of the China-US relationship. Archival, memoir, and oral history resources, particularly on the US side, led to an initial concentration on the Cold War phase of this bilateral relationship and was reflected in the work of both Chinese and non-Chinese, particularly American, historians and political scientists. After the death of Mao, more Chinese archival materials became available to Chinese researchers (e.g., Zhou, 1997; Mao, 1998). Indeed, for a short while, China's foreign ministry allowed relatively open access to parts of its archives even to foreign scholars (e.g. King, 2016). Xia Yafeng (2008) provided a helpful review of some of the materials covering China's Cold War history in the *Journal of Cold War Studies*.

A number of the significant writings that emerged from this period were collaborative in nature (Harding and Yuan, 1989; Ross and Jiang, 2001). And collaboration has continued into the twenty-first century (Ross and Zhu, 2008; Lieberthal and Wang, 2012; Ikenberry et al., 2015; Cui and Buzan, 2016; Zeng and Breslin, 2016), despite a Chinese search for a more distinctive 'Chinese School' of International Relations (Yan, 2011; Zhang and Chang, 2016).

Questions debated in the earlier Cold War phase of this relationship were often issue-specific or event-driven. For example, scholars with access to primary documents asked whether there had been a 'lost chance' for accommodation between the two sides or whether the idea of 'lost chance' in fact was a chimera in the ideologically charged atmosphere of the early Cold War (Borg and Heinrichs, 1980; *Diplomatic History*, 1997; Chen, 2001; Westad, 2005). Others explored what benefits each side believed could be derived from using the relationship primarily to mobilize for domestic political purposes directed towards larger Cold War era goals – in the case of the United States in order to strengthen the coherence of its anti-Communist campaign in Europe, for the Chinese Communist leaders to send the signal to its domestic opponents that the country had irrevocably turned towards the socialist bloc (Chen, 1994; Christensen, 1996). *The Cold War International History Project*, based at the Wilson Center in Washington DC,

and the regular *Bulletins* that it produced were particularly important in making more widely available the treasure trove of archival materials that became available from a variety of Communist and former Communist states that could aid understanding of these and related questions (e.g. see *Cold War International History Project Bulletin*, 2007/08).

As the China–US relationship moved towards rapprochement in 1972 and then normalization of relations in 1979, archives and memoirs on both sides could later be mined to expose the policy preoccupations of the negotiators and the negotiating tactics adopted (Kissinger, 1979; Wang Bingnan, 1985; Burr, 1998; Tucker, 2001; Kirby et al., 2005; Xia, 2006). The US relationship with Taiwan, the ending of the Vietnam War, and perceptions of the Soviet threat dominated the discussions between Chinese and American officials in the 1970s as well as the scholarly treatments of this period. National Security Adviser Henry Kissinger's memorandum in October 1971 to President Richard Nixon that 'we want our China policy to show Moscow ... that it is to their advantage to make agreements with us, that they must take account of possible US–PRC cooperation' (quoted in Schaller, 2001: 363) was one statement among many that helped spark a voluminous scholarly literature on the so-called Sino-Soviet-American 'strategic triangle' (e.g. Kim, 1987; Goh, 2005: esp. chap. 10).

These debates were further enriched with the integration of China's approach to scholarship with the wider world of learning as well as the country's deeper integration into regional and world politics. Publications made use of interviews with Chinese officials and scholars, and an expanded range of Chinese media, periodicals, and books. Qinghua University, supported by China's Education Ministry, set up the China National Knowledge Infrastructure – a searchable database allowing for access to a wealth of material. This included entry to a range of periodicals in Chinese as well as in English relevant to the study of China's external relations. Longer-term and more frequent study periods in China also allowed for the acquisition of some materials that had restricted internal circulation. Important among those who made use of this improved access was China specialist and IR scholar David Shambaugh, who studied the writings and collected the thoughts of many of China's 'America Watchers' – those in China whose full-time professional role was to study and interpret the United States. He found a plurality of views over the period 1972 to 1990 but essentially ones that displayed a superficial understanding of America's economy, society, polity, and foreign policy (Shambaugh, 1991).

This book was important substantively but also in the way that it helped to tip the field away from the study of particular events affecting the relationship to a more general focus on the nature of the state-to-state ties and the implications of their intensified bilateral relationship for regional and global order. IR scholars, many with China expertise, came to occupy a more prominent role in the field. They found their appreciation of the country's external relations aided both by the US–China rapprochement and normalization of ties, as well as by

Beijing's enhanced engagement with other governments and major international organizations such as the United Nations (Kim, 1979), World Bank, and IMF (Jacobsen and Oksenberg, 1990) which that normalization of ties had helped promote. Alastair Iain Johnston, for example, estimated that over the course of the 1980s and 1990s the PRC joined more international organizations and signed more international conventions than to be expected for a country at its level of development (Johnston, 2003: 13).

IR scholars such as these made two moves of particular importance in their writings: the first was to raise questions about how China itself might be being 'socialized' – that is, being shaped by its deepened international involvement and made responsive to the idea that its international image could be improved via such participation. The second move was to put Beijing's behavior in comparative perspective, prompting scholars to question whether there was anything particularly unique about the way it conducted itself as a rising state or putative great power on the verge of coexistence with other great powers as well as the remaining superpower in the global system (Johnston, 2003, 2008; Foot and Walter, 2011; Christensen, 2015).

China's steadily enhanced power and presence in regional and global politics and economics also encouraged further reflection on the relationship between external influences on China and its domestic preferences. Scholars, several of whom were based in the UK, made use of world order perspectives influenced by the 'English School', theorizing to examine the course of the bilateral relationship and the challenge that China might pose to a US-led global and regional order (Clark, 2011; Foot and Walter, 2011; Goh, 2013). Referencing Chinese commentary and analysis, holding interviews with those deemed close to Beijing's decision-makers, and putting these findings together with the experiences of those who had worked alongside Chinese officials in international settings, increased the opportunities for asking probing questions about the ideas that China might be seeking to advance in international society. These questions mattered particularly to the United States and its relationship with China because of Washington's hegemonic position in the post-war order and because it had made several explicit calls for China to act as a 'responsible stakeholder' in global politics (for the most frequently cited among these calls see Zoellick, 2005).

Several social scientists and especially those predominantly from the US academy and without a previously sustained interest in China's external relations began to reflect more generally on the meaning of China's rise. Some, adopting realist theorizing together with an assumption of cyclical dynamics in global politics, perceived Beijing's resurgence as one new instance in a global power shift that foreshadowed conflict, much as earlier instances of power change had brought about war (Mearsheimer, 2014). Others also focused on the shifts in relative power but were to question the credibility of the argument that China was about to overtake the United States, thus challenging the argument that war might soon be sparked by a power change (Beckley, 2011/12; Brooks and

Wohlforth, 2015/16). Still others emphasized the strength of the US-led liberal post-war order that China had chosen to join and would find difficult to overthrow (Ikenberry, 2008).

The Australian strategist Hugh White expressed his conviction that the US and China were destined to come into conflict unless America could find a way of coexisting and sharing power with the PRC in the Asia-Pacific region (2012). He noted the root of our perplexity about how best to respond: 'We have never seen a country of over a billion people break out of poverty, join the modern economy and move towards OECD levels of per capita income. We have no experience of what such a country will be like, what kind of power it will have, and how it will behave' (2012: 31). But his answers were to emphasize that rivalry for predominance already had come to characterize the China–US relationship.

Importantly, most of these IR generalists focused less on scholarship on or from within China that analyzed the leadership's motivations, instead using mainly material power indices, theoretical constructs, or historical lessons from elsewhere in the world to make their cases. However, as is plain with much of the writing on this crucial bilateral relationship, no consensus – either in China itself or overseas – has been reached on whether Beijing's rise represents a fundamental challenge to the US-led post-war order or whether its interests and preferences can largely be accommodated without significant strain, let alone conflict.

POLICY POSITIONS AND THE CHINA–US RELATIONSHIP

Each of these understandings of the PRC's place in world politics and of the China–US relationship that is embedded within arguments about China's place in the global system has resulted in major debates among scholars and practitioners about how to characterize policy positions on both sides, how best to ensure desired outcomes with respect to the relationship, and about the extent to which the relationship can be stabilized or managed.

For Chinese officials and analysts, there has been considerable continuity in the perception of US policies and objectives. During the early Cold War, they emphasized US policies of hostile encirclement as reflected most directly in the US alliance framework in the Asia-Pacific. Threatening too were US attempts to strike at the legitimacy of Chinese Communist Party rule through Washington's support for an alternative Chinese government on the island of Taiwan, and which represented itself as the Republic of China in major international organizations – at least until 1971 when the China seat at the United Nations changed hands. Moreover, the US adopted a containment policy stricter than that operating against the Soviet bloc, both diplomatically and economically, convincing the Chinese that US administrations believed it possible to overthrow an eventually weakened Chinese government (Foot, 1995; Meijer, 2016).

Many of those perspectives on US intentions continue to be present in the late twentieth and early twenty-first century despite the dramatic change in Chinese circumstances and in the nature of bilateral ties. Interdependence, particularly in the economic field, together with deeper inter-societal linkages of various kinds, as well as dozens of official bilateral dialogues (Glaser, 2014), do not seem markedly to have diluted Chinese officials' suspicions of the United States. Events that fed those suspicions in the early 2000s included the granting of a visa in 1995 to the President of Taiwan and America's show of force in the Taiwan Strait in 1996; the 1997 US-Japan revision of their defense guidelines agreement which gave Japan a larger strategic role in the Asia-Pacific region; the NATO intervention in Kosovo in 1999 which led to what China claimed (and the US refuted) to be the deliberate bombing that May of the Chinese embassy in Belgrade; and the post 9/11 counter-terrorist campaign which brought with it a strong US presence in areas bordering China's western regions.

Chinese policy responses to these events came thick and fast and displayed considerable consensus. In 2003, Men Honghua of China's Central Party School described US policies of encirclement as a trap from which China needed to find the means to extricate itself (quoted in Christensen 2006: 116, note 102). Huang Renwei of the Shanghai Academy of Social Sciences agreed, stating: 'One of China's priorities in maintaining an advantageous international environment lies in reassuring relations with her neighbors and preventing a network of constraint being built by the U.S. in surrounding areas' (Huang, 2003: 84).

IR scholar Shi Yinhong, based at Renmin University, and who in 2011 became a Counsellor of the State Council of China, concluded that the majority among the Chinese political elite 'hope for long-term accommodation with the United States, but seriously doubt its probability' (Shi, 2002). Later perspectives emphasized the persistence of 'mutual strategic distrust' of long-term intentions (Lieberthal and Wang, 2012) despite constant contact at the highest levels and across a range of policy areas (President Obama, for example, as of November 2016, had met with Chinese Presidents on 18 occasions). At the root of this corrosive distrust is said to be 'different political traditions, value systems and cultures; insufficient comprehension and appreciation of each others' policymaking processes and relations between the government and other entities; and a perception of a narrowing gap in power between the United States and China' (Lieberthal and Wang, 2012: xi).

Wang Jisi, the doyen among Chinese analysts of the relationship with America, reports that there remain deep-seated fears in China that the United States wishes to prevent China becoming a great power and harbors a continuing desire to interfere in its internal affairs (Lieberthal and Wang, 2012: 7). For these, among other reasons, Wang in 2012 and partly in response to the Obama administration's 'rebalance to Asia' recommended a 'go west' strategy for China. In Wang's view, this would avoid or reduce the high levels of competition between the United States and China on the latter's eastern seaboard and replace that

with productive Chinese policies in an area where US influence has been less pronounced (Wang, 2012). China's 'Belt and Road initiative' has been viewed as one fruit of this strategy, which Wang Yiwei agrees 'could help redirect the centre of geopolitical gravity away from the US and back to Eurasia' (Wang Yiwei, quoted in Economy, 2016). However, most if not all scholars and officials recognize the continuing importance of China's relationship with the United States. Thus, another policy direction, promoted strongly by Presidents Hu Jintao and Xi Jinping, has been to try to establish with the United States a 'new era in great power relations', one where Chinese 'core interests' are respected and mutual accommodation prevails.

This is not to suggest there is no variation in view inside China or realization that there are both cooperative as well as competitive dynamics in this bilateral relationship, as Wang Jisi himself has frequently argued (2005). Another of China's US specialists, Wu Xinbo, for example notes that the United States is both 'challenger and partner' on different geo-economic and geo-political issues. He also suggests that we cannot understand Chinese policies without examining the extent to which US actions, such as the US rebalance to Asia, are capable of 'shaping' China's strategy in its neighborhood, referencing the establishment of the AIIB, the BRI, the Sino-Pakistani, and the Bangladesh–China–India–Myanmar economic corridors as evidence for his argument (2016: 851). A 2015 publication from the China Institute of International Studies – a Chinese Ministry of Foreign Affairs-linked think tank – unusually described the key objective of US policy towards China not as 'containment' but as 'hedging' in order that Washington can on occasion take advantage of a relationship in which the two states are 'neither enemies nor friends' (quoted in Xie, 2015). Chinese scholars, in debate with their American counterparts at the Center for American Progress in 2016, agreed that the South China Sea dispute was the 'defining issue in the U.S.–China relationship', but whereas some saw the United States as a 'black hand' pushing its allies 'to act more aggressively in their territorial disputes', others noted those same allies manipulating the US government over this issue in ways that the government in Washington 'did not intend' (Hart, 2016: 17). And while some claimed the ill-fated Trans Pacific Partnership agreement to be 'another example of American aggression against China', others argued that future potential Chinese membership in such a body would help promote the essential effort to reform China's economic model (Economy, 2016: 5).

Scholars and other commentators on US strategy and policy towards China have revealed somewhat higher levels of instability in US perceptions and resultant policy prescriptions in comparison with the underlying Chinese depictions of the relationship. It may be something of a caricature of the US policy positions in the post-normalization period of bilateral ties, but the recommendations of the US media have been depicted as gyrating among the extremes of 'cooperate with the mid-1980s reformers; sanction the late 1980s oppressors; profit from the early 1990s economic juggernaut; prepare for the Armageddon with the

mid-1990s rising power; engage the late 1990s responsible China' (Economy and Oksenberg, 1999: 1). In the period since the start of the twenty-first century to 2016 we could describe the official US policy positions as being to exhort China to be a more responsible stakeholder; challenge it when it breaks US perceptions of dominant global norms; deter it when it becomes militarily too assertive or puts pressure on US allies; be prepared to cooperate with it on 'shared fate' issues.

If the media were perplexed by these gyrations in policy, scholars too were in dispute as to the significance of China's rise, one of whom asked in the 1990s 'Does China Matter?' (Segal, 1999), to which one response a few years later in a reassessment of that question was to emphasize how it mattered and where it mattered (Buzan and Foot, 2004). Debates from the 1990s often revolved around whether it would be better to contain China's rising power (much as US administrations had largely successfully done in the 1950s – at least in terms of the PRC's material strength) or promote further engagement in the expectation that China's integration would deepen its stakes in the present world order. The desired end was to render Beijing a rising power supportive of the status quo rather than one acting to overturn it. One analyst based in the UK argued that 'constraint' – to incorporate elements of engagement with balancing behavior – was actually the better option in a post Cold War era. China needed to be shown that the outside world would defend its interests via 'incentives for [Chinese] good behavior, deterrence of bad behavior, and punishment when deterrence fails' (Segal, 1996).

IR scholar John J. Mearsheimer, writing in the early twenty-first century, has promoted strongly the need for a return to containment. Without that, he argues, China is set to dominate the Asia-Pacific region and eject the United States from its presently commanding position. Moreover, he views it as 'quite certain that China cannot rise peacefully', predicting that 'there is a reasonable chance that the US and China will end up in a shooting war over the next 30 or 40 years' (Mearsheimer, 2013). Aaron L. Friedberg of Princeton University, who for a short time worked as deputy secretary for national security in the office of the Vice President during the George W. Bush administration, agrees that a strong China will want to replace the United States as the hegemonic state in the Asia-Pacific, acknowledging too that war between the two cannot be ruled out, especially while China retains its authoritarian political system (2011).

Others dispute this, some challenging the relevance of the historical analogies drawn upon (Chong and Hall, 2014), the historical lessons to be derived from past cases of power transition (Kirshner, 2010), as well as taking issue with the notion that it is epic cycles in world politics rather than evolutionary change that is a better descriptor of transformation in world order (Ikenberry, forthcoming).

What this all adds up to is a great deal of division and uncertainty about how to approach the relationship to achieve desired outcomes in specific policy areas

and more broadly to make it stable and productive. Undoubtedly, it is affected by the theoretical starting points of those that have entered into these debates, but also by the opaqueness of Chinese long-term intentions. Is it the case, as Avery Goldstein has argued, that China is hedging and has adopted a 'neo-Bismarckian' strategy to prevent its encirclement by a hostile group of states in alliance with the United States (2005); or is it seeking something more offensive than that, as Mearsheimer has contended? Or is Beijing's position being shaped and constrained within a US-led liberal order from which it has clearly derived benefits (Ikenberry, 2008)?

As Friedberg noted in a 2005 work that draws on the three main analytical traditions in IR of liberalism, realism, and constructivism, not only do these theoretical starting points generate different assessments about the present and future of the China–US relationship, but even within these three broad schools of thought different conclusions have been reached. As Friedberg puts it, while there was every reason to 'hope that U.S.–China relations will follow a smoother and more peaceful course' than that between Britain and Germany in the early twentieth century, 'neither history nor theory can provide any assurances that it will be so' (2005: 45; see also Christensen, 2006).

CONCLUSION

There is, then, little to be sanguine about when contemplating the future of China–US relations in terms of conceptual clarity, or any certainty about which policy recommendations will best generate a stable and peaceful future. Uncertainties are also multiplied with the election in the United States in 2016 of a president with no previous experience in government at any level and a range of unsettled opinions about America's external relations.

Wu Xinbo has suggested that competition in China–US relations now prevails over cooperation and realist thinking over that of liberalism. In a surprisingly frank set of recommendations, he argues the two states should work harder in order to reach mutual accommodation. This will require China to 'exercise its growing capability in a more constructive way, abstain from pursuing a narrowly defined agenda of national interests, and work in earnest to promote the well-being of the [Asia-Pacific] region.' Beijing, he avers, needs to 'make a better job of reassuring others, Washington included, about the ultimate purpose of its actions'. With respect to US actions, Wu recommends adopting a 'more open-minded and progressive attitude towards the shifting power balance as well as the evolution of regional order, learn to live with China's rising influence in regional affairs ... and refrain from seeking to monopolize the leadership of regional affairs and resisting the inevitable trend of change in the regional order' (2016: 866).

However, mutual accommodation seems not to be of interest to the Chinese government in Yan Xuetong's view, except perhaps in the short term. He avers

China is most interested in establishing hegemony regionally and globally. He also suggested in 2014 that 'in the future, China will decisively favor those who side with it with economic benefits and even security protections. On the contrary, those who are hostile to China will face much more sustained policies of sanctions and isolation' (quoted in Hoo, 2016: 19). Such a Chinese governmental approach clearly undercuts Yan's argument in favor of a Chinese search for 'moral authority' and 'humane governance' in its quest for greater influence in world politics (2011).

With respect to future US behavior, White's perspective aligns with that of Wu and also with Henry Kissinger's, the latter of whom argues for a relationship of 'co-evolution' where a degree of competition is accepted as inevitable, but relations are adjusted to minimize conflict and expand areas of cooperation (2011). In White's case, his argument leads him to advocate the establishment of a new 'great power concert' in the region involving the United States, China, Japan, and India (2012) in order to reflect the power transformation that is in train. However, as Khong has suggested, it is a formulation that seems radically 'out of step with the power and political realities in Asia today' (2013/14: 167).

Harry Harding, reflecting in 2015 on the fragile state of China-US relations, as he did also in a seminal work over 20 years earlier (1992), refers to the current inconclusiveness of the debate about how to move forward in a more positive direction. In his view, 'in the [US] academy, the business and the policy community' the basis of support for greater accommodation has declined. This portends an era of greater competition and even 'open rivalry' (2015: 119). Harding reverses the question asked of this bilateral relationship in the 1950s, this time suggesting that 'future generations of Chinese scholars' might well start asking "'Who lost America?'" (119). Timothy Heath (2016), as well as one scenario outlined in 2013 by David Rapkin and William Thompson, written from the political economy perspective, add to this gloom, positing that as China adopts strategies to 'catch-up' with the United States, competition rather than complementarity in the economies will also rise. One effect of this would be to dampen the effects on strategic rivalry that past economic interdependence had generated. Shambaugh, on the basis of eclectic theorizing, describes the 'key future challenge' in a relationship where 'divorce is not an option' as being to 'manage competition' (2013: 22). Wang Jisi, continuing his perspective based on ideas and perceptions, argues that levels of distrust have deepened still further in the last few years and without direct efforts to increase levels of communication between the two sides, the future looks bleak (2016).

Khong cautions, however, that there is still time to reverse some of these negative trends in the bilateral relationship and that, in any case, China will take a long time to replace the United States as the hegemon in Asia (2013/14: 172) – and some would add, if it ever does. I have argued that the domestic economic priorities in both countries, the economic interdependence between them, as well as an awareness of the high stakes involved were there to be a Sino-American

conflict or conflict involving one of Washington's formal Asian allies, still act as mutual constraints on behavior (Foot, forthcoming). Many of China's leading scholars of Sino-American relations also appear to be in search of ways of reversing the cooling of ties and sustaining a productive relationship. The US specialist Jia Qingguo, for example, in 2015 argued against China's adoption of a broad definition of its core interests since breadth reduced its room for strategic flexibility, raised the possibility of a use of force, and threatened to enhance the prospects for a US–China conflict over Beijing's disputed maritime claims (quoted in Hoo, 2016: 11–12).

These debates suggest the importance of staying attuned to scholarly, official, and semi-official perspectives that help us to understand how the bilateral relationship interacts with the broader strategic goals of twenty-first century China. Viewing that relationship historically has pointed out that it is far more complex now than was the case in the Cold War era, with many more opportunities for cooperation as well as conflict. President Donald J. Trump's policy towards China often appears contradictory, a charitable interpretation being that this is because of those oppositional trends in the relationship. Trump stresses that he has developed close personal ties with President Xi, but his administration has published a National Security Strategy emphasizing China as a major strategic competitor, and has initiated a tougher response to dealing with America's goods' trade deficit with China. Given the extent to which this significant relationship affects crucial global order concerns, it is essential that these two states find productive ways of addressing the issues at the core of their relationship in order better to protect us all.

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China–Japan Relations

Ed Griffith and Caroline Rose

INTRODUCTION

Academic studies of China–Japan relations since the end of World War II have covered all aspects of the relationship, reflecting the varied, and intermittently troubled, nature of interaction. While the 1950s and 1960s were marked by a lack of diplomatic links between the two sides, the nature of informal contacts, the separation of politics from economics, the conclusion of private trade agreements, and the environment of the Cold War provided scholars with considerable material to help shed light on the emerging structures and processes of the post-conflict relationship.

After diplomatic normalization took place in 1972, academic studies reflected the honeymoon period of revived economic and cultural relations, but in the 1980s, in the wake of the emergence of clashes over widely different understandings of the 1931–45 conflict, attention turned increasingly to the problem of history and the failure to reconcile the past. As China opened up in the 1980s and began to show signs of rapid economic growth, interest in Sino-Japanese economic complementarity and/or competition also grew. By the 1990s, the field of security studies also began to turn its gaze towards Sino-Japanese relations, looking at the potential for conflict between the two East Asian giants, particularly in light of China's rise, and its military modernization programme. Moving into the 21st century, the field of Sino-Japanese relations has flourished still further, benefitting from a new generation of scholars who combine disciplinary and area studies approaches to offer nuanced analyses of economic, political, cultural, sociological, and historical aspects of China–Japan relations.

Given the vast amount of Chinese and international scholarship on China–Japan relations, this chapter focuses only on the major areas of study and the key debates. The chapter begins by considering Chinese academic works on Sino–Japanese relations (mainly in the field of IR), followed by an overview of the key international scholarship which encompasses such areas as diplomatic history, economic relations, traditional and non-traditional security issues, and social/cultural relations. It then presents two case studies: the so-called ‘History Issue’, which continues to attract much academic attention, not least because of ongoing debates about interpretations of the past; and the Diaoyu/Senkaku issue, which has escalated since 2010 and continues to be a source of tension between the two sides. Throughout, we take note of the recurring themes in the scholarship, which largely revolve around two key topics: the binary of competition versus cooperation; and the history problem. The chapter concludes with a brief consideration of recent and emerging scholarship on China–Japan relations.

CHINESE ACADEMIC WORKS ON SINO-JAPANESE RELATIONS

Although Japanese Studies centres were established in China in the 1950s, serious academic research only began in earnest in the late 1970s, having been stifled by the Cultural Revolution as well as an adherence to an ideological position on Japan and a tendency to exploit the relationship’s problems for the purposes of propaganda. One of the key features of the now expansive Chinese scholarship on China–Japan relations is the large number of volumes devoted to sweeping overviews of the post-war relationship, in addition to collections of source documents and dictionaries (see Xia & Dong, 1991; Tian, 1996; Tian, 1997). Chen Jinhua (2015) divides the relationship into four eras that are notably defined entirely in terms of China’s own experiences. In a similar vein, Song Zhiyong’s modern and contemporary history of Sino–Japanese relations (2010) is dominated by the two Sino–Japanese wars. While detailed and thorough, the work exemplifies the trend of considering Japan’s actions towards China. Such volumes tend to appear with more frequency during anniversary years, be it anniversaries of the signing of the 1972 Joint Statement, the 1978 Peace and Friendship Treaty, or the end of the war (see for example Jiang, 2002; Liu, 2007). Studies of Sino–Japanese friendship are a common feature (for example, Huang and Zhou’s three-volume study of cultural and people-to-people exchange published on the thirtieth anniversary of the signing of the 1978 Peace and Friendship Treaty).

Although the subject of Sino–Japanese relations attracts a great deal of attention from academics, much of what is published follows a formulaic approach designed to satisfy the accepted political line of the moment. Some Chinese analyses seem to suggest that the mere existence of mutual interests guarantees an improved relationship (for example Xu, 2002), while many offer suggestions of ways in which the relationship could be improved – almost invariably these suggestions involve a

'correction' of attitude or action on Japan's part, particularly in the wake of periods of tensions (for example, after Koizumi's premiership – see Sun, 2008). It is not uncommon to find articles that merely outline some of the issues facing the bilateral relationship and conclude with a prediction of improved ties, usually with the added proviso that Japan adopts the 'correct' attitude toward history (for example Zhang, 2004; Lu & Zhong, 2009). Periods of tension, for example the rift of the early 2000s prompted by Prime Minister Koizumi Junichiro's visits to the Yasukuni Shrine,¹ or the deterioration after the 2010 fishing boat collision, tend to generate much discussion about the need to 'redefine the foundation' of the relationship or improve relations by Japan 'facing the past squarely' (Zhu, 2006). Similarly, the work of Yao Jin (2011) is also typical in the way that it explores the Sino-Japanese relationship by examining the difficulties deemed to have been caused *by* Japan, rather than considering the relationship as a whole.

China's 'rise' is a theme that has emerged in the Chinese literature on Sino-Japanese relations in the last two decades (Zhu, 2006), and Ma Junwei identifies it as key to the strategy pursued by Japan, in cohort with the US, to 'contain' China (Ma, 2006). Shi Yinhong, one of China's most well-known IR specialists, issued a warning during Koizumi's tenure that the tensions in Sino-Japanese relations were a risk to China's interests (Shi, 2003b: 10). Shi's writing is notable for his advocacy of China adopting a pragmatic approach to the relationship, though this should be conditional on Japan not renegeing on its previous statements of war responsibility (Shi, 2003b: 11).

Challenges to the mainstream view about the nature of China's Japan policy are few and far between, as illustrated by the furore that erupted over an article written by Ma Licheng, in which he lambasted the attitude of many Chinese nationalists towards Japan and called for the 'history issue' to be considered closed (Ma, 2002). Ma's article met with strong academic criticism as well as an internet campaign that included death threats and culminated in his early retirement and a move to Hong Kong (Gries, 2005). Despite this opposition, Ma's views did have some support, most notably from Shi Yinhong. Writing in the same journal as Ma in the aftermath of the controversy, Shi specifically advocated greater rapprochement with Japan and praised Ma's bravery (Shi, 2003a) and later called for the governments on both sides to prevent popular feeling from colouring the bilateral relationship (Shi, 2006).

Jin Xide suggested that to improve Sino-Japanese relations will necessarily involve better non-governmental interaction, which is a relatively uncontroversial point, but Jin makes clear that this would be in order to 'isolate the right wing' in Japan (Jin, 2006: 38), showing again that the Chinese academic view of the problems in Sino-Japanese relations is that they stem from within Japan. Jin's work placed great importance on the adherence to the joint statements and treaties between the two countries, and Jin later emphasized the potential impact the leadership of Japan can have on the course of Sino-Japanese relations (Jin, 2008), a view which echoed that of Jiang Lifeng (2005).

Academic works on Sino-Japanese relations are virtually entirely non-critical of the Chinese government, and sometimes take a slightly sycophantic tone. Liu Jianguo's appraisal of the domestic background for China's Japan policy cited the response of Hu Jintao and Wen Jiabao to the Japanese earthquake and tsunami of 2011 as evidence that the policy is always grounded in building 'friendship' between the two countries (Liu, 2012: 4). Liu typifies Chinese works on the relationship by grouping together the issues over history to include Taiwan and the Senkaku/Diaoyu Islands dispute, with the clear implication that it is Japan's failure to address these problems that is at the root of Sino-Japanese tension when it arises (Liu, 2012: 5–7).

There is a tendency among Chinese academic work to focus on prospects for future relations rather than to analyse events or trends that have already occurred. A good example of this is Jiang Lifeng's article, which seeks to explore 'Sino-Japanese Relations over the next decade' (Jiang, 2009). Similarly, Pang Zhongying posited during Koizumi's tenure Sino-Japanese relations were 'at a crossroads' with opportunities for greater cooperation, but risks of confrontation (Pang, 2003: 14). Pang's recommendations for ensuring that the relationship follows the former rather than the latter are typically formulaic and abstract, including achieving 'reconciliation, understanding, and mutual respect' (Pang, 2003: 15). One of the rare exceptions to this argued that a concrete way of improving mutual trust and cooperation would be to enhance exchanges between the militaries of the two countries (Yu, 2008).

Overall, Chinese scholarship on Sino-Japanese relations faces the same challenges as many other areas of academia in that it must operate within the confines of the politically acceptable discourse of the contemporary climate. It is notable that during periods of heightened bilateral tension substantive works are even rarer. Nevertheless, the tendency to produce sweeping histories of the relationship rather than critically assessing specific issues should not disguise the significant levels of attention that this relationship receives in China's academic community.

INTERNATIONAL SCHOLARSHIP ON SINO-JAPANESE RELATIONS

Japan and the United States have tended to produce the bulk of the academic research on China–Japan relations, but there is also a growing community of scholars in Europe and Australia working on various aspects. Studies fall mainly into a few categories of overviews and diplomatic histories, economic relations, and security relations.

General Overviews/Diplomatic Histories

There are some useful English-language studies which provide a macro-view of post-WWII Sino-Japanese relations, including Wan (2006), Yahuda (2013), and Dreyer (2016), while in Japanese there are some richly detailed accounts,

including a four-volume collection by Takahara and Hattori (2012), Hattori and Marukawa (2012), and Sonoda (2012a, 2012b). In addition, there are some more compact overviews by Tanaka (1991) and Kokubun et al. (2013). Recent research has also focused on specific periods in post-war relations, such as Liu and Kawashima (2009), which offers an insight into immediate-post-WWII interactions, and King (2016), which is an in-depth study of China's economic foreign policy up to normalization based on a wealth of declassified Chinese sources.

Declassification of materials in US, Chinese, and Japanese archives, in addition to the publication of memoirs of individuals involved in the negotiations for the signing of the Joint Statement and the Treaty of Peace and Friendship, has also produced a mini-boom in this sub-field. In Japanese and Chinese see, for example, Ishii et al. (2003), Hattori (2011), Inoue (2010), and Luo (2000), while in English, the 'classic' studies by Bedeski (1983) and Ogata (1989) remain useful.

International Relations

Much of the recent writing has focussed on the risk of conflict, particularly in light of the deterioration of political relations in the early 2000s. Mel Gurtov (2008) believes that the Sino-Japanese rift of the early 2000s, while serious, is manageable. He proposes a series of possible actions that could be taken at various levels, but considers 'Track I', the highest political and diplomatic level, to be the most important. Even in areas that are noted for having caused high levels of tensions, some find cause for optimism over the relationship. While both countries have expressed public and private concern about each other's military development and long term strategic intentions, it has been claimed that neither has viewed the other as a serious, imminent threat (Austin & Harris, 2001: 89–98). In particular, Manicom and O'Neil (2009) argue that the disputed area of the East China Sea, although a source of significant tension, has been addressed sensibly by both sides and the possibility of confrontation has been constrained by policy making elites. Similarly, an analysis of the Chinese perceptions of Japan's security policy during the 1990s also concluded that, despite the rhetoric, the relationship is largely characterized by pragmatism (Li, 1999).

Not all analyses are so positive about the nature of the relationship. Elena Atanassova-Cornelis argues that even during times of apparent thawing in tensions, such as the post-Koizumi period, Sino-Japanese relations are characterized by an inherent fragility (Atanassova-Cornelis, 2011: 169–172). Christopher W. Hughes cautions that Japan needs to handle the rise of China as a major power in the region with care, or risk a military confrontation (Hughes, 2009). June Dreyer (2006) makes the point that behind thinly veiled rhetoric of 'win-win' cooperation lies fierce competition and rivalry for both resources and political influence.

Analyses rooted in considerations of realpolitik continue to dominate the field. Pugliese (2016) considers how the Japanese political elite has utilized nationalism

in order to legitimize its more assertive approach to China since the second tenure of Abe Shinzō.

As is common across IR writing in general, English language analyses can frequently be US-centric. An example of this is Bush (2010), which seeks to advise Washington policy makers on the importance of maintaining the US–Japan alliance, while highlighting the threats to regional peace and stability that are posed by China’s emergence as a major power. Such pessimistic views of the prospects for the future relationship are rooted in traditional, realist IR approaches but are not unique to this school of thought. Jerdén and Hagström (2012) have challenged the commonly held view that Japan has consistently adopted a realist position of balancing against China’s rise, positing that it has, on the whole, accommodated the phenomenon (Jerdén & Hagström, 2012: 241).

Further areas for potential conflict or competition are identified by Sun (2012), although his focus on soft power rivalry, mainly across Southeast Asia, points less to the risk of direct military conflict. Similarly, Claude Meyer (2011) considers the attempts by both countries to position themselves as regional leaders while not ruling out the possibility of cooperation. An example of how this might work is provided by Elizabeth Wishnick (2009), who argues that joint management of common risks could help to engender cooperative practices and mitigate some of the conflictual tendencies of the relationship, but that such cooperation appears elusive due to deep-rooted distrust. This argument is supported by Christian Wirth (2010), who identified the Tripartite Environment Ministers Meeting (which also includes South Korea) as a mechanism through which some progress has been made.

The emergence of constructivist approaches to IR has influenced analyses of Sino-Japanese relations in common with wider writings in the discipline. Notably, the influence of domestic factors, such as public opinion, on policy-making has received attention (Sinkkonen, 2013).

Difficulties with the issue of identity have also been considered in the context of the bilateral relationship. Christian Wirth (2009) shows that elite perceptions no longer correlate with the realities of the relationship, leading to inevitable tensions.

Taiwan

The status of Taiwan and the PRC’s frequent criticisms of the nature of Tokyo’s relationship with Taipei were a common refrain prior to diplomatic normalization, and the Taiwan problem has continued to be an intermittent thorn in the side of Sino-Japanese relations. The relatively friendly relationship between Japan and Taiwan, stemming from a pro-Japan sentiment amongst a certain sector of Taiwanese as a result of Japan’s relatively benign colonization, was reinforced by the early post-war reestablishment of business and cultural ties and continued even after the Taiwan–Japan Peace Treaty was rescinded. A high level of trade has been maintained, and the pro-Taiwan advocates in the Japanese government

have been keen to maintain links, albeit on a non-official basis, with counterparts in Taipei. While problems have occasionally flared up between China and Japan over Taiwan, particularly in the 1990s, they have not escalated beyond control (Deans, 2002). While Sun (2007) describes relations between Japan and Taiwan in the twenty years from Japan's de-recognition of Taiwan in 1972 as tepid, he argues that relations improved in the 1990s due to a combination of a re-imagining of colonial ties, the common bond of democracy, and a Japan boom amongst young Taiwanese.

Economic Relations

Before 1972, trade relations between the two countries were conducted through private, informal channels, though with the tacit support of both governments. Soeya (1998) describes this process and highlights the continuity in trade relations despite political upheavals. Hilpert and Haak's edited volume (2002) considers trade, aid, and investment in the 1990s and 2000s, with the various essays taking up the 'cooperation, competition, and conflict' debate. The prevailing view of the authors is that cooperation, complementarity, and dynamism best characterized China–Japan economic relations. One of the major pillars of Sino-Japanese economic relations has been Japan's aid to (or economic cooperation with) China, and much has been written on this topic. Takamine (2005) shows how, and why, Japan became China's main aid donor from 1979 with a series of long-term, low-interest loans, often considered to be quasi-reparations. Shifts in Japan's aid policy from the late 1990s towards a more strategic approach are noted by Katada (2001), and Drifte (2006) explains why the loan aid programme was stopped in 2008.

The high level of economic interdependence between the two countries is, for many, both a causative factor in the absence of military conflict and also a reason to work to ensure that this remains the case (Sun, 2003; Heazle, 2007). However, Michael Yahuda has been a consistent dissenting voice on this, arguing that not only does a high level of economic interdependence fail to mitigate the problems in Sino-Japanese relations, it is actually the source of many of the strains (Yahuda, 2006).

CASE STUDY: THE 'HISTORY ISSUE'

It comes as no surprise to find that studies of the Anti-Japanese War (*kangRi zhanzheng*) or the Chinese People's War of Resistance against Japan (*Zhongguo renmin kangRi zhanzheng*) form a dominant sub-field of the literature on Sino-Japanese relations overall. Over seventy years after the end of the war, academic studies continue to shed fresh light on the conflict from multiple perspectives, and there are ongoing, and often acrimonious, debates both between China and Japan, and within Japanese academic circles, on how to understand and retell the

events of 1931–7 to 1945. The release of classified documents and discovery of new evidence (for example in the form of diaries or oral histories) in the last decade or so has resulted in a recent boom in the literature. This section combines both the Chinese and international scholarship, partly reflecting the recent trend in collaborative studies of the war.

Studies of the war are categorized here according to: general overviews; the outbreak of war and its subsequent development, including resistance and collaboration; social and cultural histories of the war, including urban and rural experiences, personal experiences (including of women, refugees, soldiers, and children), and visual representations of the war. The legacy of the war represents another important area of study, encompassing the end of the conflict and early attempts at reconciliation; reconciliation and commemoration; the politics of memory; and the history problem.

In terms of *general overviews*, Chinese scholars such as the late Bu Ping and Rong Weimu have provided an accessible and systematic overview based on multi-archival and multi-lingual sources (Bu & Rong, 2011). There is one Chinese-language journal devoted specifically to the study of the AJW, *KangRi zhanzheng yanjiu* (*The Journal of Studies of China's Resistance War Against Japan*), which is produced by the Institute of Modern China, Chinese Academy of Social Sciences. The journal covers not just the period of the war itself, but also issues relating to the interpretation of history since the end of the war. A number of recent English-language volumes stand out for their depth and breadth of coverage of the war as a whole. Rana Mitter (2013) covers the origins of the war from the 1920s and narrates the chaos, suffering and domestic political complexities as events unfolded. Peattie, Drea, and van de Ven (2011) offer a richly detailed military history of the war by a team of international scholars, and is of particular importance for presenting the work of some key Chinese scholars in English for the first time. Hsiung and Levine's (1992) collection of essays encompasses not only the military dimensions of the war, but also domestic divisions, and the impact of the war on foreign policy, science, art, and literature.

The Outbreak of War and Subsequent Development

Explanations of the *origins of war* dating back to the late nineteenth century are well covered by Duus, Myers, and Peattie (1991). Assessments of the role of the Nationalists (Kuomintang, KMT) have altered over time in both Western and Chinese narratives, from rather negative descriptions to more positive accounts of the KMT's contribution. Eastman (1984) emphasizes the flaws of the Nationalist regime, while van de Ven (2003) considers the Nationalist contribution to the war of resistance in a more positive light based on a shift in Chinese historiography in the 1980s.

The themes of Chinese resistance and collaboration feature heavily in the literature, though Chinese scholarship remains reluctant to deal with the sensitive

nature of the latter. Resistance took numerous forms during the war. Hung (1994) looks at resistance through various cultural media, while Smith (2007) highlights the endeavours of Chinese women writers in Manchukuo. Fu (1993) and Mitter (2005) deal with both resistance and collaboration in their studies of Shanghai and Manchuria respectively. The extensive work on collaboration (see for example Boyle, 1972; Barrett & Shyu, 2001; Brook, 2005) highlights the complex relationships between occupiers and the occupied.

The Atrocities of War

The Nanjing Massacre has become the most symbolic and contested example of Japanese atrocities in China and continues to be a major area of study, but Japan's war crimes extended far beyond this one event. Drea et al. (2006) provides an overview of the nature of the war crimes based on US archival holdings. The experiences of Chinese women who were forced into military sexual slavery have been the focus of Su Zhiliang's painstaking work (1999), some of which has been translated into English in Qiu, Su, and Chen (2014). Yoshida (2006) and Fogel (2000) explore the post-war historiography of the Nanjing Massacre from various perspectives. Japanese journalist Honda Katsuichi's 1999 collection of first-hand accounts of Nanjing survivors caused a backlash from the right-wing in Japan in the 1980s, while Chang (1997) brought the events of the Nanjing Massacre to a larger public and reignited academic debates on the subject (see for example Wakabayashi, 2007). There are a number of multi-volume collections of documentary sources relating to the Nanjing Massacre in Chinese. Representative of these is Zhang's three-volume collection (2007), while in English Brook (2000) has produced an important volume, particularly useful for its reprinting of Hsü Shuhsi's 1939 Documents of the Nanjing Safety Zone and records of the International Military Tribunal of the Far East.

Social and Cultural Histories of the War

Given the intensity, scale, and length of the war, Chinese experiences of Japan's invasion varied by city and village. A number of studies focus on the impact in some of the major urban centres, such as MacKinnon's work on Wuhan (2008), Yeh (1998) on Shanghai, and Tow (2011) on Chongqing. A comparison of urban and rural life in Wuxi county is presented by Lincoln (2012), while MacKinnon, Lary, and Vogel (2008) cover a number of localities from Manchuria to Yunnan. Personal experiences also vary greatly, and Lary's 2010 study provides a thoughtful overview of the sweeping transformations that took place in ordinary Chinese people's lives during the war. Studies based on oral testimony or primary sources have shed light on such specific groups and individuals as soldiers (Moore, 2013), reporters (Coble, 2015), women (Li, 2010), armaments industry workers in Chongqing (Howard, 2004), and refugees in Zhejiang (Schoppa, 2012).

Another relatively new sub-category is the focus on cultural representations of the war. Gunn (1992) considers the role of writers and artists, while Chen (2016) explores Chinese and US representations of the war in youth literature. Reprints of wartime propaganda cartoons are collected in Shen (2005), and analysed by Edwards (2013). Ward (2004), Yau (2013), and Tam, Tsu, and Wilson (2014) consider the changing representations and narratives of the Anti-Japanese War through analysis of post-war films.

The Legacy of War: The History Problem

The war continues to cast a shadow over China's relations with Japan over seventy years after its end. Contested and politicized interpretations of the past are at the root of this, and have led to the failure of both sides to fully reconcile. The reconciliation problem has been tackled by a number of scholars, and various 'instalments' of the history problem, manifested for example in controversies about Japanese school textbooks, Yasukuni Shrine visits, and the apology issue, all of which have received a great deal of academic attention (see for example, Rose, 1998). A longer-term view of bilateral disputes over history is offered by Yang et al. (2012), which is a valuable collection of essays including those by leading Chinese and Japanese historians in this field.

For Rose (2005), the failure to address mutual misperceptions of shared history lies at the root of what has come to be termed 'the history issue'. Similarly, Yinan He's thorough examination of the legacy of the war in Sino-Japanese relations supports Rose's premise that reconciliation has not been achieved because of missed opportunities to address historical misperceptions (He, 2009). He identifies the 1970s as a golden – perhaps unique – opportunity to address the divergence of historiography between the two societies but opines that it was shunned in order to pursue the normalization of diplomatic relations. She agrees with others that the tensions of the 1980s came about because of the domestic exploitation, and reinterpretation, of the history issue by factions seeking to maximize their own interests (Rose, 1998; Mitter, 2000).

The reaction of China to Japanese actions with regard to the 'history issue' is frequently assessed as having more to do with domestic considerations than any actual feeling of injustice on the part of the Chinese leadership. Hidenori Ijiri declared that the emergence of Yasukuni Shrine as a bilateral issue in the 1980s was driven by domestic factors in China. Furthermore, that this was not clearly understood by Japan led to 'unnecessary' backtracking over the issue and laid the foundations for a structural pattern of Sino-Japanese interaction whereby the Chinese side always expected concessions over the 'history issue', and the Japanese felt compelled to provide them (Ijiri, 1990). Such exploitation of history in the relationship by the Chinese was identified much earlier by Chalmers Johnson, though he considered the Japanese to be in much stronger control of their own response (Johnson, 1986). Whiting's (1989) study of Chinese perceptions

of Japan is also essential reading for those wishing to understand the sources of tensions between the two sides as they evolved in the 1980s. More recently, Gustafsson (2014a) has analysed the content of Chinese museum exhibitions about the Anti-Japanese War to demonstrate how the Communist Party has tried to use memory for ontological security purposes.

New Directions in the Study of the AJW in China?

The 70th anniversary of the end of the war in 2015 saw the publication (and re-issuing) of a wealth of material relating to the war, including a three-volume history produced by China's Academy of Military Science (Junshi Kexueyuan, 2015) and a re-print of a 50-volume collection of materials edited by The Institute of Modern History at CASS (Bu, 2015).

The anniversary also prompted a number of reflections on the state of the field in China and a focus on emerging research from young scholars. The trend is towards much greater use of archival sources, not only in China, but in Taiwan, Japan, and the US. The dominant areas of interest continue to cover the military, politics, foreign policy, economics, and so on, but of particular note is the perceived importance of this new research in the 'internationalization' of Anti-Japanese War studies (Pan, Zhao, & Lu, 2015: 155).

CASE STUDY 2: THE DIAOYU/SENKAKU ISLANDS DISPUTE

The Diaoyu/Senkaku Dispute

Referred to in mainland China as *Diaoyu Dao* and in Japan as *Senkaku Shotō*, the Diaoyu/Senkaku Islands are a collection of uninhabited islands, islets, and rocks over which both countries (as well as Taiwan) claim sovereignty. The dispute, which dates back to the publication of a UN survey that was conducted in 1968 which suggested the possibility of vast reserves of oil and gas in the area, has emerged as one of the most contentious issues in the bilateral relationship. In English language academic works the islands have occasionally been referred to as the Pinnacle Islands, a translation of the Japanese name, but generally the transliterations of either one or both of the Chinese and Japanese names are preferred.

Japan considers the islands to have been part of its territory since it incorporated them into Okinawa Prefecture in January 1895, more than ten years after it claims to have discovered them. They were administered by the US from 1945 until 1972, as part of the occupation of Okinawa. China's claim on the islands is complicated by the situation with Taiwan, which also claims sovereignty over them. Nevertheless, both China and Taiwan agree that the islands were used

by Chinese fishermen as far back as the Ming Dynasty in the fourteenth century. China thus considers the islands to have been a part of the province of Taiwan and accepts that they were, therefore, ceded to Japan under the treaty of Shimonoseki which was signed at the end of the First Sino-Japanese War in 1895, the same year that Japan claims to have formally incorporated the islands into Okinawa Prefecture. Given that, under this interpretation of the islands' history, they were a part of one of Japan's concessions that it gained during its imperial history, China considers that the islands were legally returned to it under the terms of Japan's surrender at the end of World War II. When the PRC and Japan established diplomatic relations in 1972 it has been reported that the issue of the islands was raised in negotiations and that Zhou Enlai suggested that the issue be dealt with later (for a full discussion on this process see Suganuma, 2000), though this is officially denied by Japan.

Common Explanations of the Dispute

Employing a neo-liberal approach to assess the dispute, Min Gyo Koo highlighted the tendency of both parties to de-escalate tensions whenever they arise, driven almost solely by considerations of economic interdependence (Koo, 2009). In contrast, a neoclassical realist framework can be employed in order to expose the domestic considerations of both parties, including the use of the islands issue to reinstate Japan as a 'normal' state, with the right and ability to build, maintain, and deploy its own military power (Lai, 2013: 134). As with so many areas of IR, realist interpretations that rely on alliance formation, bandwagoning, and balancing continue to dominate the field. For example, although China strongly opposes any formal multilateralization of this issue, some scholars have argued that it has begun to internationalize its own position through the development of a nascent alliance with Russia (Brown, 2015). Nevertheless, it is increasingly common for analyses to go beyond the binary assessments of state-to-state relations and to consider multiple contributory factors (for example O'Shea, 2015). Many other scholarly assessments seem to agree that China's response to Japan's nationalization of the islands in 2012 to have been a deliberate attempt to 'change the status quo' as part of its 'more assertive' foreign policy (Takahara, 2013; Heberer, 2014).

A constructivist approach to the dispute has revealed that the continuous development of 'threat perceptions' on both sides has contributed to the apparently inexorable rise of the dispute as a key source of bilateral tension (Nakano, 2016). Another challenge to the traditional IR interpretations of the dispute is that the roots of the tensions are cultural. Specifically, the concept of face has been deployed to explain why neither side is able to reach conventionally interpreted rational resolutions (Moore, 2014). The concept of face-saving or face-giving has further been suggested as a mechanism that can be deployed in order to reach a solution to the dispute (Togo, 2014).

Nationalism and Face

Analyses of the dispute over the Diaoyu, or Senkaku, islands show that nationalism plays a significant role in constraining policy options (Deans, 2000) and has seriously ‘complicated China’s diplomacy’ (Zhao, 2013: 537), though it is also argued that economic considerations ultimately take priority, and that China’s foreign policy does not necessarily have to be forced down an aggressively nationalistic path as a result (Downs & Saunders, 1998: 116). Nationalism has been shown to be an important driver of China’s policy over the islands, with increasing avenues through which popular sentiment can be channelled, forcing the government to take a harder line with Japan than it otherwise might (Gries et al., 2016).

Suisheng Zhao notes that during anti-Japanese protests in the 1990s over the issue of the Diaoyu/Senkaku islands dispute, the protests were most severe in Taiwan and Hong Kong, implying that the feelings invoked by this dispute run deeper than mere communist propaganda (Zhao, 2004: 209). The importance of media coverage throughout the various outbreaks of tension has also received increasing attention (for example Hollihan, 2014).

Nationalism is not just a driver in Chinese policy-making. In April 2012, Tokyo’s then-Governor Ishihara Shintaro announced his intention to use Tokyo governmental funds to purchase three of the islands from their private owner, despite them already being part of Okinawa Prefecture under Japanese law. Opinion polls suggested that as much as 70% of the population supported his plan, though Tanaka noted that such a high level of support may indicate a ‘simplistic understanding’ of the issue, given that some of the responses cited concerns that the owner might sell the islands to China, despite the private owner seeking a sale to the government specifically to prevent the islands from ever falling into foreign hands (Tanaka, 2012: 2). Although no public statement was made to the effect, it was widely understood that the rationale behind the Noda administration’s decision to nationalize the islands was to prevent Ishihara from succeeding and to bring about a conclusion that would be the least provocative to China (Tseng, 2013: 115; Wang, 2013: 11). Several other scholars have noted similar behavioural responses from successive Japanese governments in this regard. When the Japanese governments leased several of the islands in 2002, Reinhard Drifte argued that this was an attempt to prevent any third parties becoming involved either in terms of ownership of the islands or in any potential development of them (Drifte, 2008: 8–9).

Possible Resolutions

A number of scholars have attempted to provide frameworks for resolving the dispute, or enhancing the mechanisms through which the two sides handle it. Mark Valencia (2014) expertly exposed the technicalities and complexities of the dispute

and considered that the likelihood of joint cooperation rested on joint exploration and exploitation of the resources in the area. Other scholars have looked for comparable cases in which resolutions have been achieved in order to find a model that could be applied to the Diaoyu/Senkaku dispute. Shunji Cui (2014) suggests that lessons can be learned from the Peru–Ecuador border dispute that was resolved in 1998. An illustration of the kind of creativity that might be required is provided by Reinhard Drifte, who draws on the example of Pheasant Island, which switches sovereignty between Spain and France every six months (Drifte, 2014). While the potential solutions put forward are diverse, they share the need for creativity and foresight on the part of leadership on both sides. The continued ‘shelving’ of the issue remains the most convincing ‘solution’ (Baldacchino, 2016).

CONCLUSION

This chapter has provided an insight into the extent and rigour of the academic study of Sino-Japanese relations. Research in this field continues very much apace, and is benefitting from the release of hitherto restricted material, an expansion of collaborative scholarly exchange, greater inter-disciplinarity, and an enthusiasm to understand more fully the dynamics of the relationship between the second and third largest economic powers.

Reflecting current developments on the bilateral agenda, themes relating to energy and environmental issues, the potential evolution of a Northeast Asian regional community, and Sino-Japanese strategic rivalry will continue to draw academic attention. Chinese and Japanese activities beyond the Asia Pacific are also being monitored (for example in Africa, Latin America, and the Middle East, for the latter see Evron, 2016), with a view to exploring whether there is any evidence of an extended rivalry for power. Soft power has become another popular theme (see Vyas, 2011; Sun, 2012) and will no doubt continue to offer rich academic pickings as both countries develop their public diplomacy programmes.

The role of media, public opinion, and popular protest forms a relatively new sub-field, with work by Stockmann (2010), Sinkkonen (2013), Chen Weiss (2014), and Reilly (2011) exploring, variously, the influence of different interest groups on foreign policy-making in China. Another growing area focuses on debates about the changing nature of Japan’s foreign policy identity, and its impact on China’s policy (Jerdén & Hagström, 2012; Gustafsson, 2014b; Hagström and Gustafsson, 2015; Suzuki, 2015; Pugliese, 2016).

Finally, research is also expanding into new areas of migration studies, again reflecting the changing dynamics of China–Japan interaction. Given that the Chinese migrant community now outnumbers that of Koreans in Japan, the challenges and opportunities that this development brings have started to be studied in depth (see Liu-Farrer, 2011), benefitting from ethnographic approaches in the study of ‘everyday practice’ (Coates, 2013).

In sum, the study of China–Japan relations remains a vibrant, innovative field offering rich and nuanced insights into the mechanics of this important bilateral relationship.

Note

- 1 Yasukuni Shrine is a site of commemoration for Japan's war dead. It is considered controversial in particular because of the enshrinement of a number of convicted war criminals, including some of those most closely associated with Japan's aggression towards China in the 1930s and 1940s.

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Chinese–Russian Relations¹

Alexander Lukin

INTRODUCTION

From the time the People’s Republic of China was founded in 1949, its relations with the Soviet Union/Russia have passed through several stages, changing from an alliance to a period of confrontation, and culminating in today’s ‘strategic partnership and cooperation.’ What began as a friendship between two communist giants (1949 to the end of the 1950s), shifted to a period of polemics and confrontation (the early 1960s to the end of the 1970s), normalization (the end of the 1970s to 1989), the establishment of relations with modern Russia (the 1990s) and, finally, the formation of a strategic partnership (from the early 21st century to the present). Each of those stages has had its own particular causes and characteristics.

HISTORY

The Soviet Union was a natural ally for the newly founded China. First, Stalin’s Soviet Union armed the Chinese communists and provided significant assistance in both their defeat of the Kuomintang army and their rise to power. Second, during the first decade, the Chinese and Soviet communists united their ideology to form a common view of the historical process and the future world. Third, the United States and its Western allies left Beijing no other choice. If any senior Chinese officials remained who had hoped to maintain at least partial ties with the ‘capitalist world,’ that became impossible after the outbreak of the Korean War and the persecution of ‘pro-communist elements’ in the US.

Chinese authors writing in the 1950s about bilateral relations deferred to their Soviet colleagues by recognizing the Soviet Union as the leader of the international communist movement and China as its 'younger brother.' They described China as a student receiving assistance, but also as the first communist state in Asia that was responsible for spreading communism and the struggle against imperialism on that continent.² During the later rupture between Moscow and Beijing, both sides leveled numerous accusations against each other with regard to this earlier period in their relations.

To understand the reason for their disagreements during those years, it is necessary to delve into the theory of communism, on the one hand, and to understand the peculiarities of Chinese communist thinking, on the other. According to the theories of Karl Marx, classical communism is the final social and historical formation, a society characterized by an abundance of goods that adheres to the principle of 'from each according to his ability, to each according to his needs.' Such a society must come about as a result of social revolution in a developed capitalist society with an abundance of goods, but where the bourgeoisie prevent their equitable distribution – thus preventing that society from observing the principle of 'from each according to his ability, to each according to his needs.' Once the proletariat overthrows that government and takes power, it implements equitable distribution, or what is known as communism. Moreover, that should happen throughout the world, and not only in one country. However, in the Soviet Union, and later in China, the communists came to power in backward societies, and their ruling authority did not spread throughout the world. This led to the formation of so-called 'rightist' and 'leftist' communist groups. The 'rightists' argued that, under such circumstances, some sort of transitional period was needed during which some elements of capitalism – such as a market economy and private ownership – would be permitted, so that capitalism would eventually develop to the necessary level under the aegis of communist leaders. The 'leftists' maintained that the complete and immediate socialization of the entire economy would liberate the working class from oppression and that the resulting widespread enthusiasm would lead to economic growth. They also insisted that preserving selected elements of capitalist exploitation was a betrayal of communist ideals.

In the Soviet Union, Stalin used the 'rightist' ideology to crush the 'leftists,' then went on to destroy the 'rightists' because he was not prepared to allow either private initiative or the enthusiasm of the masses. He introduced a concept of socialism as the first step of communism, but characterized by a fully socialized economy that did not yet have an abundance of goods. But because Stalin viewed China as a less developed society than the Soviet Union, he recommended that the Chinese communists, after coming to power, start on a 'rightist' course by preserving elements of private ownership, workers' organizations, representation of society's 'non-proletarian' strata in government bodies, and so on.

That immediately led to disagreements within the Chinese Communist Party. One group of leaders (Liu Shaoqi, Deng Xiaoping, and others) – the ‘rightists’ in this context – proposed a transitional period in line with Stalin’s recommendations. The ‘leftists,’ led by Mao Zedong and Gao Gang, advocated immediate socialization of the economy. The political victory of the ‘leftist’ communists in China led them into an ideological conflict with the bureaucratic ‘centrists’ in the Soviet Union. The ‘leftist’ communists in China believed that the rapid and full socialization of production, the introduction of the direct distribution of goods, the elimination of money, and other such measures would lead to a huge wave of enthusiasm from the masses that would enable China to surpass highly developed capitalist societies very quickly. They were even skeptical of the communist bureaucracy and considered it an obstacle to development and the initiative of the people. This gave rise to Mao Zedong’s idea of ‘cultural revolution,’ whereby he would demolish government bodies every 10 years. The guarantee that this was the right path lay in bypassing the bureaucracy and merging the initiative of the masses directly with unbounded leader worship. They rejected traditional education in the belief that communism could only produce new masses that were unspoiled by the old culture and possessing a wholly transformed awareness. In foreign policy, ‘leftist’ Chinese leaders considered war against world imperialism not only useful, but even necessary for communism to become victorious on a world scale.

Soviet communists, by contrast, considered bureaucracy the very basis of their authority and were strongly averse to all unorganized initiatives. At the same time, they followed a far more cautious course, supported traditional education and culture and, after Nikita Khrushchev came to power, spoke out against excessive leader worship and in favor of ‘peaceful coexistence’ with the capitalist world.

In the 1950s, the ‘leftist’ authorities had not consolidated their hold on power, the ‘rightists’ enjoyed considerable influence, and the Chinese leadership accepted the leading role of the Soviet Union. By the end of the decade, however, polemics gradually overtook that friendship. Chinese communists criticized the Soviet Union for bureaucratization and hindering the building of communism – that is, for ‘revisionism’ with regard to the true Marxist doctrine. The Chinese viewed Moscow’s rejection of leader worship (‘personality cult’) not simply as a threat to Mao Zedong’s authority, but also as a sign of bureaucratic degeneracy. Beijing also accused Moscow of pursuing a foreign policy of ‘social imperialism’ that served the interests of its own bureaucracy, and not those of world communism. For Beijing, this meant that the Soviet Union had rejected the positive role of the war against imperialism.³

Only in that context is it possible to understand why Chinese authors held such an attitude toward the Soviet Union at that time. They faulted the Soviet Union for both its domestic and foreign policies. Regarding the former, they disliked the Soviet Union’s bureaucratization, lack of faith in the people’s initiative, and underestimation of the role of the leader (as seen in criticisms of Stalin).

They faulted Moscow's foreign policy for colluding with imperialism at the expense of China, rejecting the concept of the need for world war, and reviving the imperialism of the tsarist period. Beijing leveled particular charges that, in the 1950s and earlier, Stalin pursued imperialist motives under the guise of friendship by failing to fully support the Chinese communists during the civil war, cooperating with the Kuomintang, dictatorially anointing the Soviet Union as China's 'big brother,' attempting to hold onto Soviet military bases in Dalian and Port Arthur on Chinese territory, obtaining concessions such as the Chinese Eastern Railway and several joint projects in Xinjiang, refusing to transfer nuclear weapons to China, failing to support the 'liberation' of Taiwan, and so on. China also blamed the Soviet leadership for its unwillingness to admit that tsarist Russia had pursued an exclusively imperialist policy toward Beijing by attempting to seize Chinese territory, and that the Russian–Chinese Treaties of the 19th century that determined, among other things, the borderline between the two countries were 'unequal.'⁴

Explaining the Sino-Soviet split, a group of official Chinese historians headed by Academy of Social Sciences President Hu Sheng pointed out two aspects of Soviet–Chinese differences: ideological (acute differences between the two parties concerning their positions on the international situation, the strategy and tactics of the world communist movement, and their respective foreign and domestic policies) and the CPSU dictate and demands that the CPC carry out its instructions.⁵

Contemporary Chinese historian Shen Zhihua explains that the essence of the struggle for leadership was 'whose ideas and political course are more appropriate, and because of that, bilateral rapprochement in such a situation is absolutely impossible.'⁶

Scholars of the time took positions identical to that of rulers because it was totally unacceptable and even dangerous to diverge from the official line. Thus, in the late 1970s, Beijing continued to view the Soviet Union within the framework of Mao Zedong's 'Three Worlds' theory, as part of the hegemonistic First World and as an even more dangerous threat than the US.

The new Chinese leadership continued that policy after Mao Zedong's death in 1976 and even tried to create a united front against Soviet 'social imperialism.' Foreign policy experts also supported this line.⁷

Explaining Chinese policy of the time, an official Chinese historian later wrote:

The central problem in Sino-Soviet relations in the 1970s was the Soviet threat to China's security. While constantly inflaming anti-Chinese political sentiment, Soviet leaders deployed large military forces near the Soviet–Chinese border, sent troops to the People's Republic of Mongolia, and provoked military incidents at the border. In this situation, China had to intensify its military build up on the one hand, and attempt to solve border disputes through negotiation and soften strained relations between the two countries on the other.⁸

Moscow, in turn, accused Beijing of pursuing an opportunistic domestic policy that would only lead to a severe crisis, and a no less adventurous foreign policy

that risked provoking a war with a more powerful enemy, the result of which would be not the victory, but the defeat and disappearance, of world communism. According to the new theory of the Soviet communists, communism could conquer the West peacefully when progressive forces won in elections there.⁹

Even under Brezhnev, a group of Soviet experts urged leaders to improve relations with China. Their voices became even stronger when China launched its reforms. They portrayed China as a country intent on making its model of socialism more effective, thus providing a model that they implied the Soviet government should follow. Although they could only rarely publish their proposals in the press or journals, which were generally controlled by the ‘Sinophobic’ group trying to prove that nothing was changing in China,¹⁰ – they did manage to send classified policy papers to the authorities with the help of such realists as academicians Yevgeny Primakov, Georgy Arbatov, Oleg Bogomolov, and others.¹¹ By the mid-1980s, and especially after Mikhail Gorbachev came to power, they succeeded in their efforts and the normalization of bilateral relations became an official goal.

By that time, the mood in Chinese ruling circles and academia had also changed. Deng Xiaoping and his supporters began speaking of the need to improve relations with Moscow. However, they also introduced ‘three obstacles’ – and later a fourth after the Soviet invasion of Afghanistan – that Moscow would have to overcome before it could expect improved relations. Beijing demanded that Moscow cut the number of troops on the border to 1964 levels, withdraw its troops from Mongolia, stop supporting Vietnam’s ‘occupation’ of Democratic Kampuchea and its policy of ‘regional hegemonism,’ and withdraw its troops from Afghanistan.

Chinese academics began to question the need for one-sided cooperation with the West.¹² Some argued that military confrontation with Moscow hindered the process of building socialism, supported the revival of trade and economic ties, and pointed out that only the Soviet Union could help in modernizing large factories in the north-eastern region.¹³ The Academy of Social Sciences’ Institute of the Soviet Union and Eastern Europe issued an internal policy paper arguing that serious studies of the Soviet Union should be revived and that ideological, political, and administrative obstacles to such studies should be lifted.¹⁴ Interest was growing in Soviet socialist culture, literature and films about Lenin, and socialist heroes, who came to be seen as useful role models for educating the youth.¹⁵

The shift in strategy towards the Soviet Union was based on an analysis of its policies and the general situation in the country. Chinese experts concluded that the Soviet Union was going through difficult times and wanted to exploit that fact to win concessions from Moscow.¹⁶

The change of policy under Mikhail Gorbachev deeply influenced the mood of the Chinese academia. Some Chinese experts began touting Russian political reforms as a positive example for China to emulate. A discussion began concerning the changes in the neighboring country to the north. One group of experts called for reassessing Beijing’s old stereotypes and dogmas. It argued that Beijing

should follow the example of Moscow and take steps in the same direction. The other group claimed that changes in Soviet policies were not deep enough, that Moscow should do more and make further concessions.

This discussion surfaced during a special conference on Gorbachev's book *Perestroika: New Thinking for Our Country and the World*, which was held in Beijing University in May 1988. One participant, China Institute of International Studies Asia-Pacific department head Tao Bingwei, argued, for example, that it was wrong to criticize all Soviet initiatives only because of the 'three obstacles.' He pointed out that Beijing also found some aspects of US policy unsatisfactory, but that they did not prevent the development of bilateral relations. He also stressed that the withdrawal of Soviet troops from Afghanistan was a step in the right direction and that it would have a positive impact on the international situation. However, some of the other participants disagreed with him.¹⁷

At the same time, then-Institute of Contemporary International Relations associate professor and future leading Chinese foreign policy expert Wang Jisi called for changes in the official Chinese concept of 'two superpowers.' He believed that a distinction should be made between imperialism and hegemonism. Imperialism is an official system, he suggested, whereas hegemonism is a political course. Wang Jisi argued that because China no longer defined Soviet society as 'social imperialist,' in light of the 'new thinking,' Beijing should also stop calling Soviet policy hegemonic.¹⁸

Despite these changes and differences in Soviet policies, criticism of Tsarist Russian expansionism remained largely unchanged. Russia was described as the most aggressive country of the 19th century and the most active imperialist advocating the division of China.¹⁹

After China launched political reforms and its relations with the Soviet Union and Russia gradually improved, Beijing acknowledged that many of its earlier allegations had been unfair. For example, in an important book on China–Russian relations, published in 2009, Chen Kaike of the Chinese Academy of Social Sciences' (CASS) Institute of Modern History (IMH) took a more positive approach, praising the role of the Russian Orthodox Mission in China (which at that time played a role of de-facto diplomatic mission) in developing Russia's policy to China during the Taiping Rebellion (1850–64).²⁰ Zhang Li of the Center for the History of the Northeast at Dalian University took a more balanced and equitable view of Russia's policy to China during the Boxer Rebellion (1898–1901).²¹ And Wang Xiaojun of the Chinese Academy of Social Sciences' Institute of World History wrote positively about the role the Russian diaspora played in the development of Northeast China.²²

At the same time, the old tendencies remain in some places. First, Chinese social sciences have always overstated China's role in history. For example, an article by IMH researcher Luan Jinghe cited an unspecified Chinese document as stating that 'China and Russia already had close ties' as early as the 13th century, and that 'progressive Chinese innovations in economics, politics, thought,

culture, and science had a significant impact on Russia.²³ The meaning of this passage is very unclear. First, no unified Russian state even existed in the 13th century. Second, the first very sketchy and vague references to China appear in the annals of Russian literary works only in the 15th century. Moreover, it was not until the 18th century that any trace whatsoever appeared of China having influenced Russian culture – in contrast to the clear influence of Byzantium and Western Europe, for example.

The second trend is the desire to justify and defend the policy of various Chinese dynasties, including with regard to territorial issues. The Chinese write that Russia pursued an expansionist and imperialist policy toward China, especially in the early 20th century – a view that is, in principle, justified, albeit very judgmental. At the same time, efforts by the same authors to cast China as a perpetually wronged party that everyone has offended are obviously at odds with the historical record.

A good example is the debate over the complex question of how the Far Eastern territories became part of Russia in the 19th century. Even if to agree with the usual Chinese argument that Russia used military pressure to force China to sign the Aigun and Beijing Treaties of 1858 and 1860 respectively, thereby gaining the territory on the left bank of the Amur River,²⁴ the Qing dynasty earlier applied a similar type of military pressure to force Russia to sign the Treaty of Nerchinsk. Strictly speaking, it was not China but the Manchu state of Qing – which had conquered China not long before – that considered these lands passing from hand to hand as its own territory. If to argue that all of the lands that Qing considered its own should henceforward belong to China, then it would be necessary to recognize Vietnam, Korea, and many other lands as part of Chinese territory as well.

The Chinese delved more deeply into questions and made greater effort to separate politics from fact with regard to the Soviet period. Consider, for example, the interesting article ‘On the unequal relations between the Chinese and Soviet communist parties before the founding of the PRC’ by Zeng Jingzhong of the CASS Institute of Modern History.²⁵ It explains that the unequal position taken by the Communist Party of China (CPC) and its status as the ‘student’ of Soviet communists resulted from objective circumstances and the desires of CPC leaders themselves. This is a significant departure from previous assessments that accused Soviet communists of holding their Chinese colleagues in contempt and imposing their point of view on them, and that accused the Soviet Union itself of being guilty of all the deadly sins.

Naturally, the post-Soviet period is the most ideologically controversial. Chinese authors have written very openly and frankly on this subject in recent years. For example, Guan Guihai of Beijing University presented the different positions that Chinese researchers take regarding the collapse of the Soviet Union and their recommendations as to which conclusions the Chinese leadership should draw from that event. According to him, the collapse of the Soviet Union – the world’s first socialist state – was a major blow to the world view of Chinese

communists who, although believing that their Soviet brothers were headed in the wrong direction, nevertheless acknowledged that the Soviet Union was a more advanced state and should therefore, according to Marxist theory, be the first to achieve true communism. But aside from ideological concerns, Chinese leaders and theorists faced a practical question: Would overly rapid reforms lead China to the same sort of collapse?²⁶

At the same time, it is important to note that Chinese scholars mainly expounded on the dangers that the collapse of the Soviet Union posed to their country and on its negative consequences only after the fact. Most not only supported Gorbachev's reforms, but even tried to convince their government to follow his example and to speed up reforms.²⁷

FROM NORMALIZATION TO STRATEGIC PARTNERSHIP

The normalization of relations between the two countries began long before today's problems in relations between Russia and the West. Normalization, reaching back to the serious crisis that accompanied armed clashes on the border at the end of the 1960s, had already begun in the final years of Leonid Brezhnev's time in office. It had become clear to the leaders that the continuous sharp confrontation was harming both the internal position in each country and their international prestige. From the start of perestroika and the deepening of China's reforms, Moscow and Beijing increasingly refrained from ideological arguments and ever more actively discussed concrete questions of a bilateral partnership. Choosing an independent foreign policy, Beijing shifted away from forming a united front against the Soviet Union and stopped seeing Moscow as its main enemy. For Gorbachev, normalization of relations with China became one of his main foreign policy objectives, which inside the country was supported by both reformers, who had seen in Chinese reforms an example for imitation, and conservatives, who were pleased with the successes of a communist neighbor.

After the breakup of the Soviet Union, Moscow, after some time subsumed in a pro-West euphoria, turned to pragmatic policies that allowed it to tackle its internal problems. Economic cooperation with China, especially in the military-technical sphere, played an important role in the complex 1990s in sustaining entire sectors of the economy. State ideology fell into disarray. Both stopped putting before themselves global ambitions: the construction of communism in the entire world or even in Asia. Policies became more pragmatic, based on one's own understanding of national interests. The closeness of these understandings became the foundation of drawing closer together.

Independent Russia inherited a good working relationship with China from the Soviet Union. However, despite the significant influence that Gorbachev's 'new thinking' had on Yeltsin's foreign policy, he based his initial foreign policy views on a resolute rejection of the Soviet legacy. Immediately after the collapse

of the Soviet Union, Russian foreign policy focused primarily on relations with the West and, enthralled by the prospect of joining a ‘common European home,’ practically forgot about relations with Asia during this early period. Although, naturally, the Foreign Ministry never actually said that China was of little importance to Russia, it constantly stressed the importance of the West and the desire to make Russia a full-fledged member of the Western community.

On the other hand, the Chinese authorities treated the new Russian state with some caution, and for understandable reasons. The collapse of the communist regime in the Soviet Union was deeply disappointing for Chinese communists.

Because it was a politically sensitive issue, there are few direct references to those apprehensions in Chinese literature. However, in an article, published in *Renmin Ribao* on December 16, 1990, Chinese Foreign Minister Qian Qichen stressed that ‘the internal political situation in the Soviet Union became extremely worrisome.’²⁸

Of course, Chinese leaders criticized various aspects of the Soviet Union’s domestic and foreign policies, but they could not imagine that the world’s first and most powerful communist state and its allies would not only fail to correct their shortcomings, but would entirely cease to exist. Beijing also could not fail to take note of the fact that Moscow began to emphasize the fundamental role of human rights in foreign policy and had declared the importance of its international commitments in this regard.

Liu Dexi and Sun Yan, researchers at the CPC’s Central Party School and Beijing University, characterized the impact that the collapse of the Soviet Union had on the international situation and China: ‘With regard to the international situation, China felt that the collapse of the Soviet Union and Russia’s accession to the Western camp meant the end of the bipolar model,’ they wrote,

thereby turning the United States into the sole world power and enabling it to begin addressing international problems from that position. The peoples of the world will face the major challenge of combating hegemonic actions and power politics. The collapse of the second world nuclear power raises the issue of nuclear arms control ... Radical changes in Eastern Europe and the breakup of the Soviet Union dealt a severe blow to the cause of world socialism and the international communist movement, and led to their serious diminution. That unquestionably created an unfavorable situation for socialist China – where the authorities belong to the Communist Party – and forced on it the necessity of stern reflection.

Among other dangers, the authors noted the possibility of instability near China’s borders due to conflicts between the newly independent states.²⁹

Despite feeling a natural ideological distrust of the new Russian authorities, the Chinese communists were pragmatic when faced with the reality of the situation. They decided to strengthen socialism in China through economic development, and for that they needed to have good relations with all countries, particularly neighbors. Seeing in Russia a potential economic, trade, and to some extent, political partner, Beijing decided to pursue the same course toward Moscow as it

had toward other non-socialist countries since the beginning of reforms – namely, to do business with the government that exists, despite ideological differences, and to derive the greatest possible benefit from the situation. After putting down anti-government protests in 1989, Beijing became especially wary of ‘public disorder’ and worried that the worst possible scenario for China would be for Russia to completely collapse and fall into chaos.

As a result, Chinese authorities at the highest level decided to develop relations with Moscow. As early as March 1990, Deng Xiaoping said: ‘Whatever changes have occurred in the Soviet Union, we should calmly develop relations with it, including political relations, based on the five principles of peaceful coexistence, and without engaging in ideological polemics.’³⁰ ‘Based on this statement,’ then-Foreign Minister Qian Qichen would later write, ‘Chinese diplomacy developed a course for relations with Russia in the political, economic, and other fields, and also with other CIS countries on the basis of equality, mutual benefit, and non-interference in each others’ internal affairs, disregarding their various ideologies and social systems.’³¹

Both China and Russia required several years to develop the optimal policy toward the other. According to Viktor Larin, Beijing based its approach ‘on a realistic assessment of the situation and on involving Russia’s political, economic, and social potential toward helping with China’s economic development.’ He also explained that China’s active approach toward its northern neighbor was ‘to some extent also connected with leaders’ fears of the possible establishment of ‘ties between Russia and NATO.’³² Chinese author Xi Laiwang described the principles of China’s relations with Moscow as ‘three don’ts’ and ‘three dos’: ‘do not enter into an alliance, do not oppose each other, do not take action against a third party,’ and at the same time to ‘be good neighbors, good partners, and good friends.’³³

The decision to fully develop relations with the new Russia in a pragmatic manner was linked to internal developments in China. Those in the Beijing leadership who, following the events of 1989, had advocated a more traditional and ideological approach to the outside world, and who opposed many aspects of the country’s market-based economic reforms, again lost their influence at the 14th Congress of the CPC in October 1992. That Congress confirmed the course set by Deng Xiaoping for accelerating economic growth and deepening market reforms, a policy requiring that China have normal relations with the outside world and develop mutually beneficial cooperation with neighboring states, of which Russia was the largest.

Russia also needed time to develop a consistent policy toward China. Not everyone was initially in favor of establishing close ties with Beijing. The ‘reformers’ clustered around acting Prime Minister Yegor Gaidar made no secret of their opinion that China was a dangerous and worthless neighbor.³⁴ However, the Russian leadership was soon forced to alter its approach. This, in so small measure, contributed to the growth of bilateral ties.

Overall, Russian–Chinese relations developed incrementally in the 1990s. Their growing trade and economic cooperation provided an important stimulus to strengthening bilateral relations and gradually became a significant factor in the economic life of both countries. China obtained a range of products from Russia that it could not procure elsewhere, either at all (e.g. weapons, due to Western sanctions), or in sufficient quantities, and developed its northeast region through cross-border trade. Beijing appreciated Moscow's decision to assume the debts that the Soviet Union had incurred toward China. With manufacturing in decline and the economy in recession, trade with China ensured the survival of Russia's military-industrial complex and several heavy industries. It also helped solve the labor shortage and the need to supply the inhabitants of eastern Russia. That was important, despite the various problems associated with the delivery of low-quality goods, smuggling, and an increase in Chinese migration.

Since the mid-1990s, the Russian leadership has stepped up its foreign policy toward the East to use it as a counterbalance for Moscow's occasionally rocky relations with the West. The Russian President and Foreign Ministry officials have also increasingly emphasized in their documents and statements the importance that the Asia-Pacific region and China have for Russia. Beginning in approximately the mid-1990s, Russia's official position on the issue of relations with China and Asia as a whole can be described as a policy of 'balance' and 'equidistance' from the centers of power.³⁵

Speaking in Shanghai during a visit to China in April 1996, President Boris Yeltsin called on both countries to develop 'a partnership of equality and trust aimed at strategic cooperation between the two countries in the 21st century.'³⁶ This position was put in writing in a joint declaration.³⁷ China noted with satisfaction that Russian foreign policy had shifted from an ideological to a pragmatic approach due to its disappointment with the policies of the West.³⁸

THE SCO AND CENTRAL ASIA

There is a great deal of discussion in both China and Russia concerning cooperation in Central Asia and the role of the Shanghai Cooperation Organization. According to leading Chinese expert Zhao Huasheng, the desire of Central Asian states to avoid becoming victims of a confrontation in the region between the major powers is itself a solid basis for Russian–Chinese cooperation there. 'This factor largely prevents relations between China, Russia, and the US in Central Asia from becoming a destructive confrontation,' Zhao Huasheng concludes.³⁹

Skepticism about the work of the SCO also exists in China, but it is mainly due to concerns that the Organization is too slow in formalizing economic cooperation.⁴⁰ Questions on the Chinese side arise mainly because of Russia's lack of interest in strengthening multilateral economic cooperation within the SCO framework.

China is primarily interested in Central Asia not for economic reasons or out of a desire to control it, but for the strategic purpose of eliminating the threats it produces that could lead to instability or terrorism in China itself. According to leading Chinese expert Li Fenglin, 'China attaches great importance to the SCO and regards it as one of the strategic pillars of the country's development.' According to Li, China's interests are the following: 'the creation of favorable conditions for developing the country, providing the northwest region with a peaceful, secure, and strategic external environment that includes the fight against the 'three evils,' and ensuring the openness of the region; establishing and maintaining eternal friendship and good neighborly relations with the SCO member states, cooperation in all fields – political, economic, security, humanitarian, regional integration, minimizing the negative effects of globalization, achieving the harmonious development and general prosperity of all SCO member states; and increasing the political influence of China so that, together with SCO member states, it can introduce a new global political and economic order'.⁴¹ Many of these issues are related to security rather than the economy.

In his voluminous work *China's Central Asian Diplomacy*, Zhao Huasheng describes a hierarchical system of interests that Beijing holds in the region: first, the fight against terrorism and the pursuit of energy sector interests; second, the economy and SCO; and third, geopolitical interests and border security.⁴²

This approach is a natural one and should not cause concern in Russia as long as the fundamental interests that both Russia and China have in Central Asia coincide. Most Chinese experts agree that Beijing is willing to take Russia's traditional interests in the region into account. Responding to Russian concerns about China's growing role in Central Asia, Li Fenglin said bluntly: 'China has no intention of becoming a leader at either the regional or global levels. China understands Russia's desire to preserve its traditional influence in Central Asia.' At the same time, China will not be passive simply because Russia has not been active enough.⁴³

Zhao Huasheng contends that Russian and Chinese strategic interests in Central Asia are close to or coincide with regard to keeping existing borders safe, the fight against terrorism, maintaining regional stability, geopolitical interactions aimed primarily at limiting the military presence of the US and NATO in the region, and opposing the US policy of promoting 'democratic reforms' that leads to 'color revolutions.'⁴⁴

At the same time, many Chinese experts dislike the ineffective functioning of the SCO and therefore view it as only a supplementary tool for pursuing Beijing's strategic interests in Central Asia. That makes it necessary to conduct much of the actual cooperation between China and Russia in Central Asia outside the SCO framework.

Qiu Huafei also closely links China's policy in Central Asia with its desire to expand cooperation with Russia. In his view, Beijing's relations with Central Asia 'aim to legitimize the Chinese position on major international issues, strengthen relations with Russia, and serve as a counterweight to US power and influence.'⁴⁵

The decision by Xi Jinping to propose the Silk Road Economic Belt (SREB) in 2013 meant, in particular, that China would give greater attention to economic cooperation with Russia and Central Asia as potential markets and transit areas. After the value of the ruble fell in 2014, Russia became more amenable to forming a free trade zone with China and agreed to start talks on the subject. China responded enthusiastically. In addition, Beijing has realized that Russian and Kazakh initiatives for Eurasian integration and the recently created Eurasian Economic Union (EAEU) do not run contrary to China's interests and could even be used to its advantage.

This became clear when Russian and Chinese leaders signed a joint statement of cooperation in May 2015 in Moscow on developing the EAEU and SREB. And although some Chinese experts initially expressed doubts regarding the potential of the EAEU, that attitude has since changed significantly. Accordingly, a group of Shanghai experts led by Li Xin published a report in March 2016 that looks at prospects for linking those two projects. It offers a 'road map' of steps toward that goal. The first phase involves reaching agreement with the EAEU on unifying infrastructure, coordinating trade flows, and starting talks on the creation of a free trade area (FTA) between China and the EAEU. The second phase involves putting the FTA question on the agenda of the SCO with the goal of creating it within the framework of that organization in 2020–25. In the third phase, the SCO would expand upon the FTA to create a Continental Economic Partnership. The fourth phase calls for creating a Common Economic Space spanning all of Eurasia by approximately 2030.⁴⁶

THE CURRENT STATE OF RELATIONS: ACHIEVEMENTS AND PROBLEMS

Today, Russian–Chinese relations are at the peak of their development. There are deep roots of the current Russo-Chinese rapprochement. The change of government in Kiev in 2014, supported by the United States, provoked a civil war and responses by Russia, which led to a sharp confrontation with the West. This situation was interpreted in Beijing as not unique. On the one hand, the response is always alarm to any attempt to undermine the territorial integrity of an existing state, since it is thinking about its own separatists. Precisely this explains its support for the territorial integrity of Ukraine. On the other hand, its leaders, recalling the chaos of the 'Cultural Revolution' and the disturbances of 1989, always prefer stability to any disorder. China lays blame for undermining stability on the United States and the European Union, considering that they were attempting to expand their spheres of influence at Russia's expense. It sees Russian moves as responses. Characteristic is this Xinhua commentary: 'For the rest of the world, once again, people see another great country torn apart because of a clumsy and selfish West that boasts too many lofty ideals but always comes up short of

practical solutions'.⁴⁷ By 'disorder' or 'mess' Beijing usually means a situation created by Western sponsored actions aimed at undermining stable (often authoritarian) regimes all over the world, which in its opinion can effectively secure the country's economic development and growing cooperation with China. This term was used to describe the Tiananmen crisis in 1989, 'color revolutions' in Arab states, etc. Countering this tendency even far from China's borders is a means of protecting itself, since it understands that the same tactics can be used by the West in China. From this point of view, China would only welcome Russia's growing will to counter Western expansionism. Although Russian countermeasures are considered in Beijing to be extreme and not fully conducive to stability, on the whole, the Russian position is met with understanding and even approval. Thus, according to the Xinhua commentary, 'Russia may no longer be interested in competing for global preeminence with the West, but when it comes to cleaning a mess the West created in the country's backyard, Russian leaders once again proved their credibility and shrewdness in planning and executing effective counter moves.'⁴⁸

From the geopolitical point of view, Chinese leaders, viewing world politics as an arena of battles for spheres of influence, even if sometimes concealed by various ideological slogans, overall cannot approve of the blow delivered to Russia by Western expansion by use of force. Yet, it delays expansion in China's direction, and, in this case it was not China caught in confrontation, while economic cooperation with the West has not suffered. As for ordinary Chinese citizens, judging by commentaries filling the Chinese Internet, many not only approve of the actions of Vladimir Putin, they regard his decisiveness as an example to their own leadership, which, in their opinion, is displaying unnecessary softness toward Japan, the United States, Vietnam, and other states wishing harm to China. Although Russia and China would have continued to draw closer even without the Ukrainian crisis, the cooling of relations between Russia and the West accelerates this process.

Energy Cooperation

Russia and China maintain a dialogue on energy through the mechanism of regular meetings of their Deputy Prime Ministers. It was in the framework of this dialogue that they achieved a major breakthrough in energy cooperation, including a specific agreement on the terms of the construction of an oil pipeline from Russia to China. Part of this dialogue is an energy sub-commission to the Russian–Chinese Commission for Preparing Regular Meetings of the Heads of Government. During its annual meetings, the sub-commission states the main results of that year's cooperation, with the supply of Russian oil to China the primary focus of those efforts.

Cooperation between Russia and China on energy issues did not always go smoothly. The episode concerning the privatization of Russia's stake in the

Russian–Belarusian company Slavneft when Chinese state company CNPC was not allowed to participate in the tender caused considerable damage to bilateral economic relations.

Various groups in Russia cited the ‘Chinese threat’ often in the 1990s. That approach found support from both radically pro-Western politicians who saw China as a ‘totalitarian’ and anti-Western state, and from radical nationalists for whom China – even with its market reforms and openness – was too pro-Western. Some local authorities in the Far East and Siberia also fanned those fears in order to win support from local voters. They presented themselves as protecting local interests against the disastrous policies of the Center (Moscow) and threats from abroad.⁴⁹

After President Putin brought more organization to Russian politics, mainstream politicians rarely referred to the ‘Chinese threat’ as such. Pro-Western academics and media then began criticizing Russia’s pivot to Asia by describing China as a non-reliable partner that could not substitute for the EU and US.⁵⁰

During a visit by Chinese President Jiang Zemin to Russia in July 2001, the two sides reached an agreement in principle on the construction of an oil pipeline from Russia to China and the development of a feasibility study for the project. Japan actively lobbied to take part in that project and officials of both countries reached an agreement on a feasibility study for the pipeline during a visit by Japanese Prime Minister Junichiro Koizumi to Russia in January 2003. The ‘Chinese’ and ‘Japanese’ projects were combined in May 2003 under the general name of Eastern Siberia–Pacific Ocean (ESPO), with plans to lay the main pipeline from Angarsk to Nakhodka and a branch line running 1,030 km through Skovorodino, Mohe, and Daqing. On September 27, 2010, following the conclusion of senior-level Russian–Chinese negotiations, Russian President Dmitry Medvedev and Chinese President Hu Jintao took part in a ceremony marking the completion of the Russia–China pipeline. Regular deliveries of Russian crude oil through the Skovorokino–Daqing pipeline began on 1 January 2011.

By the end of the first decade of the 21st century, the attitude in Russia had changed toward Chinese companies entering the Russian market. Whereas that market was almost completely closed off to them earlier, various forms of partnership became possible by 2005–10, even including direct investment by Chinese companies in the Russian energy sector. However, the turning point came as recently as 2014–15, when the weightiest agreements were signed permitting Chinese investment in the Russian oil and gas industry.

The main Russian–Chinese project in the field of nuclear energy is the Tianwan nuclear power plant located 30 km from the city of Lianyungang in Jiangsu province.⁵¹ In a separate area of cooperation on nuclear energy, the two countries produce enriched uranium in China for use in its nuclear power plants.⁵² In parallel with cooperation on the development of nuclear energy, China also purchases electricity directly from Russia.⁵³

NEW DISCUSSIONS ABOUT SINO-RUSSIAN RELATIONS

The decrease in Russia's trade with major Asian partners in 2015 sparked a new debate over Moscow's Asia policy. Critics in both Russian and Western media concluded that the economic crises in Russia and China spelled an end to Moscow's pivot to Asia. Two rival camps in Russia teamed up in this campaign: the pro-Western media – which always exaggerates the dangers China and cooperation with Beijing supposedly pose – as well as their opponents, who claimed that China is not really criticizing Russia as a whole, but the monetarist pro-Western part of the government in charge of economic policy. In the West it was a renewed attempt to prove to Moscow that it has no other option than to cooperate with the US and Europe on their terms. Their arguments of the critics are summarized in the following points.

That outpouring of rather low-quality information in turn sparked a more serious debate. In summing up the results of Russia's 'pivot to Asia,' a number of commentators who were ostensibly taking a more balanced approach to the issue were actually just as critical of Russia as their colleagues.⁵⁴

In fact, the Chinese vision of Russia and Russian policy was stated very clearly in an article that Fu Ying, former Chinese Deputy Foreign Minister and current Chair of the Foreign Affairs Committee of the National People's Congress, published in the US journal *Foreign Affairs*.⁵⁵ Both the status of the author and the place of publication are quite remarkable. Because Fu Ying was not directly involved with Russia as a diplomat and could hardly be familiar with the details of the two countries' bilateral cooperation, the article was probably a collective effort by the Chinese diplomatic corps. The choice of an influential US journal clearly demonstrates that the article was intended for a Western audience (although a translation was also published in the Chinese newspaper 'Guangming Ribao'⁵⁶). The author apparently felt it necessary to explain to China's Western partners its motives and reservations concerning rapprochement with Russia, and to also emphasize that – as is evident from the article's subtitle – 'Beijing and Moscow are close, but not allies.' Because that is actually the official position China and Russia take on the issue, there was certainly no need to explain it to anyone in either of those countries.

More interesting is the author's conclusion: 'The Chinese–Russian relationship is a stable strategic partnership and by no means a marriage of convenience: it is complex, sturdy, and deeply rooted. Changes in international relations since the end of the Cold War have only brought the two countries closer together.'⁵⁷ Fu Ying goes on to state that, although some Western analysts and politicians supposed and possibly hoped that the conflicts in Syria and Ukraine would create tensions or even a schism between Beijing and Moscow, such expectations were clearly unjustified.

At the same time, Fu Ying states that China and Russia will not enter into a legally binding alliance or form an anti-Western bloc, and also noted some

differences between them. In particular, she thinks, Russia's policy continues to focus mainly on Europe while China focuses on Asia; Russian diplomacy has more experience on the global level and 'tends to favor strong, active, and often surprising diplomatic maneuvers' whereas Chinese diplomacy, to the contrary, is reactive and cautious. The author also notes that not everyone in Russia has managed to adapt to the changing balance of forces between the two countries, giving rise to the theory of a 'Chinese threat' and concerns over growing Chinese influence in Russia's 'near abroad.' And despite the resolution of the border issue, 'Chinese commentators sometimes make critical references to the nearly 600,000 square miles of Chinese territory that tsarist Russia annexed in the late nineteenth century.'⁵⁸ However, as Fu Ying notes, those differences have not led to a cooling of bilateral relations. To the contrary, she argues that they continue to grow stronger due primarily to the evolving geopolitical situation in the world.

Chinese academics spoke favorably of Russia's 'pivot to Asia' while discouraging excessive hopes that China could solve all of Russia's problems. Thus, according to Zhao Huasheng, following the crisis in Ukraine, 'The West applied sanctions against Russia and Russia sped up its "pivot to Asia". Under such circumstances, Russia pressed emphatically for quick results, hoping for the delivery of large quantities of Chinese capital.' Zhao Huasheng notes that when Russian markets did not receive the expected volume of Chinese capital, Russian experts saw political reasons behind it, arguing that China feared a negative reaction from the West. But, according to Zhao, China had no such concern; to the contrary, China increased its investment in Russia and economic support in general following the Ukrainian crisis. But he points to several reasons for this impression in Russia: first, large projects take time to reach fruition; second, political support alone cannot guarantee investment because 'it is unrealistic to hope that China would blindly invest large amounts without thinking of profit;' and third, there is still a problem of the different approaches to business and business culture that exist in Russia and China.⁵⁹ Zhao Huasheng pointed out that, although Russia's 'pivot to Asia' policy did stimulate cooperation with China, it also aims to increase cooperation with other Asian countries such as Japan, India, Vietnam, and the two Koreas.⁶⁰

Russian and Chinese companies signed several major deals during the final days of 2015 and in 2016. All of these deals indicate that the Russian authorities are now encouraging Chinese investment in sensitive sectors that were previously forbidden. In fact, the Xinhua information agency puts forward nearly the same arguments in an article published on 28 January 2010 that sharply criticizes those who argue that a decrease in trade with Russia is proof of a broader decline in bilateral relations. The author expresses confidence that the Russian–Chinese partnership will withstand the current challenges and states that 'among the countries Xi Jinping has visited in the past three years, those to Russia have produced the most significant benefits.'⁶¹

CONCLUSION

Russian–Chinese rapprochement is a natural process in modern international relations. It stems as much from geopolitical changes in the world as it does from the fundamental interests of both countries. It is an integral part of the formation of a new, multi-polar system and the basis for the formation of the system of Greater Eurasia, the states of which will not be tied by alliance relations, as are the United States and its European partners, but will stand for independent foreign policy and a democratic or pluralistic international system. Efforts by the United States and its allies to maintain their influence as the leading center of global power lend particular impetus to this process. Although Moscow and Beijing might join in a formal alliance only if the West were to encroach aggressively on core Russian and Chinese interests simultaneously, multilateral cooperation between them will continue to develop and gain strength regardless.

Prospects for the study of Russian–Chinese relations largely depend on the political positions of the authors. Of course, pro-Western authors who believe that the only possible course is the onward march of a single, Western-led global civilization to which the more backward countries and regions must play catch-up will continue to question why Russia and China are developing closer ties. Those who generally support US and European policy toward Russia and China will exaggerate the points of contention between the two countries and claim that short-term tactical interests lie at the heart of their rapprochement. The most striking example is the ‘axis of convenience’ theory put forward by Bobo Lo and the idea of the growing asymmetry of Russian–Chinese relations.⁶²

After all, when one writes ‘China’ or ‘Russia,’ the reader expects that what follows is the official, or at least generally accepted, position. Indeed, some Russian scholars express concern over the growing power of China and Russia’s possible dependence on that country. However, they generally represent radical pro-Western or extremely nationalistic circles and do not reflect the general opinion of the expert community, much less the official position enshrined in numerous documents. It is also true that individual Chinese experts believe Russia is in decline and therefore cannot be a full-fledged partner.⁶³

Some Chinese experts, however, take the opposite stance. For example, some call for establishing a formal anti-Western alliance with Russia. Among them are Yan Xuetong and a number of military analysts.⁶⁴ However, neither group expresses the official position, which is that China advocates an equal partnership with Russia. The article by Fu Ying mentioned in this text clearly states that official position, and describes some of the differences between the Russian and Chinese approaches.

The signing of a joint statement linking the EAEU and the SREB vividly demonstrated that China supports the Russian policy of Eurasian integration and that Beijing considers Moscow an equal and valued partner. The claim that ‘strategic trust’ between Beijing and Moscow ‘remains elusive’ is not based on any serious

analysis of actual policies or documents. But this line of argument is perpetuated because it plays an important political role: it dispels fears of Russia and China forming even closer ties while justifying the West's confrontational approach to both Russia and China – the same approach that many well-known Western experts, starting with Henry Kissinger, have warned is dangerous.

By contrast, the views of analysts who note that Russia and China have grown closer as their worldviews have converged – or, to quote Gilbert Rozman, as they have developed 'parallel identities' – are more grounded in reality.⁶⁵ However, Rozman is incorrect when he asserts elsewhere that Russian–Chinese rapprochement poses a challenge to the world order. In fact, it poses a challenge not to the current order, but to the one he feels should exist following the 'end of history' – namely, an order in which the US and its allies, along with the values and beliefs of their elites, hold dominance. A new Russian–Chinese rapport really does threaten that order. Or more accurately, the desire of the West to impose such an order contributed to the emergence of such a rapport, and that, in turn, ultimately made it impossible to construct such an order. What's more, far from posing a threat, the Russian–Chinese rapprochement actually serves as one of the main pillars of the multi-polar world order that has emerged from the bipolar order that preceded it.

Most Chinese and Russian authors have long noted that the Russian–Chinese rapprochement is based not on short-term interests, but increasingly on a common understanding of global processes and a similar vision of the future world order.⁶⁶

Thus, future studies of Russian–Chinese relations should focus not on seeking to identify the bases of their rapprochement – which are relatively clear – but on the substance of those relations. Such studies should examine problems that emerge, including those connected with the domestic developments in both countries and the evolution of their foreign policies. It is also worth considering whether the current rapprochement could withstand the consequences of a serious internal political crisis in either country. Rather than reflecting the political convictions of the authors, as is so often the case these days, such research would preferably draw on a serious study of primary sources, the official foreign policy concepts of both countries, and the views of experts and groups that have an impact on those concepts.

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China's Relations with the Korean Peninsula

Carla P. Freeman

INTRODUCTION

This chapter looks across nearly four decades of Chinese and international academic and think tank publications on China's relations with the Korean peninsula to identify patterns, areas of focus, key methodological approaches, and analytical perspectives.¹ It shows that scholarship on China's relations with the two Koreas has closely mirrored the vicissitudes of developments on the Korean peninsula and finds that scholars who study the relationship between China and the Korean peninsula have several principal concerns. These include interactions among China and other major powers within the region (particularly the United States); China's attitudes toward North Korea's nuclear program; China's relationship with South Korea and its effect on changes in Seoul's policy toward Pyongyang; and perceptions of how Beijing assesses the costs and benefits of its relationship with Pyongyang as it strengthens its ties to Seoul. Different issues preoccupy scholars writing from different countries, however. The chapter's discussion of international scholarship focuses on examples from South Korea- and US-based research. Its survey of work by South Korean scholars indicates that they write from a perspective that reflects an acute awareness of China's geographic proximity and its historical role, including its projection of military force on the Korean peninsula and special relationship with Pyongyang, alongside more distant memories of Korea's subservient relationship to China in its premodern past. In contrast, US scholars have tended to write extensively on how

China's role influences prospects for reunification on the peninsula, South Korea's security relationship with the United States, the prospects for Northeast Asian regionalism, and South Korean identity. In more recent years, US-based scholarship has increasingly addressed China's relations with North Korea, including the impact of its policies on the effectiveness of United Nations sanctions targeting North Korea's nuclear program. Of the three sources of writings on China's interactions with the Korean peninsula examined in this chapter, it is Chinese writings that have changed the most in recent decades. For one, analyses that take an evaluative approach resulting in conclusions that find fault with Beijing's policy toward the Korean peninsula have become far more mainstream in recent years. Indeed, Pyongyang's successive nuclear tests have met with increasingly lively debate among Chinese scholars in universities and think tanks over the costs and benefits of Beijing's relationship with North Korea – perhaps evidence of a parallel debate within official Chinese policy circles.

The chapter is organized into two main sections. The first section examines the evolution of Chinese scholarship on China's relations with both North and South Korea. This includes discussion of its development as an area for academic research in the international relations departments and expanding Korean Studies centers of Chinese universities and as an arena for policy debate among scholars, focused particularly on China's policy toward North Korea. The second section explores key themes in scholarship by academics and experts based in South Korea and the US on China's relations with the Korean peninsula. Along with the differences in topical emphases between the two groups, each also brackets a wide diversity of perspectives, rooted in differences in disciplinary perspective and theoretical interests. The chapter concludes by pointing to gaps in existing research and reflects on how current trends and emerging issues may shape future research on China and its relationship with the Korean peninsula in the three countries.

This analysis is based on a survey of a broad range of academic and think tank publications on China's relationship with the Korean peninsula, sourced through extensive searches of databases, scanning abstracts, and reading materials (books, articles, and reports) in Chinese, English, and Korean. As a non-Korean speaker, I relied on research assistance² for the latter and draw primarily on an array of materials published in English in my discussion. In addition to my own volume on contemporary Chinese expert views of North Korea (2015),³ a variety of bibliographical essays and edited collections by scholars representing all three countries and Europe proved valuable to this analysis. Among these, I wish to draw particular attention to publications by Piao Jianyi and Ma Junwei (2006),⁴ Li Dechun (2006),⁵ Walter Clemens (2008),⁶ Jae Ho Chung (2012),⁷ Alain Guidetti (2013),⁸ Jeon Byeong Gon and Yang Gap Yong (2014),⁹ and Qian Yong and Seong-Hyong Lee (2016).¹⁰

CHINESE SCHOLARSHIP ON CHINA'S RELATIONS WITH THE TWO KOREAS: A DIVERSIFYING RESEARCH AGENDA AMID CHANGING REGIONAL DYNAMICS AND GROWING POLICY DEBATE

China has long placed high value on its relationship with the Korean peninsula. This is not only because the peninsula has geographic significance for China's security, it is also because there is a sense of deep historical and cultural connection between the Chinese and Korean people. This perception dates to the pre-modern period when Korea was seen as a model tributary and leading student of China's Confucian culture and political order.¹¹ During the struggle against Japanese invasion and the Chinese civil war that followed, support from sympathetic Koreans proved critical to the Chinese Communist Party's (CCP's) successful fight for control over Northeast China. Mao Zedong's recognition of the importance of Korean aid to the CCP victory in that critical industrial and resource-rich region' as well as the close links between the Korean and Chinese communist movements, dating from the 1920s when the Korean Communist Party was established in Northeast China's Heilongjiang province, were among the factors that contributed to his decision to enter the Korean War.

The legacy of shared struggle and ideological brotherhood continues to play a role in Beijing's relations with the Democratic People's Republic of Korea (DPRK). Since China normalized relations with the Republic of Korea (ROK), however, the idea of deep bonds between Chinese and Koreans has come to play a greater role in shaping Chinese thinking about the peninsula. An explosion not only of economic but also cultural exchanges between China and the Republic of Korea (ROK) followed the normalization of relations between the two countries in August 1992. These new ties raised hopes in the region and beyond that they might signal a turning point toward peace and reconciliation on the peninsula, but these hopes were short-lived. As scholars Jia Hao and Zhuang Qubing write (1992), the end of the Cold War brought an end to the 'big four plus two' dynamic on the peninsula (with two of the 'big four', the Soviet Union and China, supporting North Korea against the other two, the United States and Japan, supporting South Korea).¹² However, North Korea's sustained pursuit of nuclear weapons and the failure to make progress toward peace between the two Koreas have preserved the peninsula as a regional hotspot. Beijing has sought to persuade North Korea to denuclearize and initiated the Six Party Talks process in 2003 for reasons that included helping build confidence that it could do so without jeopardizing its security. Beijing appears to have begun recalibrating its relationship with Pyongyang following the latest hereditary leadership change in North Korea, progress toward the development of nuclear weapons, and Kim Jong-un's demonstrated willingness to risk confrontation with both Seoul and the United States. Various considerations, principally tied to China's own security

calculations, have limited the scope of actions Beijing has been willing to undertake to exert pressure on its neighbor and ally, however. This has complicated its deepening relationship with South Korea and drawn increasing domestic and international criticism of Beijing over its North Korea policy, as it has appeared to be enabling the Kim Jong-un regime's recalcitrance.

Chinese scholarship on China's relations with the Korean peninsula largely follows the trajectory of developments in Beijing's relations with Pyongyang and Seoul. It should be noted that *publicly* circulated academic research on such contemporary issues as international relations that are consciously designed to inform policy-making is a characteristic of Chinese research only in the post-Mao reform period. China established its first international studies academic program in 1953 at Renmin University of China (the Department of Diplomatic Studies). By the mid-1960s, several other international politics and area studies units had been established in universities and think tanks located throughout China. However, these programs virtually ceased to function during the years of isolation and turmoil of China's Cultural Revolution.¹³ Only beginning in the late 1970s did scholars in China begin to publish policy-relevant research on foreign countries. Even then, as will be discussed, research on the Korean peninsula was constrained by the nature of Beijing's relations with Pyongyang and Seoul. In addition, not all research was openly circulated, with much conducted solely for the purpose of '*neibu*' or internal government consumption. This remains the case, if to a lesser extent, today, thereby limiting the research publicly available for analysis from open sources. It should also be noted that it was only in 1984 that China's institutions of higher learning were directed to include courses on world politics, economics, and international relations in their curricula. It was not until the 13th Party Congress in 1987 that the CCP gave formal recognition to the role that political science as problem-based analysis could play in supporting China's reforms, spurring the development of political science departments in Chinese universities.¹⁴ Furthermore, until the 1990s only a handful of Korean Studies programs existed in China. Yanbian University, Peking University, and Luoyang Languages and Cultures Institute established Korean Studies programs in the 1950s and 1960s. The current array of Korean Studies programs and research centers found across China in its leading universities and think tanks were established only in the past two decades, however – a number of them with the backing of South Korean funders.¹⁵

Prior to the mid-1980s, the focus of Chinese scholarship on the peninsula was centered on what official statements and writings often characterized as China's 'as close as lips and teeth' relationship with North Korea. Whether describing China's historic ties to the peninsula or detailing China's role in what China labeled the 'War to Resist America and Aid Korea', the then very limited number of published writings by Chinese academics about the peninsula were largely about Kim Il-sung, the ideology of *juche* and other topics aimed at reinforcing the mutual Sino-North Korean narrative of their 'invincible' friendship – a

friendship affirmed in the countries' 1961 alliance, the 'Treaty of Friendship, Cooperation and Mutual Assistance'.¹⁶ When Pyongyang became concerned about growing trade between China and the ROK, Beijing issued regulations that caused a decline in the volume of China–South Korea trade from 1982 to 1983.¹⁷ By the middle of the decade, even as the US and China forged a quasi-alliance relationship and China's increasingly outwardly focused economy made South Korea an appealing new economic partner, China's policy toward Seoul remained constrained by its concern that it not disrupt its relationship with Pyongyang.

However, as the decade moved forward, and as relations between Beijing and Moscow warmed, China began to slowly relax its 'no contact', 'no recognition' handling of its relations with South Korea. It participated in the 1986 Asian Games in Seoul, for example, and encouraged trade as well as links between South Korea and geographically proximate Chinese provinces. China's approach to North Korea also changed, with China ceasing to supply its neighbor with advanced weapons by the end of the decade.¹⁸ Chinese scholars began to look at the peninsula through new lenses. South Korea began to be examined as a country that could be understood in terms other than as an enemy of the North, an ideological antagonist, and a pillar of a US encirclement strategy. Writings by Chinese academics began to explore such topics as the potential development of economic and investment relations between China and Seoul and to weigh international political ramifications of China's rapprochement with the ROK.¹⁹ Analyses also considered how China–ROK ties affected Taiwan, recognizing the significance to the increasingly diplomatically isolated Taipei of Seoul's normalization of relations with Beijing.²⁰ As scholar Jae Ho Chung points out, Chinese assessments of the Korea–American alliance also began to change, with some analysts even portraying it as a tool by which to counter the rise of Japan.²¹

The collapse of the Soviet Union and the Western imposition of sanctions on China after the Tiananmen Square incident in 1989 marked an end to China's brief romance with the United States. However, these developments served to strengthen rather than weaken Beijing's interest in closer ties to Seoul. At the same time, North Korea was becoming increasingly isolated, with tensions between it and the United States over its nuclear program intensifying. In tandem with the burgeoning ties between China and the ROK, by the mid-1990s Chinese academics had begun to analyze the Korean peninsula from multiple perspectives. North Korea's leadership transition was reportedly one area of scholarly interest, although studies specifically addressing this topic were not publicly circulated. According to one well-regarded American analysis of Chinese experts' views at the time, Chinese Korea specialists generally saw institutional and popular identification, if not support, within North Korea for Kim Jong-il's leadership and assessed the political situation in the post-Kim Il-sung DPRK as stable.²² This appeared to be the most widely held view, even in the face of the extended food shortages in North Korea.²³

In addition, scholars with academic training in political science and international relations also started publishing in publicly circulated journals the first assessments of the implications of the situation on the peninsula for Chinese national security interests.²⁴ The US–North Korean Agreed Framework was also the object of several Chinese analyses. Studies on this topic converged on the idea that the agreement was a potentially transformative development for a new security climate on the peninsula. The general expectation was that this would include a relaxation of tensions between the North and South, which could prove conducive to economic reform and opening policies on the part of the North. In addition, it was seen as helpful to keeping the Non-Proliferation (NPT) Treaty intact. At the same time, however, the dominant view was that, regardless of the Agreed Framework, US–DPRK relations would remain tense.²⁵ It should be noted that according to an analysis by Jin Xide,²⁶ between 1993 and 1995, only eight of 126 articles published in *Northeast Asia Forum (Dongbeiyu Luntan)*, a leading Chinese quarterly on Korean affairs based at Jilin University, were directly on North Korea and only two studies explicitly examined the Sino–North Korean relationship. From 1996 to 1997, the same journal published nine articles on North Korea but just one on China–North Korea relations. Between 1998 and 2000 it published only a single article on Seoul–Beijing ties, although it published eight on the DPRK.²⁷

By the end of the decade, there had been a significant shift in the focus of Chinese academic writings on the peninsula. Far more studies on issues involving the ROK than the DPRK were now published in academic journals.²⁸ In addition, writings on the Korean peninsula were no longer dominated by work by scholars writing from Korean Studies centers in China. Scholars focused on foreign policy and international security had begun to write regularly on developments involving the peninsula. At the same time, however, the division in perspectives on the peninsula between Chinese Korean specialists and those academics writing on international and regional relations that had become apparent earlier in the decade had also become more acute. Chinese scholars who might be characterized as Korean studies specialists published distinctively more sanguine assessments about both the DPRK's future prospects, as well as about the prospects for peace on the peninsula, than their colleagues writing from international relations and international security frames of reference. After the difficult first years of Kim Jong-il's regime, for example, it was principally Korea specialists who saw in his policies evidence that he might be a reformer and peacemaker, as some had hoped when he first succeeded his father. The DPRK had joined the United Nations in 1991 and by the end of that year had negotiated a 'Basic Agreement on Reconciliation, Non-aggression, and Exchanges and Cooperation' with Seoul.²⁹ Scholars pointed to Kim Jong-il's visits to Beijing and Moscow and his push to normalize diplomatic relations with countries around the world, including by 2000–2001 the European Union, Great Britain, Germany, and Italy, among other states in the West.³⁰ New economic policies suggested, moreover, that Kim might

be laying the groundwork for more sweeping Chinese-style economic reform.³¹ As the region began to emerge from the Asian Financial Crisis, with President Kim Dae Jung (1998–2003) in the South promoting a ‘Sunshine Policy’ toward Pyongyang, developments such as the June 2000 inter-Korean summit were widely assessed by Chinese Korea scholars as harbingers of greater stability on the peninsula and in the region.³²

Scholars writing from an international security and strategic perspective on how developments involving the peninsula affected China’s security generally viewed the changes unfolding with far more caution. The prevailing view was that there were encouraging signs of a thaw on the peninsula; however, the regional situation remained precariously unstable, with China’s security threatened from many potential fronts. Preserving good relations with North Korea as a strategic asset and longtime, loyal ally of China would help counter the pressures Pyongyang faced from the international community while serving China’s interests. China’s support for the North was seen as valuable in enabling Pyongyang to engage with the United States diplomatically – engagement seen by most experts as a net benefit to regional security. At the same time, developments such as the use by Japan in 1999 of destroyers to chase North Korean boats out of its waters were seen as evidence of a ‘revival of Japanese militarism’, an indication of potentially dangerous emerging trends in the post-Cold War environment.³³ According to one expert at a Chinese think tank who recalls that period, many scholars argued at the time that North Korea was necessary as a buffer zone against the US and that relations with South Korea were unreliable as ‘Seoul was still a puppet of the United States’. In addition, there was considerable skepticism about the potential for a constructive bilateral dialogue between Pyongyang and Washington on the nuclear issue.³⁴ An essay published in early 2000 by Nanjing University international relations scholar Yan Weimin offers an example of the general thrust of publicly available academic analysis of the time. Yan highlights the fluidity of the situation on the peninsula. Noting the growing involvement of both Russia and Japan in peninsula affairs, Yan makes a case that, given China’s high stakes in peace on the peninsula, Beijing should play a more prominent role in promoting security at the regional level.³⁵

The collapse of the Agreed Framework – and North Korea’s withdrawal from the NPT in 2003 – marked a new turning point in Chinese analysis of Sino-Korean relations. The open debate over Chinese policy toward North Korea that would emerge by the end of the decade was not yet part of the landscape of writing by Chinese scholars on peninsula affairs. However, many experts were already expressing open frustration with the direction of Chinese policy toward the peninsula and specifically vis-à-vis North Korea. Since the mid-1990s, Chinese Cold War historian Shen Zhihua has used archives-based research to write accounts that defied official CCP narratives about the evolution of relations between China and the Soviet Union and the road to China’s intervention on North Korea’s behalf in the Korean War. Shen, writing from an independent think

tank, the Centre for Oriental Historical Research and Association of Chinese Historical Studies (*Zhongguo Shixuehui Dongfang Lishi Yanjiu Zhongxin*), today called the Association for Oriental Historical Studies (*Dongfang Lishi Xuehui*), challenged the idea that China and North Korea had a relationship so unique as to defy the logic of national interest. He showed that even early in their history there were tensions between the two countries, which made policy choices based on realist calculations.³⁶ A 2003 essay by Shen Jiru, a fellow at the Institute of World Economics and Politics (*Shikeyuan Shijie Jingji yu Zhengzhi Yanjiusuo*) at CASS, contended that, amid the growing tensions between the US and DPRK that were pushing the two countries toward the brink of war, talks should be held with the DPRK on the removal of Article II in the Treaty of Friendship, Co-operation and Mutual Assistance on immediate mutual military assistance.³⁷ This, Shen Jiru argued, would reduce the chance that North Korea would opt for the use of force.

There were limits, however, to how critical scholars could be of Beijing's policies toward the DPRK. The journal *Strategy and Management* (*Zhanlue yu Guanli*) published an article arguing that Beijing should rethink its approach to Pyongyang, which it described as a regime that employed 'ultra-leftist politics' to preserve its hereditary or dynastic rule, and was then shut down. The offending piece had included among its observations that, if the US chose not to pressure Pyongyang on its nuclear program, Beijing would find it necessary to make its own efforts to push Pyongyang to give up its nuclear program in the interest of its own security.³⁸

In counterpoint to these critical views within China on Beijing's relationship with Pyongyang, the same period saw a growing number of writings on various aspects of China–ROK relations, many focused on dimensions of the two countries' expanding and diversifying economic ties. Trade volumes between China and South Korea rose 43 percent from 2002 to 2003, decelerating only after 2005.³⁹ This was the high point of the so-called 'Korean wave', as contemporary Korean culture gained widespread popularity in China as well, and also a period when Korean Studies centers were 'springing up like mushrooms' in China, as Chinese scholar Li Dechun has put it.⁴⁰ Contemporary Korean studies were being expanded to include the study of the peninsula as a whole, including politics, economics and other aspects of Korean society and culture in both North and South Korea.⁴¹ It should be noted that, despite the extensive coverage by Chinese scholars of South Korea's economic development, research did not extend to South Korean political development. A review of several books published by Chinese scholars between 2012 and 2014 on different aspects of the China–ROK relationship reports that this is because there was little awareness on the part of Chinese scholars about the South's democratic transition, including the student demonstrations against the military dictatorship, 'as that information had not been available in China'.⁴² As China's relationship with South Korea has grown to involve more complex economic and social ties, Chinese scholars have

explored how these close ties coexist in some tension with mutual differences over the DPRK and the US.⁴³

An analysis by the Korea Institute for National Unification (KINU) of Chinese writings published by think tanks with China's top research programs on the Korean peninsula over the decade from 2002 to 2012 reveals a number of noteworthy patterns. Between 2002 and 2009, 28 percent of 495 total publications addressed security issues on the peninsula focused on North Korea's nuclear program and related topics, such as the Six Party Talks (after these were launched in 2003). Of total think tank publications on the peninsula, 14 percent addressed the PRC–ROK relationship. Only 5 percent were on the topic of the China–DPRK relationship. After 2009, the picture shifted, with a growing number of publications on the China–DPRK relationship beginning in 2010, rising to 10 percent of the total, while the share of publications on the China–ROK relationship fell to 10 percent.⁴⁴

The rise in think tank publications on North Korea and on Beijing's bilateral relationship with Pyongyang observed by the KINU report is consistent with a general increase in expert writing on these topics. A scan of academic articles in the CNKI database shows that after 2009 academic publications on the China–DPRK relationship rose substantially after 2009, increasing by more than 30 percent in 2010 from 2009. One likely factor in this pattern is that it reflects an increased tolerance by the Chinese leadership of critical assessments of North Korea's behavior amid Pyongyang's intractable pursuit of nuclear weapons. Red lines certainly remained in place: when the deputy editor of a publication of the Central Party School Study Times (*Xueshi Shibao*), Deng Yuwen, published an editorial in the *Financial Times* advocating that China should rethink its commitment to North Korea and even 'consider abandoning' it, Deng lost his job.⁴⁵

At the same time, there is no question that open criticism by Chinese scholars, as well as in the blogosphere, of China's support for North Korea, which has been characterized as a 'burden', expanded in response to North Korea's successive nuclear tests and its refusal to reform and open its economy.⁴⁶ It has also been prompted by Kim Jong-un's suspension of Pyongyang's traditional policy of keeping Beijing informed of major domestic and international policies.⁴⁷ In arguing that Beijing should use its leverage on North Korea to discipline its behavior, the views of international relations scholar Shi Yinhong, long critical of what he has characterized as the 'tentativeness' of Chinese strategic thinking about North Korea, which 'lack[s] ... strategic thinking about ... grand strategic ends related to peninsula issues', have become increasingly mainstream.⁴⁸ Nonetheless, as Shi himself has observed, his perspective on the need for grand strategic thinking by Beijing about its relationship with Pyongyang is far from representative of the dominant view among experts. Certainly others, including Zhang Liangui of the Central Party School, Ren Xiao of Fudan University, Sun Zhe of Tsinghua, and Cheng Xiaohe also of Renmin University, have all advocated a policy toward North Korea based on China's broader, long term strategic interests.

These scholars, along with Shi, have been characterized in some analyses as a 'strategist faction' (*zhanlue pai*).⁴⁹

However, what Shi's colleague at Renmin University, Jin Canrong, describes as a 'traditionalist faction' (*chuantong pai*) among Chinese scholars remains an active source of commentaries and analysis on China and the peninsula. These include many 'traditionalists' who continue to assign high geopolitical value to North Korea as a security buffer for China, as well as others who argue for continuing to conduct policy involving North Korea on such grounds as historical ties and/or ideological affinities.⁵⁰ Jin considers some of those who take this latter position as falling into the category of a 'Yanbian sub-faction', comprising scholars – many with ethnic Korean backgrounds – who write from Korean studies centers in Northeast China near or along the North Korean border at Yanbian University in Yanbian, China's ethnic Korean minority autonomous prefecture. Shi labels experts who accept the *de facto* possession of nuclear weapons by Pyongyang and, for reasons, including a preference for a highly conservative approach that, among other goals, seeks to preserve the DPRK as a strategic buffer zone as 'defeatists'. The result of such 'defeatism', he contends, is the opposite: the enabling of a dangerous source of strategic problems for China.⁵¹ In an essay co-authored with American expert Nathan Beauchamp-Mustafaga, Zhu Feng describes the debate as among four 'schools': 'nationalists, realists, internationalists and liberalists'. The nationalists are effectively the traditionalists described by Jin; the realists see the DPRK as a strategic asset to China as a buffer and view its nuclear program as the logical outcome of Pyongyang's insecurity due to Beijing's excessive cooperation with Washington. The internationalists focus on the reputational costs to China of its association with Pyongyang and urge Beijing to use its leverage to change Pyongyang's behavior. The liberalists advocate a humanitarian approach to North Korea that is focused on the needs of the Korean people. Zhu and Beauchamp-Mustafaga link some of these schools to research institutes and think tanks serving various parts of China's policy apparatus involved in North Korea policy.⁵²

The discussion above hints at the growing analytical diversity and methodological sophistication of Chinese scholarship on China's relations with North Korea. Over the course of the past decade, a body of work largely characterized by descriptive essays (or rhetorical appeals) has become analysis that is more and more consciously empirical and/or explicit in its engagement of conceptual frameworks and theory from political science and international relations. Writings by top international relations professors such as Shi Yinhong and Shen Dingli – another frequent academic critic of China's North Korea policy – draw on the realist intellectual traditions shared with mainstream Western scholars. Zhu Feng focuses on institutional dynamics and bureaucratic politics to explain what he assesses as the inertia of China's North Korea policy. Other scholars make neo-liberal arguments about the stabilizing role of economic exchanges as a key pillar of peace on the peninsula.⁵³ Piao Jianyi, a leading Korea expert

and senior research fellow at CASS' National Institute of International Strategy, melds neo-Marxism with domestic political factors and leadership analysis to explain the dynamics between North and South on the Korean peninsula. Piao is among the Korea specialists who have raised concerns about the gap in understanding about North Korea within China, which, he in particular, has suggested has adversely affected Beijing's exploration of options for policy on the peninsula. Piao's complaint may be the area specialist's lament, as discussions and writings on the peninsula by longtime Korea watchers must increasingly share attention from media and government officials with scholars from international politics departments at universities who analyze interactions among actors on the peninsula in relatively unitary terms (for an example see Wang Tiejun on the Korean peninsula and China's grand strategy).⁵⁴

As a solution to the security challenge that North Korea poses to the peninsula and to the region, including China, remains elusive, Chinese scholars are also increasingly addressing the issue of reunification in their published writings. As Bonnie Glaser and Yun Sun point out in their relatively recent study of Chinese debate on this topic, the general consensus is that, given the risks associated with reunification, Chinese interests are best served by the *status quo*. However, Glaser and Sun also observe growing confidence among Chinese experts that Beijing has the ability to forge a strategic environment favorable to China in which Seoul and Beijing reach agreement on the role of the US on a unified peninsula.⁵⁵

KEY THEMES AND CHANGES IN INTERNATIONAL SCHOLARSHIP ON CHINA AND THE KOREAN PENINSULA

This section of the chapter on international scholarship takes as its focus South Korean and US writings on China and the peninsula. An implication of this restrictive coverage means that it does not explore important contributions from scholars in other parts of the world, even as the more limited scope enables a closer look at the body of existing literature from the two countries.⁵⁶ A scan of writings by scholars from the US and South Korea yields the general observation that most American scholars and experts who write regularly on Sino-Korean relations are principally either China or Korea specialists. Most are also trained as political scientists who work on international security issues, reflecting the highly securitized nature of peninsula affairs. Many South Korean scholars who write on China's relations with the Korean peninsula also draw on backgrounds in Chinese politics and foreign policy. However, others use the study of China's behavior toward peninsula affairs to address macro-level questions about regional political dynamics. Like specialists on China, the research agendas of both South Korean and US scholars who write on China-Korea relations calibrate closely with policy trends and concerns. However, there are significant differences among them in focus, emphasis, and objective; in addition, the greater

intellectual openness of the US and South Korea in contrast to China opens the door to a broader array of perspectives and lines of research inquiry.

South Korean Scholarship

South Korean scholarship on China's relations with the Korean peninsula is abundant and extensive in coverage. Many experts writing from South Korean universities and think tanks publish in English-language academic journals, making their scholarship part of the international body of inquiry on China's multifaceted relationship with the peninsula, as well as discourse within Korea. For example, Jae Ho Chung, a professor at Seoul National University, is an internationally influential leader in the China Studies field and prolific analyst of the China–Korea relationship, as well as on China's political economy and foreign policy. He has been the source of numerous canny assessments of the evolving relationship as well as of South Korea's evolving perceptions of China as China–ROK economic interdependence deepens. Examples of other South Korean academics widely cited on this topic in top English-language publications include Jaeho Hwang, Dean of the Division of International Studies at Hankuk University, who holds a PhD from the London School of Economics and a BA from Taiwan's Chinese Culture University; Heung Kyu Kim, a Professor in the Department of Political Science and Director of the China Policy Institute at Ajou University, whose PhD is from the University of Michigan; and Jaewoo Choo, a scholar who graduated with a BA from Wesleyan in the United States and did his master's and doctorate in international relations at Peking University.

In addition to university-based scholars, South Korea has an array of think tanks and research institutes involved in the study of various aspects of China's relationship to the Korean peninsula, much of this published in both Korean and English. For example, the Korean Development Institute (KDI) publishes economic reports on various topics related to the China–South Korean relationship. The Sejong Institute, which conducts policy-relevant research on contemporary and historical topics, offers a source for a wide range of information about issues, including dimensions of the China–North Korea relationship. The Asan Institute for Policy Studies covers topics such as national security and foreign policy, global governance and domestic politics. It also houses the Asan Forum, which publishes a wide range of analyses on topics related to China's relations with the Korean peninsula, including regular commentaries and analyses of regional issues from experts writing from within Northeast Asia. *Asian Perspective* is an international English-language, peer-reviewed academic journal partly sponsored by Kyungnam University, which frequently publishes analyses by Korean scholars.⁵⁷ Other key sources for South Korean analysis of the China–Korea relationship include the US-based Korean Economic Institute of America (KEI) and the website '38 North'. A scan conducted as part of my own research on regional

analyses of China's Korea policy showed that the 26 South Korean studies of the China and North Korea relationship through a non-economic lens between 2011 and 2015 were by researchers from 20 different think tanks, university research centers, associations and networks.

The analysis by Jae Ho Chung referenced in the introduction to this chapter identifies several areas of particular interest and concern on the part of South Korean observers of Chinese affairs. These include a set of issues that are distinct from the issues that preoccupy American scholars in that they are related to South Korea's geographic proximity to China. Chung highlights three in particular: the acute security dilemma this proximity brings, an awareness of Beijing's historical record of projecting military force in its periphery, and memories of Chinese dominance, refreshed by new historical controversies. A piece by Sehee Yoo published as early as 1994, for example, questions China's intentions and suggests that South Korea should reassess its views of China. Yoo writes that 'Beijing's backing for Pyongyang's protests against the joint military drill between US troops stationed in South Korea and the South Korean Army ... [are among the] acts ... by the Chinese government ... that seem to have revealed China's real intentions ...'. In Yoo's view, China appeared 'more interested in manipulating the [North Korean nuclear] situation to increase its influence ... than in resolving the nuclear issue, a life-and-death issue for the Korean people'.⁵⁸ Writing more than a decade later amid the controversy over China's 'Northeast Project' on Koguryo, Taeho Kim argues,

the dawning reality is that the "Northeast Project" is nothing but a Chinese government project, aided and abetted by the media, the academic and policy units, and regional governments. The project and the lessons thereof should awaken the Korean people to the dangers of the self-fulfilling prophecy about China ... recent "China-bashing" in South Korea – should be harnessed into a new opportunity not only to rethink China's strategic intentions towards the Korean peninsula but also to dispel the self-centered "China fantasy" many of us have nurtured until now.⁵⁹

Other key areas of research on the China–Korea relationship involve questions about the implications of continuing to expand what are for South Korea increasingly important bilateral economic relations amid ongoing security concerns. How this may be shaping or limiting South Korea's policy options has been a focus of growing academic interest, explored by Jae Ho Chung in his 2006 book, *Between Ally and Partner: Korea–China Relations and the United States*, and later writings by Hoon Joo Yoo (2012), and Jae Ho Chung and Jiyeon Kim (2016).⁶⁰ Analyzing the sources of tension as well as cooperation and mutual interest in the China–South Korean relationship has been another rich line of inquiry for South Korean scholars, including studies of the interaction between China and South Korea through the lens of identity. Studies explore how the relationship continues to be seen in terms of the traditional 'big brother–little brother' relationship, an asymmetry that, as one article observes, 'challenges South Korea's identity as an advanced economy and democracy seeking to play

a global leadership role'.⁶¹ Identity as a factor in the bilateral dynamic is also examined through writings on China's ethnic Korean minority and their multifaceted relationship to both North and South Korea.⁶²

South Korean analysts are conducting robust research on how other factors, such as leadership or US–China competition, may be affecting the China–DPRK relationship. According to my scan of South Korean academe and think tanks mentioned above, at least two dozen different specialists in South Korea published on some aspect of China's relationship with North Korea in the four years between 2011 and 2015. Of these analyses, approximately 30 percent are on the significance of Xi Jinping's leadership for China's relationship with North Korea.⁶³ Other leading topics of interest are the impact of North Korea's nuclear test on DPRK–China relations (14 percent) and how Kim Jong-un's leadership is affecting the relationship (14 percent).

United States Scholarship

The China–Korea relationship has drawn the attention of some of the United States' top China experts for the insights studying it offer about an array of issues, from explaining China's approach to foreign policy and security, its crisis management, its thinking about regional security cooperation, and its views of nonproliferation. There is also of course a historical dimension to the topic related to the Korean War. Given the clash between the US and China on the peninsula, understanding the extent of China's role in the war and Mao's decision to send Chinese 'volunteers' to support Kim Il-sung's government has been important to better understanding this factor of the US–China relationship. Here new archival research became possible after many new materials became accessible after the collapse of the Soviet Union. Chen Jian's 1994 study, for example, challenges many of the assumptions made by Allen Whiting in his classic study published more than three decades earlier, showing a far greater role for Mao in Kim's decision to launch his invasion than Whiting had speculated.⁶⁴ The post-Cold War transformation of the relationship between China and South Korea raised new questions for American scholars about the implications of this engagement for dynamics on the peninsula, including a possible new role for China. In a 1992 piece, for example, scholar Samuel Kim raises questions about China's potential to contribute to post-Cold War regional security when he concludes that 'China's regional security policy has ... become a function of its nationalism-unilateralism in bilateral clothing'.⁶⁵ In an article published a year later entitled 'China's Korea Policy in a Changing Regional and Global Order', Kim examines China's position on the DPRK's nuclear program. His prognosis is a gloomy one. In his view, Beijing's normalization of its relations with Seoul helped spur Pyongyang to push forward with its nuclear program. However, Beijing has not adjusted its policy, holding firm against the international community's efforts to apply pressure to Pyongyang. Kim finds that 'China's foreign

policy ... as shown in China's response to the Korean nuclear crisis, is predominantly aimed at maximizing its rights and privileges while dodging its responsibilities'.⁶⁶

By the early 2000s, Pyongyang's determined pursuit of nuclear weapons and growing frustration with China's contribution to efforts to resolve the crisis had engendered new writings by American scholars that sought to refine understanding of China's calculus toward the peninsula and implications for denuclearization. For example, in a 2003 piece dissecting China's position and priorities that identified many of the issues that continue to preoccupy American experts, David Shambaugh concludes that enhancing stability is critical to Chinese priorities, with promoting 'responsible North Korean behavior on security issues', including nuclear and WMD proliferation, last, if not least, on a hierarchy of interrelated interests.⁶⁷ Writing in 2002, Avery Goldstein finds that the situation on the Korean peninsula was coming to define the US–China relationship in difficult-to-predict ways:

China has distinctly mixed interests in its dealings with the United States that drive its Korea policy – an enduring, if limited, commitment to the security of the DPRK, concerns about the way American military capability ostensibly geared toward a Korean contingency might threaten China's vital interests, and also an incentive to benefit economically from good relations with the ROK and the United States. These mixed interests preclude easy answers about the links between China's overall relations with the United States and the future of the Korean peninsula.⁶⁸

These analyses should be seen within the context of growing frustration on the part of American policymakers over the challenge of denuclearizing the peninsula. China's efforts at 'active mediation' through its Six Party Talks initiative had sparked a cluster of relatively optimistic assessments of Chinese policy toward the region, even from established skeptics. Samuel Kim, for example, expressed hope that the Talks could reflect an embrace by Beijing of 'a new security concept' and evidence of 'China's rising multilateralism', writing that this could be a step toward 'institutionalizing a truly Northeast Asian security regime'.⁶⁹ However, hopeful predictions about the potential for regional stability from the Six Party process were short-lived as expectations for its outcome were first disappointed and then dashed by Pyongyang's first nuclear test. Beginning in 2007–2008, American writings on China and the Korean peninsula began to take shape around three themes, principally focused on the China–North Korea relationship and its implications for regional and international security. One group of writings seeks to explain China's decision not to exert greater pressure on North Korea from various levels of analysis, including why China's policy aims at positively influencing North Korean policy rather than adopting coercive measures. Another explores Sino–North Korean relations as a factor (constructive and corrosive) in the US–China relationship. A third set examines China's relationship with the Korean peninsula for lessons on how China's rise amid regional security challenges might be viewed from a regional perspective.

Examples of writings that might be included within the first thematic grouping are diverse. For example, in a 2008 article, Christopher Twomey makes the case that China's conduct in responding to North Korea's provocations fits the defensive realism paradigm: 'The Chinese emphasis on avoiding excessive provocation of North Korea is stereotypical security dilemma avoidance'.⁷⁰ In a 2014 piece, Andrew Scobell – whose 2004 book on the China–North Korea relationship appears to be the first on the subject by a US scholar⁷¹ – argues in a piece co-authored with Mark Cozad that 'in Beijing's mind the prospect of instability in North Korea means the disintegration of the [strategic] barrier (i.e., the "lips") and raises the specter of US and ROK forces operating north of the DMZ. Also alarming for Chinese leaders is the potential for a conflagration on the Korean Peninsula which might escalate horizontally or vertically'.⁷² My own 2010 analysis looks at the provincial-level and transboundary factors, including the role of China's Korean ethnic minority, as influences shaping China's policy toward the peninsula.⁷³

Writings on the second theme include Bonnie Glaser's and Wang Liang's 2008 *Washington Quarterly* piece, 'North Korea: The Beginning of a China–US Partnership?'. Glaser and Wang see the North Korea issue as having offered a 'boost' to a bilateral relationship increasingly characterized by growing mutual distrust.⁷⁴ In an analysis completed several years later, however, Korea specialist Scott Snyder illustrates how both the US and Chinese positions have become more rigid and more different. While the Chinese promote economic engagement in an effort to encourage Pyongyang to adopt economic reforms, he notes that 'the Obama administration has insisted ... that it would not reward North Korean provocations... China chooses to interpret UN resolutions and prohibitions against North Korea narrowly while the United States has focused on sanctions as a means by which to send a message that there will be "no reward for provocations"'.⁷⁵ Notably, a contemporaneous piece on the North Korea factor in China–European Union relations observes that 'opposed to the US ... [the] respective approaches of China and the EU towards North Korea are not contradictory, rather ... [both] prefer the multilateral dialogue mechanism for resolving the nuclear issue; both prefer an engagement policy with North Korea; both provide financial and food support on humanitarian grounds ...'.⁷⁶

Snyder's 2009 book on China and the two Koreas offers a broad discussion of their evolving relationships. According to Snyder, China's growing economic exchanges with each of the two Koreas has had paradoxical effects. North Korea's growing economic dependency on China may have reduced China's leverage over Pyongyang: 'the greater North Korea's economic dependency on China, the greater China's fears that withdrawal of assistance may have negative consequences for North Korea's economic and political stability, which by extension may have negative ramifications for China itself'.⁷⁷ While China and South Korea enjoy mutually profitable trade and investment ties, China's growing economic capabilities are challenging South Korea's competitiveness and raising questions about the country's economic security.⁷⁸

Studying the China–Korea relationship from a regional perspective, David Kang explores the relationship between China and the peninsula to show how it may illustrate a response to China's 'reemergence' as a regional power. He notes that South Korea has accommodated China's rise rather than sought to balance against it because it, like many other powers in the region, sees a strong China as a fundamentally stabilizing force; its weakness has been associated with chaos. Kang argues that issues that many see as tensions in the relationship should not be misunderstood as such. For example, he argues that, fundamentally, China and South Korea share a view that the best way to manage North Korea is to exercise restraint. He also dismisses concerns that tensions over history, such as over the identity of the ancient kingdom of Koguryo,⁷⁹ will have an effect on the relationship, as these tensions are about national historical narratives, not power.⁸⁰ Kang's argument is consistent with the views of other scholars, like Victor Cha, who see the potential for South Korea to seek a 'continental accommodation' with a powerful China, '[pushing] the United States off the peninsula'.⁸¹

A 2012 article by Gilbert Rozman challenges this assessment, however, arguing that the critical role history plays as a constructed narrative in China's evolving national identity has led to new, more dogmatic interpretations by China of the history, ancient and modern, of its relationship with the peninsula, including its special, ideological, and anti-imperialist ties to North Korea. This has contributed to deteriorating Sino–South Korean relations. He reminds us that, despite the scholarship of Shen Zihua and others who paint a picture of a China 'dragged into' war, in 2010 Xi Jinping commemorated the sixtieth anniversary of China's engagement in a war that was a 'great and just war for safeguarding peace and resisting aggression'.⁸²

CONCLUSION

Scholar Michael Mastanduno once observed that 'scholarship responds to the particular features of the international environment', and 'the resulting patterns become institutionalized in academic life'.⁸³ This review of Chinese, American, and South Korean writing on the China–North Korea relationship reveals a scholarship highly responsive to the changing situation on the peninsula. It also raises questions about the role of this research in the policy dynamic itself. It is designed to inform and contribute to policy choices. To what extent is it doing so? How are scholars in China, the US and South Korea actually contributing to informing policy? Are they providing the analytical altitude that makes their analyses valuable or are their writings reactive to immediate developments such that opportunities to influence the direction of developments through changes in policy are overlooked?

An additional and related observation is that much of the work appears interpretative of evolving developments in the region, rather than aimed at drawing

broader lessons about international relations. To what extent can scholars from China, the US, and South Korea draw lessons from the situation on the peninsula for international peace and security writ large? In addition, almost none of the scholarship on China and Korea from the three countries adopt a comparative approach. What insights might be gleaned from comparative analysis? Related to this point, this chapter has shown the breadth of intellectual engagement on peninsula issues, even within the narrow area of focus on China's relationship with the two Koreas. Some collaboration across national boundaries is already taking place but this chapter reveals untapped opportunities to pool policy-relevant knowledge through greater collaboration among scholars and experts who routinely write on this topic.

In addition to the need to fill the gaps in current research that these questions inherently imply, unfolding developments in the region also carry implications for the direction of future research on China and the Korean peninsula. The failure of international policy to bring an end to North Korea's nuclear program even in the face of sanctions and other efforts at coercive diplomacy has laid bare the acute difficulties of the multilateral approach to the North Korean threat Beijing has sought to help broker. It has also illustrated the resilience and independence of the North Korean regime as a regional actor, and the limits of its responsiveness to external pressure. Beijing has stood firm in its assertion that, despite its economic and security ties to North Korea, its leverage over the regime is limited. Scholars will want to probe this issue to see if they can better measure the scope of Beijing's enforcement of the sanctions regime. Explanations for why China apparently prefers not to maximize its influence on the DPRK to reshape Pyongyang's behavior, given the threats Pyongyang posed to its own security, may need rethinking. At a different level of analysis, the story of the short-lived honeymoon in the Xi-led Chinese and Park Geon-hye-led governments will also be important to assess, including how the leaders' relationship affected Pyongyang's behavior and the fallout from the relationship's failure, for a range of reasons, to fulfill its initial promise. Other areas for further research include China's response to new efforts to pressure Pyongyang by Washington and Seoul, with particular reference to the decision by President Park to move forward with Terminal High Altitude Area Defense (THAAD) in 2016.

Changes resulting from new US policy under the Donald Trump Administration are also certain to have an effect on China's relationship with the peninsula. An 'America First' policy is a significant shift from the Obama Administration's 'pivot to Asia', creating both uncertainty and new opportunities for China. It is unclear, for example, how all countries in the region, including China, will seek to safeguard and/or promote their interests in a region in which a sustained US presence appears less certain. It is possible that Moscow, which began to 'look East' in response to the US 'pivot' and Western sanctions imposed after its annexation of Crimea, may choose to pursue a role on the peninsula in a way that

it has not since the Soviet era. Japanese policies, already an under-studied factor in relations between China and the peninsula, can also be expected to change, but in difficult to predict ways. In addition, what are often labeled 'nontraditional security issues', including the environment, energy, and fisheries, are currently under-investigated in relations between China and the peninsula. These are all issues that, given the effects of climate change, worsening air pollution in China, and trends toward resource scarcity, can be expected to play a more significant role in China's interactions with the two Koreas as areas of tension and potential cooperation. The big question shaping future research on the peninsula, however, is how China's growing global weight and strengthened confidence as an international actor may affect its behavior and attendant policy choices. To date, China has resisted US pressure on it to assume responsibility for North Korea's actions, standing firm in its position that its influence on Pyongyang is limited. However, current trends predict an international environment in which there is less certitude about sustained US leadership in Northeast Asia and less confidence that the US will refrain from unilateral action to address concerns about its own security resulting from North Korea's nuclear program, among other areas of uncertainty. Those watching China's engagement with the peninsula may look for signs of initiatives by China that respond to this uncertain environment to suggest what this might signify for China's role in inter-Korean relations, in the region, and as a global power.

Notes

- 1 The author wishes to thank the reviewers for their critical guidance in improving this chapter.
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Chinese Foreign Policy: Southeast Asia

Taomo Zhou and Hong Liu

INTRODUCTION

Traditionally known in Chinese as the ‘South Seas’ (Nanyang 南洋), it is only since World War II that the area south of China and east of India has been called ‘Southeast Asia (东南亚)’ in both English and Chinese. Today’s Southeast Asia is a diverse region composed of eleven nations: Brunei, Burma (Myanmar), Cambodia, East Timor, Indonesia, Laos, Malaysia, the Philippines, Singapore, Thailand and Vietnam. Contemporary China–Southeast Asia relations have been shaped by longstanding geopolitical, ethnic and economic ties. From the ‘domino theory’ of the Cold War era to the ongoing tensions in the South China Sea, China has often been perceived as a powerful and potentially expansionist player in regional politics. The existence of a large ethnic Chinese population adds another dimension to China’s interactions with Southeast Asia. From Thai King Rama VI (Wachirawut)’s booklet on *The Jews of the East* published in 1914¹ to the 1998 anti-Chinese riots in Indonesia, the Chinese in Southeast Asia have long been regarded as wealthy elites who wield disproportionate economic influence. At the same time, however, they are also a vulnerable minority who have been the target of racial discrimination and ethnic violence. Last but not least, for centuries Chinese merchants have been trading with Southeast Asia. Their business ventures linked China with Southeast Asia ‘in a broad, mercantile embrace.’² Today, the two regions are highly dependent on each other commercially and are crucial to the world’s economic growth.

This chapter examines the changing contours of China–Southeast Asia relations from the founding of the People’s Republic of China (PRC) in 1949 to the

present. It consists of two parts: The first part presents a chronological historical overview of the relationship between China and Southeast Asia. During the Mao era (1949–1976), ideology had been the main driving force behind Chinese policy towards Southeast Asia. Since the launch of the ‘reform and opening-up’ (*gaige kaifang*, 改革开放) program by a new leadership under Deng Xiaoping at the end of 1978, Sino-Southeast Asian relations have been mainly shaped by the economic interests and *realpolitik* calculations of different stakeholders, including the Chinese and Southeast Asian governments as well as major external powers such as the United States and Japan. The second part of this chapter discusses three major factors affecting this relationship: ethnic Chinese in Southeast Asia, South China Sea disputes and increasingly complex trade and investment networks. The conclusion identifies a few currently debated issues and some future challenges, including the PRC’s ‘One Belt One Road’ initiative and its efforts to project soft power.

HISTORICAL OVERVIEW

When tracing the roots of Chinese perceptions of Southeast Asia, Wang Gungwu, the leading scholar in overseas Chinese studies, locates the region in the geographical imagination of the rulers of Ming China (1368–1644) as follows:

[They] would not have recognized the region known today as Southeast Asia. They considered the archipelago east of Brunei (modern Borneo) to be part of that area they termed the Eastern Oceans, while all other coastal states they considered part of the Western Oceans, which also included countries bordering on the Indian Ocean ... [T]he view of other nations held at the imperial capital at Nanking or Peking was always sinocentric. Foreign countries were considered to have no meaningful existence unless their rulers had a relationship with the emperor of China.³

In the pre-modern and early modern periods, China’s vast territory and population, rich resources and the legacy of the hierarchical tributary system made it difficult for some of its Southeast Asian neighbors, such as Vietnam, to strike a balance between resistance and dependence.⁴ As historian Chen Jian points out, this longstanding ‘central kingdom’ mentality strongly influenced the leaders of the Chinese Communist Party (CCP), who aspired to promote a world proletarian revolution according to the Chinese model.⁵ In the early years of the PRC, policy-makers believed so strongly in the reproducibility of China’s experiences in Southeast Asia, where local communist movements had already gained momentum after World War II, that some leaders were convinced that ‘China’s today is Southeast Asia’s tomorrow.’⁶ For example, in his opening remarks at the Trade Union Conference of Asian and Australasian Countries held in Beijing in November 1949, the vice president of the PRC, Liu Shaoqi, called upon the working class in Indochina, Burma, Indonesia and Malaya to stage armed struggles against imperialism.⁷

In the mid-1950s, this revolutionary ardor was tempered by the strategic need for the PRC to break down international isolation by winning recognition from formerly colonized areas of the world. The Chinese leadership believed that Asia, Africa and Latin America, where there were ample opportunities for Beijing to rally support, should not be divided between the spheres of influence of the two superpowers. At the Geneva Conference of 1954, the PRC announced the Five Principles for Peaceful Coexistence (*heping gongchu wu xiang yuanze*, 和平共处五项原则), which stated that the newly independent states should follow a new framework of international relations based on mutual respect for each other's territorial integrity and sovereignty, mutual non-aggression, mutual non-interference in each other's internal affairs, as well as equality and cooperation for mutual benefit.⁸ The Five Principles for Peaceful Coexistence set the tone for China's new approach to Southeast Asia, as most countries in the region were searching for a 'third way' that would subvert the bipolar structure of the Cold War. The first Afro-Asian Conference held in Bandung, Indonesia, in 1955 marked the zenith of China's pragmatic flexibility towards Southeast Asian countries, particularly those governed by political forces from ideological backgrounds strikingly different from China's. In Bandung, the head of the Chinese delegation, Zhou Enlai, legendarily befriended not only 'leftists' like the conference host President Sukarno but also 'centrists' like U Nu of Burma and 'rightists' like Carlos Romulo of the Philippines. Zhou adopted a conciliatory attitude towards the nationalist rhetoric expressed by some participating countries at the conference and even pleaded with those leaders who had a religious orientation to be tolerant towards his atheism.⁹

But the moderate policy defined by the Five Principles for Peaceful Coexistence was interrupted by domestic political campaigns launched by Mao, most prominently the Great Leap Forward (1958–1961). Though its original aim was to accelerate the pace of the modernization of China's economy, the Great Leap Forward resulted in three years of catastrophic economic recession and had a profound impact on China's foreign relations. In the immediate aftermath of the Great Leap Forward, as part of a critical reflection on domestic and international policies, the Chinese leadership established the principle of 'actively opening up a new horizon in foreign relations' (*nuli zhudong de zaiwaijiaoshang kaichuang xin de jumian*, 努力主动地在外交上开创新的局面) in January 1961.¹⁰ However, this policy adjustment was short-lived. Wang Jiaxiang (王稼祥), the CCP International Bureau Chief, who had proposed that Beijing should endeavor to search out stability with major power players, was fiercely attacked by Mao in 1962.¹¹ With Mao denouncing any attempt to ease international tensions as 'rightist,' an international outlook that denied any possibility for détente or long-term peace emerged as the cornerstone of Chinese foreign policy.

The PRC's policy towards Southeast Asia between 1960 and 1965 was a reflection of the general radicalization of its foreign policy. From the late 1950s to the early 1960s, when its relations with both the United States and the Soviet Union

became increasingly confrontational, Beijing shifted its attention to Southeast Asia in search for potential allies in a militant international united front against both superpowers. In 1963 and 1964, China hosted two strategic planning meetings attended by leaders of the Vietnamese, Laotian and Indonesian communist parties. Premier Zhou Enlai proclaimed at these meetings that Southeast Asia had become the key site for the international anti-imperialist struggle, announcing that 'the basic mission of the revolutions in Southeast Asia is against imperialism, feudalism, and comprador capitalism.'¹² In the mid-1960s, under the banner of fulfilling China's duties of 'proletarian internationalism,' Beijing provided Vietnamese communists with substantial support, including the dispatch of 32,000 Chinese engineering and anti-aircraft troops to North Vietnam in 1965–1969.¹³

Between the mid-1960s and late-1970s, aggressive anti-imperialist struggles alienated China from many of its former friends in Southeast Asia. From the late 1950s to early 1965, in maritime Southeast Asia, Indonesia was one of China's closest partners in the Third World. But this remarkably cordial quasi-alliance ended in the aftermath of the regime change and mass killings in 1965–1966 in Indonesia. The left-leaning Indonesian President Sukarno was deposed and the Indonesian Communist Party, the largest non-ruling communist party in the world at the time, became the target of a nationwide political purge. China's close relationship with Sukarno and the Indonesian Communist Party gave the newly established anti-communist regime under Suharto a pretext to make repeated but unfounded accusations of PRC intervention in Indonesian domestic affairs.¹⁴ Sino-Indonesian diplomatic relations were suspended in 1967. A similar shift in diplomat relations can be traced in mainland Southeast Asia. In the 1950s, the relationship between Beijing and Hanoi was lauded as an 'alliance between brotherly comrades.' However, it deteriorated significantly from the early 1960s to the late 1970s, with the Vietnamese communists refusing to accept an inferior status when dealing with a fellow communist nation.¹⁵ The simmering tension between the two countries culminated in the Sino-Vietnamese border war in 1979, an offensive launched by Beijing in response to Vietnam's invasion of Cambodia.¹⁶

While launching a limited attack on Vietnam, Deng Xiaoping also started an overhaul of Mao-era economic policies by introducing market principles and opening up China for trade with the outside world. Since 1979, Chinese policy towards Southeast Asia has been increasingly driven by the country's search for financial resources and technological know-how for national economic development. In November 1978, Deng Xiaoping visited Thailand, Malaysia and Singapore. Before his Southeast Asian trip, Deng seemed to have had the impression that the region was backwards. Yet he was impressed with the socio-economic progress these three countries, particularly Singapore, had achieved since the 1960s. During his meeting in 1978 with the then Prime Minister of Singapore, Lee Kuan Yew, Deng remarked that Singapore had undergone a

‘dramatic transformation’ and congratulated Lee. Deng further said, ‘[I]f I had only Shanghai, I might be able to change Shanghai as quickly. But I have the whole of China!’¹⁷ Deng’s words signified a resolute disarding of the ideologically colored lenses through which China used to view Southeast Asia in the past. After Deng’s visit, the *People’s Daily*, the organ of the CCP, took a different line and portrayed Singapore as ‘a garden city worth studying for its greening, public housing and tourism’ instead of a country of ‘running dogs of the American imperialists.’¹⁸ Singapore – a society under one-party dominance, 75% of whose population is ethnic Chinese – became a source of inspiration and a model for emulation in the public eye in China after Deng openly expressed his admiration for the city-state’s successful transformation and called for learning from Singapore during his Southern Tour in 1992. In 1992 alone, Singapore received over 400 Chinese delegations keen to study various aspects of Singapore’s development.¹⁹ Since the establishment of official diplomatic relations in October 1990, Singapore’s foreign direct investment (FDI) in China has increased substantially. In 2011, China became Singapore’s third largest trading partner. Since 1997, China has overtaken Malaysia as the most important destination for Singapore’s FDI in cumulative terms.²⁰ Flagship projects between the two countries include the 1994 Singapore–Suzhou Industrial Park, the 2008 Tianjin Eco-City and the newly established China–Singapore (Chongqing) Demonstration Initiative on Strategic Connectivity, whose plan was announced by President Xi Jinping during his visit to Singapore in November 2015.

The China–Singapore story is representative of the changing nature of Sino–Southeast Asian relations since the late 1970s, as the focus of both sides shifted from Cold War ideology to inter-regional trade. Founded in 1967 by Indonesia, Malaysia, the Philippines, Singapore and Thailand, the Association of Southeast Asian Nations (ASEAN) had been a tool for collective security arrangements on behalf of the comparatively smaller and weaker countries of Southeast Asia against perceived communist threats.²¹ Following President Nixon’s visit to Beijing in 1972 and the Sino-US rapprochement, most non-communist governments in Southeast Asia took steps to normalize their relations with China. By 1975, Malaysia, Thailand and the Philippines, which refused to recognize Beijing in the past, had opened government-to-government diplomatic channels with the PRC. Suharto’s Indonesia, which froze diplomatic relations with Beijing in 1967, also joined the trend and engaged in diverse trade contacts before officially restoring diplomatic relations in 1990.

Joshua Kurlantzick argues that since the final years of the 20th century, China’s unimaginable rate of economic growth has provided it with a new model of development that has attracted the interest of many developing nations’ leaders. Kurlantzick marks the 1997 Asian financial crisis as a turning point in the expansion of China’s influence in terms of ‘soft power’ in Southeast Asia. While the US hesitated to bail out the Thai economy, which was on the verge of bankruptcy, the Chinese government made the symbolic decision not to devalue its

currency in order to prevent further damage to Thailand.²² In the aftermath of the Asian financial crisis, China and ASEAN forged a closer relationship through a currency swap initiative, known as the Chiang Mai Initiative. In 2009, China economy surpassed that of the US, Japan and others to become ASEAN's largest and most important external trade partner, while ASEAN has been China's third largest trading partner since 2011.²³ In 2010, ASEAN–China Free Trade Area (ACFTA), a treaty designated the largest free trade zone in terms of population and third largest in terms of nominal GDP, came into effect.

THEMATIC ANALYSIS

Having viewed the historical trajectory of China–Southeast Asia relations, we will proceed to thematically organized analyses on three topics: diasporic influence on diplomatic relations, multi-polar power struggles over territorial disputes in the South China Sea, and collaboration as well as conflict between China and Southeast Asia in terms of trade and investment.

The Chinese Disapora in Southeast Asia

Michael Leifer, a pioneer in the study of the politics and international relations of Southeast Asia, notes that a key component of the region's relations with China is the contention surrounding the national status of the ethnic Chinese.²⁴ A fundamental concern underlying Sino-Southeast Asian diplomacy after WWII was the uncertain citizenship status and fluid national allegiances of the Chinese minority in the newly established Southeast Asian states. Wang Gungwu interprets this issue as an entanglement of two important concepts: ethnic relations and nation-building.²⁵ According to Wang, whereas ethnic identity – self-awareness in terms of cultural heritage, ancestry, religion, language or dialect – has a long history, nation-building is a comparatively new phenomenon. At a time when both China and some Southeast Asian countries had recently emerged from WWII as nascent independent nation-states, the diplomatic relations between the PRC and Southeast Asian governments became closely linked to the changing sense of belonging among ethnic Chinese.

From the late 1940s to the mid-1960s, multiple national orientations divided the Chinese communities in Southeast Asia. Wang Gungwu's analysis of the political history of the Malayan Chinese reveals what was a general state of mind among Chinese communities across different parts of Southeast Asia. Wang categorizes the Malayan Chinese into three groups. 'Group A' includes Chinese who were concerned about the destiny of China and were oftentimes enthusiastic participants in China-oriented politics in their countries of residence. Some returned to China with the hope of aiding its reconstruction. 'Group B' refers to the 'hard-headed and realistic majority,' who were active in commerce, trade and community affairs but rarely expressed political ideas. 'Group C' represents those

who were committed to their host country.²⁶ In many Southeast Asian countries, 'Group A' usually bifurcated into pro-Beijing and pro-Taipei factions that paralleled the sides in China's civil war. Both sides claimed that all ethnic Chinese owed their loyalty to China's sole legitimate center – Beijing according to the Communists or Taipei according to the Nationalists.²⁷ In particular, the founding of a socialist new China reinforced the sense of cultural superiority harbored by a number of ethnic Chinese. As a result, many Chinese in Southeast Asia experienced 1949 as a moment of national pride.²⁸

In the early and mid-1950s, despite the rise of China-oriented nationalism among diasporic communities in many parts of Southeast Asia, Beijing strove to assure Southeast Asian governments that the ethnic Chinese were not the PRC's 'fifth column.' With the signing of the Sino-Indonesian Dual Nationality Treaty in 1955, Beijing ended a previous policy that automatically granted all persons with Chinese blood Chinese citizenship and began to encourage the ethnic Chinese to adopt the citizenship of their countries of residence.²⁹ Before signing the treaty with Indonesia, Zhou Enlai made a speech in Bandung to leaders of the ethnic Chinese community who were concerned about being 'abandoned by the motherland.' Zhou emphasized that the ethnic Chinese owned primary loyalty to Indonesia, rather than to China. He used a metaphor in which the ethnic Chinese were like the PRC's daughters who were married off and settled in a new household. Zhou said some foreign governments had qualms about the ethnic Chinese, worrying that they might be used by Beijing to engage in subversive activities. A clear boundary had to be drawn and only by doing so could China win the trust of other countries.³⁰ The ban on dual nationality demonstrated Beijing's determination to prioritize its diplomatic relations with the post-colonial Southeast Asian states over its connections with Chinese overseas.

However, this conversion of political allegiance among the ethnic Chinese in Southeast Asia encountered multiple obstacles, including both the fluctuation of Beijing's foreign policy as well as the Southeast Asian states' nationalistic economic measures that aimed to weaken the Chinese minority. From the early to mid-1960s, with Chinese domestic politics increasingly radicalized, the previous moderate policy in overseas Chinese affairs was reversed. The PRC suspended its efforts to help the ethnic Chinese integrate into local societies and acted with much less restraint in exporting its political culture. This re-mobilization of the overseas Chinese reached a climax in the late 1960s, when the Cultural Revolution engulfed the PRC. For instance, in 1967, left-wing ethnic Chinese students in Rangoon ignored the Burmese government's ban on wearing Mao badges in school, leading to a wave of large-scale ethnic riots and a drastic deterioration of bilateral relations.³¹ Meanwhile, the emotional bonds between the ethnic Chinese and their countries of residence were strained by anti-Chinese movements, such as the 1959–1960 crisis in Indonesia. In 1959, the Sukarno regime revoked the licenses of 'aliens' – mostly non-citizen ethnic Chinese – to operate retail businesses in the countryside and legitimized the takeover of these

foreign-owned enterprises by the indigenous population. Approximately 200,000 ethnic Chinese, most of whom lost their means of livelihood due to the new policy, left Indonesia for mainland China.

In the 1970s and 1980s, most Southeast Asian countries witnessed a tremendous decline in the passionate sense of belonging the ethnic Chinese had once felt towards China. Gradually, the settled and local-born generations of ethnic Chinese became politically identified with their host societies. This new sense of national consciousness manifested itself in the everyday practices of the ethnic Chinese: national symbols such as the Five-star Red Flag of the PRC or the Blue Sky and the White Sun and Red Earth flag of the Nationalist government disappeared; the celebration of October 1 and the Double Tenth, the anniversaries of the establishment of the PRC and the Republic of China respectively, became obsolete; Chinese civic associations transformed into host-country-oriented groups. On the one hand, this process was partially facilitated by the local ethnic Chinese who recognized that in the new age of nation-building, the nation-state, rather than race, ethnicity or cultural heritage, had become the most important site of identification. On the other hand, though in an excruciating way, the heavy-handed discriminatory policies launched by several Southeast Asian governments accelerated the formation of new national identities among the ethnic Chinese. For example, both Ne Win of Burma and Suharto of Indonesia banned Chinese-language education in their countries. The Suharto government also required the ethnic Chinese to take on Indonesian-sounding names. To some extent, the formation of a Southeast Asian-oriented national consciousness among the Chinese diaspora paved the way for the normalization of state-to-state relations between the PRC and Southeast Asian countries in the post-Cold War era.

Locally oriented national identities allowed the ethnic Chinese to steadily contribute to the improvement of China–Southeast Asia relations.³² For instance, between the late-1970s and 1980s, the Southeast Asian Chinese added momentum to the early stage of the Chinese economic reform through their investments in China and their involvement with trade between China and Southeast Asia.³³ In return, the new socio-economic developments in post-reform China set the stage for the Southeast Asian Chinese to help Southeast Asian countries share the benefits of China's economic growth. This new circle of positive exchanges altered the image of ethnic Chinese as a source of friction between China and the Southeast Asian countries during the Cold War. Conceptually, diasporic involvement in foreign policy in both their host country and ancestral homeland offers a new perspective for scholars to investigate the intellectual connections between transnational migration and international relations.³⁴

Great Power Politics in the South China Sea

Bill Hayton wrote in *The South China Sea: The Struggle for Power in Asia*: 'In our era, what happens in the South China Sea will define the future.'³⁵ Although

global attention to the issue goes up and down in tandem with the rise and decline of tensions, disputes over territorial sovereignty and maritime jurisdiction in the South China Sea remain a defining feature of contemporary China–Southeast Asia relations. The PRC, Taiwan, Vietnam, the Philippines, Brunei, Malaysia and Indonesia are contending for control over shipping lanes, energy resources and fishing areas in the South China Sea, called *Dagat Kanlurang Pilipinas* (the West Philippines Sea) by the Filipinos and *Biển Đông* (East Sea) by the Vietnamese. It is estimated that more than half the world's maritime trade goes through the Straits of Malacca. The seabed beneath the disputed area may hold up to half of the world's liquefied natural gas and one-third of its crude oil. The sea contains some of the richest fisheries in the world.

In the past four decades, disputes over the South China Sea have evolved from a China–Vietnam affair into a regional or even global security issue. In January 1974, China and the then South Vietnamese government clashed over the Paracels, which resulted in Chinese control of the whole of the archipelago to this day.³⁶ China overpowered Vietnam again in a second major clash over the Western Spratlys in March 1988.³⁷ The turning point came in 1994, when China built structures that were said to be shelters for fishermen on the Mischief Reef, which was also claimed by the Philippines. This incident was very significant as Chinese activities in the South China Sea started to affect countries beyond Vietnam. The territories China had controlled before 1994 – the Paracels and Western Spratlys – were far from the other countries involved in the South China Sea disputes. But by taking the eastern side of Mischief Reef, China had entered into waters claimed by an ASEAN member state, a move perceived as a threat not only by the Philippines but also by Malaysia, Brunei and Indonesia.³⁸ However, none of these countries were prepared to risk open hostilities with China. In 2002, China and ASEAN agreed to a code of conduct in the Declaration on the Conduct of Parties in the South China Sea. Celebrated at the time as a major breakthrough, the declaration announced that all parties involved pledged to build mutual trust to create a 'peaceful, friendly and harmonious environment in the South China Sea.'³⁹

But without enforcement or dispute resolution mechanisms, the 2002 declaration failed to curb the increasing tension. As Ian Storey puts it, since the late 2000s, the atmosphere in the South China Sea has been one of 'growing rancor and mistrust, of claim and counterclaim, action and reaction.'⁴⁰ In early April 2012, a standoff over control of the Scarborough Shoal (also known as Huangyan Dao), located between the Macclesfield Bank and the Philippines' Luzon Island, began after the Filipino navy attempted to arrest Chinese fishermen who were operating in the shoal's lagoon. In 2014, Beijing's decision to set up a petroleum drilling platform in the exclusive economic zone (EEZ) claimed by Vietnam gave rise to a crisis in bilateral relations, resulting in skirmishes between the Chinese and Vietnamese coast guards as well as riots in Chinese-owned industrial parks in Vietnam.⁴¹ Detailed satellite imagery released in 2015 and 2016, which shows China's engagement in massive artificial island building

and its potential installation of a high-frequency radar system, further perturbed the Southeast Asian claimant states.⁴² In March 2016, tension emerged for the first time between Beijing and Jakarta when the Chinese coast guards confronted Indonesian officials trying to capture a Chinese ship fishing in disputed waters.⁴³

While many Southeast Asian and Western foreign policy practitioners and observers regard Beijing's increasing assertiveness as the main trigger for tension and discord, the Chinese government regards this as a legitimate course of actions. Beijing bases its sovereignty claims on 'the nine-dash line,' a demarcation designed by the Republic of China's government to include the major part of the South China Sea.⁴⁴ China saw it as its natural right to restore the territory taken by the Japanese and Western powers during China's long 'century of humiliation.' While this claim differs from the United Nations Convention on the Law of the Sea (UNCLOS), Beijing suggests that the UNCLOS should be adjusted to accommodate China's historical rights.⁴⁵ China was incensed by the Philippines' decision in January 2013 to seek legal arbitration of the two countries' competing jurisdictional claims at the International Tribunal of the Law of the Sea. From the very beginning of the case, the Chinese Government has repeatedly indicated that 'it will neither accept nor participate in the arbitration thus initiated by the Philippines.' On July 12, 2016, after hearings conducted without China's appearance, the International Tribunal unanimously concluded that there was no legal basis for China to claim historic rights to resources within the sea areas falling within the 'nine-dash line' and Chinese actions in the disputed areas were a violation of the Philippines' sovereign rights in its exclusive economic zone.⁴⁶

Whereas the Philippines welcomed the ruling but calls for 'restraint and sobriety,' China rejected the ruling as 'null and void' and non-binding. A statement issued by the Chinese Foreign Ministry declares: 'China's territorial sovereignty and maritime rights and interests in the South China Sea [will] under no circumstances be affected by those awards. China opposes and will never accept any claim or action based on those awards.'⁴⁷ The decision undermines China's hard and soft political power. According to Li Mingjiang, despite Beijing's efforts to dismiss the ruling, responses from stakeholders indicate that much of the international community expects to use the arbitration result as a policy tool in restraining further Chinese activities in the South China Sea.⁴⁸ Besides the harms to China's regional security and strategic interests, Wang Jiangyu argues that the 'non-participation' stance caused enormous reputational costs for China. Wang asserts that by failing to appear before the tribunal to present arguments and evidence, China lost the opportunity to use international law to protect its national interest. Furthermore, China's rejection of international law was highly detrimental to its credibility as a country striving to obtain international recognition as a global power.⁴⁹

While condemning Manila for its 'unilateral initiation of arbitration out of bad faith,' Beijing also accused Washington of instigating the tribunal proceedings from behind the scenes. An op-ed published on China.org.cn, an authorized

government portal site, blamed the US for ‘using the South China Sea disputes for its “Pivot to Asia” strategy and to contain China’ and for ‘sabotaging the relations between China and ASEAN countries.’⁵⁰ In an interview with Chinese media shortly before the ruling came out, Zhu Feng, Executive Director of the China Center for Collaborative Studies of the South China Sea at Nanjing University, remarked that the essence of the South China Sea issue is not the conflict between China and the concerned Southeast Asian states but the rivalry between Beijing and Washington. Historically, the US has enjoyed access to maritime and air space in the Western Pacific since WWII. But in the 21st century, these advantages clash with the strategic progression of China’s growth into a ‘maritime strong power.’⁵¹

In response to China’s hardening stance on the South China Sea, the United States has been increasing its military and economic presence in the Asia Pacific while maintaining a cautious distance from regional disputes. In April 2016, the United States Defense Secretary Ashton B. Carter confirmed that Filipino and American forces had conducted joint naval patrols in the South China Sea and would start air operations over the area.⁵² In May 2016, during his visit to Vietnam, American President Barack Obama announced the decision to lift a decades-old arms embargo on Vietnam in order to grant the country greater access to security equipment to counter the influences from China in the South China Sea.⁵³ Washington affirmed The Hague’s ruling as legally binding but refrained from risking military confrontation to pressure China to comply with the Tribunal’s decisions.⁵⁴ China’s rejection of the Arbitral Tribunal’s decision contradicted the US advocacy for freedom of navigation.⁵⁵ But the US adopted a low-key attitude towards the ruling in order to avoid becoming embroiled in a military conflict in case the Philippines seeks to enforce the tribunal’s decision via force.⁵⁶

Besides the United States, another external stakeholder in the South China Sea dispute is Japan. Tokyo is concerned that the conflicts will potentially disrupt the free flow of maritime trade on which the Japanese economy depends. Moreover, Japan sees a link between the South China Sea disputes and contentions between the PRC, Japan and South Korea over the EEZs in the East China Sea. Tokyo is concerned about the possibility that China might undermine international legal norms if other Asian nations set a precedent of accepting China’s claim to historical rights in the South China Sea.⁵⁷ Japan has been building partnerships with South China Sea claimant states. There are voices within Japan suggesting that the Japan Maritime Self-Defense Force should break away from its pacifist approach since the end of WWII and directly intervene in the South China Sea.⁵⁸ Welcoming The Hague’s ruling, the Japanese Defense Minister Tomomi Inada stated that the country would ‘increase its engagement in the South China Sea through ... Maritime Self-Defense Force joint training cruises with the U.S. Navy’ and provide more military aid to the Philippines and Vietnam. These announcements triggered a series of fiery editorials from Chinese state media outlets.⁵⁹

The dynamics underlying the South China Sea disputes changed considerably after Rodrigo Duterte took over the Filipino presidency on June 30, 2016. A populist leader who is known for his anti-establishment rhetoric, Duterte pursued closer economic cooperation with China while distancing the country from the United States. Duterte has not expressed the intention to make China comply with the tribunal ruling. Moreover, his violent and controversial ‘drug war’ at home has sidelined the issues over the South China Sea. So far, the disputes have been contained within the realm of diplomacy, avoiding bringing the countries involved to the brink of war. While the close commercial ties between China and respective Southeast Asian countries have helped de-escalate the tension, the lack of progress toward a resolution and continuous involvements by external powers may generate anxiety and uncertainty for the future of the region.

Commerce in the 21st Century

As mentioned earlier in this chapter, commercial connections between China and Southeast Asia, once overshadowed by Cold War ideology, took center stage again after the People’s Republic’s economic liberalization in the late 1970s. In the past four decades, the Chinese economy has experienced unprecedented growth, which has enabled the country to export goods and services while propelling it to search externally for consumer markets and supplies of natural resources. Since the early 2000s, China has been transforming from a major recipient of FDI to an active global investor itself. Southeast Asia has been an important target region for investment by China. In 2014, ASEAN was the third largest destination for China’s outward FDI, after Hong Kong and the European Union. FDI from China to ASEAN as a whole was \$7.81 billion, accounting for 6.3% of China’s international investments, with a year-on-year increase of 7.5%.⁶⁰ By the end of 2014, China had established more than 3,300 FDI enterprises in ASEAN and hired 159,500 local employees.⁶¹ In 2014, among the top 20 countries (regions) in which China invested were four Southeast Asian countries: Singapore (No. 7), Indonesia (No. 10), Laos (No. 12) and Thailand (No. 15).⁶² Within the ASEAN by the end of 2014, China’s Outward FDI Stock was directed in descending amounts to Singapore, Indonesia, Laos, Burma, Cambodia, Thailand, Vietnam, Malaysia, Philippines and Brunei. PRC investment concentrated in realms such as infrastructure building (the production and supply of electricity, heat, gas and water, construction, transportation, storage, postal service and real estate), natural resources (mining, agriculture, forestry, animal husbandry and fishery), manufacturing, wholesale and retail trade, and finance.⁶³

In addition to FDI, tourism has been an important component of China–Southeast Asian economic relations. ASEAN, particularly Singapore, Malaysia and Thailand, witnessed the rush of tour groups from Mainland China in 1991 when the country began to permit its residents to travel abroad for personal reasons. At first, Singapore, Malaysia and Thailand were the primary beneficiaries of the

liberalized policy shift on Chinese outbound travel because they were the only destinations on the itineraries offered by authorized travel services. In the early 1990s, these three countries occupied more than a 90% share of the Chinese outbound tourism market.⁶⁴ With China's gradual opening to the outside world and the rise in living standards, Chinese tourists began to explore other ASEAN countries as the total number of arrivals in the region increased by 86% from 3.93 million in 2007 to 7.32 million in 2011.⁶⁵ In terms of destinations, Thailand receives the largest number of Chinese tourists. According to the Tourism Authority of Thailand (TAT), in 2015 about 8 million Chinese tourists visited Thailand, generating revenue of 376 million Baht.⁶⁶ In 2016, Chinese visitors made up about 8.7 million out of the 34 million tourists to Thailand.⁶⁷ Yet with the appreciation of RMB in recent years and the increase in the buying capacity of Chinese tourists, Southeast Asia has to compete with South Korea, Taiwan, Japan and Western Europe for its market share. ASEAN countries such as Singapore are now shifting to a different demographic group – first time visitors from second- and third-tier Chinese cities rather than repeat visitors from big cities. In the reverse direction, ASEAN countries, particularly Vietnam, Malaysia, the Philippines, Singapore and Thailand, have become the major source market for China's inward tourism.⁶⁸

The first decade of the 21st century has witnessed the rise of vibrant and complex economic interactions between China and Southeast Asia. But challenges have arisen as a result of China's increasing economic presence. The country must cultivate goodwill in local societies, understand their culture, and adapt to their norms and practices. All of these goals will take a long time to achieve. The FDI from the PRC is important to Laos, Burma and Cambodia.⁶⁹ Although Chinese companies have accelerated infrastructure development in these three countries through the construction of roads, bridges, dams and railways, there is still lingering resentment over how China procured natural resources. Local communities sometimes feel disappointed that their Chinese business partners are not yet able to fulfill long-term local needs including technological development, educational resources and employment opportunities. The strongest criticism of China centers on areas where raw materials are imported across porous borders that are difficult for states to surveil, such as those of the Kachin state – a politically turbulent jade-producing region in northern Burma. Jade smuggling conducted mostly by Chinese migrants from Yunnan has caused environmental degradation and human suffering in Kachin.⁷⁰ In response to criticism, in 2014 the PRC ambassador to Burma, Yang Houlan, admitted that some Chinese are breaking Burmese laws and assured critics that Beijing was increasing its efforts at more effective regulation.⁷¹

When navigating through the complicated political and economic environments of their destinations of investment, some Chinese enterprises in Southeast Asia suffer from an insufficient level of corporate social responsibility and a lack of understanding of local regulatory regimes. Chinese companies which thrive under the highly centralized political structure in China oftentimes come to a belated realization that their success in Southeast Asia depends not only on

relations with the top decision-makers but also on whether or not constituencies in these countries – such as labor unions, organized businesses and civil society groups – are satisfied with China's response to their requests and concerns.

A noteworthy example in this regard is the suspension of the Myitsone Dam project in the Kachin state of Burma by President Thein Sein in 2011, despite a 7 billion yuan investment and two years of construction.⁷² The decision was made in part because of popular protests against environmental damage and insufficient compensation for land. In addition, the redeployment of troops to the Kachin area to safeguard the working compounds exacerbated ethnic tensions between the Kachin people and the Burmese government. The failure of the Myitsone Dam project reflects that China is not prepared to adapt to the shifting balance of power both within and outside of Burma. Since 1988, the country has been seeking economic and strategic support from China. The junta regime at the time believed that China would act as an ally against what they perceived as external threats, especially from the US. The reduction of Western sanctions since the 2010 election has brought about a greater diversity of foreign investments in the country. China, which was used to benefiting from previously exclusive relations with the junta, had to adjust itself to the recalibration of power in Burma.⁷³ With the move towards a more open political environment, Burmese political leaders now have had to take into account the wishes of their electorate. This means that the stakes that Chinese corporations have in Burma are no longer as stable and secure as they once were.⁷⁴ Since the failure of the Myitsone Dam, Chinese firms have begun to change their public profiles in response to Burmese pressure for more transparency, engagement with civil society and equitable profit sharing.

Relations between China and economically advancing yet not fully developed countries such as Vietnam involve a tense combination of economic dependency and competition. In 2013, a report released by HSBC predicted that China would become Vietnam's top trading partner by 2030, overtaking the United States.⁷⁵ Yet in light of its historical memory of domination by its northern neighbor and rekindled conflicts in the South China Sea, Vietnam has been ambivalent towards Chinese economic presence. This ambivalence turned to public indignation in 2014, when Chinese bauxite mining projects in the central highlands of Vietnam triggered a significant civil society movement. Scientists, intellectuals and activist groups participated in protests against Chinese enterprises' lack of environmental protection measures, immature crisis management and disregard for local law.⁷⁶ Meanwhile, Vietnam has been taking advantage of the increasing production costs in China as low-cost manufacturing sectors such as the garments and electronics industries started to migrate from China to Vietnam. The country is itself emerging as an investor in natural resources in Cambodia and Laos. In Laos, for example, Vietnam is competing with China for investment in rubber and hydropower.

In 2013, Chinese President Xi Jinping unveiled plans for two massive trade and infrastructure networks: the Silk Road Economic Belt and the 21st Century

Maritime Silk Road (also known as ‘One Belt One Road’). The plans aim to reinvigorate and expand the ancient Silk Roads with high-speed rail, motorways, pipelines and ports stretching across more than 60 countries in the Asia-Pacific, Europe and East Africa.⁷⁷ The Maritime Silk Road initiative pays special attention to Southeast Asia, as it offers China a platform to overtake the United States, EU and Japan as the major source of FDI in the region. By promising to improve economic connectivity, increase long-term investment, and enhance multilateral cooperation, Beijing intends to rectify some Southeast Asian nations’ perceptions of China as preoccupied with short-term gains such as natural resources. Positive changes in this direction have occurred, for example, in China’s engagement with Indonesia. Chinese state-owned enterprises and private investors have begun to transform the coal trade by supporting the sustainable development of Indonesia’s mining industry.⁷⁸ Moreover, in September 2015, after a heated competition against Japan, China won the bid for the Jakarta–Bandung High Speed Railway.⁷⁹ Scheduled for completion in 2019, the project is expected to boost the tourism, manufacturing, logistics and property sectors in an envisioned Jakarta–Bandung megapolitan area.⁸⁰

CONCLUSION

In our survey of the trajectory of China–Southeast Asian relations in the past seven decades, we have broadened the concept of ‘foreign relations’ to encompass the multilayered interplay of great power politics, transnational ethnic ties, trade and investment, as well as soft power manifested in the forms of models of modernity. We have demonstrated how interactions between the Chinese and Southeast Asian governments were shaped by ideological conflicts, competing nationalisms, clashes of strategic interests as well as economic interdependence; how the longstanding Chinese migrant networks both intimately connected and intricately complicated state-to-state diplomacy between the PRC and the newly established nations in Southeast Asia after WWII; and how the century-long commercial exchange between China and Southeast Asia has evolved into a transnational infrastructure and investment network in the 21st century. To comprehend this multifaceted relationship, it is essential to place the connections between China and Southeast Asia in a historical and network perspective rather than narrowly focusing on current front-page events and high politics.⁸¹

From the Southeast Asian perspective, one key question in the outlook for relations with China is ASEAN’s ability or desire to deal with China as a unified bloc. Michael Leifer discerned twenty years ago that ‘in the absence of suitable access to external countervailing power, regional states have been thrown back to their own resources in an attempt to prevent China from pushing its way into the maritime heart of Southeast Asia.’⁸² The ASEAN states have long been unable to formulate one coherent policy towards China. The tension between

a common regional identity and divergent individual interests has become more acute in recent years. For instance, at the Special ASEAN–China Foreign Ministers’ Meeting in Kunming, China in June 2016, an agreed-upon joint media statement by the ten ASEAN Foreign Ministers was withdrawn due to vetoes which were presumably from China’s allies within ASEAN.⁸³ The president of the Philippines, Duterte, has shown openness to negotiating with China through direct bilateral conversations rather than through multilateral dialogue. The ‘One Belt One Road’ initiative might further complicate the relations among ASEAN states as Beijing’s increased economic leverage might entice some countries to adopt a more pro-Beijing stance on geopolitical issues in exchange for China-financed infrastructure projects. For instance, in contrast to his ironfisted approach to domestic issues, in the realm of foreign relations Duterte welcomes Chinese investment in railway construction in the Philippines and downplays unresolved maritime disputes with Beijing in the South China Sea.

To forge well-balanced relations with Southeast Asia, China needs to improve its image abroad and accumulate intellectual capital at home. Admittedly, China has made considerable efforts to increase its influence through soft power initiatives such as the creation of student–scholar exchanges, the establishment of cultural centers and the offer of development aid. Viewed more broadly, China suffers from a knowledge gap as there is a pressing need for information about Southeast Asia. Policy-makers need this information to develop their strategy and entrepreneurs need it to push forward business ventures. As the Chinese foreign policy under Xi Jinping pivots towards the developing world and neighboring countries, Southeast Asia’s importance to China has grown exponentially. Consequently, the profile of Southeast Asian studies has risen in China and governmental funding towards research in the region has substantially increased.⁸⁴ But China’s knowledge is still lagging behind that of its counterparts around the world. A systematic training program for a new generation of researchers to thoroughly understand the region is not yet fully developed. It might not be an exaggeration to say that addressing this knowledge gap is critical to the peaceful resolution of the South China Sea disputes, the successful implementation of the ‘One Belt One Road’ project and the stabilization of the course of Sino-Southeast Asian relations.

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The SAGE Handbook of Contemporary China



Volume 2

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National and Nested Identities: Introduction

Mark W. Frazier



How well can the category of Chinese national identity accommodate regional, religious, linguistic and other identities into broader frameworks of citizenship and inclusion? If identities at both the individual and collective level are always plural and nested, as well as contested, how and when do particular identity formations emerge and change? How can scholars measure and observe such changes? How has the research by China scholars on identities contributed to broader disciplinary and theoretical frameworks within which China scholars operate? The nine chapters in this section offer comprehensive overviews for addressing all of these and related questions.

In the most basic formulations, scholars of identity formation separate into three schools of thought: primordialist, instrumentalist, and constructivist. The first category emphasizes deeply-rooted linguistic, religious, and other affinities among a community that gives coherence and meaning to the group over long periods of time. Instrumentalist approaches emphasize the malleability of identity groups. Elites or would-be leaders of such groups can bring them into being through skillful messages and framing, and can also alter the membership and meanings of the group in response to crises or related events. Constructivist perspectives take this a step further by noting the highly fluid meanings and makeup of an identity at any given time. Constructivists may reject the agency and power of individuals to create such identities. They may even reject the existence of

the grouping outside of the language and practices that make up the group at any given moment. As Ben Hillman notes in his discussion of Tibetan identity (Chapter 34), disciplinary perspectives (in the China Studies field and outside it) tend to be associated with each of these scholarly frameworks. Generally speaking, political scientists tend to populate the instrumentalist perspective – to the extent that one finds many cases of elites strategically manipulating narratives and frames for political advantage in mobilizing a group based on identity. Religious studies scholars and philologists can be found within the primordialist perspective, which rather than essentializing groups and their identities as the term may imply, simply catalogues sets of practices and analyzes shared texts going back into history that members of a grouping may hold close as the basis of their identity. Anthropologists, literature scholars, and some historians are most commonly found in constructivist approaches. The chapters in this section show, however, that these distinctions among primordialist, instrumentalist, and constructivist propositions do not hold up so well under close inspection.

One consistent theme found in most of the chapters is the highly relational quality of identity formation and change. Such relational traits of identity need not be antagonistic, or defined in opposition to another identity group. But what is striking from points made in several different chapters is how non-Han identities have formed in relation to Han dominance, just as non-PRC Han identities (e.g., Taiwanese) form in relation to the assertion of power on the part of the PRC government. Identity formation has taken place in relation to the exercise of power by the Chinese state, by dominant or majority social forces (e.g., Han), and economic currents, among others.

The chapters also show that any labeling for an identity group, irrespective of how it formed and how long ago it existed, often presumes a level of coherence and connections across what are in fact highly heterogeneous groups, such as Tibetans or *tongzhi* ('comrade,' a label used by sexual minorities). In some cases, scholars have noted a specific historical period in which the name of the identity group (Tibetan, Uyghur) came into being – though as Smith Finley (Chapter 35) and others note, the absence of a specific name for an ethnic group does not imply the lack of a coherent identity. Other scholars discussed in these chapters have shown through detailed textual and linguistic research how a coherent grouping existed for centuries, even if neither group members nor outsiders coined a specific label for these shared cultural affinities.

The chapters reveal in many respects how the modern Chinese state is closely implicated in the production of identities. Pan-Tibetan identity is, as Hillman notes (Chapter 34), a reflection of state-building since the Qing empire. Kaup discusses (Chapter 36) recent scholarship on the early PRC enterprise to investigate and categorize, using Stalin's criteria for ethnic groups, the 55 non-Han 'national minorities' that came into being as a direct result of a state-led classification project in the 1950s. And in both the cases of Hong Kong and Taiwan, the respective authors (Hung, Chapter 32 and Dittmer, Chapter 31) clearly show the

emergence, or resurgence, of strong and even exclusive identities as Hong Kongese or Taiwanese in response to Beijing's handling of specific events such as the 2003 national security draft legislation or the promotion of 'patriotic education' in Hong Kong and the 1995–6 missile tests in Taiwan. In the cases of Hong Kong and Taiwan, Han populations are producing alternatives to being 'Chinese,' a move that Beijing views as especially threatening.

This is not to say that identities are highly fluid and form only in relation to specific events. The chapters as a group raise the crucial question of how longer demographic and social trends intersect with events and crises that might cause identities to cohere more rapidly than would be the case in the absence of such events. An example might be Han migration to the Tibetan Autonomous Region, or the emergence of a youth cohort in Hong Kong with little if any memory of British colonialism. A similar question emerges in Darr's discussion of popular nationalism (Chapter 30). The social traits of 'angry youth' – almost exclusively Han-centered and male – represent a convergence of demographics and patriotic education that predictably constitute a dominant force in popular nationalism. Their identities and outlook are also informed by specific foreign policy crises and perceived affronts to the Chinese nation from anywhere in the world.

Identities in the PRC also exhibit, as several chapters note, a highly transnational character. Their identities and practices are informed not only in relation to their position vis-à-vis the PRC government but in their connections with fellow group members outside the PRC. The religious groups discussed by Laliberté (Chapter 37) are one obvious example. The ways that Buddhist, Daoist, Christian, Muslim, and other religious groups within the PRC engage with non-Chinese fellow believers and international associations may influence the ways in which these identities are constituted within the PRC. Such linkages may be repressed, condoned, or even actively encouraged by the PRC government depending on the type of linkage. The most obvious transnationally influenced grouping is that of overseas Chinese, who have been historically a source of investment and remittance flows and an object of patriotic appeals by the PRC government. Pál's discussion of overseas Chinese (Chapter 33) shows the history and connections that overseas Chinese have had with official and non-official power centers located in mainland China. As he notes, future research should shed light on important changes in the 'ways of being Chinese outside China' and how Chinese identity (Han and non-Han) connects with China's global influence.

The chapters also highlight the tensions between modernization and changes in identity groups. The modern Chinese state, including the late Qing, avowedly promoted a discourse of religion and religious communities as mired in traditional or superstitious beliefs, a position that the post-Qing governments expanded upon in their drive to make China wealthy and powerful. The contemporary Chinese state may have found some accommodation with religious organizations as the number of religious adherents has grown rapidly. But the view that certain national minorities are impoverished because they cling to

folkways and religious practices remains common among officialdom and the public. Laliberté (Chapter 37) notes the fascinating point that some in the CCP are exploring how the expansion of religious beliefs in China can serve an ideological purpose by highlighting the similarities of the public service and ‘good works’” (a Protestant concept) ethic of many religions with the calls of Chinese socialism to ‘serve the people.’

The chapters also make important insights into the benefits and limitations of different research approaches for studying identities in the PRC. Needless to say, the endeavor can be highly sensitive from the perspective of the PRC government, and certain geographic areas and methodological choices are essentially off-limits for scholars (e.g., a public opinion survey among the non-Han population in the Tibetan Autonomous Region). That said, research on popular nationalism, as Darr notes (Chapter 30), has relied heavily on survey research offering a snapshot in time. Darr calls for longitudinal or panel studies to track, for instance, the course of angry youth over lifetime cycles, to see if anger is a passing phase or reflective of a particular cohort advancing toward middle age. Experimental designs have also been used in examining the effects of different information and historical narratives on popular nationalism. In the study of Yi, Zhuang, Miao and numerous other national minorities, ethnographic methods have predominated, a result of this area of study being so heavily populated by anthropologists. Schroeder (Chapter 38) makes the very important point that ethnographic methods can bring richer insights than surveys into the lived experiences and forms of identification of individuals and groups. Participant observation, one ethnographic method, can be highly rewarding but has its own limitations and risks, not the least of which is the position of researchers (especially if they are foreign) vis-à-vis the communities that they research and what expectations their presence in the community might create.

Virtually all the chapters call for deeper engagement between the study of Chinese identities (popular nationalism, ethnic minorities, sexual minorities, religions, and so forth) with the broader study of the scholarly fields to which they can contribute, e.g., ethnic studies, religious studies, queer studies, nationalism studies, etc. But bringing the findings from their research on identities in China to bear on broader theories found within various disciplines and fields of inquiry poses numerous challenges. As several chapters note, the lack of interest or engagement by leaders in these academic fields in the findings of China scholars reflects a western or Eurocentric bias. A related problem is the extent to which concepts and theories long shared within an academic field are applicable or easily imported into the Chinese context. That said, and despite the obvious political sensitivities associated with certain areas of research on identity groups in the PRC, the rapid social changes within China and the extension of Chinese presence globally means that scholars of various identity formations have a great deal to contribute to both China studies and their respective disciplines in the future.



Popular Nationalism

Benjamin Darr

By a variety of survey measures, the Chinese people consistently rank among the highest in the world in national pride (Tang and Darr 2012). Recent surveys also corroborate this nationalism and its effects on Chinese perception of rival powers. For instance, 52% of Chinese believe the US is trying to prevent China from becoming an equivalent power, and 81% of Chinese have an unfavorable view of Japan.¹ China's strong national pride is also evident in much of China's public discourse, particularly in response to international disputes. This has most recently resurfaced in the wake of the decision by the Hague's Permanent Court of Arbitration against China and in favor of the Philippines regarding maritime claims in the South China Sea. Responding to the decision, many in the Chinese public responded via Sina Weibo (China's largest social media site) with comments such as 'With such a large military, why don't we just go fight to get back [what is ours]?' (Allen-Ebrahimian 2016). Of course, the Chinese government has not followed such recommendations, but nonetheless the popularity of such perspectives among the Chinese public is manifested both online in social media and not infrequently in massive street protests. The central thrust of popular Chinese nationalism in such cases is to denounce a weak Chinese response to perceived aggression by rival nations, and to demand that China instead confront its foreign adversaries.

Popular nationalism is a powerful political force in contemporary China, and is one of the most significant ways in which public opinion influences the Chinese government's decisions. What gives rise to such a strong nationalist sentiment in China? What are its effects? What is the nature of Chinese popular nationalism in particular? This chapter summarizes the existing scholarly research concerning

the historical and contemporary sources, consequences, and nature of popular nationalism in China, with an eye toward highlighting the major debates of the field and anticipating where the study of Chinese nationalism is headed.

CHINESE POPULAR NATIONALISM AND ITS IMPORTANCE

While definitions of nationalism are quite diverse, the term ‘Chinese popular nationalism’ here refers to the rise of patriotic and nationalistic pride among the Chinese public that has taken hold since the 1990s.² Zhao (2013: 539) gives a succinct background on the post-1989 nationalism and its manifestations since:

Popular nationalism began to emerge in the 1990s, expressed powerfully in the instant bestsellers of a series of ‘say no’ books, such as *The China That Can Say No ...* With a quick and automatic conviction that the US bombing of the Chinese embassy in Belgrade in 1999 was deliberate, popular nationalists were the leading force in the anti-American demonstrations. Because most popular nationalists are young, they are also known as ‘*fen qing*’ (angry youths). Connected mostly by new information technology, particularly the Internet, the youth popular nationalist movement gained momentum in the 2000s. They led the dramatic signature campaign that gathered more than 20 million people on the Internet in 2005 to oppose Japan’s bid to join the United Nations Security Council, and the massive anti-Japanese demonstrations in major Chinese cities ... Showing their strong sense of wounded national pride, popular nationalists gathered in many Chinese cities and all over the world in an act of solidarity against what they believed to be an ‘anti-China’ bias of the Western media during the Olympic torch relay and to show their support to the Chinese government for hosting the Olympic Games in 2008.

Since the 2008 Olympics popular nationalism has continued to play an active role in Chinese politics. For instance, in the summer of 2012, at the height of China’s dispute with Japan over control of the Diaoyu/Senkaku islands, anti-Japanese protestors turned out by the thousands in the streets of several major Chinese cities, besieging the Japanese embassy in Beijing, and in some cities destroying Japanese-owned businesses. As mentioned above, Chinese nationalism also resurfaced in 2016 in response to China’s territorial dispute with the Philippines.

Chinese popular nationalism is important for many reasons, three of which are of particular note for scholarly research. First, nationalism serves to undergird the Chinese government’s legitimacy and stability, which, given China’s size and importance, is cause enough for scholarly attention. Second, Chinese nationalism has a considerable impact on China’s foreign policy. Third, nationalist attitudes may present an obstacle – or by some accounts, a path – to the reform of China’s political system.

Scholars have expended a great deal of effort in studying the nature of Chinese nationalism because it is widely seen as a critical pillar of the current regime’s legitimacy. As numerous other scholars have noted, nationalism became a key part of regime legitimacy in the post-Mao era, when the Chinese Communist

Party (CCP) began to abandon the legitimating ideologies of Marxism-Leninism and Mao Zedong Thought (e.g. Whiting 1983; Strecker Downs and Saunders 1999; Zheng 1999). This was especially true after the June 1989 suppression of the Tiananmen Square protests in Beijing, when the party effectively equated patriotism with support for the government and its policies (Zhao 2000, 20). While some scholars argue that nationalism has been a central source of state legitimacy at least since the founding of the People's Republic of China (PRC) in 1949, there is widespread scholarly consensus that nationalism today is an essential piece of the CCP's legitimacy.

A second indication of popular nationalism's significance is that, in addition to its legitimating role, it may have consequences for China's foreign policy and minority areas policy. In fact, it seems that the majority of the scholarly literature that addresses the topic is concerned with its foreign policy consequences. A central proposition in this literature is that popular Chinese nationalism – particularly its more anti-foreign strains – limits the options of the Chinese government in its foreign relations, pushing policy in a hawkish direction. Of course, the extent to which this actually affects foreign policy has been debated vigorously (see Whiting 1983, 1995; Oksenberg 1986; Shambaugh 1996; Strecker Downs and Saunders 1999; Zheng 1999; Zhao 2000, 2004; Fewsmith and Rosen 2001; Cheng and Ngok 2004; Shue 2004; Shirk 2007, 2011). And in recent years Western scholars have once again expressed concern about Chinese assertiveness abroad, particularly in the South and East China Seas (Zhao 2013; Weiss 2014).

Aside from foreign policy consequences, nationalism – or more accurately, the clash of nationalisms – also drives social conflict within China's borders and thus affects the stability of domestic minority relations (Kolås 1996; Mackerras 2004; Ma 2006). Continued episodes of social unrest in Tibet and Xinjiang over issues of political autonomy illustrate the contemporary relevance of national identities in China. When nationalism and national identity assume narrower ethnic definitions in a multiethnic state, this holds the potential for worrisome consequences in domestic politics.

Third, a strong sense of nationalism may weaken efforts to hold the government accountable through mechanisms of democracy, working against the possibility of democratization of the Chinese political system. This puts the Chinese case alongside many other cases of authoritarian governments who have legitimated their rule through appeals to patriotism and nationalist narratives, especially when economic results are not being delivered. There is nothing uniquely Chinese about such a political environment. Therefore, understanding state legitimation through popular nationalism carries implications for the possibilities of democratization, as in many authoritarian political systems. On the other hand, however, there may be reason to believe that nationalism, depending on its character, could push toward democratization. After all, most revolutions which have brought about democracy have been led by nationalist movements. In the

contemporary Chinese context, however, most of the evidence points to popular nationalism as a force of resistance to democratization (Carlson 2009).

THE NATURE AND HISTORICAL ORIGINS OF CHINESE NATIONALISM

Chinese nationalism itself is not a new phenomenon, and has historical manifestations as far back as the May Fourth Movement of 1919, the revolution of 1911, and even the late-Qing era Self-Strengthening Movement (Fewsmith and Rosen 2001, 158). Many scholars even argue that Chinese nationalism existed in some form prior to this (e.g. Duara 1996). However, the study of Chinese nationalism experienced a flurry of scholarship in the 1990s in response to developments in Chinese popular culture, China's growing international importance, and the government's post-1989 embrace of patriotism (*aiguo* 爱国) as a legitimating strategy. While some of this research focused on the nature and origins of Chinese nationalism itself, other work focused on its consequences.

Scholarly discussions on the nature of Chinese nationalism have frequently paralleled the debate between 'China comparativists' and 'China exceptionalists'. That is to say, the discussion has often been about how well the Chinese case conforms to broader theories on nationalism, and thus how applicable such theories are in China. An example of this is the debate about whether Chinese nationalism was born through imitation of earlier Western nationalisms. This is the mainstream consensus on the cause of non-Western nationalisms, as exemplified by prominent theorists of nationalism, such as Gellner (1983) and Anderson (1983). Such a view of Chinese nationalism sees it as a relatively recent historical development deeply connected with modernization and (failed) competition with the nation-states of the Western powers. Most scholarship on Chinese nationalism tells a similar story with respect to China, as most scholars trace nationalism's history in China back no earlier than the late 19th century (Fitzgerald 1996; Pye 1996; Zhao 2004). Some, however, claim that the turn to nationalism at that point in time is overstated. Duara (1996) argues that political identities under Imperial China constituted something that was not far off from nationalism, and that Gellner's and Anderson's theories exaggerate the change brought about by modernization, at least in the case of China. Such disagreements among China scholars also reflect the larger debate between primordialists and modernists about how long the idea of the nation has really existed.

Even among those who date nationalism as a recent phenomenon, it is an open question to what extent Chinese nationalism is historically comparable to nationalisms in other parts of the world. After all, while most non-Western nation-states gained their nation-state status due to revolutions against imperialism and colonialism, China was never colonized to an extent comparable to most parts of the

third world. By contrast, as Lucian Pye saw it, China is ‘a civilization pretending to be a nation-state’ (Pye 1996, 109). In China, as opposed to other modernizing countries, ‘nationalism has not been forged out of the dynamic of competitive politics; rather, it has been based on the ideals associated with an imposed moral order. This has meant that Chinese nationalism has been almost indistinguishable from the partisan interests of the rulers’ (112).

In contrast to Pye, some argue that China’s long history and its weighty imperial legacy make Chinese nationalism today not less but *more* meaningful (e.g. Duara 1996; Carlsen 2009). Scholars who study both policymaking elites and popular nationalism maintain that the strength and appeal of Chinese nationalism comes precisely from the past glory of the Chinese empire, and the desire to regain this after a ‘century of humiliation’ by the West. However, both sides of this debate are alike in insisting on the uniqueness of the Chinese situation and the nationalism it has produced.

ETHNICITY AND CHINESE NATIONALISM

A second question that has structured scholarly debates on the character of Chinese nationalism is its relationship to ethnicity. Hans Kohn (1944), in examining nationalism’s development in Europe, argued that western European states displayed *civic* nationalism while the nationalisms of Eastern Europe were of the *ethnic* variety. In short, nationalisms of the West emphasized citizenship, territory, and equality, while the nationalisms of the East stressed culture, religion, and markers of descent. Such a distinction directly applies to what it means – and what it takes – to be a member of a nation. For instance, which principle determines whether a person is Chinese: *jus sanguinis* (justified by blood ancestry), or *jus soli* (justified by place of birth)?

This is a useful theoretical distinction, but it is clear that both logics of nationalism apply in the Chinese case, and this possibility is allowed for by later theorists of nationalism, such as Anthony D. Smith (1991), who has argued that ‘every nationalism contains civic and ethnic elements in varying degrees and different forms’ (Smith 1991, 13). For instance, in the Chinese case, we see *jus sanguinis* manifested in the idea of ‘overseas Chinese’ (*huaqiao* 华侨), persons who were born and live in overseas Chinese communities in Southeast Asia, North America, or elsewhere. These overseas Chinese nonetheless are courted by the Chinese government and can usually attain citizenship easily. On the other hand, *jus soli*, or justification by place of birth, is also used as a marker of Chineseness. As a matter of policy, China considers itself a multiethnic state, with 55 recognized minority (non-Han) nationalities, many with their own separate languages. That these minorities are just as Chinese as the majority Han population is emphasized by the state, in large part in an effort to legitimate the state’s rule over areas such as Tibet and Xinjiang (Barabantseva 2014).

Though this may be the state's official concept of Chinese national identity, it is debatable whether *popular* Chinese nationalism exhibits the same inclusiveness toward non-Han groups. Townsend (1996) examines an important idea that, although old, still frequently surfaces (e.g. Ma 2006) in discussions of the origins of Chinese nationalism: the 'culturalism-to-nationalism thesis' (Townsend 1996, 2). Originally articulated by Levenson (1964), the thesis holds that the traditional Chinese self-image, in contrast to Western conceptions, is based not on ethnic identity or the political idea of the nation-state, but primarily on 'civilized' culture – customs, beliefs, and ways of life. This explains, for instance, why foreign rule of the empire by Mongols (1271–1368) and, later, Manchus (1644–1911), could be accommodated by the Chinese, since these groups ruled through the Chinese imperial system. This thesis also purports to explain the unique nature of Chinese nationalism. Because 'there was no concept or need for nationalism in [a] world devoid of cultural or interstate competition' (Townsend 1996, 2), the shock that led to the turn toward nationalism did not happen until the 19th century when the European powers began their attempts to colonize China. Townsend claims that this thesis exaggerates the differences between culturalism and nationalism, arguing that Chinese nationalism (and indeed, other nationalisms) is still largely culturalist. For Townsend this means that popular nationalism in China is less in line with official state nationalism and aligns more with an ethnocultural Han Chinese identity. Similarly, Leibold (2010) more recently has observed a Han-exclusive ethnic orientation among young Chinese internet users.

Understanding the origins of Chinese nationalism informs us about the nature of contemporary nationalism in China. One central task of much of the early scholarship on Chinese nationalism was to chart the course of Chinese nationalism since its inception around the turn of the 20th century. There has been a wide variety of characterizations of Chinese nationalism since the phenomenon gained scholarly notice in the 1980s. Whiting (1983) described Chinese nationalism of the time as 'assertive', later being careful to note that this did not amount to 'aggressive' nationalism, nor was it merely 'affirmative' nationalism (Whiting 1995). Oksenberg (1986) contrastingly characterized it as 'confident' nationalism. Shambaugh (1996) later reinforced this interpretation with yet another modifier: defensive nationalism. Also wishing to emphasize that nationalism is not dangerous to other countries, Zhao (2000; 2004) later used the term 'pragmatic nationalism'. One could continue to document many other different adjectival descriptors of modern Chinese nationalism, which demonstrates Carlson's (2009) point that the study of Chinese nationalism in the late 20th century was in large part driven by the desire to identify and classify the 'type' of nationalism to be found in China. More importantly, however, most of these descriptors were intended as descriptors of the nationalism of Chinese *policymakers* and not the Chinese public, and if they did describe popular opinion, they were only relevant insofar as these nationalisms affected makers of foreign policy.

Further, they were usually meant as a counterweight to alarmist accounts of the rise of a belligerent Chinese nationalism that is prone to war.

POPULAR NATIONALISM AND FOREIGN POLICY

Much of the scholarship on Chinese nationalism has been written with an eye toward China's foreign policy, and this trend continues to this day. This literature is marked by a concern that China's foreign policymaking may be unstable and prone to militarism, or at least that it may be potentially destabilized by nationalist pressures, whether from the public or from elites' own nationalistic world-views. In his examination of policymaking elites, Johnston (1998) has argued that China's foreign policymaking can be explained by 'status inconsistency': the discrepancy between China's status and the status that its leaders think it ought to have. In this line of reasoning, sentiments of national pride drive foreign policy in a very direct way: policymakers' nationalist frame of reference influences their behavior in situations of international conflict. As China's international status has risen sharply even in the last two decades, status inconsistency for policymakers may not be as relevant as it once was. Fewsmith and Rosen (2001) identify different phases of nationalism among the Chinese intelligentsia (what they call the subelite level), moving from 'pragmatic' Dengist nationalism in the 1980s to neo-leftist nationalism in the post-Tiananmen era (159–60). However, Johnston's status inconsistency argument and Fewsmith and Rosen's claim about the importance of subelite nationalisms are each separate from the claim that *popular* nationalism influences foreign policy, such as through popular protests.

While Fewsmith and Rosen focus on the role of subelite nationalism, they also emphasize the dangers that popular nationalist fervor poses to future policymaking. Writing about the protests in China after the May 1999 bombing of the Chinese embassy in Belgrade by the US, the authors declare that: 'Nationalism in China is very much a double-edged sword; if students and others had not been permitted to vent their feelings against the United States, they no doubt would have found release through criticism of the Chinese government' (182).

This basic observation that the CCP has painted itself into a nationalist corner is a common theme in the literature. As Shue (2004) expresses this notion, 'Chinese leaders can never afford to be outflanked by social forces that portray themselves as more ardently patriotic than the government. Yet the government's own intense official nationalism ... often only serves to raise the ante where the passionate defense of national glory is concerned' (Shue 2004, 35). In other words, the propagation of nationalism as a strategy of state legitimation has a tendency to backfire in the form of anti-foreign protests that can turn against the state if it is viewed as conciliatory to foreign aggressors or imperialists. Nationalist

protests frequently are – either initially or eventually – directed against a government that is perceived to be weak in the face of foreign aggression. One example from Chinese history illustrates the potential consequences of a strong nationalist reaction among the public: in the wake of the Treaty of Versailles, the May Fourth Movement of 1919 brought down the warlord government in Beijing in response to its appeasement of Japan's claims against Chinese sovereignty.

Perhaps this idea of nationalism as a 'double-edged sword' is best illustrated by Shirk (2007): 'what the Chinese leaders fear most is a national movement that fuses various discontented groups – such as unemployed workers, farmers, and students – under the banner of nationalism' (62). Shirk regards nationalism as dangerous for political stability in two ways: as an instigator of protests that can turn against the state when officials tell protestors to desist, and also as possibly the only issue that can unite separate groups of people with diverse grievances against the state. Shirk also shows that CCP leaders recognize the danger in nationalist protests and monitor nationalist sources of public opinion such as populist news websites and online chat rooms (102). Although the pressure from these sources comes overwhelmingly from the small minority of extreme nationalists, the party cannot afford to ignore it. Shirk argues that this is because China's leaders, unlike democratically elected leaders, are not concerned with the opinion of the average voter, but only with the opinions of the few who are willing to organize a protest and upset the political status quo. Thus, party leaders are particularly sensitive to the nationalist extremists in the public precisely because party leaders are not elected. Furthermore, since domestic politics does not arouse Chinese nationalist passions to nearly the same level as foreign relations, Shirk's main concern is with nationalism's foreign policy implications: 'The CCP's ability to control the information that reaches the public is declining at the same time as the country's military capabilities are improving. And these two trends combine dangerously to intensify the pressure to use force to defend China's honor' (104). The main thesis of Shirk's book is that China's domestic sources of instability – particularly nationalist protests – may drive China's insecure leaders to take hostile stances, especially toward Taiwan, Japan, and the US, which may even ultimately lead to war.

If popular nationalism is as dangerous to the CCP as Shirk (2007) argues, then it seems paradoxical that the party should continue to stoke its fires of nationalism through its propaganda messaging, as her findings indicate (84). However, if the party ceases to embrace popular nationalism, its legitimacy among the public would erode, especially if economic progress slows. This tension puts the Chinese state in a very difficult position.

Zhao (2000; 2004) looks at many of the same events as Shirk and yet comes to a different conclusion, arguing that the Chinese state is able to find a sort of 'middle way'.³ Zhao (2004) uses two case studies to argue that the fear that popular nationalism will lead to antagonistic foreign policy is unsubstantiated, and that foreign policymakers have made prudent decisions even in the face of

mass nationalist reprisals on the domestic front. Citing Beijing's handling of the crisis caused by the American bombing of the Chinese embassy in Belgrade in May 1999, as well as that of the 2002 midair collision of a Chinese fighter plane and an American spy plane over the South China Sea, Zhao observes that Chinese leaders were able to resolve these problems diplomatically even as anti-American nationalism surged beneath them at the popular level. The author also highlights a territorial dispute with Japan over the Diaoyu/Senkaku islands, wherein the government effectively discouraged anti-Japanese popular rumblings in order to maintain harmonious economic ties with Japan (see also Strecker Downs and Saunders 1999). Similarly, McCarthy (2012) documents how the state tamed a later wave of nationalist protest – which the media had instigated – in the wake of Japanese Prime Minister Junichiro Koizumi's visits to the Yasukuni Shrine, which iconizes Japanese military leaders who led the WWII-era invasion of China.

Noting Beijing's willingness to negotiate and restructure formal relations with Taiwan, Zhao concludes that 'despite nationalist rhetoric, Beijing's policy is not particularly irrational or inflexible' (288). While popular nationalism may be anti-foreign, official nationalism exhibited by state policy only seeks to preserve China's territorial integrity under the status quo. Though he later revised his expectations after China adopted a more expansive claim to the South China Sea in 2009 (more on this below), in 2004 Zhao concluded that fears that Chinese nationalism would produce more hostile foreign policy were unfounded. Rather, Zhao saw the prospect of the delegitimation of the state in times of economic hardship as the real pitfall of contemporary Chinese nationalism.

More recently the very line of reasoning assumed by most scholarship here has been turned on its head by Weiss (2013; 2014). Weiss argues that popular nationalism does not make official diplomacy more difficult, but instead gives the Chinese state more opportunities to signal credibility and resolve to its international interlocutors. If Chinese officials are willing to allow a protest on an issue, this signals to other negotiators China's unwillingness to take a conciliatory stance. At the same time, allowing protests makes compromise more difficult, so that state officials may credibly say that they cannot possibly make certain concessions. This logic bears a striking resemblance to Putnam's (1988) classic hypothesis on two-level games, wherein the constraints of democracy (in Weiss's case nationalism) actually empower governments as they negotiate, precisely because all parties know that certain options are impossible, and thus a harder bargaining position can be taken due to such constraints.⁴ Weiss uses this logic to explain why China has been willing to allow certain protests but suppress others. For instance, allowing anti-Japanese protests demonstrated Chinese resolve on the Diaoyu/Senkaku Islands disputes and gave Chinese diplomats more bargaining power in negotiations over East China Sea access. By contrast, China has never allowed nationalist protests concerning Taiwan's status, signaling a diplomatic flexibility on that issue. State responses (or preemptions) of nationalist protests thus can be seen as a tool for the state to achieve its goals

in bargaining. From Weiss's perspective, popular nationalism, far from being a thorn in the government's side, actually serves a useful function for the state internationally.

THE CONTENT OF CHINESE NATIONALISM

At this point it would be fruitful to describe the historical and ideological content of Chinese nationalism and national identity. Some scholars, such as Pye, have argued that Chinese nationalism has little if any content besides support for the current state and that Chinese nationalism can be 'reduced to merely the sum of current policy preferences' (Pye 1996, 107). However, there are two problems with this idea. First, even if popular nationalism in China is state-led, it does not follow that there is no meaningful narrative or context other than state support. Second, as suggested already, nationalist protests themselves can turn against the state for being too conciliatory to foreign interests – in other words there are times when Chinese nationalism clashes with state support. In any event nationalism and state support are clearly two separate concepts.

The substantive content of Chinese nationalism is a meaningful group identity (although the precise meaning is of course not universally agreed upon) with a shared history, including a narrative of national suffering followed by a rise to regain national glory. This fits the template of nationalisms generally speaking, although the Western political ideal of liberal democracy as the means to achieve national liberation has been notably absent. However, Chinese nationalism does not lack political ideals altogether. Economic development and the re-attainment of China's past international status have been the ends that Chinese nationalism has cherished. In the case of the United States, nationalism has often meant that the US has been a shining beacon to lead other countries by example. In its glory days Chinese emperors and officials also thought the same of China. But today, as a country that is still 'catching up' to the West, China's national mythology cannot now carry this meaning. Instead, it must regain its status in the world, and *that* is the current thrust of its national story.

Gries (2004) captures well the narrative of contemporary Chinese nationalism. His central thesis is that Chinese national identity has dynamically evolved to emphasize two things: the narratives of China's past, and China's relations with foreign countries, especially China's two most important rivals, Japan and the US. What is most notable about Gries's analysis is his emphasis on China's victim narrative as a driving force behind popular Chinese nationalism. This victim narrative consists, of course, of China's subjugation to Western and Japanese colonial powers in the 19th and early 20th centuries. This narrative is termed the 'Century of National Humiliation' (*bainian guochi*, 百年国耻) and is emphasized in both the entertainment media and throughout children's schooling (Wang 2005; Darr 2011; Wang 2012). Modern Chinese nationalism celebrates

a rectification of this century of humiliation through China's reclaiming of its rightful national glory.

Further emphasizing the continuity with China's imperial past, Shue argues that the base of governmental legitimacy in China still rests on the same basic pillars as in the dynastic era: truth, benevolence, and glory (2004, 30–1). Although the symbolic forms assumed by these have changed since the days of Imperial China, the basic substance remains the same. Instead of holding a monopoly on ethical and cosmological truth by controlling the Confucian examination system, the CCP now maintains and embodies scientific, pragmatic, and materialistic standards of truth: The Communist Party's efforts to be seen as the instigator of charitable relief are meant to symbolize its benevolence. Finally, the national pride inherent in China's recent economic miracle and in China's newfound international power and status are fundamentally about reacquiring and displaying the past glory of Chinese civilization. Shue notes that 'some observers have been tempted into believing ... that patriotic sentiment has become the only popular value on which the contemporary state now bases its appeals for legitimacy' (Shue, 34). By contrast, Shue identifies several sources of legitimacy, of which nationalism is only one small part.

Rather than simply noting that nationalism can be a double-edged sword, Shue thus identifies a framework that more fully explains this frequent observation. Drawing on the work of Scott (1985), she argues that whatever claims are made in order to provide governmental legitimacy consequently provide grounds for contestation of legitimacy (Shue, 28). Thus, if the state's legitimacy claims are based on the regaining of national glory, then this provides grounds for contestation: a counter-claim that the government is failing to bring national glory can be seen as a 'legitimate' questioning of this legitimacy. This framework provides a clear way of conceptualizing nationalism's dual roles in state legitimation and in inspiring protest. Seen in this light, the fact that many protests against the government are nationalist protests can be interpreted, somewhat paradoxically, as evidence for the importance of nationalism in legitimating the state. After all, nationalist protests turn against the state for breaking its promise to stand up to Western countries and other perceived anti-China forces. Thus, it appears that the government's legitimacy is founded, at least in part, on this promise.

THE SOURCES OF POPULAR NATIONALISM AND STATE LEGITIMACY

As is evident, the relationship between nationalism and popular support for the government is a major theoretical concern. The broad consensus among scholars is that nationalism, regardless of how state-led it may or may not be, serves the function of legitimating China's authoritarian political system, and that, since the

1989 protests, nationalism has essentially replaced Marxism-Leninism-Maoism in fulfilling this ideological function.

Compared to the publics of most other countries, Chinese citizens are very trusting and supportive of their government (Chen 2004; Tang 2016). State support in China presents an interesting puzzle: why is it that the public so strongly supports a governmental regime that has virtually no election-based democratic legitimacy, especially when the bureaucracy is widely seen as corrupt?

This is a question which in the last decade scholars have begun to address on a more direct empirical level, thanks to the relatively recent availability of public opinion surveys in China. Recent quantitative scholarship has shown nationalist sentiment to be a part of the answer to this question. Jie Chen (2004), using survey data from urban China, finds that nationalism's effect on diffuse support for the state is small but statistically significant. Tang and Darr (2012) find that, overall, nationalism promotes support for the Chinese political regime. It should be noted here that nationalism has been found by researchers to be related to diffuse support for the state and its institutions, and not to specific support for particular leaders. In fact, party-led anticorruption drives can easily be seen as part of the strategy of legitimation for the party-state by isolating those deemed corrupt as aberrations in an otherwise virtuous system. The legitimating function of nationalism also partially explains why Chinese citizens distrust local officials while at the same time expressing trust in the national government (Shi 2009).

Findings indicating that nationalist sentiment is correlated with support for the state may seem obvious, but it is worth remembering that this does stand in contrast to much of the scholarship focused on nationalist protests, which often sharply disapprove of state policy, especially conciliatory foreign policy (Zhao 2004; Shirk 2007; Weiss 2014). Situating these two broad themes next to one another, we can observe that, while the public as a whole is more supportive of the state as a consequence of nationalist sentiment, the small segment of the population that is willing to come out and protest in the streets might use that nationalism to criticize the government. This highlights the importance of using a variety of research methodologies: survey-based scholarship can provide a good look at the general public, but other methods are necessary to understand protests and other behavior at the margins of the general consensus.

Whyte's (2010) work also fits the pattern of survey research quelling the concerns of scholars over the precarious stability of the Chinese system. Whyte finds that most Chinese are not particularly upset about rising economic inequality. Critiquing what he calls the myth of the social volcano, Whyte finds that the possibility of social protests becoming more widespread and ultimately destabilizing the Chinese political system is quite small. Such findings have been corroborated by Tang and Darr (2012), who found that national sentiment is negatively correlated with a demand for democratizing reforms in the political system. The broad theme here is that when the public as a whole is looked at, popular nationalism is a force that stabilizes and legitimates the political regime.

Survey research has also found a similar pattern among minority groups in China. Despite notable separatist movements in Tibet, Xinjiang, and Inner Mongolia, survey research has indicated that China's ethnic minorities do not necessarily feel less Chinese than their Han counterparts, and this strong sense of Chinese national identity is also reflected in levels of state support. As Tang and He (2010) have found in their surveys of minority areas, ethnic minorities in China are 'separate but loyal'.

If popular nationalism plays this important role in Chinese politics, then understanding where it comes from at the individual level is important. Whether contemporary Chinese nationalism is state-led or otherwise, education is one of the main mechanisms the state has to engrain a particular Chinese national identity into its population, with an eye to producing state support. An extensive 'patriotic education campaign' (*aiguozhuyi jiaoyu yundong* 爱国主义教育运动) followed the widespread protests of 1989 and has become a permanent element in the curriculum (Zhao 1998; 2004). This campaign was not a hidden agenda lurking behind Chinese education but a publicly presented and accepted campaign with the explicit goal of making students more patriotic. Wang (2012) examined how Chinese history courses emphasize the century of humiliation in order to instill nationalist sentiments in children. This campaign has reached into minority areas as well, engaging in an identity-building project through its use of Mandarin as a language of instruction in schools in minority-inhabited areas. According to Dwyer (2005), educational language policy in Xinjiang has undergone a strong assimilationist shift towards monolingual education in Mandarin Chinese, even going so far as to end instruction in the Uyghur language at Xinjiang University and to teach courses on Uyghur poetry in Mandarin Chinese (39–40). In addition, the ongoing campaign spreads beyond the formal educational system, with policies implemented in the military, in entertainment, at historical sites, and in neighborhood committees as well as in schools. For instance, Mitter (2005) has noted the role of museums in building Chinese national identity. These policies aside, it should be kept in mind that the patriotic education campaign's emphasis was on youth, and its profoundest effects were felt in the educational world. This impact has been quantitatively measured through the effects of education levels on national sentiment and regime support. Kennedy (2009) documents education's positive impact on regime support, but also that this effect drops off at higher educational levels, and Tang and Darr (2012) found similar results concerning the effect of education on levels of nationalist sentiment.

Another major instrument in the building of a popular national consciousness is the media, including both entertainment and news media. The quantitative findings with respect to media exposure have been mixed. Chen and Shi (2001) found that media exposure actually had a negative correlation with political support for the state, concluding that the state-led process of legitimation through the media had failed. However, other studies (Bernstein and Lu 2000; Li 2004; Kennedy 2009) have since found just the opposite: that those who consume more

media are more likely to support the state. Tang (2005), using survey data from the 1990s, found that media consumption was correlated both with nationalist sentiment and, even more strongly, with regime support.

Findings through other methods of inquiry also point to the media's ability to build nationalist sentiment. Fu (2009) found that nationalist messages saturated practically all Chinese media content related to the 2008 Beijing Olympics. Other studies of media content have found similarly nationalistic themes in all sorts of media. For instance, Chang et al. (1994), using content analysis of both China Central Television (CCTV) and the official CCP newspaper *People's Daily*, found two persistent themes that occurred in news stories far more often than any other themes: national development and economic reform. With nearly all of China's news focusing on changes at the national level, the nation becomes the main protagonist of the overarching story of Chinese news.

In another content analysis study, Chang (2002, 282–3) finds that CCTV's coverage of domestic news contrasts starkly with that of international news:

In the domestic setting, the news is largely anchored by central government officials in action, burgeoning institutions and ongoing social progress that assure a sense of a normal, stable, and communal world. In the foreign context, the world is filled with news of a few powerful countries and hot spots, which projects a contested geopolitical landscape overshadowed by anomalies, uncertainty and volatility among nations.

Hillman (2004) analyzes *People's Daily* coverage of the US bombing of the Chinese embassy in Belgrade in 1999. Hillman identifies four prominent themes, all of which use strong nationalist frames: nation-building and national unity, nationalist appeals to the past, nationalist appeals to Greater China (including the overseas Chinese community), and a pitting of China against the West. This is not just a phenomenon of official media outlets like *People's Daily*. Cheng and Ngok examine several other Chinese newspapers in the wake of the bombing and reach a similar conclusion: 'in the 1990s, unofficial, voluntary nationalism in China reached a new peak, and the Chinese authorities consciously managed this nationalism to maintain domestic solidarity and stability' (2004, 101).

This is not to say that there is scholarly consensus on the impact of mass media. Lull (2013) argues that television has been a globalizing rather than nationalizing force: through its transmission of Western cultural practices, it has served to accelerate the decline of traditional Chinese values, blurring the line between Chinese and Western values and weakening Chinese national identity. Hong (1998), focusing on reform-era party policy that allowed an increase in imported television, makes a similar argument. The rise of the internet in China has also begun to provide new perspectives on this question. Leibold (2010) shows that online communication's empowering of Chinese youth has resulted not in the globalization of Chinese national identity, but in narrowing its meaning within a more restrictive ethnically Han framework. Leibold takes particular note

of a 2008 incident in which Chinese historian Yan Chongnian was slapped in the face at a book-signing event. His assailant, Huang Haiqing, claimed Yan held a revisionist interpretation of history that was too forgiving of the Manchu Qing dynasty and their subjugation of the Han Chinese. Following the incident was an online storm of surprisingly severe criticism of Yan, and the incident served as a flashpoint around which a nascent online Han-nationalist movement coalesced. Such a Han-centric nationalism is a far cry from the multicultural official nationalism of the Chinese state. As others have noted, this example is but one in a broader pattern of an online struggle between official nationalism and subaltern popular nationalisms (Lo 2015).

RECENT EVENTS

Chinese popular nationalism continues to be a ripe topic for scholarship. Ongoing events continue to give rise to new questions deserving of scholarly attention. Perhaps the most important change has been the new leadership of the party-state. When the top leadership position in the PRC was transferred from Hu Jintao to Xi Jinping in 2012, the new president made sure to quickly establish his own theme. Whereas Hu's emphasis had revolved around a 'harmonious society', Xi chose to spotlight the concept of the 'Chinese Dream'. This thematic change suggested a more ambitious agenda, transitioning from the pursuit of an orderly, peaceful society to the pursuit of something loftier: making a dream into a reality. Importantly, the concept of the Chinese dream neatly maps onto the overarching narrative of Chinese national rejuvenation after a century of humiliation (Wang 2014). Furthermore, this theme clearly borrows heavily from, and perhaps even coopts, the more well-known concept of the American dream, possibly suggesting that the American dream belonged to the past, and that the 21st century's dream is China's.

This shift in rhetoric was in itself significant for observers of Chinese nationalism (Callahan 2015). Equally notably, however, Xi has also articulated an explicit commitment to the maintenance and preservation of Chinese culture, giving detailed guidance to the media, artists, and scholars toward this end. The institutionalized promotion and protection of Chinese culture by the state is not new; it furthers an existing trend already embodied in the establishment of Confucius Institutes across the globe. Xi speaks frequently about 'cultural security' (Edney 2015), and in the words of Robert Daly, 'he has made defining and defending Chinese culture a hallmark of his leadership' (Daly 2016). Xi's overt focus on cultural nationalism, and his frequent use of genetic metaphors in discussing China's cultural identity, may have served to condone the trend toward Han ethnonationalist online rhetoric noted above. Finally, Xi has also continued the trend toward a more assertive foreign policy. This has been particularly evident in China's handling of interstate maritime disputes:

China's response to widespread anti-Japanese protests in both 2010 and 2012 was to harden their bargaining position with Japan (Zhao 2013; Weiss 2014), and such confrontational stances have been replicated in the ongoing dispute with the Philippines over the South China Sea.

All of this has caused scholars to reassess Chinese nationalism in recent years. Zhao (2013), for instance, has revised his evaluations of the strength of popular nationalism vis-à-vis the state's official nationalism. Noting that the Chinese government since 2008 has been willing to take confrontational stands against Western powers and Japan, Zhao argues that this is due in part to the growing strength and influence of popular nationalism in Chinese society, and the increasing responsiveness of the government to popular pressures such as nationalist protests. Perhaps more fundamentally, it can be seen as the government seeking to place more of its legitimacy on nationalist principles as the growth slowdown of recent years has made it more difficult to justify the regime based on its economic results.

It would be incorrect to ascribe China's recent maritime assertiveness to the leadership transition alone: as Zhao (2013, 547) notes, China expanded its territorial claims in the South China Sea in 2009, and then began regularly sending patrol ships to disputed waters, a pattern which has continued under Xi's leadership. In July of 2016, the Permanent Court of Arbitration in The Hague ruled against China and in favor of the Philippines on the island disputes. China refused to participate in the court case or to acknowledge the ruling as legitimate. Given this response to the ruling, the PRC's most probable course of action would be to ignore the ruling and continue sending patrol boats, but as of this writing China has taken no further militarized action in the area (Blanchard and Lim 2016).

Another force stoking popular nationalism is the growth of the internet in China. This has allowed the so-called 'angry youth' to disseminate their ideas independently of state-run media. For example, in August 2016, a strongly nationalist video went viral on the Chinese internet, garnering over 10 million views in less than 24 hours (Wen 2016). The five-minute video presents China as under siege from a planned 'color revolution' from the American empire, tapping into a fear of successful pro-Western disruptions of domestic politics, such as the 2004 Orange Revolution that overturned the Ukrainian presidential election in favor of pro-Western Viktor Yushchenko, or the subsequent 2005 Tulip Revolution, which overthrew the president of Kyrgyzstan, Askar Akayev. The video also suggests that many Chinese human rights lawyers are agents of Western powers, and emphasizes the inviolability of China's territorial integrity while displaying a map of China's expansive claims to the South China Sea. Interestingly, the video was posted on Sina Weibo by the Supreme People's Procuratorate, the PRC's highest prosecutorial body.

That a fan-made nationalist video (authored by a young Chinese graduate student living in Australia) would be reposted by state officials demonstrates that

the PRC is indeed willing to listen to popular nationalist forces. However, others have noted that in the wake of the court ruling on the South China Sea, most of the online reactions that were censored by the Chinese government were censored not for opposing China's maritime claims, but for having too strident a response, such as calling for war with the Philippines (Allen-Ebrahimian 2016). Just as the government appeases popular nationalism, it makes an equally strong effort to control it. Interestingly, recent research has found that expressing their political opinions online makes Chinese citizens more supportive of the current political system (Hyun and Kim 2015).

Another, more recent leadership change is Tsai Ing-wen's victory in Taiwan's presidential election in 2016. The election of a pro-independence Democratic Progressive Party (DPP) candidate ended eight years of control by the Guomindang (KMT), years which were marked by friendlier rhetoric and closer economic integration between Beijing and Taipei. It remains to be seen what a Tsai presidency will do for cross-strait relations, given the thorny nature of the Taiwan question and its relationship to Chinese popular nationalism. Chinese schoolchildren are taught that Taiwan is a province of China, and the topic of Taiwan and its ambiguously independent status is perhaps the single most controlled topic in the Chinese media. Similarly, the 2016 election of Rodrigo Duterte as president of the Philippines will likely have an impact on island disputes in the South China Sea. In October 2016, Duterte canceled joint naval patrols with the US in the South China Sea, indicating a break with the US and a friendlier policy toward China (Cerojano 2016).

CONCLUSION

Due to these recent trends, and the persistence of nationalist protests concerning China's island disputes in the South and East China Seas, many scholars have found new reason to be concerned with Chinese nationalism. Many of these new trends, such as the slowing of China's economic growth, its more assertive maritime foreign policy, regional leadership changes, and the rise of the internet and social media, should provide fruitful avenues for research on Chinese popular nationalism, and even inform some of the central debates in the field. Is Chinese popular nationalism ultimately under the control of the state, or is it a powerful and independent political force in its own right? Is the state succeeding in building a multi-ethnic national identity, especially in minority regions? Is assertive Chinese foreign policy an effective means for the government to consolidate public support when economic progress falters? Is the internet a liberating force for popular Chinese nationalists, or a cage in which the state can handle their frustration more easily?

Now that survey research is easier than ever to conduct in China, new opportunities for research are possible that could tell us more about popular nationalism. One promising method consists of long-term panel studies of certain populations.

Is the 'angry youth' phenomenon simply a life-cycle effect, or does it have staying power for a given generational cohort? Longitudinal studies could determine whether these protestors stay 'angry' later in life, and how this affects their political behavior as they grow older.

As a final recommendation for future research, there is still a need to integrate the study of Chinese popular nationalism into a more comparative understanding of nationalism. China is certainly a unique country, with a unique place in the world at this historical moment. However, much of the phenomena under study in this field is not unique to China. The field would benefit from a more robust discourse with the broader field of nationalism and national identity, which would put understandings of Chinese popular nationalism into a bigger comparative picture.

Moreover, it would allow us to get beyond what Gries (2004) calls the debate between alarmist 'dragon-slayers' and optimistic 'panda-huggers'. In the language of critical theory, each of these mentalities treats the Chinese and their nationalism as an outside 'other'. Recently, in the wake of China's maritime assertiveness, scholarship has taken a turn towards alarmism, exhibiting a tendency to problematize Chinese claims on the South China Sea, for example. A broader comparative perspective allows us to put these claims into juxtaposition next to Filipino, Japanese, or American nationalisms, which also play a role in provoking conflict but can be overlooked when only Chinese nationalism is under the microscope. If instead *American* claims to the South China Sea are problematized as strident or assertive, for instance, this can serve to inoculate research against an unconsciously Western-centric perspective – a perspective which might otherwise direct our research questions and even entire research agendas. Each nation sees its own stance as defensive, and its adversaries as offensive. Scholars of nationalism should avoid falling into similar ways of thinking.

Notes

- 1 Data are taken from Pew Research Center's Spring 2016 Global Attitudes Survey. Available at www.pewglobal.org/2016/10/05/chinese-public-sees-more-powerful-role-in-world-names-u-s-as-top-threat/ and www.pewglobal.org/2016/09/13/hostile-neighbors-china-vs-japan/.
- 2 The terms 'patriotism' and 'nationalism' are often analytically separated. This distinction is useful, and interesting research has been done on this in the Chinese context (see especially Gries et al. 2011). In an effort to provide a clear and accessible survey of the field, however, this chapter will attempt to refrain from parsing these fine-grained theoretical distinctions.
- 3 As will be discussed later, Zhao (2013) has come to a different conclusion in the face of more recent trends.
- 4 This counterintuitive logic is best illustrated by the example of winning a game of chicken by throwing your steering wheel out the window. Your opponent will now swerve first, knowing that you cannot.

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Taiwanese Identity

Lowell Dittmer¹

INTRODUCTION

The concept of 'identity' in political science is usually used in tandem with the adjective 'national', as in 'national identity'. In this context, it refers to a component of nation-building that is functionally imperative. The formation of national identity engenders in the population a sense of loyalty and group cohesion, entailing a willingness to vote, pay taxes, serve in the armed forces and otherwise sacrifice for the country. Thus modernization theory, which conceived of development as a sequential process occurring in a series of evolutionary stages, referred to a 'crisis of identity' at which time this bonding, or individual identification with the nation-state, hypothetically took place. And if it did not, that portended further developmental difficulties ahead, potentially leading to loss of legitimacy, irredentism, secession, even revolution or civil war.² Yet one of the pivotal points in the tide of criticism that flowed in the wake of the pioneering publications of the Social Science Research Council in the 1960s was that modernization theory, like Marxism, was teleological, indeed deterministic. Actually, a nation-state can go backward as well as forward (assuming modernization is 'forward'), as Huntington pointed out, or remain the same (for example, in a 'middle-income trap'), and the various developmental dilemmas experienced on the way forward may also return even if seemingly resolved, as in the wave of anti-Semitism that swept a highly developed German nation in the early twentieth century. Thus identity is not necessarily 'national' and not necessarily a developmental stage that can be definitively resolved and transcended.

We might term it an ‘essentially contested concept’.³ In my view however, this would be a statistical overgeneralization. In most developed nation-states the national identity crisis is a reasonably settled issue, even when there remains an enduring split between ethnic, linguistic and political identity, as in Canada, Belgium or Switzerland.

In Taiwan’s case, it is not. ‘National identity’ has remained since its beginnings an essentially contested concept, and this is a problem both for Taiwan and for China. For Taiwan, it is a problem not only in practical terms (for example, arranging diplomatic and trade relations with other countries and retaining a voice in relevant international affairs) but in existential terms: the question ‘Who am I?’ is conventionally answered in terms of the group(s) with which one identifies, and China’s position has long been that there is no such national entity as ‘Taiwan’.⁴ For China, ‘Taiwan’ symbolizes a perplexing developmental hiatus, a missing link in the difficult but otherwise largely successful project of nation-building. That link, the province of Taiwan, is ‘missing’ not coincidentally but because the ‘great powers’ (read: the US) have conspired to block China’s legitimate aspiration to ‘peacefully rise’ and realize the ‘Chinese dream’ of ‘national rejuvenation’, thereby aggravating feelings of national impotence. It is also irritating to Beijing that most of the people of Taiwan, over 97 per cent of whom are ethnically Han Chinese and speak a local dialect of Mandarin, prefer not to identify with the rising Chinese nation-state. Reunification with Taiwan has high priority for China not only because it is the last former colony to resist incorporation into the People’s Republic of China (PRC) after the return of Hong Kong in 1997 and Macau in 1999, but because it represents the unconsummated civil war *qua* revolution that brought the Chinese Communist Party (CCP) to power in 1949.

The issue of Taiwan’s identity is hence a complex and embattled one. This chapter consists of three parts. In the first, the legal basis for Taiwan’s identity will be explored. In the second, the growth and the driving forces behind the growth of Taiwan’s sense of a distinct national identity will be investigated. In the third, we explore the issue of Taiwan’s identity as a problem for the PRC in the construction of Chinese national identity.

THE LEGAL ASPECT

The legal basis for Taiwan’s claim to legitimacy is that Taiwan is a direct lineal descendant of the Republic of China (ROC) established in Beijing in 1912 following the Xinhai Revolution. The CCP that defeated the ROC and established the People’s Republic of China (PRC) in effective control of the Chinese mainland in 1949 disputes that line of descent, claiming that the ROC ceased to exist upon its defeat; but the ROC government has never acknowledged that, nor has it signed a peace treaty with the PRC. As such, the ROC government has no legal

claim to sovereignty over Taiwan *per se*, but only to Taiwan as a part of the nation of China. This claim to legal sovereignty over the whole Chinese nation has been practically impossible to enforce since 1949, and it constitutes not only an unrealistic national ambition but (ironically) the legal basis for continuing interest in reunification on the Taiwan side of the Strait. During the era of Nationalist Party leaders Chiang Kai-shek and Chiang Ching-kuo (1949–88), Taiwan aspired to subdue the CCP and ‘retake the mainland’. As that is no longer a realistic possibility given the balance of forces (and because it lends legal support to PRC claims of ‘one China’), there have recently been attempts to relinquish the ROC’s claim to the mainland. In 1991, President Lee Teng-hui renounced the use of force with a statement that the ROC would no longer challenge PRC *de facto* sovereignty on the mainland. This was however not reciprocated by Beijing, which continued to claim the ‘right’ to use force and viewed any renunciation of sovereignty claims by Taipei as a dangerous step toward independence. Thus in 2008, the ROC under Ma Ying-jeou rescinded its disavowal, in accord with the ‘one China principle’ as construed in the ‘1992 Consensus’ (one China, different interpretations). Having transferred sovereignty to Japan. More tellingly, the DPP points to the opposition Democratic Progressive Party (DPP), on the other hand, noting that Taiwan has never been under the jurisdiction of the PRC, traces Taiwan sovereignty claims not to 1912, but to the brief abortive founding of a Republic of Taiwan in 1895 (the ‘first republic in Asia’) after the Qing transferred sovereignty to Japan and, more tellingly, to the advent of free elections in 1996 (that is, ‘popular sovereignty’), and has called for (but no longer pursues) a plebiscite and a new constitution for the ‘Republic of Taiwan’.⁵

If one accepts that the ROC was never truly defeated in 1949, the claim to a direct line of descent from the 1912 republic has a certain plausibility and has not been officially denied by Beijing as a starting point for negotiations under the principle of mutual non-denial of respective notions of ‘one China’. That said, the difficulty arises with including Taiwan in this ‘one China’. Taiwan was annexed by Japan in the Treaty of Shimonoseki concluding the Sino-Japanese War in 1895, and was not even included in the ROC provisional Constitution of 1912 (or 1931). The leaders of the Kuomintang or Nationalist party (KMT) and the CCP did not claim Taiwan as part of China until the 1940s. At that time, in accordance with the Cairo Conference of 1943 and the subsequent Potsdam Declaration renouncing Japan’s wartime acquisitions, Taiwan was given over to the administrative control of the ROC in 1945. The Nationalist regime duly accorded ROC citizenship to the people of Taiwan and Penghu, established a provincial government and arranged elections to choose representatives to it. Hence the ROC government has considered Taiwan part of its sovereign territory since 1945. This was however not internationally recognized at the time: until a peace treaty ending the war was signed, Taiwan was still legally under Japanese sovereignty. Japan renounced sovereignty in the 1952 Treaty of Peace and in the Sino-Japanese Treaty (with Taipei) the same year, but in neither document did Japan

specify where the sovereignty of Taiwan that it had renounced should henceforth reside. Thus for many the sovereignty of Taiwan remains 'undetermined'. Taiwan's legal status was left unclear and has become further attenuated since the 'rise of China', which facilitated the diplomatic recognition of the PRC and correlative de-recognition of the ROC in due course by most countries in the world. Yet Taipei has continued to thrive economically and to survive diplomatically by establishing informal, quasi-diplomatic relations with more than a hundred other nations, most importantly – from a security perspective, the US (see Shih, 2001).

TAIWAN'S NATIONAL IDENTITY

Taiwan's quest for specifically 'national' identity is a relatively recent phenomenon. During the Cold War, Taiwan was firmly anchored in the Western anti-Communist camp as a bulwark against suspected Chinese Communist aggression, even as its national identity remained 'Chinese', meaning that of the Republic of China, temporarily resident on the small island of Taiwan but preparing for a triumphant return. Meanwhile the PRC also claimed to be China, and neither country accepted recognition from any state that recognized the other. The relationship was hostile and 'zero-sum', including low-level cross-Strait threats, sorties and occasional crises. The ROC authorities during this period focused on instilling Chinese identity on an indigenous population that had been under alien rule for half a century, while the PRC ironically tried to erase traditional Chinese culture to make room for a more cosmopolitan, revolutionary identity among mainland Chinese. The KMT focused on re-socialization, believing that a centrally controlled curriculum would forge a unified national spirit in Taiwan and stimulate enough military, economic, political and cultural strength to survive and recover the mainland.⁶

The end of the Cold War, which occurred about two decades earlier in Asia than in Europe thanks to the Nixon-initiated Sino-American *détente* commencing in 1972, opened opportunities for innovative approaches to the 'divided-nation issue' untrammelled by the ideological frameworks and internal alliance networks that previously tethered the issue to bloc solidarity. Beginning with the advent of 'reform and opening' in China and the onset of democracy in Taiwan a decade later, both sides explored new ideas for breaking the deadlock. Promptly after gaining US diplomatic recognition (and de-recognition of Taiwan and abrogation of the Sino-American Alliance), Beijing introduced proposals for 'three direct links' across the Strait (travel, trade and postal) and 'one country, two systems', a form of reunification granting a 'high degree of autonomy' (Ministry of Foreign Affairs, 1998) to Taiwan for a period of 50 years. This was Beijing's most generous offer to date, for the first time offering a reasonably attractive option for peaceful unification. The immediate response from Chiang Ching-kuo was 'three nos' ('no contact, no compromise, no negotiation'), but

the mainland persisted nonetheless, no doubt encouraged by the more successful application of this formula to Hong Kong in 1982. Before his death in 1988, Chiang initiated a reciprocal opening to the mainland by permitting retired soldiers to visit their home villages on the mainland, later also allowing some trade and educational exchanges. The succeeding Lee Teng-hui regime established a cabinet-level National Unification Council, which in 1991 issued 'National Unification Guidelines' that affirmed the ultimate goal of national unification premised on prior achievement of political democracy, economic liberalization and social pluralism in the PRC.

These offers were mutually incompatible: the Chinese package educed no reason for Taiwan to believe that an otherwise totalitarian government would grant full autonomy to a former foe, while the Taiwan package imposed demands for transformation of the mainland regime and none for Taiwan. But both offers pioneered in envisaging peaceful reunification and non-zero-sum post-unification governing arrangements, opening the way for further discussion. In 1991, President Lee Teng-hui announced the termination of the 'Period of National Mobilisation for Suppression of the Communist Rebellion', acknowledging that the PRC was no longer headed by 'Communist bandits' (*gongfei*) but 'a governing authority that has de facto rule of the mainland'. First Taipei and then Beijing set up quasi-official diplomatic organs, the Strait Exchange Foundation (SEF) and the Association for Relations Across the Taiwan Strait (ARATS), respectively. After secret talks in Hong Kong (where what became known as the '1992 consensus' emerged, loosely referred to in Taiwan as 'one country, different interpretations' – *yige Zhongguo gezi biaoshu*), the two sides engaged in a series of meetings in Singapore to discuss further apolitical measures to facilitate trade, postal and other exchanges. Although 'three direct links' remained off the table, trade, indirect investment and travel grew steadily via Hong Kong. This period of relative opening witnessed a breakthrough to more positive attitudes toward the mainland ('*dalu re*'). Most Taiwanese meanwhile continued to identify themselves as either 'Chinese' (26.2 per cent in June 1992, according to the Mainland Affairs Council) or 'both Chinese and Taiwanese' (45.4 per cent); only 17.3 per cent identified themselves as 'Taiwanese'.

This new equilibrium of mutual tolerance and growing contact via three informal links was however punctuated by a series of crises. The first of these was the 1995–96 Strait Crisis, precipitated by President Lee Teng-hui's drive for international (and specifically American) recognition of Taiwan in his campaign for re-election in Taiwan's first democratic election in 1996, including a politicized alumni speech at his (PhD) alma mater, Cornell University. In response, the mainland organized amphibious military exercises on the Chinese side of the Strait and, in 1995–96, lobbed a barrage of missiles to splash down off Taiwan's major port cities, in an attempt to warn against further 'flexible diplomacy' and to deter the electorate from supporting the KMT. The political impact was mixed. Lee Teng-hui won in a landslide, but the vote of the even more independence-minded

opposition party, the Democratic Progressive Party (DPP) was severely diminished and the economic outlook temporarily clouded by capital flight.

The most lasting negative impact from Beijing's perspective seems to have been on Taiwan identity and 'future-nation preference' (independence, reunification or status quo, which tends to correlate roughly with identity). From its high point in June 1996 of 66.7 per cent, the combined 'Chinese' and 'both Taiwanese and Chinese' percentage dropped to 45.5 per cent in June 1998, while 'I am Taiwanese' rose from 23.2 per cent to 35.9 per cent. And as high-level China–Taiwan political relations froze and stagnated over the ensuing decade (1995–2005), Taiwanese identity continued to climb. This trend was enhanced by further high-level tension surrounding Lee's proposal of a 'two-state theory' in 1999, the election of DPP presidential candidate Chen Shui-bian in a tight three-cornered race in 2000 and by the ensuing lapse in official intercourse. Those identifying themselves as 'both' or 'Chinese' declined from 56.9 per cent in June 2000 to 51.6 per cent in December 2006, but only 6.4 per cent of the former were 'Chinese only' while those identifying themselves as 'Taiwanese only' rose to 45.2 per cent.

In addition to crisis-precipitating inflection points, there have been institutional factors tilting incremental change over time. Democratic transition created a tenuous structural balance between two opposing forces. On the one side, the electoral emancipation of the local Taiwanese community (*bensheng ren*) from the four-decade dictatorship imposed by the 'Chinese' (*waisheng ren*) KMT regime (tending to propel the electorate, some four-fifths indigenous, into an anti-Chinese stance). On the other side, the relatively generous reunification offer from the PRC opened the way to profitable cross-Strait trade and investment opportunities for Taiwan's business community, which in the late 1980s faced increasing import resistance from its largest foreign market, the US. It has been estimated that two-thirds of the Taishang (Taiwanese living and working in China), now estimated at over one million, tend to vote KMT (see Keng and Schubert, 2010). From Beijing's perspective, the ethnic factor was spurious, since over 97 per cent of Taiwanese are ethnically Han Chinese; the economic incentive of lucrative trade and investment opportunities was sure to prevail in the long run.

But, identity trends have puzzlingly failed to correlate with economic interdependency. Both sides hedged, reflecting continuing distrust. Taiwan engaged in rapprochement with China but tried to match this with equivalent diplomatic approaches to the rest of the world. Thus it successfully established a consulate general in Latvia in 1992 and mutual recognition with Vanuatu in 1992 and with Papua New Guinea in 1995, without causing the PRC to suspend its relations with these countries until Lee's 1995 visit to the US. Beijing's hedge was to accompany its pledges of peaceful reunification with a refusal to renounce the use of force (including occasional public threats to do so) and a continuing buildup of missile launching sites and other offensive weaponry on the Fujian coast.

Thus while economic interaction grew, the political relationship vacillated. Roughly speaking, the period of 1988–95 was one of political ‘thaw’, followed by ‘freeze’ during 1995–2005, followed by another ‘thaw’ in 2005–16. According to National Chengchi University (NCCU) surveys, in the early 1990s, more respondents self-identified as solely Chinese (about 25 per cent) than as solely Taiwanese (about 20 per cent), with about half of respondents self-identifying as both Taiwanese and Chinese. By 2014, fewer than 4 per cent of respondents self-identified as solely Chinese, with a clear majority (more than 60 per cent) self-identifying as solely Taiwanese, and about 33 per cent self-identifying as both Chinese and Taiwanese. These trends have intensified since Ma became president in 2008.

Superficial examination of the trendlines in Figure 31.1 suggests the decisive break in identity came around the time of the 1995–96 missile crisis, when ‘Taiwanese’ first surpassed ‘Chinese’ identifiers. The divergence then remained wide but fairly stable throughout the 1997–2007 decade but then accelerated around the time of Ma’s electoral triumph in 2008, the largest in Taiwan’s electoral history (58 per cent). During the Ma decade, those identifying themselves as ‘Taiwanese only’ exceeded those who identified themselves as ‘both’, rising to around 60 per cent in 2014 and 2015.

What is the impact of Taiwan identity on political attitudes? The most obvious corollary to shifts in identity are shifts in attitudes toward reunification. These have been exhaustively tabulated since 1992 by the Election Study Center at NCCU, as shown in Figure 31.2.



Figure 31.1 Changes in the Taiwanese/Chinese identity of Taiwanese as tracked in surveys by the Election Study Center, NCCU (1992–2017.12)

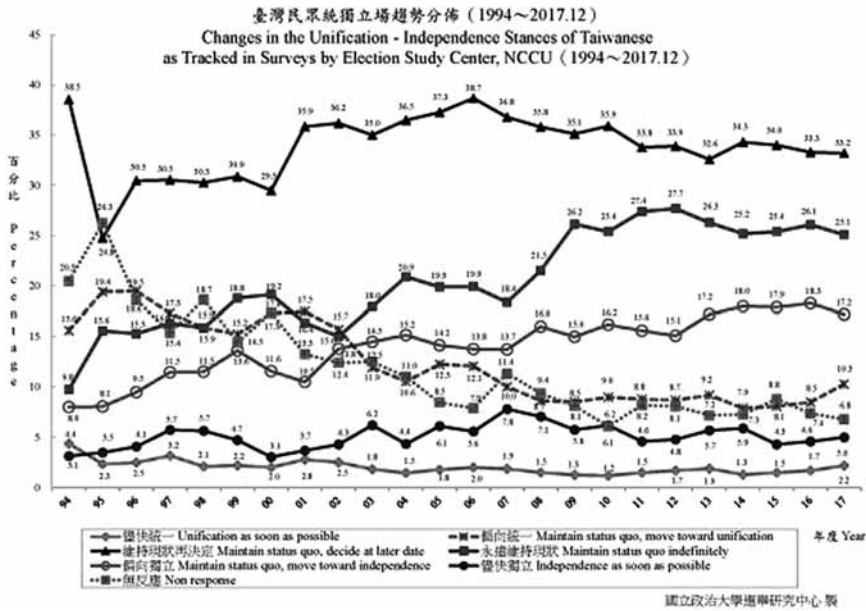


Figure 31.2 Changes in the unification–independence stances of Taiwanese as tracked in surveys by Election Study Center, NCCU (1994–2017.12)

There is a rough correlation between Taiwanese identity and future-nation preference, but it is by no means simple or one-to-one.⁷ True, the upswing of Taiwanese identity at the end of the Cold War in the early 1990s coincided with a decline of interest in unification, if we conflate all measures of such interest – though the latter is delayed and far less precipitous than the identity shift. Actually the interest in immediate unification has never been high, exceeding the interest in immediate independence for the last and only time in 1994. Beginning in 2002, the interest in ‘moving toward independence’ began to exceed the interest in ‘moving toward unification’, about a decade later than the majority shift of national identity from ‘Chinese’ to ‘Taiwanese’. While independence exceeded unification since the early 1990s, both zero-sum alternatives (‘independence now’ v. ‘unification now’) have remained relatively low. The unambiguous identification preference since 2007 has been ‘Taiwanese’, but the future-nation preference has not been ‘independence’ but indefinite status quo. One of the reasons for the lack of any clear correlation is that while ethnic identity (Taiwanese, Chinese or both) is politically ‘safe’, future-nation preference evokes security anxiety because of China’s opposition to independence. Frank Liu (2016) thus argues that while a ‘Taiwanese’ ethnic identity implies opposition to unification, it does not necessarily imply ‘independence’.

The PRC has insistently made unification a high priority not only on its own but on Taiwan’s foreign policy agenda. Why has it been so unsuccessful? The strategy has been to combine ‘sticks’ – the force option – with ‘carrots’ – economic

integration. China's capability to apply both sticks and carrots has increased far more swiftly than Taiwan's capability to resist, as Taiwan's relative GDP has declined from about 43.8 per cent of that of China's in 1990 to only 5 per cent of PRC's US\$10 trillion GDP in 2014 (in aggregate; in per capita terms the positions are reversed), and the military balance has tilted in the mainland's favor as well (Shlapak et al., 2000: xvi *et seq.*; Kastner, 2015–16). In view of discrepant GDP growth rates, this gap seems apt to widen still further in the future, even as mainland economic growth slows. The combination of rapid growth, common language and culture, and lower per capita wages has made the mainland an irresistible economic partner for Taiwanese industry, and economic integration has proceeded apace, despite various attempts by the Taiwan authorities to slow it down for security reasons. Mainland Affairs Council (MAC) data show that Taiwan's share of exports to China increased from 1.4 per cent in 1984 to 29.66 per cent in 2011. Taiwan's share of PRC imports also increased from 0.58 per cent in 1984 to 15.52 per cent in 2011. Both exports to and imports from China have increased more than 20-fold, approaching US\$200 billion by 2014. Yet Taiwanese identity has become increasingly distinct from Chinese identity, and although the relationship to future-nation preference is imperfect, interest in unification has also declined. This was understandable enough during the 1990s, when the major shifts in Taiwan's identity and future-nation preference occurred, for China's main leverage at this time was 'sticks', to which the Taiwanese responded adversely. In 1995–96, China brazenly threatened an invasion, maintaining that threat only slightly more subtly up through 2005, when the anti-secession law (ASL) was passed unanimously by the National People's Congress. The real puzzle is why it was during the Ma Ying-jeou era (2008–16) that both the identity and future-nation preference trends intensified against reunification. This was after all a 'thaw', when trade and investment reached new heights and representatives of the two sides met repeatedly (culminating in the November 2015 Xi-Ma summit in Singapore), implemented the 'three links' and the Economic Cooperation Framework Agreement and passed 23 cross-Strait accords.

The paradoxical discrepancy between economic convergence and political identity divergence calls for further analysis. At this point, five tentative hypotheses may be proposed.

First, in existential terms the 'Taiwanese' identity is simply a pragmatic reaction to the PRC's successful international monopolization of 'China' (which the KMT had previously monopolized). The PRC has attempted to prohibit the international use of the title 'Republic of China', claiming the ROC was defeated by the PRC and no longer has any legitimate existence. Lee Teng-hui attempted to retrieve this identity with 'two countries with a special relationship' (one of which would be the Republic of China), but this was repudiated not only by China but also by the US. Chen Shui-bian's 1991 invocation of 'one country on each side' (of the Strait) met no better fate. Ma tried to invoke

the 'Chinese' identity within the 1992 consensus framework by reviving the notion of 'special non-state-to-state relations' or 'mutual non-denial' originally coined in the 1991 Guidelines on National Unification. This formula characterized China–Taiwan relations as between two 'areas' within one state (because the constitutions of neither allows for another state to exist in their respective claimed territory). This permitted Taiwan to make very limited progress in gaining admission to certain international non-governmental organizations (NGOs), but forfeited its claim to sovereign statehood. If the price of claiming Chinese identity was subordination to the PRC and renunciation of independent statehood, the popular majority tended to prefer Taiwanese identity.

Second, the mainland's continued insistence on its sovereign right to use force if necessary to induce reunification clearly has had an alienating effect on public opinion in Taiwan. In the relatively successful application of 'one country, two systems' to Hong Kong, China never used or threatened to use military force and has kept only a small military garrison in the Special Administrative Region since the turnover, which has remained inactive despite popular demonstrations in support of democracy. The China threat's enhanced credibility as the military balance tilts in the mainland's favor enhances that alienation effect without being decisive in forcing the issue. The threat would be decisive only if Taiwan believes it could be used, and it could be used only if the threat of US intervention on Taiwan's behalf can be deterred. Until that point, China's threats invoke moral hazard, tempting bold Taiwanese politicians like Chen Shui-bian to walk close to China's red lines without crossing them (to the annoyance of the US, which has no wish to fight China over Taiwan). Yet Beijing seems convinced that if it renounces the use of force, Taiwan will declare independence. Thus China cannot use force nor can it not renounce the use of force: the threat of force becomes 'lose-lose'.

Third, the period since the advent of cross-Strait opening in the early 1990s has been a period of high-speed growth in the PRC, and this made it an attractive trade partner and foreign direct investment (FDI) destination, helping to stimulate Taiwan's domestic economy as well. This made economic integration irresistible for the business community. But since China's GDP growth started declining from its 14 per cent peak in 2007, Taiwan's growth has declined even more precipitously. After a spike to nearly 10 per cent in 2010 in response to China's 'early harvest' stimulus after the passage of Economic Cooperation Framework Agreement (ECFA), Taiwan's GDP growth rate sank to 2–4 per cent. Perhaps more to the point, it was below 1 per cent during the 2016 election. Given the pivotal importance of economics as a motivating factor for convergence, once growth stalls, momentum flags quickly.

Fourth, China's more rapid growth rate has given rise to a much larger economy. Economic asymmetry makes Taiwan more dependent on the relationship than its larger partner, which has less to lose from any trade contraction. Although China is Taiwan's largest trading partner, for instance, Taiwan is only China's 5th largest. And this asymmetry increased more during the Ma

era than ever before, as China's GDP averaged more than 10 per cent annual growth from 2002–12. Reunification under such unequal circumstances would naturally tend to mitigate the political influence of the smaller entity relative to the larger.

Finally, Ma was really not very effective in promoting 're-Sinicization', as he recognized that public opinion had turned against it.⁸ He focused instead on economic revival, promising '6–3–3' (annual GDP growth of 6 per cent, an annual per capita income of US\$30,000 and an unemployment rate of less than 3 per cent). Yet it seems that this promise was premised on the expected stimulative effect of closer economic integration with the mainland, and as noted above, the effect fell well short of expectations.

All of these factors (and perhaps others) have contributed to the growth of Taiwanese identity and a future-nation preference favoring the status quo, even during a period of cross-Strait détente. Which of them were most important awaits further research.

CHINA'S INCOMPLETE NATIONAL IDENTITY

The Chinese consciousness of Taiwan awakened relatively late in imperial history and awareness of its strategic importance still later. Not until the KMT moved the government there upon loss of the civil war did the CCP demand its return. Though there was Chinese resistance on the island to Japanese annexation in 1895, the mainland seems to have equably accepted its loss. During the Maoist period the issue remained tense but dormant after two crises erupted inconclusively over the offshore islands in 1954–5 and 1958. China had no significant navy or air force at this time, and it has hence been speculated that Mao's precipitation of these crises was a form of defensive bluffing rather than a serious attempt to take the islands. For the first three decades of the PRC's existence, Taiwan was viewed exclusively from the perspective of China's strategic and identity needs without much interest in Taiwan's internal development.

The serious study of Taiwan as a relatively open area for academic inquiry began with the launching of 'reform and opening to the outside world' at the 3rd Plenum of the 11th Party Congress in December 1978. The normalization of relations with the US in December 1979 seemed to have removed a major strategic obstacle to recovery of the island. Beijing in rapid fire launched a plan for 'peaceful reunification', beginning with 'three direct links' and culminating in 'one country, two systems'. In 1983, Deng Xiaoping made Taiwan's recovery one of the PRC's major tasks for the 1980s: 'Under no circumstances will we allow any foreign country to intervene' (as quoted in Hughes, 1997: 15). A 'Leading Group on Taiwan Policy' was established at the highest Party level, as well as a State Council Taiwan Office [*Guowuyuan Taiwan Shiwu Bangongshi*] and a Central

Committee Taiwan Office [*Zhonggong Zhongyang Taiwan Shiwu Bangongshi*], both of which included attached research staffs. Taiwan research centers were also established in the quasi-open, specialized research institutes that sprouted up in the capital, typically sponsored by various military and intelligence agencies.⁹ Whereas during the Maoist era Taiwan had been the exclusive preserve of *zhengqing fenxi* (or confidential [*neibu*] intelligence analysis on behalf of the State, Party and People's Liberation Army (PLA) leadership), now the relatively open, scholarly investigation of Taiwan's politics could begin. Academic conferences were held; papers and books were published. Taiwan also for the first time became fair game for China's mass media, albeit still very tightly controlled. On the one hand, it can be ascertained that discussion of Taiwanese developments in the flagship Party newspaper, *Renmin Ribao* (hereinafter *RR*), has, since the early 1980s, become increasingly informative and detailed.¹⁰ On the other hand, a survey of other media did not detect a single deviation or new departure from what had already been published in *RR*, suggesting a return to the old lockstep pattern of marching behind the official ideological pacemaker, at least on this still very sensitive issue. The general supposition among observers of China's Taiwan policy is that the revival of Chinese nationalism in the early 1990s has made Taiwan such a delicate issue that any substantial concession would endanger the responsible official's career, and public demonstrations against Taiwan (in contrast to Japan) are forbidden.

Still it is fair to claim that the amount of empirical information available to the lay and educated Chinese public has increased. The attentive reader of the flagship media is in a position to know that democratic elections have been introduced since the late 1980s on an island-wide scale and that Taiwan now has a competitive multiparty system, publicly responsible legislative organs and a plebiscitary presidency. Thus, for example, there was a quite detailed account of the prefectural elections held within Taiwan Province in January 1990 (*RR*, 24 January 1990), and another insightful account of county, municipal and district elections conducted from the end of 1993 to March 1994 (*RR*, 12 March 1996). On the other hand, with the exception of such periods as the 1995–96 Strait Crisis or Ma's election in 2008, Taiwan has had a relatively low profile in the popular media. Most of the stories that appear are relatively brief, and no breaking stories at all appeared in 1992 or 1997, with only one in 1993. Finally, in contrast to the generally upbeat tenor of the Chinese media with regard to domestic development, Taiwanese stories tend to be critical. Democratization is rarely discussed in detail except in the context of the alleged deterioration of public order and the spread of a 'strange political culture' of violence, local factionalism and the *hei-jin* phenomenon.¹¹

Though generally accurate and informative, three features of the literature exhibited a detectable bias. The first was in estimates of the relative strength of the various political forces in play on the island. Thus the strength and prospects of the Democratic Progressive Party have consistently been

underestimated and that of the New Party overestimated (the position of the pan-blue coalition is also somewhat oversimplified as 'pro-unification').¹² Second, the mainland assessment of the efficacy of Beijing's policy toward the island also tends to be over-optimistic. For example, the consensus among both written documents and informed interviewees was that the missile shots and cross-Strait war games during the 1995–96 presidential campaign were successful in teaching Taiwan a political lesson. Third, in direct contradistinction to the first and second points, there is a tendency at times to be unduly credulous about the prospects for disaster (meaning, a declaration of *de jure* independence). Thus in 2007 when Chen Shui-bian proposed a referendum that Taiwan should apply for membership in the UN General Assembly under the name 'Taiwan', Beijing became convinced against all objective evidence that (a) the DPP would win the referendum, (b) Taiwan's application to join the UNGA would succeed and (c) such success would constitute a basis for a declaration of independence, thereby 'compelling' China to use force against Taiwan under the ASL. In fact, none of these outcomes transpired (see Wachman, 2008).

In terms of China's national identity, Taiwan is a painful symbol of its incompleteness and, to some, a reminder of Beijing's impotence in the face of sinister outside forces. The 'unequal treaties' have been rectified with the return of Hong Kong and Macau, but in Chinese eyes, Taiwan remains in enemy hands. Beginning in the early 2000s, Taiwan began to be listed along with Tibet and Xinjiang among China's 'core interests', the implication being that if one were 'lost', the others would be adversely affected as well. The image of Taiwan as a threat to China's national identity has been dominated by three role projections: that of the lost object of national affection, that of the *Doppelgaenger* or shadow self, and that of the traitor or nemesis.

The image of the lost piece of the self is implicit throughout the PRC literature: Taiwan is *ours*, and how outrageous that anyone could think otherwise! Although Taiwan has not actually been under Chinese jurisdiction for well over a century (with the brief exception of Nationalist Chinese occupation in 1945–49), the government refers to its lost province as if divestiture took place in recent memory. The action implication is that the island must be recovered as soon as possible, by any means necessary.

The *Doppelgaenger* or alter ego role is more complex. In psychology and drama, the *Doppelgaenger* is the shadow of the self, an opposing yet functional complement or offsetting counterpart – for example, Hyde to Jekyll, Caliban to Prospero, night to day, yin to yang. As in Turner's conception of the function of the raw frontier complementing the forces of civilization in American history (see Turner, 1921), the other 'half' of an involuntarily divided nation may be perceived as an alienated yet complementary member of the in-group and, as such, a basket for projected wishes for collective self-fulfillment. Taiwan is the historical counterfactual contingency – a 'what if' model of China without the Communist

Revolution, a turn right that has nevertheless turned out well. The action implication is one of frustrated longing.

Taiwan as the nemesis or traitor refers obviously to the risk that the island will spurn collective obligations in the selfish pursuit of hedonistic pleasures and declare *de jure* independence, thereby becoming permanently alienated from the homeland. The action implication of this image is to call forth rage and an urge to destruction. Taiwan is the only place in the world for which the PRC, a normal advocate of 'no first use', reserves the right to use nuclear weapons.

These images are ambivalent presumably because they appeal to different interest groups in the PRC (for example, while the PLA has been in the forefront of advocates for the use of force, industrial interests in the southeast would likely oppose this idea). Moreover, some of the dangerous proclivities in Taiwan are also now seen in China – for example, if Taiwanese democratization becomes contagious it will derail China's modernization and create chaos; if Taiwan declares independence, Xinjiang and Tibet are sure to follow, etc.

The seriousness with which the Taiwan challenge is viewed in Beijing vacillates according to circumstances, among the most important of which is the progress of China's own reform effort. In the early 1990s, in the dawn of Chinese reform after the nightmare of the Cultural Revolution, many mainland analysts saw Taiwan as China's 'good double', in which they could discern many familiar Chinese developmental dilemmas more benignly resolved. Instead of violent revolution, they saw peaceful transformation proceeding in accord with Marxist stage theory [*jieduanxing de zhuanxing*]. Taiwan's opening to the US was viewed at this time in positive terms, paralleling self-referential hopes for Sino-US détente. It was noted that the protest movement on behalf of the return of Diaoyu Island from Japan to 'China' [*Bao Diao Yundong*] originated among university students in the US, who brought the movement back home to Taiwan upon graduation, eventually transforming it into a call for Nationalist reform on the island. PRC interpretations of Taiwan's movement for constitutional reform and 'democratization' (usually kept between inverted commas) are by no means rose-colored, but they are detailed, accurate and often quite sympathetic. Democratization presents useful opportunities for Beijing and, in any case, is at this stage irreversible [*bu ke nizhuan*] in light of the rise of the middle class, pressure from the US and the rise of Taiwanese elites. Under these circumstances, Beijing should put its faith in the Taiwanese people, utilize increasing contact and communication to induce the people to put pressure on their authorities to rescind the 'three nos' and approve the *santong siliu* [three links and four exchanges]. Although democratization is bourgeois, with many negative side-effects, compared to KMT totalitarianism (sic) it represents progress, and we should acknowledge that progress in order to win over the Taiwanese people: 'Together, let us build a better democracy than you have now'. Thurston reports that scholarly accounts of Taiwan's experience in the early stages of its democratization were appreciatively analyzed by officials in the State Council's

Ministry of Civil Affairs in charge of organizing village elections in China (1998: 12). At the same time, successful PRC reform policies in the construction of socialist democracy and the rule of law should be more effectively publicized to the Taiwanese people in order to overcome their suspicion of mainland politics and win their understanding and support (for example, PRC relatives of Taiwanese people should be educated to become propagandists of CCP reform policies and advised not to complain constantly to their relatives about how backward the PRC is in the context of pleas for financial support). Beijing should open contact with all political forces in Taiwan. The DPP may favor Taiwanese independence, but it does represent a political constituency. They have made real contributions to Taiwanese democratization – we should thus form a united front with the moderate contingent of the DPP against the radical faction (Yu et al., 1991).¹³

The early 1990s represented the heyday of PRC optimism about Taiwan's identity as a temporarily deviant but economically and culturally successful and, in future, inevitably convergent component of the Chinese national community. In the wake of the 1995–96 Strait Crisis, the darker side of mainland ambivalence about its *Doppelgänger* surfaced. In the terms of this new discourse, democratization has led to a degradation of morality into commercialism and consumerism – less than 0.05 per cent of Taiwan's budget is allocated to cultural construction, and the claims are that the obsession with money-making techniques has engulfed Taiwan's educational curriculum; there has been a dissolution of family values and an upsurge of every type of social problem: prostitution, juvenile delinquency, labor–capital conflict, environmental pollution, generational conflict, gambling, economic inequality and a frenzy with playing the stock market. The media abounds with scandalous anecdotes of electoral corruption: a campaign for the National Assembly requires 100 million NTD, a run for the legislative *yuan* costs NTD 200–300 million. From 1994 to 1997, 578 KMT members were found guilty of electoral corruption and bribery; between 1996 and 1997, 32 representatives in the organs of public opinion were found to have 'black' [*hei*] backgrounds, etc. After the landslide election of Ma Ying-jeou in 2008, the Chinese media were again more optimistic about cross-Strait relations and the inevitable return of Taiwan (Chen, 2012), while the 2016 landslide election of Tsai Ing-wen is likely once again to turn Taiwan pitch black.

CONCLUSION

Taiwan's identity is defined both in legal-constitutional and in power-political terms. Legally, the sovereignty claim of the Republic of China seems very strong in that it now exists and can trace its descent directly to the 1912 Republic. True, the ROC underwent tumultuous changes during that period, including defeat in the 1945–49 civil war, yet it continued to function, was recognized by other nations, negotiated treaties and even became a founding permanent member of

the United Nations. The Chinese argument that it was defeated and ceased to exist in 1949 is plausible on the first point but fails on the second, lacking any document of surrender or peace treaty. But the legal argument supporting the linkage of Taiwan to China, or for that matter the independent sovereignty of Taiwan, is in contrast relatively weak. The island was never firmly ensconced in imperial China, was successfully colonized by Japan (relative to, say, Korea) and, although Japan indeed relinquished sovereignty, the recipient was never clear in the context of an unresolved civil war. The weakest link in the chain of Taiwan's legitimacy is not the link to the ROC but the link of Taiwan to China. Yet this has never been disputed by Beijing; in fact China's claim is predicated on the assumption that Japan indeed returned Taiwan to China. But which China? Alas, to the China that became Taiwan. An additional legal attribute of sovereignty (sometimes referred to as 'negative sovereignty') is that of participation in the international diplomatic community. Having formal diplomatic relations with only 20 countries in the world and being effectively barred from international organizations for which sovereignty is required means that Taiwan is barely able to meet this criterion. Yet Taiwan is politically stable with a government that reasonably efficiently provides for the general welfare and common defense and conducts economic intercourse and informal diplomatic relations with over a hundred trade partners. Beijing accepts Taiwan's claim of 'popular sovereignty' only under the proviso that all Chinese should have an equal vote.

In power-political terms, Taiwan's identity is also essentially contested. Located less than 100 miles off the coast of China, some 97 per cent of Taiwan's population is Han Chinese, speaks a Mandarin dialect and practices Chinese cultural rituals, yet it has been separated from the Chinese mainland for well over a century and has lost much of its early interest in returning to Greater China.¹⁴ Whether natives (*bensheng ren*) or recent arrivals, the people of Taiwan by a large majority identify as Taiwanese rather than Chinese and would prefer independence to unification, tending to avoid saying so only to avoid precipitating the mainland's use of force. Yet these sentiments are not reciprocated on the other side of the Strait. Despite the fact that China in the wake of its economic miracle boasts a GDP some 20 times that of Taiwan, the challenge Taiwan poses to Chinese identity has not diminished. Though Taiwan is now much smaller than China and no longer poses any threat of 'retaking the mainland', it is by far the largest outside investor outside Hong Kong and a valued source of technology and financial entrepreneurship. China takes Taiwan to be the last missing part of its national identity needed to achieve full recovery from its 100 years of humiliation and realize the Chinese Dream of National Rejuvenation. China is understandably frustrated by its chronic impotence to right this injustice and regain its lost property, for which it holds the US mainly responsible. The Chinese image of the Taiwanese who stubbornly distance themselves from the motherland's embrace fluctuates widely, from naïvely deluded lost siblings to valued patriots and collaborators to baleful agents of cultural decay and chaotic democracy. Yet this frustration is at the same time a useful incentive to ensure unity of

purpose among an increasingly restless domestic populace and keep it focused on the age-old goal of becoming united, rich, strong and internationally respected.

Notes

- 1 I wish to thank Prof. Kristin Stapleton for helpful comments on an earlier draft of this article and Ting Ni for editorial assistance.
- 2 Thus according to Lucian Pye, 'In the process of political development a national identity crisis occurs when a community finds that what it had once unquestionably accepted as the physical and psychological definitions of its collective self are no longer acceptable under new historic conditions' (1971: 110–11). Pye (1968/1992) later argues in *The Spirit of Chinese Politics* that the Chinese have had no identity crisis, which has not been however universally accepted. See also Dittmer and Kim (2000).
- 3 For a discussion of essentially contested concepts, see Connolly (1993).
- 4 There are other sources of Taiwanese identity, such as the non-Chinese origins of some of the indigenous inhabitants and certain cultural patterns established during Taiwan's long separation from the mainland. See for example, Schubert and Damm (2011); also Brown (2004) and Chang (2015). But China's aspiration to absorb Taiwanese identity into the motherland has paradoxically been both the greatest antidote to the sustenance of Chinese identity on the island and greatest deterrent and stimulus to the construction and defense of a distinct national identity, hence will enjoy the main focus in this article.
- 5 For the legal arguments, see Charney and Prescott (2000).
- 6 For further scholarly discussion of the Chiangs' era, see Jacobs (2012), Tsang (1993), Rigger (2011), Phillips (2003), *inter alia*.
- 7 See the thorough statistical analysis by Chang and Huang (2011).
- 8 There was a great flourishing of cultural pluralism in post-Lee Taiwan. Activists of all sorts – environmental, LGBT (lesbian, gay, bisexual, transgender), indigenous peoples (*shandi ren*), Buddhist nuns – all celebrated the diversity of Taiwanese culture (as illustrated by the redecoration of Chiang Kai-shek's Memorial Hall or in the hit film *Cape No. 7* or *Hǎijiǎo Qī Hào*). The leaders of this movement were made aware that this was not something the CCP regime encouraged.
- 9 Among the most important of these are the *Taiwan Yanjiu Suo* set up at the Chinese Academy of Social Sciences in 1984, and the *Quanguo Taiwan Yanjiu Hui*, founded in Beijing in 1988 coordinating provincial associations in Fujian, Guangdong, Shanghai, Zhejiang and Jiangsu, now closely linked to the Association for Relations Across The Strait (ARATS). The associations are supported by the People's Liberation Army, whereas the CASS's institute is supported by the Public Security Ministry – as is the Taiwan section of the China Institute of Contemporary International Relations; the *Heping yu Fazhan Yanjiu Hui* (Center for Peace and Development Studies) also has a Taiwan institute, supported by the *Guoji Youhao Lianluo Hui*. There are important academic Taiwan Research Institutes at Xiamen University, Nanjing University, Nankai University, Peking University, Renmin University, among others. See Xiao (1994: 9–11).
- 10 Based on content analysis of *Renmin Ribao* during the 1989–99 period; see Dittmer (2006).
- 11 In the Chinese color symbolism, *hei* [black] refers to criminal connections and *jin* [gold] refers to money (as in the use of money to buy votes). E.g., cf. *RR*, 27 September and 30 November 1989; 24 January 1990; 12 March 1996.
- 12 The New Party was founded by former premier Hau Pei-tsun and his supporters after Hau lost to Lee Teng-hui in an intraparty factional competition in the mid-1980s. It defended 'one China' and was pro-unification but always very small (not winning a single seat in the Legislative Yuan since 2008).
- 13 This article was augmented by interviews with Chinese Taiwan scholars.
- 14 'Han Chinese' is an historically constructed term that has been contested. See Mullaney (2012).

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Hong Kong Identity

Ho-Fung Hung

INTRODUCTION

In a poll conducted in 2016 by the University of Hong Kong inquiring about self-identification among a random sample of Hong Kong residents, nearly 70 percent responded that they are Hong Kongers, as opposed to about 30 percent identifying themselves as Chinese. Hong Kong sovereignty was transferred from Britain to China under the ‘one country, two systems’ arrangement, which was warranted in the Sino-British Declaration of 1984 and presaged that Hong Kong would retain its preexisting ‘Hong Kong way of life’ and would take care of all its internal affairs through self-governance after the sovereignty handover. Since then, the prevalence of self-declared Hong Kong identity has moved up and down, but the general trend has been up. Back in 1997, the Hong Konger–Chinese divide was 60 to 40 percent (University of Hong Kong 2016).

This identity, to be sure, predated the 1997 sovereignty handover. In a 1985 survey, a well-constructed sample of people in the colony had to choose between identifying as ‘Chinese’ or ‘Hongkongese.’ Three-fifths of the respondents chose the latter (Lau and Kuan 1988). Similarly, taking ‘Chinese’ as the national identity and ‘Hongkongese’ as the ethnic identity of the Hong Kong Chinese, a 1996 telephone survey found that, though the national consciousness of the citizens was not weak, they ‘tend to raise their ethnic identity above their national identity, seeing themselves more “Hongkongese” than Chinese, and defining China from the perspective of Hong Kong’ (Wong 1996: 26). The distinctiveness of the Hong Kong culture and local identity of its people is even

recognized by the nationalist leaders of China and is reflected in the Basic Law which guarantees the preservation of the 'Hong Kong way of life' (Chan and Clark eds. 1991).

Beijing has been puzzled about what it sees as a decline in 'patriotism' among residents of Hong Kong. In 2012 it attempted to implement a 'patriotic education' program in Hong Kong and has launched attacks on local Hong Kong identity as a dangerous precursor of separatism. But these efforts backfired and fanned the rise of the Hong Kong identity further. To understand the rise, consolidation, and recent radicalization of a distinct Hong Kong identity, one must take a historical and socio-political perspective. In this chapter, I will first outline how the Hong Kong cultural identity emerged among postwar baby boomers in the 1970s, and how this development is tied closely with the development of Hong Kong's class structure, decolonization process, and democratic movement since then. Then I will discuss two prevalent and polarizing views on Hong Kong's identity in recent years, with one seeing the necessity of stamping out such identity and replacing it with a strict Chinese patriotism as a way to consolidate Chinese sovereignty Hong Kong, and the other advocating the development of the Hong Kong identity into a localist or even separatist movement in opposition to increasing control by Beijing. In reviewing the works of two representatives of the two views, I will situate these views in the context of the underlying political forces that evolved from the historical dynamics of Hong Kong identity and Chinese nationalism in Hong Kong since the 1970s.

LATE COLONIAL REFORM AND INCIPIENT HONG KONG IDENTITY

A spate of social scientific studies of Hong Kong identity, as reviewed below, demonstrate that the identity did not emerge until the coming-of-age of the 1970s baby boomers. Its rise is closely related to changes in the style of colonial governance and the rise of a 'new middle class' among the postwar baby boomer in the 1970s and 1980s. The Hong Kong identity is therefore a spontaneous outcome of the particular trajectory of political and socio-economic development of late colonial Hong Kong, rather than a deliberate creation of the British colonizers.

British colonization of today's Hong Kong region began in the aftermath of the Opium War of 1839–42. While the colonial administrators and British capitalists, who thrived on Hong Kong's finance and entrepôt trade, coalesced to form a close-knit ruling elite, the colonial government was also active in co-opting the Chinese business elite, who mostly originated as contractors and compradors of British merchant houses, by offering them honorary titles and appointed seats in government decision-making bodies. The members of this Chinese elite functioned as local social leaders, helping to maintain law and order as well as offering welfare to the growing Chinese working class via such institutions as neighborhood associations and charitable hospitals. By the 1930s, a ruling

coalition comprising colonial administrators, the British bourgeoisie, and the Chinese bourgeoisie had taken root in Hong Kong (Carroll 2005; Sinn 2003; Chan 1975; Chan 1991; Kuo 2006, 2014; Scott 1989: 39–65; Ngo 1999).

Facing the imminent victory of the CCP in China in the late 1940s, the British started to ponder the possibility of leaving Hong Kong and considered implementing a political reform to establish local democracy and self-governance in the colony, a typical step toward decolonization in other British colonies (Tsang 1988; see also Duara 2007; Mark 2004). On the side of the CCP, however, the strategy of maintaining Hong Kong's colonial status quo and using the British colony as a window to the outside world crystallized. After they recognized Beijing's strategy of not taking Hong Kong, the British shelved the democratic reform plan in 1952 (Tsang 1988: 151–82).

Relieved from the immediate threat of a communist takeover, the British authorities encountered grave challenges from a rapidly expanding Chinese community. From the late 1940s to the early 1950s, the colony was inundated with a large number of Chinese refugees. Some of them were anti-communist industrialists, who fueled the industrial takeoff in Hong Kong in the 1950s, and they were later co-opted into the colonial ruling coalition. But a majority of the refugees were peasants and workers escaping the civil war in China, who settled in illegal squatter areas to struggle for survival. These ever expanding slums soon became a breeding ground for communist activities organized by local, pro-CCP organizations, including a myriad of unions, schools, presses, and filmmaking companies. Against the backdrop of rampant corruption and unchecked growth in class and racial inequalities in the colony, pro-CCP organizations became popular among the poor immigrants – the majority of the population – with the tacit tolerance of the British authorities (Zhou 2002: 49–122; Smart 1992).

This precarious equilibrium between the colonial state and the CCP-affiliated leftists shifted in the spring of 1967, when the latter, under the directives of ultra-leftist leaders in Beijing amid the Cultural Revolution, launched an anti-British uprising (Cooper 1970; Heaton 1970; Cheung 2000). In the initial phase of the insurgency, mass rallies and demonstrations among the leftists drew substantial popular support, particularly among the locally born baby boomers. The tide, however, turned against the leftists in the summer, when Chinese Premier Zhou Enlai reinstated the CCP's policy of maintaining Hong Kong's colonial status quo. Realizing that Beijing was not on the side of the insurgents, the colonial authorities initiated an all-out crackdown on leftist organizations and leaders. Popular support for the leftists, who turned in desperation to terrorist tactics such as roadside bombs and the assassination of an anti-communist radio talk show host, eroded rapidly. It pushed most Hong Kong residents to place more value on the 'Hong Kong way of life,' insulated from the Cultural Revolution in China (Lui 1997: 94–8; Chow 1994: 20–1; Lui and Chiu 1999: 104–6; Chiu and Lui eds. 2000; Scott 1989: 96–105; Matthews 1997).

In the wake of the unrest, which had died out by spring 1968, the colonial administration initiated a series of social and administrative reforms to shore

up its legitimacy in the 1970s. These reforms included the establishment of free basic education, ambitious public housing programs to provide affordable housing to the poor, and the creation of an anti-corruption agency that effectively rooted out the entrenched corrupt practices in the government and in businesses. It also included cultural activities that fomented the rise of a local Hong Kong identity among the youngsters. The most notable example was the Festival of Hong Kong, held in 1969, 1971, and 1973, that included more than one week of such activities as beauty contests, singing competitions, fashion shows, and carnivals celebrating the 'Hong Kong way of life.' The government also occasionally organized dancing parties at public squares for the youth (Hung 1997: 96–101; Scott 1989: 106–70; Ku 2004).

Concomitant to these cultural programs and welfare reforms was the rise of a student movement among the baby boomers. Detesting the racial discrimination, authoritarian rule, and social injustice of the colonial order, many student activists became involved in confrontational grassroots mobilization. They later became the backbone of an array of social movement organizations – such as non-CCP-affiliated labor unions, teacher associations, social work organizations, and women's rights groups – in the late 1970s and the early 1980s. These activist groups, despite their anti-colonial and Chinese nationalist disposition, also manifested a sense of Hong Kong belonging that treats Hong Kong as the homeland and is committed to reforming the homeland (Lui and Chiu 1999: 106–11; He 1982; Leung 2000).

The development of the Hong Kong cultural identity was also spurred by the rise of the 'new middle class,' the expansion of which stemmed from the growth of the business service and public sectors (including education, social services, medical services, etc.) under economic restructuring and welfare reforms since the 1970s (So 1999: 43–51; Lui and Wong eds. 1998). The generation of postwar baby boomers, most born locally in Hong Kong, departed from the 'refugee mentality' of their parents and saw Hong Kong as their permanent home and native place vis-à-vis China (Siu 1996; Lui 1997; Wong 1996; cf. Chow 1994). They are also characterized by a more liberal and reformist value orientation than the business class and the traditional middle class (Chang 1988; Wong and Lui 1992, 1993).

As such, on the eve of the Sino-British negotiation over Hong Kong's future in the early 1980s, a belief in the 'Hong Kong way of life' and the 'Hong Kong values' of openness, fairness, and mobility had already emerged as a mainstream ideology, standing side by side with a more vaguely defined Chinese nationalism growing out of the continuous resentment against racial inequality under the colonial regime.

'PERFUNCTORY PATRIOTISM' AND THE TRANSITION TO CHINESE SOVEREIGNTY

When Beijing's new intention of incorporating Hong Kong into the PRC became known at the turn of the 1980s, the above-mentioned social movement

organizations coalesced into quasi-political parties claiming to represent Hong Kong's grassroots citizens and the reform-oriented 'new middle class' discussed above (So 1999: 43–51; Lui and Wong eds. 1998). In 1982, Beijing's determination to assume China's sovereignty over Hong Kong in 1997 at all costs had become crystal clear. On September 24 of that year, Margaret Thatcher met with Deng Xiaoping in Beijing, and Deng stated that Beijing was resolved to take back all of Hong Kong in 1997, that Beijing would even consider invading Hong Kong before 1997 if necessary, and that if such an invasion provoked disaster in Hong Kong, China would 'face that disaster squarely' (Chen 2009: 112; Gittings 1993). After the meeting, Thatcher famously slipped on the steps in front of the Great Hall of People on the way out. Financial and currency markets in Hong Kong tumbled in panic when the news about the meeting spread to Hong Kong.

To allay fears about communist rule among Hong Kong citizens, Beijing indicated that it would allow Hong Kong to exercise self-governance and to continue its capitalist market economy after the sovereignty handover. But Hong Kong's general public still worried, and these worries triggered mass emigration among professionals and the rich, plunges of the stock market, and even maniacal purchases of nonperishable food by citizens anticipating unrest or war (See Xu 1993: 89–94).

According to one of the few widely cited public opinion polls of the time, the general public of the colony was willing to support any kind of proposal about Hong Kong's future except returning to China. Among the plethora of proposed solutions to the Hong Kong question floating around, even the most wildly impractical like 'letting Beijing be the owner and London be the manager of Hong Kong as a company' and 'Hong Kong independence' obtained substantial support (Hong Kong Observer Society 1982).

Table 32.1 Views toward different proposals as solutions to the Hong Kong question, 1982

<i>Proposal</i>	<i>Support for proposal</i>	<i>Will stay in Hong Kong if proposal is actualized</i>
Maintaining colonial rule: British rule under	95%	95%
Chinese sovereignty:	64%	72%
Hong Kong independence:	37%	68%
Hong Kong becomes a Special Administrative Region of China:	42%	50%
Hong Kong returns to China:	26%	58%

*based on 1,000 respondents selected through stratified sampling; respondents can say yes to more than one proposal

Source: Hong Kong Observer Society 1982: 70–81

Against this backdrop of popular panic, organized political forces in Hong Kong strived to devise their own proposals about Hong Kong's future and garnered social support for them. The entrenched leftist organizations unsurprisingly supported Beijing's policy unconditionally, emphasizing that Hong Kong's return to China was part and parcel of a national liberation process that rid China of all humiliations originating from the age of imperialism. Equally unsurprising was that both British and Chinese business elites, who had been co-opted into the colonial power structure and thrived under the government's protection of their business monopolies, supported the perpetuation of colonial rule.

In contrast to both the steadfast opposition to China's claim over Hong Kong's sovereignty among the colonial elite and the unreserved support of Beijing's position among the leftists, a number of reform-oriented grassroots and middle-class political organizations expressed conditional support for Hong Kong's incorporation into the PRC. These groups, comprising service professionals (teachers, social workers, journalists) and veteran student activists sympathetic to Chinese socialism, mostly supported Hong Kong's return to China under conditions of local autonomy and democracy. They were collectively known as the Democrats, and many of them later coalesced into the Hong Kong Democratic Party, the flagship organization of Hong Kong's democracy movement beyond 1997. Attempting to bring about democratic and social reforms by supporting the end of colonialism and a reunion with China, the Democrats were dubbed the 'Democratic Reunificationists' in the 1980s. Their embrace of both Hong Kong's local autonomy from China and Hong Kong's reunion with China manifested the dispositions of many baby boomers of the new middle class of the time, characterized by a local Hong Kong identity nested within a Chinese nationalist ideology.

In response to these diverging dispositions during and after the Sino-British negotiation, Beijing articulated a flexible nationalist discourse to expand support for its claim of sovereignty over Hong Kong. To the delight of the Democrats, Beijing promised that the future self-autonomous government of Hong Kong would be formed via democratic election (Choi 2007). It is in this context that Beijing agreed to include an item specifying that the post-1997 Chief Executive and the legislature of Hong Kong would eventually be generated through direct elections in the document that set the legal foundation for Hong Kong's return to China in 1997, the Sino-British Joint Declaration of 1984 (Sino-British Joint Declaration Annex I, xi–xii). At the same time, Beijing also started to woo the pro-British business elite to its side by guaranteeing protection of the capitalist order and their privileges after the handover. To this end, Beijing coined the notion of 'perfunctory patriotism' (*mamahu de aiguo zhuyi*), meaning that patriotism in its loosest sense would be all that would be required of future leaders in the Hong Kong government. All those showing support for Hong Kong's return to China were patriots, regardless of their political dispositions in the past, 'no matter whether they believed in capitalism, feudalism, or even serfdom' (Deng Xiaoping, as cited in Qi 2004: 185–6). It is in this context that Beijing agreed to guarantee that 'the current [capitalist] social and economic systems in Hong Kong

will remain unchanged, and so will the life-style ... Private property, ownership of enterprises, legitimate right of inheritance and foreign investment will be protected by law' in the Joint Declaration (Sino-British Joint Declaration, 3[5]).

After the 1984 Sino-British negotiation concluded, a Drafting Committee and a Consultative Committee drew up the Basic Law, the mini-constitution of the future Hong Kong Special Administrative Region. The two committees, though supervised by Beijing officials, included Democrats, conservative business elites, and in-betweens, and were supposed to be the platforms where representatives from a wide range of socio-political forces in Hong Kong negotiated the social, political, and economic principles that would prevail in the territory after 1997 (So 1999: 118–54; Xu 1993: 151–92).

The Democrats, who retained their belief that Hong Kong's return to China was a culmination of China's national liberation and a chance to reform the colony into a social-democratic city-state, saw the drafting process of the Basic Law as a battleground to realize their aspirations for social and political progress. They struggled to infuse items about the realization of universal suffrage and labor rights into the draft. At the same time, the conservative Chinese business elite, who sought to ally with Beijing once they realized that the departure of the British was inevitable, struggled to delay universal suffrage and to make the Basic Law a vehicle to help perpetuate the oligarchic establishment of colonial times (So 1999: 118–54; So 2000; Xu 1993: 151–92).

Beijing's united front of patriots in Hong Kong thus polarized into a reformist bloc, which represented the interests of the lower and middle classes, and a conservative bloc, which represented the business elite. In response to the fear of a capital strike by the business elite, Beijing increasingly sided with the latter at the expense of the former. Beijing supported the conservatives' proposal to place limits on direct elections in the post-1997 government and to delay universal suffrage indefinitely. It even endorsed their opposition to a number of welfare-enhancement proposals, though these proposals were supported not only by the Democrats but also by the traditional pro-CCP leftists (So 1999: 118–54; So 2000; Xu 1993: 151–92, 414–5).

The conflict between the two blocs climaxed in the aftermath of China's failed democratic movement in spring 1989. Upon the outbreak of the movement in early spring, the Democrats were quick to respond by mobilizing Hong Kong citizens to support the students in Beijing, in the anticipation that a victory of the Beijing students and their sympathizers in the CCP would shift in their favor the terms of debate over Hong Kong's future political and social order (Xu 1993: 363–424; So 1999: 155–82). To their disappointment, the democratic movement ended in a bloody crackdown.

After the crackdown and the full-fledged conservative turn of Chinese politics, the CCP's united front in Hong Kong broke up. The Democrats, who were very critical of the crackdown, were identified by Beijing as subversive traitors collaborating with foreign powers to topple the Chinese government. The business elite in Hong Kong, who endorsed the crackdown by sending the first outside

delegation to Beijing to greet Chinese leaders in the summer of 1989, were elevated to become the genuine patriots. The Democrats were ousted from the Basic Law Drafting Committee, which adopted the most conservative proposals in all controversial issues (Xu 1993: 363–424; So 1999: 155–216; Yuan 1997: 71–100).

With the Democrats pushed to the enemy category, Beijing's nationalist appeal to Hong Kong lost the flexibility espoused in Deng's 'perfunctory patriotism' formulation. Beijing was anxious to critique the Democrats by attributing their quest for genuine autonomy and democracy after 1997 to an international conspiracy to 'turn Hong Kong into a base to subvert China's central government.'¹ At the same time, phrases like 'blood is thicker than water' became a routine characterization of the relations between China and Hong Kong. Tours to attend the annual state ritual at the official Mausoleum of the Yellow Emperor were organized among the patriotic business elite. As students of modern Chinese nationalism find, the revival of the Mausoleum and the Yellow Emperor cult in modern China has been central to the construction of a racial nationalism grounded on a racial and ancestral myth tied to imperial times (Dikötter 1992; Liu 1999). A memorial stone at the Mausoleum commemorating the Hong Kong sovereignty handover in 1997 reads:

We descendants of the Yellow and Yan Emperors summoned funds and erected this memorial to mark the historical moment and console our ancestors Now the travelling sons are back home to search for their roots, and all descendants can now joyfully gather in the same family hall China is reunified into one, and all in the same bloodline will prosper as one. Forefather Deng Xiaoping coined the uniquely genius theory of One Country, Two Systems and Hong Kong People Governing Hong Kong. This spirit was further enacted by President Jiang Zemin May our ancestors bestow their spiritual power from heaven to bless and guard our nation. ('Inscription on the memorial for Hong Kong's reunion with China,' July 1, 1997, my translation)

Corresponding to this racialist conception of Chinese-ness is the normalization of accusations like 'forgetting about your ancestors' (*shudian wangzhu*) and 'traitors of the Han race' (*hanjian*) as part of the standard rhetoric in the CCP's diatribes against the Democrats.

Beijing's nationalist discourse became ever more aggressive after the Britain–China sovereignty transfer in 1997. The reaction to this discourse, together with social polarization as a consequence of Hong Kong's economic restructuring, induced a radicalization of the opposition movement, particularly among the younger generation. This radicalization led not only to the rise of more confrontational protests, but also to the germination of separatist ideology.

RADICALIZATION OF DEMOCRATIC MOVEMENT

After the sovereignty handover, the Hong Kong government maintained its nominal autonomy. But Beijing never relaxed its grip over the selection of its Chief Executive and his ministers, as well as any major decisions they made.

Beijing was also anxious to deter any further democratization at different levels of representative bodies, so that the directly elected Democrats in these bodies could never gain a meaningful majority. In response to challenges by the Democrats, Beijing hardened its line and re-interpreted the 'one country, two systems' concepts by asserting that its 'one country' element was the precondition for the 'two systems,' not vice versa. Beijing even attacked the Democrats' quest for universal suffrage – endorsed in the Basic Law as the ultimate goal of Hong Kong's political development – as a manifestation of their aspiration to turn Hong Kong into 'an independent or semi-independent political entity' (see Mingpao editorial office ed. 2004; Y. Wong 2004). In the meantime, a campaign of patriotic education, which attempted to bring Hong Kong's education in line with the patriotic education in the mainland and to cultivate Hong Kong citizens' allegiance to a homogenous Chinese nation, was well under way (Tse 2004).

Concurrent with the rise of Beijing's hardline approach toward Hong Kong after 1997 is the class polarization arising from the financialization of the Hong Kong economy as well as its accelerating integration into the Chinese economy. As discussed in the last section, the Hong Kong democratic movement has been grounded on the new middle class that grew continuously after the 1970s as a result of the expanding business service sector and the growing public sector constituted by schools, hospitals, and social work organizations financed by ballooning government revenue during the long boom. Judging that their middle class base is mostly moderate, if not conservative, and that they would lose support if the democratic movement jeopardizes economic prosperity and social stability, the mainstream Democrats, headed by the Democratic Party, have been shy of grassroots and confrontational mobilization. Their tactics have been confined to such ritualistic expression of discontent as press conferences and petitions participated in by a few Party activists. This sensitivity to its middle class base also induced the Democratic Party to increasingly distance itself from redistributive politics. The self-limiting class politics of the Democrats invited the growth of more radical opposition movements outside its orbit.

Beginning in the 1980s, manufacturing industries, which offered many working families stable jobs and encouraged the younger generation to strive to join the new middle class through education, started to relocate to mainland China. By the late 1990s, Hong Kong's deindustrialization was complete. This sealed off the path of social mobility, and led to the rise of a new underclass with little job security and low pay, as in many other global cities. Income inequality in Hong Kong declined and then somewhat stabilized from the 1960s through the 1980s. But it started to rise in the 1990s and continued to grow after 1997. The 2006 Gini Coefficient of 0.533 stands in contrast to 0.496 in China and 0.47 in the US. With the wealthiest 10 percent of its population commanding 35 percent of the economy's total income and the bottom 10 percent commanded only 2 percent of total income, Hong Kong has been designated by the UN as the economy with the largest income gap among all advanced economies. The inequality was further aggravated in the aftermath of

the Asian Financial Crisis of 1997–98, which dragged the Hong Kong government into a fiscal crisis, forcing it to downgrade its support for many social and redistributive programs, including public housing and public healthcare.

Class polarization and the shutdown of pathways of upward social mobility fostered rising discontent among the poor and the young. This discontent could no longer be contained by mainstream Democrats, who still confined their social base to the new middle classes. Such discontent fed the new waves of popular mobilization against the CCP–business elite ruling coalition.

Popular rage at the government's economic incompetence and its favoritism to business monopolies was mounting just as the government, under pressure from Beijing, began in Fall 2002 to put in place the anti-subversion legislation mandated by the Basic Law's Article 23. Many otherwise politically inactive scholars, journalists, and librarians joined the Democrats to oppose the legislation, which they saw as a grave threat to the preexisting freedom of speech that Hong Kong had enjoyed even under colonial rule. The coming of the Severe Acute Respiratory Syndrome (SARS) epidemic, as well as the government's chaotic response that precipitated an avoidable public health crisis, further aggravated popular anger. This rage was evident on July 1, 2003, when more than half a million protesters gathered in a massive demonstration on the sixth anniversary of the sovereignty handover.

This demonstration was the largest against local authorities in Hong Kong in the territory's history. It sent a shock wave to Beijing, which responded with two steps back and one step forward. Beijing first responded by a strategic retreat, letting some of its business allies withdraw support from the legislation, resulting in the suspension of the process. And in 2005 Beijing sacked its handpicked Chief Executive Tung Chee-Hwa (the formal reason for his so-called voluntary resignation being a minor leg disease). Tung, who had governed Hong Kong since 1997 and was from a prominent business family, was replaced by Donald Tsang, who had been a senior bureaucrat in the late colonial administration.

Just as the Democrats tried to ride on the momentum generated by the anti-subversive law demonstration and started to push for the realization of universal suffrage in 2007–08, Beijing charged forward to push back the Democrats. The National People's Congress of China ruled in 2004 that universal suffrage would be out of the question for 2007–08. Officials from Beijing remarked repeatedly that the pace of political reform in Hong Kong had to be determined by the central government alone and that any demand that contradicted Beijing's line was tantamount to an appeal for Hong Kong independence – the first time Beijing used the 'Hong Kong independence' label to attack the Democrats in Hong Kong. In 2004, a number of popular radio talk show hosts, who played crucial roles in mobilizing for the July 1 demonstration in 2003, were dismissed from the leading commercial radio station for trivial reasons. Their dismissal was widely believed to be a behind-the-scenes purge orchestrated by Beijing.

In the wake of the 2003 mobilization, Beijing also concluded a free trade pact with Hong Kong in 2004, fostering faster economic integration between the two

economies. Though this pact successfully unleashed a rapid economic rebound, it aggravated the social cleavages that had led to the 2003 mobilization. Deeper integration between Hong Kong and mainland China sped up relocation of businesses to China, jeopardizing both working class and middle class jobs in Hong Kong. The inflow of surplus capital from China largely ended up in speculative activities in real estate and stock markets, inflating asset bubbles and the cost of living. The post-2003 economic boom, therefore, mostly benefited the business elite and the older, propertied middle class, while bringing relative deterioration of living standards to the lower classes and younger members of the middle class.

In the aftermath of the 2003 confrontation, Hong Kong witnessed the rise of new radical political parties in the Democratic camp. These radical groups or individuals gained ground in the legislative council elections of 2004, 2008, and 2012, at the expense of the moderate Democrats (Hung 2010; Hung and Ip 2012). In the meantime, after 2003 a spate of community movements grew to resist the demolition of colonial era buildings and neighborhoods for redevelopment by the government and developers. Organized by diverse groups of students and young intellectuals, these movements manifested a strong Hong Kong cultural identity, resentment against monopoly capital, and a preference for collective direct action. These new movements developed side by side with the rise of radical Democrats and they maintained close contacts and ad hoc collaborations on issues and actions. Their collaborations culminated in the anti-high-speed rail movement in 2009 and 2010 (Hung and Ip 2012).

The anti-high-speed rail movement opposed the construction of the Hong Kong–Guangzhou section of the national high-speed rail system in 2009 and 2010. The project threatened to destroy various rural and urban communities within Hong Kong, and its unit cost would be the highest among all segments across the national system. During the legislative council sessions designated for debating and voting on the government budget for the project in early 2010, in an unprecedented move almost ten thousand protesters encircled and blockaded the legislative building, nearly succeeding in detaining government officials and pro-project legislators inside overnight. Though the movement ultimately did not forestall the project, its mobilizing capacity and its potential to paralyze the government alarmed Beijing, which reportedly had been already disturbed by an earlier event that year. On New Year's night, a group of young protesters that overlapped somewhat with the anti-high-speed rail activists had launched a surprise attack on the Hong Kong headquarters of the CCP, successfully breaking a police picket line heavily guarded by metal fences and staging a sit-in outside the backdoor of the headquarters.

THE SPIRAL OF CHINESE NATIONALISM AND HONG KONG LOCALISM

Even though, despite their stronger propensity toward confrontational action, the radical parties by 2012 did not manifest any stronger localist identity, Beijing

diagnosed the root cause of the rising discontent and increasingly confrontational opposition as a lack of identification with the Chinese nation among Hong Kong youths and their over-identification with the West resulting from a colonial mindset instilled by 150 years of British rule. The solution to this perceived problem, unsurprisingly, has been to redouble effort devoted to patriotic education and other related ideological campaigns. This diagnosis and proposed solution from Beijing is best summarized in the works of Jiang Shigong, an influential intellectual from Beijing who was sent to Hong Kong to study Hong Kong problems in the wake of the 2003 anti-Article 23 protest. His publications on Hong Kong have guided Beijing policy toward Hong Kong, and he is a key author of Beijing's 2014 White Paper on Hong Kong, which promoted a stricter interpretation of the 'one country, two systems' policy with an emphasis on the 'one country' component. An analysis of Jiang's thought reveals current CCP approaches to the issue of Hong Kong identity.

In terms of intellectual genealogy, Jiang is part of the New Left group in China. In recent years, some of those associated with the New Left in China, which critiqued American imperialism and neoliberalism in the 1990s, have transformed into a peculiar intellectual formation that advocates a union of apparently conflicting intellectual lineages including Marxism and Maoism, right-wing statism as epitomized by Leo Strauss, the ideas of Nazi legal theorist Carl Schmitt, and Confucianism (Lilla 2010).

As part of the New Left group, Jiang Shigong fretted that Deng Xiaoping's denunciation of the Cultural Revolution had thrown the baby out with the bathwater, as this denunciation in his view had erroneously discredited the Chinese experiment of 'Great Democracy' during the Cultural Revolution, making China lose its indigenous discourse on democracy and become speechless in the face of the Western promotion of bourgeois democracy (Jiang 2008: 187–8). At the same time, he has drawn favorable attention to Carl Schmitt's legal philosophy, which sees the practice of differentiating enemies from friends and the absolute decisiveness of the sovereign as being of utmost importance in politics, with higher priority than legal and legislative authorities. Jiang served as a researcher in the Liaison Office of the Central People's Government in Hong Kong, the de facto CCP headquarters in Hong Kong, between 2004 and 2007. During and after his tenure in Hong Kong, he published a series of articles in Beijing's *Dushu* (*Reading*) magazine articulating his views on the Hong Kong question and how the Hong Kong question is significant to China's revival as a Confucianist empire. While his views are not unique among the New Left, his position as the Associate Dean of the School of Law at Peking University and his official affiliation with the Liaison Office in Hong Kong make him the most conspicuous advocate of them close to the party-state's power center.

Jiang asserted that, though the 'one country, two systems' formula served as a genius arrangement that secured Hong Kong's reunion with China in 1997, this legal arrangement is incapable of tackling the most important question regarding

China's sovereignty over Hong Kong, that is, the question of Hong Kong people's identity. Jiang suggests that the solution to this question has to be sought through political rather than legal means, and Beijing has to think beyond the 'one country, two systems' framework in its endeavor to transform all Hong Kong residents into true Chinese patriots. Short of that, China's sovereignty over Hong Kong can only be formal and never substantive.

In Jiang's view, most Hong Kong people have been embracing the socialist motherland ever since the 1950s. Even those Hong Kong Chinese who collaborated with the British were all inherently patriotic because of their familial ties to mainland China dating back generations (Jiang 2008: 142–5). The most important task is to help Hong Kong Chinese rediscover their latent patriotic heart. Jiang stipulates that the British were shrewd at 'winning the hearts and minds' of Hong Kong people during colonial rule, and Beijing should learn from the British experience. It is noteworthy that Jiang translated 'winning hearts and minds' into '*xiniao yingxin*,' which literally means 'washing the brain and winning the hearts,' deviating from its original English meaning (Jiang 2008: 31). Jiang's thesis is tantamount to saying that all Hong Kong Chinese are 'patriots-in-themselves' waiting to be transformed by the vanguard patriots in Beijing into 'patriots-for-themselves.' It suggests that Beijing's ideological work in Hong Kong is essential, and that any local identities that conflict with this core identity need to be obliterated. In retrospect, Jiang's diagnosis coincides well with Beijing's agenda over Hong Kong in the wake of his tenure there, as shown by the attempt to introduce the compulsory National Education curriculum in all schools in 2012 (the curriculum was shelved after a massive rally against it spearheaded by high school student activist Joshua Wong and his organization Scholarism).

Jiang argues that the 'one country, two systems' arrangement in Hong Kong, which originated from the 'Seventeen Points Agreement' between Beijing and the Dalai Lama government over Tibet in 1951, is significant not only because it paved the way for Hong Kong's reunion with China, but also because it presages the revival of China as an empire (Jiang 2008: 123–58). To Jiang, the Chinese empire, which reached its heyday in Qing times, was grounded on a radiation outward of Confucianist civilization and successive incorporation and transformation of its peripheral zones into core territory. For newly incorporated regions with distinct customs and leadership, the Qing emperor would allow the local elite to exercise local autonomy, but not for long. Over time, they would be integrated into the core territory of the empire, being culturally assimilated and having their local autonomy abolished. Then the empire would move on to incorporate other new territories. The PRC's incorporation of Hong Kong, as well as the prospective assimilation of Hong Kong and incorporation of Taiwan, illustrates the revival of a similar imperial expansion of China in the twenty-first century. What Jiang implies is clear. Hong Kong's 'one country, two systems' is just a tactical and transitional arrangement. What awaits Hong Kong is what Tibet has seen since 1959: forced assimilation and tight direct control by Beijing.

Throughout his writings, Jiang does not shy from using the ‘empire’ word (*diguo*) with positive connotation. He even stipulates that the revived Chinese empire should learn from the British empire’s arts of rulership. Jiang’s embrace of Maoism, quasi-fascism, and imperialism in his discussion of Hong Kong is not exceptional, but is emblematic of the CCP’s increasing assertiveness toward Hong Kong. In the early summer of 2014, Beijing published its White Paper on Hong Kong. Jiang, who is a key author of the document, was interviewed by China’s official media to elaborate on many ideas in it, including passages that hinted at a gradual dissolution of the ‘two systems’ component of Beijing’s policy.

Beijing’s increasingly hardline approach toward the establishment of direct control over Hong Kong and imposition of Chinese national identity triggered more intense resistance. The radicalized democratic movement between 2003 and circa 2008, though more ready to use confrontational approaches, confined itself to the traditional agenda of the Democrats: democracy for Hong Kong and China and social equality. The protest movements from that time that can be deemed ‘localist’ were no more than community movements aspiring to protect the environment and historical heritage. But a consequence of Beijing’s hardline approach to Hong Kong is the rise of an anti-China local consciousness that is unprecedented throughout the history of Hong Kong’s opposition movement. This new localist sentiment first manifested itself in the many sporadic protests against Chinese smugglers in Hong Kong, Chinese birth tourism that allegedly overloaded Hong Kong’s public health system, and mass mobilization against the patriotic education program that the Hong Kong government attempted to implement in 2012 (see Jones 2014). This radicalized local consciousness, which is slowly evolving into a separatist ideology, was articulated at the theoretical level for the first time in Chin Wan’s *On the Hong Kong City-State*.

Chin Wan’s *On the Hong Kong City-State* responds to the arguments of Jiang Shigong and those of Chinese officials sharing Jiang’s support for Chinese empire-building by highlighting the significance of Hong Kong autonomy for the sake of Hong Kongers. The book triggered fierce public debate and was hugely popular. Radio and Television Hong Kong, which organizes the Hong Kong Book Prize, identified it as one of the best books of the year in 2011, and it has been on the bestseller lists of all major bookstore chains since its publication in late 2011. The author Chin Wan (real name Chin Wan-kan) holds a PhD in ethnology from the University of Gottingen and was a senior advisor to the Hong Kong Special Administrative Region (HKSAR) government on cultural, arts, and civic affairs from 1997 to 2007. He rose to become a leading critical intellectual voice against the destruction of local communities and historical edifices amidst the craze of urban redevelopment. Using his pen name Chin Wan, he devoted many of his newspaper columns to lend support to the young radicals who became increasingly militant against real estate tycoons and Beijing’s intervention in Hong Kong.

One important starting point of Chin’s view is that China has always needed Hong Kong more than Hong Kong needs China, in the past as in the present. The

conception that Hong Kong had been reliant one-sidedly on China for essential foodstuffs in colonial times and for capital and consumers in postcolonial times is just a propagandist notion that Beijing has devised to destroy the self-confidence of the Hong Kong people. The supply of food and water to colonial Hong Kong before the 1980s was the sole channel through which China could absorb foreign currency. Hong Kong's purchase of its water supply from China has been much more expensive than sea water desalination, a technology that Singapore and Israel have been relying on for their water supply. China's reliance on Hong Kong investment throughout the market reform period is well known. In 2012, investment from Hong Kong still made up a staggering 64 percent of all foreign direct investment inflow into China (Chin 2011: 112–27; 135–40).

Though Hong Kong had been a British colony before 1997, the Hong Kong government, in alliance with local British and Chinese capitalist interests, in fact enjoyed much autonomy from London (see also Yep ed. 2013), making Hong Kong a de facto city-state. Chin finds that Beijing tried its best to maintain the city-state character of Hong Kong in the period 1997–2003, restraining itself from excessive intervention. But with the failure of Article 23 legislation, Beijing radically changed its Hong Kong strategy. Whereas Beijing still could not resort to an outright crackdown, it started to try dissolving the city-state boundary of Hong Kong in the name of economic rejuvenation and Hong Kong–mainland China socio-economic integration (Chin 2011: 145–63).

One key policy under this initiative was to open the flood gate for mainland tourists. Mainland visitors to Hong Kong multiplied and in 2012 the annual count of mainland visitors reached 35 million, five times Hong Kong's total population of about seven million. The Hong Kong government does not have any authority to reject mainland tourists on Hong Kong passes issued by the Chinese government. Such a sudden surge of mainland tourists generated escalating conflict and tension between Hong Kong residents and mainlanders. Shops for luxury goods and daily necessities alike started to prioritize their mainland tourist customers, who are willing to pay more as the goods are usually unavailable or available at much higher prices (because of tariffs) in the mainland. Smuggling milk formula into China also became a significant sideline business of many mainland visitors because of the mainland's tainted milk scandal in 2008, which emptied the shelves of groceries and pharmacies in some districts in Hong Kong. The differences in social customs (with isolated but much-publicized events of queue jumping or defecating in public spaces, etc.) between locals and mainlanders became increasingly contentious (Jones 2014).

Local CCP organizations also escalated their efforts to organize recent mainland migrants into loyal voting blocks. Such migrants are unilaterally granted 'one-way visas' to Hong Kong by the Chinese government (officially for family reunion purposes) at a rate of 150 per day without prior screening by the Hong Kong government. New mainland immigrants who moved to Hong Kong between 1997 and 2012 now constitute about 10 percent of Hong Kong's total population. Journalist Ching Cheong, formerly an editor at the pro-Beijing *Wen Wei Po*, wrote that the CCP has been using such migration schemes to send its agents into

different strata of Hong Kong society, and that what quota spots remain are often sold by corrupt mainland officials (Ching 2012). Long-term opposition leader Martin Lee sees such migration policies – that would turn Hong Kong’s original residents, who grew up in Hong Kong and identify with a set of Hong Kong’s core values, into a minority in the long run – as a Tibetization of Hong Kong (Lee 2012). It has been reported widely that the CCP (which has no legal existence in Hong Kong) has been quite successful in guaranteeing new immigrant votes for its favored candidates via vote buying and other legal or illegal electoral maneuvers.

Chin asserts that the influx of mainland tourists and migrants is the largest threat to the established institutions and social customs of Hong Kong. He therefore advocates that the Hong Kong government take back the authority to screen incoming migrants from mainland China, just as it does for migrants from all other countries and as all other governments in the world do. The number of incoming mainland tourists must be reduced in his view. Chin argues that without screening authority Hong Kong’s situation is akin to settler colonization by the mainland (Chin 2011: 150–63). But to Chin’s disappointment, the Hong Kong opposition movement has never taken these issues seriously, mislabeling any complaint about mainland tourists and Hong Kong’s lack of authority to screen mainland migrants as ‘xenophobic.’

Chin attributes the Hong Kong’s opposition’s reluctance to defend the Hong Kong-China boundary to their Chinese nationalist ideology. To the opposition, the democratic movement in Hong Kong is subsidiary to that in China. This, Chin argues, makes them become inadvertent supporters of Beijing’s scheme to colonize Hong Kong (Chin 2011: 175–9; 51–4). Against this prioritization of mainland China over Hong Kong among the Democrats, Chin claims that democratization in China is hopeless, and that if democratization really comes to China, it will only bring fascism and hurt Hong Kong (Chin 2011: 36–56).

Chin’s gloomy view on the prospect of China’s democratization is grounded on the observation that, after more than 60 years of communist rule, in addition to the last 30 years of unfettered capitalist boom, both the big and little traditions of China that used to hold the society together and foster trust among its people have been annihilated. Once the authoritarian state crumbles, the atomized society left behind will not be in a position to foster healthy democratic institutions, at least not in the immediate aftermath. This will create a seedbed for the rise of outright fascist politics. Chin therefore advocates that Hong Kong’s opposition should give up supporting democratic movements in China and focus their attention on defending and advancing Hong Kong’s city-state-like autonomy, without which Hong Kong can never be genuinely democratic, even when authoritarian rule in China ends (see also Chin 2015).

CONCLUSION

While Chin’s ideas were deemed extremist when his Hong Kong city-state theory was first published in 2011, they certainly underlay the participation of many youngsters in the anti-patriotic education movement in 2012 and the umbrella occupation

movement in 2014. Chin's influential advocacy, nevertheless, was soon overshadowed by more radical thoughts. The most significant new development has been the rise of outright Hong Kong nationalism and the independence movement as advocated by the University of Hong Kong's student union magazine *Undergrad* in 2014. While Chin advocated an autonomous Hong Kong within a China Federation (Chin 2015), the *Undergrad* is calling for an outright independent Hong Kong nation-state. Regardless of feasibility, this separatist ideology is clearly gaining ground in Hong Kong society, among the younger generation in particular. Such slogans as 'Hong Kong independence,' 'China, get out of Hong Kong,' and 'Hong Kong Self-determination' were seen frequently in the 79-day-long occupation movement in 2014 that sought universal suffrage in Hong Kong (see Hui 2015; Veg 2016 and 2017; Wu 2016).

After the failure of the occupation movement, public opinion polls and local elections continued to show the rising influence of the separatist ideology. In a poll conducted in mid-2016 by the Chinese University of Hong Kong School of Journalism and Communication, 17 percent of Hong Kongers supported Hong Kong independence. And in the age group 15–24, the position won a plurality, with 39 percent 'for' vis-à-vis 26 percent 'against' (see Hong Kong Free Press 2016). In the 2016 legislative election, which was heavily manipulated by Beijing and its proxies in Hong Kong, nearly 20 percent of voters voted for candidates running on an independence or self-determination platform, taking six seats out of the 35 seats up for direct election.

Beijing's response to this incipient separatism has been to further narrow Hong Kong's space of free speech and free elections. The Hong Kong government, apparently under Beijing's directive, disqualified candidates of legislative election and even elected legislators deemed who allegedly opposed the 'one country principle' of the Basic Law, arresting the rise of the pro-independence force in the legislative council. Such a hardline approach is poised to pre-empt the growth of resources available to the localist movement, but it also carries the risk of fueling more anti-China hostility and further radicalizing the opposition. How this spiral of Chinese nationalism and Hong Kong localism will end up is difficult to predict. What is for sure is that Hong Kong local identity is not going to fade anytime soon, and it will remain a formidable ideational and material force shaping the course of Hong Kong political development in significant ways.

Note

- 1 This phrase originated in Deng Xiaoping's own saying in July 8, 1989. See Yuan 1997: 76–7.

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Chinese Outside China

Nyíri Pál

INTRODUCTION

‘The Chinese diaspora’ and ‘overseas Chinese’ are the two English terms most commonly applied to people of Chinese descent living outside of the Chinese states: the People’s Republic of China, including Hong Kong and Macau, and the Republic of China on Taiwan. Both categories group together a highly diverse array of people in terms of citizenship, country of birth, mother tongue, political loyalty, identity, and – since China itself is a multiethnic nation – ethnicity. These diverse people are lumped together on the basis of an ancestry located somewhere in contemporary China, or an area outside of it but which is somehow related to one of the ethnic groups composing contemporary China, regardless of what state formation – the Qing Empire, the Republic of China (ROC), or the People’s Republic (PRC) – ruled the place at the time.

Therefore, while the term ‘Chinese diaspora’ may be a practical shorthand, it is problematic as an analytical concept for the very same reasons that create its popular appeal. Many scholars, including some prominent overseas Chinese, object to it on the grounds that it homogenizes a heterogeneous group, ascribes a single identity to people with highly diverse ones, and points to a single historical and political homeland, glossing over the multiplicity of loyalties in the past and the present (e.g. Ong 1999, Ang 2001). They point out that the emotional bond with China that the term ‘diaspora’ imputes to everyone of Chinese descent is not only analytically flawed but can also be dangerous as it often fuels suspicions of the individuals concerned, linking them as it does to an ascendant and

often distrusted power. For these reasons, today, the term 'diaspora' is rarely applied to ethnic Chinese in the English-language scholarly literature. 'Overseas Chinese' is a more neutral and most widely used term in English, but it too has been subjected to criticism as overly homogenizing. Wang Gungwu (e.g. 1998), for example, prefers to write about 'the Chinese overseas' to underscore the multiplicity of ways in which those in this category relate to China.

In the People's Republic of China, official terminology today reflects a recognition of that multiplicity: the term *huaqiao* 华侨 – usually translated as 'overseas Chinese' – officially refers only to Chinese citizens who reside abroad, while non-Chinese citizens of Chinese ethnicity are labeled *huaren* 华人. The term *huayi* 华裔 denotes non-Chinese citizens of Chinese descent without necessarily implying any identification with China. All of these terms indicate a relationship to the Chinese (*hua* 华) nation or race rather than to China (*Zhongguo* 中国) the territorial or political entity. By contrast, Chinese in China are referred to as *Zhongguoren* 中国人. Traditionally, most overseas Chinese also refer to themselves as *huaren* when speaking in Mandarin Chinese. To complicate matters further, none of these notions is supposed to be limited to Han Chinese – the majority group among 56 ethnicities that officially compose the population of China – but in practice they are seldom used to refer to other groups such as Tibetans, Uighurs, or Hmong/Miao, though when they are this usually has strategic significance.

THE HISTORY OF SCHOLARSHIP ON CHINESE OUTSIDE CHINA

Chinese overseas have been studied from very different perspectives. For post-World War II anthropologists and social psychologists, Chinese in Southeast Asia served as a proxy to knowledge about society and culture in China itself, which had become inaccessible to outsiders. Accordingly, their studies of overseas Chinese at particular locations or within a nation-state were usually unconcerned with the process of migration or ties to China (e.g. Skinner 1957, Bond and Hwang 1986; an exception is Watson 1972). In contrast, sociologists and demographers studying Chinese migration overseas took a processual perspective and were not interested in the cultural practices and varieties of Chinese identity that developed locally (e.g. Skeldon 1994). In the 1990s, a literature in management studies arose that attempted, problematically, to link the economic success of the Asian 'tiger economies' to the culture of overseas Chinese (e.g. Redding 1990). Much smaller bodies of ethnographic scholarship have concerned themselves with local migrations across the Chinese border (e.g. Mote 1967) and with non-Han diasporas (e.g. Schein 2000).

Among historians, interest in the Chinese outside China and the role they played as carriers of commerce and ideas has risen recently as a result of the growing scholarship on global and transnational history (e.g. Duara 1996, Kuhn 2008,

Tagliacozzo and Chang 2011). In literary scholarship and cultural studies, Chinese-language literature, cinema, and art outside China has been central to challenging normative, nation-centered frameworks of cultural production (e.g. Lu 1997, Shih 2007). Shu-mei Shih (2007) prefers the term 'Sinophone' rather than 'Chinese' to refer to the diversity of Chinese-language expression in and outside China. Other scholars suggest that the PRC's growing international clout brings with it domination of the Sinophone sphere worldwide, thus reducing the diversity of ways in which one can identify as Chinese or Chinese-speaking (Sun and Sinclair 2015).

Within mainland China, scholarship on overseas Chinese is politically sensitive because it is thought to bear on China's relations with Chinese outside China, and is closely connected to government departments overseeing overseas Chinese policy (see below). Empirical studies that impute, and often set out to prove, an essential continuity of connections between overseas Chinese and China continue to dominate the field (Li 1999 and Wu 2003 are exceptions). In recent years, as China's regional political interests have grown, more scholarship is produced on 'minority overseas Chinese' 少数民族华侨 and 'cross-border ethnic minorities' 跨境少数民族.

THE POPULATION AND DISTRIBUTION OF CHINESE OVERSEAS

Aggregate figures of 'overseas Chinese' or 'the Chinese diaspora' refer to Chinese ethnicity; but most countries either do not have population statistics by ethnic group or do not combine them with statistics on foreign residents by citizenship. Therefore, while such figures circulate widely, they must be treated with suspicion. According to the ROC's Overseas Community Affairs Council, 42.5 million 'overseas Chinese' lived outside mainland China, Hong Kong, Macau, and Taiwan in 2014.¹ The PRC's Overseas Chinese Affairs Office uses a figure of about 50 million.² The PRC and the ROC maintain separate databases on overseas Chinese, which rely on direct information gathering rather than on official data from the countries of residence. The PRC's data are generated by means of an 'overseas Chinese conditions census' (*qiaoqing pucha* 侨情普查), which is administered to those households that are believed to have family members overseas rather than to overseas Chinese themselves.

Southeast Asia remains the region with the highest number of ethnic Chinese outside China (according to ROC estimates, 31 million or around 75% in 2014). Nonetheless, this represents a decline from over 90% in 1975, due to the fact that both recent migration from China and Taiwan and 'secondary migration' of Southeast Asian ethnic Chinese have been predominantly to North America, Europe, and Australia. As a result, the ethnic Chinese population of the Americas, according to ROC data, has grown from 209 thousand in 1948 to 8.1 million in 2014; of Europe, from 54 thousand to 1.76 million; and of Oceania, from 64 thousand to 1.17 million.³

DIFFERENT WAYS OF BEING CHINESE

These numbers conceal very different citizenship and socio-economic compositions, and ways of being Chinese across countries of residence. Those who identify or are identified as Chinese in Southeast Asia are usually local citizens. Some of them prefer to use non-Chinese names and do not speak Chinese. Those who do are often more comfortable in a regional variety ('dialect') of Chinese, identify themselves with a dialect group (such as Cantonese, Hakka, Hokkien, or Teochiu), and in some countries, typically do not speak Mandarin. By contrast, ethnic Chinese in Europe are mostly Chinese citizens for whom Mandarin is the preferred means of communication, with those in North America and Australia somewhere in between.

Both Western and Chinese-language sources make much of the wealth or 'influence' of overseas Chinese. They have been called the makers of the fall of the last imperial dynasty in 1911 and the economic 'miracle' of both the Asian 'tiger economies' and of post-1978 China. It is true that most of the 'tycoons' of Southeast Asia – for example, nine of the ten wealthiest Indonesians in 2011, according to a ranking by *Forbes* – are recognized as ethnic Chinese, that some of them have been close to political elites and to dictators such as Suharto, and that they have been responsible for a large share of investments in mainland China. But such stereotypes mask both the diversity of socio-economic positions of ethnic Chinese within Southeast Asia – which ranges through the small shopkeepers across the region to the very poor laborers of such places as western Kalimantan, whose plight came to light in relation to the 1998 anti-Chinese pogroms in Indonesia – and outside it, including many unemployed Chinese professionals in Canada and the often illegal manual workers of Southern Europe.

EMIGRATION IN THE PRECOLONIAL AND COLONIAL PERIODS

The diversity of overseas Chinese experiences is related to the historical circumstances of successive periods of emigration from China and of the events that determined the future of the migrants and their descendants. For long periods of imperial Chinese history, notably under the Song and Yuan (960–1367) and the Qing (1644–1911), emigration was banned and subject to severe punishment as treason. But from the 16th through the second half of the 19th century, traders mainly from Southeast China established colonies in Southeast Asia and along the western rim of the Indian Ocean. Some of these obtained special privileges such as royal commercial monopolies, revenue farms, and other concessions and in some places were so entwined with local elites that, by the 19th century, many local rulers, including Siam's, claimed to be partially of Chinese descent. By the 18th century, in addition to their role in the maritime trade in the South China Sea and the Indian Ocean, the Chinese also had an increasingly large presence

throughout Southeast Asia as miners, craftsmen, and farmers, producing for the Chinese, European, and local markets. Most of these producers developed some relationship with coastal political powers and merchants, but many also acted as effectively autonomous units with their own militia and even diplomatic officers.

Later, wealthy Chinese merchants in Southeast Asia acquired revenue farms, monopolies to collect taxes or collect and distribute particular goods on behalf of the government in return for a fixed fee. In many rural areas, the revenue farms were the only representatives of local states. As the Chinese populations boomed in the second half of the 19th century, the revenue farms grew correspondingly. The opium farm, in particular, became an enormously lucrative operation. The networks of small shops and stations established for opium distribution and tax collection were often the only shops across large rural areas, manned by Chinese migrants who provided goods, services, and credit to non-Chinese populations.

In the 19th century, rapid population growth and internal warfare increased migration both overland to the southwest and northeast and overseas to Taiwan and Southeast Asia. Although formally, the Qing did not legalize emigration until 1860, mass migration of Chinese contract laborers and merchants to Southeast Asia, North America, and South and East Africa (in diminishing order of importance) began several decades earlier. At the same time, as China was forced into the global system of modern nation-states with clearly defined territories, both Han and non-Han Qing subjects and tributary peoples along the Russian, Burmese, and Thai frontiers found themselves 'abroad.'

The rapid growth of Chinese contract labor in the colonies was due in part to the abolition of slavery (and of convict labor in Australia), and in part to better transportation links and modernization of colonial empires. With the exception of a relatively short period of recruitment for Russia, laborers, mostly indentured ones, tended to come from Guangdong. They worked in mines, railway construction, plantations, and (in the Russian Far East and parts of South America) farming. This, and the fact that some laborers settled as farmers or small service providers after the end of their contract, caused the expansion of Chinese populations in rural areas throughout the Asia-Pacific. Chinese recruiters who were in control of labor migration formed a new overseas Chinese elite.

By the late 19th–early 20th century, colonial companies increasingly marginalized the Chinese as the owners of the largest plantations, mines, and trading companies, especially in the Dutch East Indies. But colonial administrations made fewer attempts to extend their authority to the Chinese than to 'natives.' They were typically not subject to the jurisdiction of the courts or local officials, but controlled by headmen, known in British Malaya and the Dutch Indies as *Kapitan Cina*, who were appointed by the colonial rulers.

The growth of Chinese business and credit networks was accompanied by a rise in surname, native-place, and occupational associations after the turn of the 20th century. They mediated economic disputes, guaranteed and monitored business activities, provided services for workers, and maintained links to China.

Early migrants certainly identified themselves with China, but had very little common historical consciousness of what China was. Links with and images of the homeland were concentrated on localities, not the country, and they were constructed in parallel by different dialect groups (though groups based on kin partly cut through these).

Altogether, between 1882 and 1932, some five million Chinese migrated to Malaya. On the west coast of the US, there were around 100 thousand Chinese in 1880. In South Africa, there were 65 thousand Chinese at the turn of the century. Most migrants traveled on so-called credit tickets, which meant that they were indebted to their agents or employers when they arrived. Native-place organizations often acted as debt enforcers. Many migrants signed indenture contracts, which meant that their debt linked them to specific employers whom they were prohibited from leaving for the period of their indenture, and in some cases were then coerced into reindenturing themselves (or had little other choice, if they had not managed to accumulate enough income and return fares were expensive).

The rise of Chinese labor migration, combined with the emergence of organized labor, caused a backlash that condemned the Chinese as competition to native labor, unassimilable, and racially undesirable. The US Congress passed the Chinese Exclusion Law in 1882, followed by similar laws in most of the western hemisphere, South Africa, and Australia by the 1910s. In British colonies in Asia and the Caribbean, the Chinese were also gradually displaced as laborers in plantations and mines.

In the colonies, destruction or takeover of revenue farms by the government, and their occasional replacement by more officially regulated forms of indirect rule was underwritten by an ideology of racial purity, in which only the colonizers and natives had local rights, and the Chinese were increasingly marginalized as aliens. Up until the 1870s, urban Malayan society and the economy was largely run by Chinese elites. But later, colonial governments increasingly bypassed the Chinese elite and worked with (or created) native rulers. By the turn of the 20th century, the Chinese lost both their authority for self-government and their state patronage. Some of this took place through sheer economic pressure, as highly capitalized European enterprises were able to establish more sophisticated mining technology or plantations that required high initial investments such as rubber and sugar, and were beyond the reach of most Chinese. Liberalization of land ownership meant that purchases by Europeans removed land from use by the Chinese, who had often gained access through arrangements with local rulers. This was accompanied in the British and Dutch colonies by a crackdown on violent conflicts between 'secret societies' or gangs (*bang*) belonging to different dialect groups. In French Indochina, colonial authorities set up officially approved dialect organizations, called *congregations*, and appointed a *chef* to head each. The office of the *gobemadorcillo* in the Spanish Philippines and the Chinese Protectorate in British Malaya served a similar role of centralizing government-appointed power over the Chinese population. This weakened the power of Chinese merchant and farmer elites, which cut across colonial borders, and placed the Chinese more firmly under the jurisdiction of a single colony.

Similar developments took place in Siam, as the government chose to bypass the Chinese and develop more direct control over taxation and rural administration. The Chinese increasingly became competitors rather than collaborators with the king, and anti-Chinese sentiments and legislation designed either to assimilate or exclude the Chinese (but not keep them around as an alien minority) increased in the early 20th century.

In the early 20th century, the Chinese, increasingly forced out of labor, became a 'middlemen minority.' They disposed over an ethnic network that could mobilize information, credit, labor, and merchandise in a flexible and low-cost fashion, while host societies were characterized by a strong social and ethnic hierarchy with little vertical mobility and a high demand for particular goods. Migration was usually undertaken with economic goals in mind, and isolation from the host society made it easier to engage in the search for profit without becoming entangled in local norms of reciprocity. A concentration on economic goals led to more hostility from the local society, which then created more isolation and orientation toward the homeland. This, in turn, reinforced group solidarity mechanisms and the attractiveness of middleman activities as the most readily available form of economic opportunity.

Up to this period, the migration had largely been male; families were maintained in China, and then males migrated after their fathers. There was also some return migration. It was mainly in the 1930s that female presence sharply increased as a result of growing economic stability of migrants and the worsening situation in China as internecine warfare and Japanese invasion gained pace.

THE SIGNIFICANCE OF DIASPORA FOR CHINESE STATES BEFORE 1949

Although individual accounts of Chinese merchant colonies in Southeast Asia from the time of the Tang, Song, and Yuan dynasties exist – for example, they are mentioned in the Yuan envoy Zhou Daguan's account of the Khmer kingdom of Chenla – the significance of these settlements and circuits for early imperial China is poorly understood. In these more open periods of Chinese history they may well have played more significant economic and cultural roles than during the more inward-looking later empires. The Ming intermittently, and the Qing for most of their reign, imposed bans on maritime trade and emigration. This never led to a complete stop of emigration, but meant that the diaspora played no role in the politics of the empire and only a marginal one in its economy. The massacres of the Chinese in Manila and Batavia in 1603, 1639, 1662, and 1740 elicited little response from the Ming and Qing courts.

The last two decades of Qing rule saw a major turnaround in official policy toward overseas Chinese, as the court discovered the financial resources of the diaspora and attempted to put them to use in its belated and half-hearted modernization program, especially in infrastructural and educational projects such as the building

of roads, schools, and arsenals. To this end, loyalty to the Chinese Empire had to be rekindled among overseas Chinese. Qing officials were dispatched to investigate the conditions of Chinese indentured laborers. They opened missions, conducted censuses, and even attempted to collect taxes. Schools with instruction in Mandarin, the official Chinese language, were opened, replacing old ones that had taught in the pupils' native varieties of Chinese, and teaching materials were imported from China. Often under the tutelage or with the direct participation of Chinese officials, organizations were created that united the different dialect groups and purported to represent all Chinese in a given country. Chinese Chambers of Commerce were sometimes headed by Chinese officials and vested with consular powers.

Sun Yat-sen's republican movement that overthrew the monarchy in 1911 owed much of its financial and organizational support to the mobilization of the Chinese in Southeast Asia and North America. The Republic of China institutionalized the inclusion of overseas Chinese in the political nation it desired to build by providing them with passports, establishing Overseas Chinese Affairs Commissions, giving overseas Chinese voting rights, and appointing overseas Chinese delegates to national and provincial legislatures. The Kuomintang closely controlled overseas Chinese organizations. For example, each of the six (later seven) lineage organizations that formed the Chinese Consolidated Benevolent Association in San Francisco had leaders dispatched from China. In the 1920s and 1930s, many native-place and lineage associations tried to link up with similar associations in other colonies or nations to create global federations. On the other hand, overseas Chinese organizations were active in initiating policy proposals addressed to the central and provincial Chinese governments advancing the interests of their native areas, and these proposals were often critical of the government. Moreover, some scions of successful overseas Chinese entrepreneurs established a business presence in Hong Kong and Shanghai, launching some of the first department stores such as Wing On and Sincere. Some overseas Chinese played a role in municipal governments, particularly in Xiamen. Many engaged in philanthropy.

Children in overseas Chinese schools were now told that they were descendants of the mythical Yellow Emperor and belonged to a single nation-race, the *Zhonghua minzu* 中華民族. The Japanese invasion of China took both overseas Chinese nationalism and the influx of financial support to new heights.

EMIGRATION FROM CHINA AND THE CHINESE DIASPORA UNDER MAOISM

While the Kuomintang government's policies remained in place after its flight to Taiwan in 1949, the Chinese Communists gained overseas supporters as well. Overseas Chinese could now choose between passports of the Republic of China and the People's Republic of China. Initially, Peking's policy attempted to balance between dispelling the suspicions of nationalist Southeast Asian

governments, which it regarded as potential allies, and keeping overseas Chinese investors on its side. On the one hand, the PRC declared at the Bandung Conference in 1955 that it encouraged either the voluntary naturalization or the return of overseas Chinese – dual citizenship was not allowed – and in case of expatriation, discouraged them from joining overseas Chinese organizations. On the other hand, it treated those who chose to remain its citizens courteously, not wishing to lose their remittances, and created a system of its own organs of overseas Chinese affairs, structured similarly to that of the ROC.

Relations cooled after the Communist government nationalized overseas Chinese-owned enterprises, and froze after the 1957 Anti-Rightist Campaign, the beginning of mass terror targeting anyone with overseas contacts as class enemies or agents of imperialism. As in other state socialist regimes, travel abroad was severely restricted, but a low level of emigration, in part through flight across the Hong Kong border, continued. Between 60 and 300 thousand Uighurs and Kazaks fled Xinjiang for the Soviet Union in 1962, and an estimated 170 thousand Tibetans fled to India and Nepal after the occupation of Tibet by the People's Liberation Army in 1959. The southwestern and southern borders – with India and Nepal before 1959, with Vietnam before 1979, and with Burma and Laos throughout – remained porous, with ethnic minority families moving in both directions. In the 1970s, some three thousand volunteers went to fight with the Burmese Communist Party insurgency, while Hmong and Yao refugees from Laos were trained to fight the Vietnamese army but were never sent back. Tens of thousands of Chinese workers were sent on construction and medical aid projects to Africa; a handful stayed.

Meanwhile, emigration from Taiwan, mostly to North America, grew through student migration and the reunion of mainland-born families who fled after 1949. Later, skilled immigration and investor-immigrant schemes attracted more migrants from Taiwan to Canada, Australia, and New Zealand. Some investors and farmers migrated to countries that continued to maintain diplomatic relations with Taiwan in the 1980s, notably South Africa and Belize. According to ROC government statistics, there are around 1.8 million 'overseas Taiwanese,' of which 1.1 million are in North America.

The 1950s and 1960s saw a wave of migration from the rural New Territories of Hong Kong to the UK, as farming declined and men sought opportunities in the British catering sector (Watson 1972). In the 1970s, Hong Kong briefly became the largest source of foreign students in the US. Later, in the run-up to the 1997 handover of sovereignty to China, many wealthier Hong Kongers sought residence as investors or skilled migrants in Canada, Australia, and New Zealand (Skeldon 1994). Often, they returned to Hong Kong after leaving their families behind. For them, 'flexible citizenship' was perhaps less an act of migration than a hedging strategy to minimize future risks and maximize access to future resources such as college education and desirable jobs for their children (Ong 1999). More recently, these patterns have been repeated by affluent migrants from mainland China.

After the Bandung Conference, a number of overseas Chinese chose to return to China. In 1959–1961, around 100 thousand were repatriated from Indonesia after restrictions on trade activities and Chinese education took effect. Most of the repatriates were settled on ‘overseas Chinese farms.’ Others remained in their countries of residence but retained ROC citizenship, but most chose to adopt the citizenship of their country of residence. The tendency toward naturalization, acculturation, and shifting the locus of overseas Chinese politics away from the home country and – where allowed to do so – toward the host country was aided by the absence of diplomatic relations between the PRC and most Southeast Asian countries, nationalist projects and anti-communism of the countries of residence, and economic development that offered the ethnic Chinese a stable livelihood while old trade networks linking them to China were disrupted.

New national elites’ hostility and fear of the Chinese often resulted in laws designed to restrict their activities in politics and opportunities to gain local citizenship. Thus, the Chinese often had no choice but to remain in commerce, whether they wanted it or not. At the same time, the political elite of many nations continued to patronize Chinese businesses as part of their schemes for national and personal economic development, thus both reinforcing the stereotype of the Chinese as businessman, and strengthening the actual economic clout of important merchants. This encouraged maintenance of a Chinese identity. Ethnographic work in Vietnam, the Philippines, and Thailand has described how Chinese businesses depended on trust created by participation in Chinese associations and public displays of credibility and reputation (Omohundro 1981, Barton 1983, Szanton 1983). The brother who ran a shop was seen as Chinese while the one who joined government service was not.

Associations no longer played the crucial roles they had done earlier as institutions that regulated business, provided mutual aid, and guaranteed trust. Yet they were still important as markers of ethnicity and sites for informal networking. The cycle of business success and hostility also continued, as the Chinese grew more successful and their businesses larger. Diversification was a common strategy to protect assets and diffuse hostility, and by the 1970s, successful businessmen were increasingly investing in a variety of sectors, regions, and nations (Mackie 1988, Hamilton and Waters 1997).

The migration of upwardly mobile ethnic Chinese from the colonies to the metropolises – Britain, the US, France, the Netherlands – started in colonial times, sometimes as young people pursued education there. Decolonization accelerated such migration from Indonesia, Malaysia, and Indochina as Chinese in many postcolonial settings faced discrimination and uncertainty. The Communist victories in Cambodia, Laos, and Vietnam, which resulted in disadvantages for many Chinese both as ethnic aliens and as capitalists, generated a new wave of flight and migration. In Cambodia, a combination of executions, starvation, and flight under the Khmer Rouge (1975–1979) nearly emptied the country of its Chinese population. In 1965 and 1979, persecution of the Chinese in Indonesia and Vietnam

respectively generated waves of flight to China, Europe, and the US. In most of Southeast Asia's capitalist countries, growing incomes and expanding opportunities to resettle abroad, combined with a continuing sense of uncertainty and, in some countries, discrimination, accelerated the migration of locally born Chinese to the US, Canada, and Australia for education, work, or investment.

Smaller migration flows took place across colonies or former colonies within the same empire as a result of labor recruitment or decolonization. For example, after Mozambique gained independence in 1975 and demanded that foreigners choose between naturalization and leaving the country, most Chinese left for Brazil.

EMIGRATION AFTER MAO

The Maoist regime of closed borders – which had never been as hermetic as its Soviet prototype – began to loosen in the mid-1970s, when a trickle of family members of pre-WWII migrants to Hong Kong, Macau, North America, and Europe – overwhelmingly from rural Zhejiang, Guangdong, and Fujian Provinces – was allowed to join their relatives there as family-reunion immigrants. After 1977, permitting family members of overseas Chinese, as well as those overseas Chinese who had returned to China earlier, to emigrate became official policy. In addition, an increasing number of university students and faculty were permitted to pursue postgraduate studies abroad. Although this was intended to develop science and technology in China, most of these students did not return. Subsequent liberalizations and growing incomes permitted an increasing number of undergraduates and even secondary school students to go abroad; the latter now account for one-fifth of student departures. China is the largest source of foreign students worldwide; most are in the US, Japan, Australia, and the UK. According to Chinese government figures, 1.4 million Chinese went to study abroad between 1978 and 2008, and only around 340 thousand returned. But China's economic growth and government incentives are inducing an increasing number of former students to return (135 thousand in 2010), often to occupy privileged positions in business and government even as they hold permanent residence permits abroad (Zweig et al. 2004).

Beginning in 1979, some state companies were given the license and encouragement to send workers abroad, mostly to work on construction contracts, as a way of generating foreign currency. The scope of contracts has since expanded to services, agriculture, shipping, and manufacturing, while those in the construction sector have grown due to the increasing role of Chinese companies in road, railway, and dam construction across the world. According to the China International Contractors Association, there were 820 thousand Chinese contract workers abroad at the end of 2009. Most contract workers go to Singapore, Japan, Africa, the Middle East, and Russia. Many extend their contracts, stay on illegally, or take a new contract in a different country, creating a pool of globally

mobile, specialized Chinese labor and feeding a lucrative industry of labor export agencies (Xiang 2007). Labor migration is actively promoted by some local governments. Contract migration of ethnic Koreans from northeastern China to South Korea, based on ethnic kinship, has in particular become a large-scale phenomenon. Overall, however, China is far from becoming a country specializing in the export of labor in the way the Philippines or Mexico does, or Turkey has done in the past. At the same time, with the growth of Chinese investments and acquisitions around the world, intra-company transferees, including high-level managers, are a growing subsegment of temporary contract workers.

In parallel with student and contract labor migration, illegal migration, mostly from rural southeastern Fujian and Zhejiang Provinces to the US, Japan, and Britain, grew into a local 'culture' in some sending areas (Chin 2000, Pieke et al. 2004, Chu 2010). The grounding of the *Golden Venture* in New York Harbor in 1993 with a cargo of Chinese migrants and the discovery of 58 Chinese bodies in a refrigerator container at Dover in 2000 highlighted the smuggling side of this business. The appearance of illegal migrants injected new blood into the Chinese catering sector in the UK and the US and into small-scale garment manufacturing in Italy and the US while driving down wages, aggravating labor conditions, and causing tensions between new and earlier migrants (Kwong 1999, Pieke et al. 2004). In the 2000s, a growing number of mostly female residents from the deindustrializing cities of northeast China began overstaying their business visas in western Europe, finding employment in the ethnic economy as maids, babysitters, casual workers, and prostitutes.

In 1985, China liberalized the issuing of passports for the first time. The number of Chinese citizens who went abroad jumped from 80 thousand in 1986 to nearly 250 thousand in 1989. Exit visas were abolished in 1996, and in 2005, obtaining a passport was declared a legal entitlement. With the rapid growth of international tourism from China, Chinese citizens can now visit some countries without a visa and obtain visas upon arrival in others, mostly in Southeast Asia. Compared to the difficulty of obtaining both exit and entry visas only ten years earlier, the rise of mass international tourism further expanded the opportunities and lowered the costs for those who wish to leave China.

Entrepreneurial migrants have been central both to the expanding range of migratory flows from China and to their expanding geographical scope. Since its inception in the late 1980s, when Chinese traders began crossing the Soviet border, entrepreneurial migration, unlike other flows, has largely targeted countries with no tradition of Chinese immigration. Most early migrants were former employees of state enterprises, for whom unmet demand for consumer goods – mostly low-price clothing – in Eastern Europe and the former Soviet Union, combined with liberalized immigration regimes, offered a way out of the economic recession and political uncertainty of early 1990s China. Hundreds of thousands stayed, establishing wholesale and retail chains across the region (Nyíri 2007). With the subsequent growth of the Chinese economy, the appeal of such low-end

entrepreneurship to the highly educated subsided. Instead, rural Fujian, Zhejiang, Henan, Hunan, and Sichuan became new bases of a rapidly expanding entrepreneurial migration to Africa, South America, and mainland Southeast Asia, numbering in the hundreds of thousands and encountering increasing hostility. In addition to trading consumer goods, these migrants have in some countries (such as Argentina) overtaken much of the food retail industry, while also investing in real estate. They also increasingly strive to become subcontractors and brokers to large-scale, state-financed infrastructure, extraction, and manufacturing projects carried out by Chinese companies (Nyíri 2011).

RELATIONS BETWEEN THE PRC AND CHINESE OUTSIDE CHINA IN THE POST-MAO ERA

After Mao's death and the beginning of reforms, the government of the PRC became, once again, interested in investments and donations by overseas Chinese. Like the Kuomintang, it set out to combine the involvement of overseas Chinese in domestic politics with an increasing promotion of nationalism, even though it never renounced the Bandung doctrine of supporting their voluntary expatriation and continued to encourage ethnic Chinese to be loyal to their countries of citizenship (dual citizenship remains disallowed). In 1990, measures of protecting the interests of returned overseas Chinese and family members of overseas Chinese were enshrined in law, granting them special benefits. Today, most important among these is a special quota in admissions to institutions of higher education, which is a significant advantage in the highly competitive Chinese education system.

The main task of the bodies in charge of overseas Chinese was attracting overseas Chinese investment – which accounts for the majority of foreign investment in mainland China – and what was inseparable from this, winning back the confidence and loyalty of overseas Chinese. This has included reaching out to overseas Chinese organizations and influential individuals and, in some cases, giving them honorary political titles such as membership in People's Political Consultative Conferences. The government has resumed support for Chinese schools abroad in the form of teacher training, textbooks, and teachers dispatched from China. Trainings are also offered to journalists for Chinese-language media abroad, and both teachers and journalists are invited to regular government-organized congresses. Summer camps host thousands of foreign-born ethnic Chinese youth at government expense. Increasingly, these initiatives include ethnic Chinese who are foreign citizens, although formally, only *huaqiao* are targets of China's policies. A discourse that describes all Chinese around the world as part of a cultural race or nation, *Huaxia minzu*, is once again widespread in official speeches and media.

This process has been accompanied by the proliferation of a new type of Chinese organizations, which focus not on the welfare of particular dialect groups

within the society of settlement but on networking with various levels of government in China, largely to secure preferential access to economic opportunities. (In the beginning, these were mostly related to investment in China or trade, but more recently, they have shifted to Chinese capital seeking investment opportunities abroad.) The charters of these organizations almost invariably use the political language of the PRC and mention support for China's development and bilateral ties between China and the country of registration. With the encouragement of government agencies in China, a variety of global federations, based on a variety of unifying criteria, ranging from province of origin to profession, have been founded. Congresses of these federations have become important ad hoc clearing houses of merchandise, business information, and capital at which contacts are forged and investment decisions made. Membership of national chapters of the Association for the Peaceful Reunification of China (Zhongguo Heping Tongyi Cujinhui 中国和平统一促进会), a worldwide organization established at the behest of the Chinese Communist Party's United Front Department to garner support among Chinese overseas for China's Taiwan policy, is mostly composed of leaders of other organizations.

While migration can weaken the reach of the state, transnational links can work to extend it. In China, most migrants experienced little institutional or discursive participation in the practice of citizenship before they left. Migrants who have felt disenfranchised by their social status as farmers, workers, or state employees in China may acquire a vested interest in the state as entrepreneurs abroad who see hope for their fortunes and their recognition in forging relations with the elite at home. Moreover, mounting nationalism in China puts pressure on the Chinese government to stand up for the interests of overseas Chinese. Such interventions are, however, not always welcome as they subject them to accusations of disloyalty in their countries of residence. In 2015, the Chinese ambassador to Malaysia was summoned by the authorities and criticized in local Chinese media after he made comments condemning racism.

CHANGE IN OVERSEAS CHINESE POPULATIONS AND NEW FLOWS OF INTERNATIONAL MOVEMENT FROM CHINA

The appeal of China's economy and popular culture generates increasing transnationalism also among those migrants and foreign-born ethnic Chinese who are not interested in homeland politics. The protracted economic recession in Europe has resulted in a growing number of young ethnic Chinese professionals seeking employment in China. Enrollment in Chinese schools, both those that teach language only and those that offer a full curriculum, is increasing among ethnic Chinese children worldwide; in the last ten years, most of the remaining schools teaching in Cantonese have switched to the official Mandarin. Many schools have hired young migrants trained in the PRC as teachers to replace locally born staff.

The worldwide spread of satellite television broadcasting from China (CCTV, Phoenix) and more recently of PRC-based social media platforms (QQ, Weibo, WeChat) has resulted in a certain homogenization of popular culture among the ethnic Chinese worldwide along the lines of mainstream cultural and political expression in the PRC at the expense of local varieties of Chinese culture. Furthermore, local Chinese media increasingly rely on advertisers, content and staff from mainland China (Sun and Sinclair 2015). The significance of these shifts has, however, been uneven. In many Southeast Asian countries, where local-born ethnic Chinese have strong cultural institutions and are economically and socially dynamic enough not to be dependent on contacts with China for their livelihoods, their effect has been felt less than in other places.

In 2008, the worldwide demonstrations by Chinese students in support of the Peking Olympics and protesting Western media coverage of China were organised via popular China-based online discussion forums (Nyíri and Zhang 2010). Young Chinese studying abroad constitute an increasingly important segment of the Chinese population abroad, particularly in North America, Europe, and Australia. In 2012, there were nearly 700 thousand Chinese students enrolled in tertiary institutions outside China. Along with students, growing numbers of highly educated transients, such as the expatriate managers and engineers supporting the worldwide expansion of China's companies, or affluent Chinese who are buying real estate to invest or spend part of the year in, are reconfiguring the sociodemographics as well as the economies of Chinese overseas. Among other things, this shift means that catering to the business and lifestyle needs of such new migrants – from subcontracting minor construction projects to selling real estate and running travel agencies – has become a major source of income among local ethnic Chinese populations. The effects of these new migrant flows on the ways of being Chinese outside China (Nyíri 2001); the divergence or coalescence of these ways of being and belonging in the conditions of China's growing global clout (Li 2016); the transnationalism, integration, or both of second- and third-generation overseas-born Chinese (Benton and Gomez 2014); and the role of the Chinese outside China, including non-Han, in China's resurgent nationalisms (Barabantseva 2010, Vasantkumar 2012) are four debates that are likely to be central to the study of Chinese overseas in the years to come.

Notes

- 1 www.ocac.gov.tw/OCAC/Eng/Pages/VDetail.aspx?nodeid=414&pid=1168#, accessed 7 November 2015.
- 2 <http://qwgzyj.gqb.gov.cn/158/1719.shtml>, accessed 7 November 2015.
- 3 www.ocac.gov.tw/OCAC/Eng/Pages/VDetail.aspx?nodeid=414&pid=1168#, accessed 7 November 2015.

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Studying Tibetan Identity

Ben Hillman

INTRODUCTION

This chapter explores the various ways in which Tibetan identity in contemporary China has been studied and understood, paying close attention to how historical circumstances and evolving trends in the social sciences have shaped different perspectives on the subject. The focus is on the available Anglophone literature, but includes references to translations of Tibetan and Chinese sources. The chapter covers debates about (i) Tibetan nationhood that emerged in the pre-People's Republic of China period and intensified following the PRC's annexation of Tibetan territories in 1949–51, (ii) the 'mythical Tibet' literature that accompanied the nationalist discourse, (iii) the post-colonial literature of the 1980s and 1990s that sought to demystify Tibetan identity, (iv) the post-2000s critical Tibetan studies literature that interrogates the meaning of 'Tibetan-ness' and explores the relationship between ethnic identity and other forms of identity, including gender, religion, language and locality and (v) the ethnic awakening literature that examines the changing contours of Tibetan identity and cultural life following the recent wave of political protests. The chapter begins with a brief discussion of the different theoretical approaches used in the study of ethnic identity.

APPROACHES TO STUDYING TIBETAN IDENTITY

The subject of Tibetan identity began to attract scholarly interest in the early part of the twentieth century during China's transition from empire to

(multi-) nation-state. Whereas previously only religious scholars had shown much interest in Tibetan culture, the question of ‘who are the Tibetans?’ gained new currency as borders were being redrawn to make way for emerging nation-states. The first intellectuals to address the question of Tibetan identity were Tibetan and Chinese nationalists, foreign diplomats and Tibetologists. In the second half of the twentieth century, following the annexation¹ of Tibetan territories by the PRC, the subject of Tibetan identity began to attract attention from scholars working in a wider variety of disciplines, including anthropology, linguistics, literary criticism, sociology and political science. Each of these disciplines offers different perspectives on the subject of Tibetan identity and its evolution within the PRC and in Tibetan areas outside of the PRC.

A recurring theme across the disciplines is the tension between a vision of Tibet as a unified, ancient and relatively homogenous civilization, on the one hand, and a more heterogeneous and contingent understanding of Tibet, which questions the usefulness of speaking of such things as ‘Tibetan identity’ or ‘Tibetan-ness.’ These contrasting visions of Tibetan cultural identity have been informed and shaped by different theoretical approaches in the social sciences. Primordialists assume that ethnic and national identities are ancient and natural phenomena that are assigned at birth (Smith 1998), and are interested to identify defining group characteristics. This view, with origins traceable to eighteenth-century German romanticism, was influential in early European writings about Tibet and the ‘Orient’ more broadly, and continued to be influential through the mid twentieth century when the Tibet Question was thrust into the international spotlight following the PRC’s annexation of Tibetan areas in 1950–51 and the Dalai Lama’s flight into exile in 1959.

Even though primordial perspectives are today largely discredited for being ahistoric, primordial assumptions about ethnic identity continue to permeate general debates about ethnic politics and ethnic conflict (Chandra 2012). As Clifford Geertz (1973) observed, ethnic identity might not be primordial per se, but humans very often perceive their identities in such a way because they experience blood ties, language, culture and territorial attachments as givens that infuse their everyday life with meaning. In such a way, Tibetans in China might point to the geography of the plateau, yak herding and barley cultivation, religion, origin myths and a shared written language and culture and territory as evidence of the existence of a distinct ethnic or cultural group, but the question remains how the diverse peoples we know as Tibetans today came to see themselves as members of a wider group.

Instrumentalist perspectives on ethnic identity suggest that ethnicity is not natural, but is mobilized or manipulated by elites as part of strategies for obtaining economic or political power. The instrumentalist approach is more common among political scientists, especially those working in the subfield of conflict studies (e.g., Collier and Hoefler 2004). The approach helps to situate ethnicity within wider social, economic and political frameworks, and, in the Tibet case it is helpful for understanding discourse about Tibetan identity between rival political groups during the Republican and post-1949 periods. However, a weakness of the

instrumental approach is that it does not explain why peoples are so easily mobilized along ethnic lines, such as in periodic street demonstrations and protests.

Constructivists move even further away from the primordial position to hold that identity is a social construct. In the footsteps of Max Weber (1968), constructivists view ethnic identities as the products of historical forces that become ‘sticky’ over time (Varshney 2009). Some argue that ethnic identities have been socially constructed for most of human history. Others consider ethnic identity to be a more modern construct that emerged with the advent of communication and transport media, enabling peoples to identify for the first time with a wider group perceived to be of common descent (Anderson 1991). Constructivists hold that identity evolves from a constant process of negotiation between self-identification and external ascription, reminding us that ethnic identity is shaped as much by the out-group (the ‘other’) as by the in-group (Barth 1969). Some constructivists argue that these processes take place constantly such that ethnic identity is always on the move (Brubaker 2004). For constructivists ethnicity is more about what peoples *do* – the practices that express ethnicity or identify someone as belonging to a particular group – rather than what peoples *are*. Constructivist approaches are today predominant in anthropology, history and literary criticism, and, as we shall see, are influential in the recent critical Tibetan studies literature.

Institutionalism provides yet another perspective on ethnic identities in the contemporary world. According to this perspective states play a powerful role in shaping ethnic identity by the way in which ethnicity is ‘governed’ (Posner 2005). Ethnicity becomes institutionalized, or ‘sticky,’ in official discourses about identity, and in the institutions through which ethnic difference is managed, including through systems of regional autonomy, elections and political parties. In the China context the institutionalist perspective is particularly useful in understanding the impact of the state’s codification of Tibetan and other ‘national ethnicities’ (*shaoshu minzu*). The perspective also informs recent Chinese scholarship that criticizes the current system of ethnic regional autonomy for hardening ethnic boundaries and preventing integration – the so-called second generation of ethnic policies (Ma 2014).

Although no single theory or disciplinary approach is sufficient in explaining the salience of ethnic identity in our world today, one important dimension of ethnicity cuts across all perspectives and approaches: the drawing of ethnic boundaries. In studying ethnic identity social scientists generally agree that it is important to understand where boundaries between groups are drawn, who draws them and for what reasons. These are key questions to bear in mind when studying Tibetan identity in contemporary China.

TIBETAN IDENTITY IN THE PRE-MODERN PERIOD

The available literature on Tibetan culture and society from the pre-modern period consists mostly of outsider accounts by European, Chinese, Indian and

Japanese observers. The largest number of publications concerned with the subject of 'Tibetan identity' is arguably European, and many are reviewed in Lopez (1998), Dodin and R  ther (2001) and Schell (2007). Early European accounts of Tibet were generally preoccupied with religion. This is because early European scholars typically came to study Tibet via religious manuscripts. Many scholars were devout Christians who had an interest in studying Tibetan Buddhism in order to debunk it, and to justify missions to Tibet. Early accounts by Christian scholars and missionaries highlighted the peculiarities of Tibetan Buddhism, including its 'Lamaism and shamanic rituals,' which the foreign observers often did not understand, but which were nevertheless identified as a shared characteristic of the peoples of the Tibet Plateau. In the words of the famous Italian Jesuit Ippolito Desideri (1684–1733), who was one of the first Europeans to study Tibetan and Tibetan Buddhism, Tibetans were the peoples who practiced the 'false and peculiar religion' (1931: 199).

The religion-centric approach to observing Tibetans continued to feature in the writings of later missionaries and adventurers who journeyed to Tibet. Some observers such as the British missionary and Tibetologist L. Austine Waddell (1895) continued to present Tibetan Buddhism as an ideological enemy that needed to be conquered. By the early twentieth century, however, missionaries, perhaps influenced by the embryonic new disciplines of the social sciences that fissured from philosophy and religion, were beginning to show a more nuanced understanding of, and respect for, Tibetan culture and religious practices. Nevertheless, Tibetan Buddhism, with its exotic fascination for European audiences, continued to be a primary focus, and thus continued to paint a culturally homogenous picture of the Tibetan Plateau.²

In the pre-modern period religion is likely to have featured prominently in Tibetans' self-identity through people's close association with local monasteries, deities, sacred landscapes and rituals. However, modernists/constructivists would argue that religious identity in the pre-modern period was localized and vertical – i.e., limited to relationships with local practices and religious leaders, and did not lead to identification with a wider population. Although religion is today a unifying feature of a pan-ethnic identity, some constructivists would argue that such horizontal identification with a wider community only become possible with modern communication technologies (Anderson 1991).

The view of Tibetans as culturally homogenous was perpetuated by the influential writings of the few British officials who lived and worked in central Tibet in the early part of the twentieth century. Some of these officials had close relationships with Tibetan elites, and their writings thus reflected Lhasa-centric views about the reach of the Tibetan Government's religious, if not always political, influence across the wider plateau. In *The Peoples of Tibet* (1928) British diplomat Sir Charles Bell referred to the various peoples of the plateau as Tibetan 'tribes.' Bell (143) described the culturally and linguistically diverse Gyalrong region in eastern Tibet, for example, as 'a large province containing eighteen

Tibetan tribes on the Sino-Tibetan border.’ Today, scholars are examining more closely the diverse cultural identities of the peoples of the eastern plateau, with some arguing that such groups have only recently been ‘Tibetanized’ by scholarly and political discourse (Jinba 2014; Roche 2016), which is discussed further below.

During the Qing Empire (1644–1911), the Tibet Plateau was a mosaic of small states, kingdoms and tribal federations over which Qing control fluctuated (Samuels 1993). Central and west Tibet (U-Tsang) was largely self-governing under the titular authority of the Ganden Phodrang of the Dalai Lamas, however the Qing began stationing imperial residents (*amban*) in Lhasa from the early 1700s.³ Other parts of the plateau, including parts of Amdo and Kham, had been nominally ruled through the native chieftain (*tusi*) system.⁴ Qing control over its Tibetan protectorate diminished significantly in the nineteenth century as other domestic problems, including a series of rebellions, took priority and consumed resources. In the very latter part of the Qing Dynasty, following the violent British expedition to Lhasa in 1903–4, the Qing moved to reassert their authority in the region, bringing a small number of Tibetan areas under direct control via court-appointed county magistrates. The diplomat Eric Teichman (1922: 7–8) described the governing arrangements of the Tibet Plateau in the early twentieth century as follows:

At the beginning of the present [20th] century, before the British expedition to Lhasa in 1904 and the subsequent Chinese forward movement in Kam [Kham], that portion of High Asia inhabited by Tibetan-speaking peoples, and labeled *Tibet* on European maps, consisted of three separate entities, firstly, the Lama Kingdom of Tibet with its provinces and dependencies, secondly, the semi-independent Native States of Kam under Chinese protection, and thirdly, the Kokonor [Amdo] Territory under the control of the Chinese Amban residing at Sining [Xining] in Kansu [Gansu].

The British historian and diplomat Sir Hugh Richardson (1984: 1) promoted the idea of ‘ethnographic Tibet’ as a means of distinguishing the wider area ‘which peoples of Tibetan race once inhabited exclusively and where they are still in the majority’ from ‘political Tibet,’ which Richardson described as the territory that had been continuously ruled by the Tibetan Government in Lhasa. Richardson (1984: 1–2) explained the relationship between the two entities in the following way:

In that wider area [of ethnographic Tibet], ‘political’ Tibet exercised jurisdiction *only in certain places and at irregular intervals*; for the most part, local lay or monastic chiefs were in control of districts of varying size. From the 18th century onwards the region was subject to sporadic Chinese infiltration. But in whatever hands actual authority might lie, the religious influence of Lhasa was a long-standing and all-pervasive force and large donations of money and valuable goods were annually sent to the Dalai Lama.

Following the collapse of the Qing Empire debates about Tibet’s post-imperial political status became informed by new imaginings of the ethnic community. Rinchen Lhamo, who was married to British Consul Louis King,

was one of the first Tibetans to write on the subject of Tibetan cultural identity. Claiming that ‘Tibetan traditions go back to the dawn of time,’ Rinchen Lhamo (1926: 12) asserted:

[t]he Tibetan Government had proved, by a mass of administrative records, what is indeed self-evident, that all this country was an integral part of the Dalai Lama’s realm. All Eastern Tibet is inhabited by Tibetans, and the Eastern Tibetan is as much a Tibetan as a Yorkshireman is an Englishman. The Tibetans are a homogenous nation, bound together by the ties of race, of historical tradition and of a distinctive social, political and material civilization held in common. (60)⁵

Rinchen Lhamo’s representation of the Tibetan nation was clearly rooted in a primordial understanding of ethnic identity, but can also be understood from an instrumentalist perspective. Aware of the rising global tide of nationalism that was shaping world politics in the aftermath of the Great War, and Tibet’s unclear political status at this time, Rinchen Lhamo was motivated to make a case for a Tibetan national identity. Historical evidence suggests, however, that Rinchen Lhamo’s view of where the boundary lay was not shared by all Tibetans, including by other members of central Tibet’s political class (Tsomu 2006). As Tibetan historian Tsering Shakya (1993: 2) notes:

[r]ight up until 1959, the Tibetans had very little sense of being one group. When the Chinese first crossed the Yangtze, then marking the border between Tibet and China, it was the Khampa militia recruited by the Chinese which attacked and ransacked Chamdo. There was no sense among the militia that their brethren were being invaded by the Chinese.

Accounts of the Republican period by founder of the Tibetan Communist Party Phüntso Wangye suggest ethnic identities were as fractured as the politics on the plateau. In his biography (Goldstein, Sherap and Siebenschuh 2004), Phüntso, an educated Tibetan nationalist from Batang in Kham, recounts his efforts to rally Tibetans around the nationalist and communist causes, and to persuade the elites of the urgent need for reform to ensure Tibet’s survival as a nation. However, Phüntso repeatedly failed to find common cause and identification with Tibetans from other areas, notably political elites from across the River Dri (upper Yangtze) in central Tibet. Phüntso’s experiences with Lhasa-appointed officials suggest that they did not consider Khampas like Phüntso as one of their own kind, highlighting Tibetans’ different perspectives on where boundaries were drawn.⁶ Phüntso’s experience is corroborated by Wang Juan’s (2013) study of elite Tibetan and Chinese understandings of Tibetan identity in the Republican period. Wang found that Nationalist Party bosses, warlord Liu Wenhui’s Xikang government and local Khampa leaders all harbored different perceptions of who was and who was not Tibetan. Historians are only just beginning to uncover the reasons why different actors drew the boundaries in different places.

As Tsering Shakya (1993) reminds us, one of the reasons a pan-ethnic identity could not exist, was the absence in the Tibetan language of a group name for all ‘Tibetans.’ The closest Tibetan-language term is *bod-pa* (pronounced *per ba*), but

this term is understood in Kham and Amdo to refer only to peoples in central Tibet. Historically, central Tibetans also only used the term to refer to themselves, and not to Khampas (peoples from Kham) or Amdowas (peoples from Amdo) or the tribes of Gyarong, although this practice has noticeably changed in recent years, and is discussed further below. Shakya (1993: 1) notes an even narrower usage of *bodpa* – the nomads of central Tibet use the term to refer to the peoples of the Lhasa Valley. In Kham and Amdo there is little evidence from the pre-PRC period that peoples had a sense of belonging to a wider Tibetan community. Many of the peoples of southeastern Tibet identified as *Khampas*, and were recognized as such by central Tibetans and *Amdowa*. First-hand accounts from eastern parts of Tibet during the Republican period confirm the salience of local and religious identities over wider ethnic community identities.⁷ Across the plateau sub-regional identities or notions of belonging to particular Buddhist sects (Nyingma, Kargyu, Sakya, Geluk and Bon) were far more prominent than national identities (Mortensen 2016; Hillman 2010). As political scientist Dawa Norbu (1992: 10) observes:

Regionally, Tibetans identified themselves as Khampa, Topa, Tsangpa and Amdo-wa of Kham, Toi, Tsang (Shigatse) and Amdo regions. Sectarian identity is rooted in the different traditions of Tibetan Buddhism and is particularly powerful among the lamas. Regional identities and attachments to homelands (*phayul*) are more popular among the laity. In practice, of course, sectarian and territorial identities may overlap and reinforce each other ... Before the politicization of Tibetan ethnicity ‘we’ and ‘they,’ or ‘Tibetan’ and ‘non-Tibetan’ was a Buddhist differentiation between believers and non-believers, *phyipa* and *nangpa*.

The inhabitants of eastern parts of the plateau may have identified with Lhasa in a religious sense, but many held the central Tibetan Government and its officials in contempt, and the Tibetan army as much a threat as Chinese armies from the east. A vivid account of these perceptions of regional difference is found in Nakstang Nulo’s (2014) *My Tibetan Childhood*. In his memoir Nakstang notes that he was called a ‘Golok’ by other Tibetans, in reference to the region near to where he was born (the territory of Golog in Amdo is now administered as the Guoluo Tibetan Autonomous Prefecture in Qinghai Province).

Chinese sources from the late Qing and early Republican period use a variety of ethnonyms, and not all of them flattering, to describe the various peoples, particularly peoples in the eastern parts of the plateau, whom we would today know as Tibetans. For centuries Chinese referred to Tibetans from Tsang as ‘tufan’ 吐番. However, these terms did not apply to peoples from outside the two main provinces of central Tibet. The modern Chinese term for Tibet – ‘Xizang’ – is likely to have emerged as a truncated phonetic transliteration of U-Tsang, which today still only refers to western and central Tibet – the present-day Tibetan Autonomous Region (TAR), thus maintaining a distinction between ‘political’ Tibet and what others call ‘ethnographic’ Tibet or ‘zangqu’ (Tibetan regions) in Chinese. Imperial Chinese administrators had different terms for the peoples known today as Tibetans, including the derogatory terms ‘xifan’ 西番 (western barbarian), ‘heifan’ 黑番 (black barbarian) and ‘shengfan’ 生番 (raw barbarian), which

referred to Tibetans as well as other peoples today known by different names such as Nuosu, Lisu, Zhuang and Qiang (Rockhill 1891). In southern Kham along the present Yunnan-Sichuan border Han Chinese and other ethnic groups referred to local Tibetans as ‘Kangba’ (from Tib. Khampa) or used sub-regional descriptors. Peoples from Kham also frequently referred to themselves as ‘Khampa’ when outside their region (Goullart 1955). However, there has never been a collective Tibetan or Chinese-language term for all the peoples of the eastern plateau.

Recent scholarship, including by historians working in the New Qing History school, has highlighted different perspectives on ethnic and cultural identities in the Qing Empire, prompting students of ethnic identity and ethnic politics to rethink the way we identify and conceptualize different peoples during the period (Rawski 1996; Crossley 2000; Elliot 2001). Historians and anthropologists, in particular, are moving the gaze away from the center of empire to the periphery where they are unearthing new knowledge about the diversity of local societies across the Tibet Plateau (Dai 2009; Wellens 2010; Dhondup 2011; Hartley 2013; Tsomu 2014; Giersch 2016; Buffetrille 2017) and how peoples perceived themselves and others. Recent historical scholarship supports the idea that a pan-Tibetan identity is a much more recent phenomenon than previously thought, and emphasizes the profound impact of Chinese state-building, Tibet’s incorporation into the People’s Republic of China and social and economic change on the formation of a pan-Tibetan ethnic and ethnonational identity.

TIBET AS A NATION

In 1949 the new People’s Republic asserted its sovereignty over most of the area claimed by the Qing as part of its realm, including the Tibet Plateau. Initially Beijing promised self-rule to central Tibet under the political leadership of the Dalai Lama’s government while the eastern parts of the plateau were incorporated into neighboring provinces with which they had been tied administratively since the eighteenth century.⁸ Central (‘political’) Tibet was to be spared from the CCP’s more radical social and economic reforms. However, in eastern parts of Tibet that were outside of the Tibetan Government’s jurisdiction the CCP began introducing land reforms, which caused major social upheaval and a series of rebellions. Following major rebellions in eastern Tibet in 1956 (Kham) and 1958 (Amdo), large numbers of rebels and refugees fled to Lhasa. Tales of the experience of Communist Party rule in eastern Tibet heightened tensions and fears in Lhasa about the future. By early 1959 senior members of the Dalai Lama’s government became convinced that Beijing could not be trusted to preserve Tibetan religious and political institutions. Rumors swirled in the capital that the People’s Liberation Army was planning to kidnap the Dalai Lama. The Dalai Lama’s senior advisers convinced him that he should flee to India and establish a government in exile that would advocate for Tibet’s independence.

On March 17 1959 the Dalai Lama and senior members of the Tibetan Government left for India. Approximately 80,000 Tibetans followed. The PRC's annexation of Tibet and the Tibetan Government's exile intensified debates about Tibetan identity – specifically, whether the Tibetan peoples constituted a nation, which would, under principles of international law and practice, entitle Tibetans to some form of political sovereignty.

The Dalai Lama's exile prompted new debate about Tibetan national identity. The debate was driven largely by exiled elites who were interested to promote pan-Tibetan solidarity. Tibetan nationalists sought to cultivate a pan-Tibetan national identity by appealing to sources of a shared heritage. Tsering Shakya (1993: 1) highlights a 1959 article that appeared in the Indian journal *Tibetan Mirror*, which was 'symbolically addressed to "all tsampa: eaters.' According to Shakya:

[t]he writer had gone down to the staple, barley, as the most basic element which united the Tibetan-speaking world. If Buddhism provided the atom of Tibetanness, then tsampa provided the sub-particles of Tibetanness. The use of tsampa transcended dialect, sect and regionalism.

Other scholars have pointed to an emerging pan-Tibetan consciousness in the post-1959 period. Dawa Norbu (1992: 10), for example, observes during the post-1959 period 'a growing consciousness, particularly among "urban" Tibetans, about a pan-Tibetan identity that sharply differentiates itself from *rgya-rigs* or *rgya-mi* – the Chinese/Han. The "in-group" is increasingly identified as *bodpa* or *bod-rigs*.' However, while a pan-Tibetan identity was clearly forming among exiles, there is little available evidence to demonstrate the extent to which this ethnic consciousness was being embraced by Tibetans in China.

Western academics also began contributing to debates about the identity aspect of the 'Tibet Question,' as the issue of Tibet's political status came to be known. A 1960 article by the missionary Robert Ekvall sparked a generation of inquiry into Tibetan cultural identity as the basis of a national identity. Ekvall, who was writing soon after the Dalai Lama's flight into exile, opened his article with the following observation (375):

Recent conversations with Mr. Norbu, the eldest brother of the Dalai Lama, have suggested that the Tibetans, for the first time (or with a new insistence), are asking themselves, 'What does it mean to be a Tibetan?' In other words, by what criteria do they identify themselves as different from the Chinese, and how do those differences constitute a distinctive whole, which they want to preserve against the change which the Chinese now seek to impose on them? ... It is clear that they realize how relatively unstable the national entity of Tibet has been and the degree to which the fragmented political structure contributed to, or at least invited part of, the disaster which has come upon them. But at the same time they feel that the Tibetan way of life – Tibetan culture as they newly recognize the concept – is something coherent and distinctive for which they are willing to struggle and risk much in a very unequal conflict.

Based on his conversations with Tibetans in Amdo, Ekvall determined that there were several traits through which Tibetans identified with other Tibetans

and distinguished themselves from non-Tibetans: religion, folkways, language, ancestry and land. These attributes are contiguous with the attributes used by twentieth-century scholars to define the ethnic basis of nations. Joseph Stalin provided the classic definition during debates about the status of the Soviet Union's different ethnic communities. In Stalin's words (1954: 16–17):

[a] nation is a historically evolved community of language, territorial, economic life and psychological makeup manifested in a community of culture ... It must be emphasized that none of the above characteristics is by itself sufficient to define a nation. On the other hand, it is sufficient for any one of the above characteristics to be absent and the nation ceases to be a nation.

Even though Stalin's definition highlighted the 'psychological' dimension of national identity – in contrast with the idea of 'class' – his definition was influential among scholars from the primordialist camp. Anthony Smith, one of the founders of nationalism studies, elaborated on Stalin's criteria. Smith (1986) defined nations as groups that shared (i) a group name, (ii) a myth of common ancestry, (iii) shared historical memories, (iv) shared cultural attributes (e.g., religion, language), (v) attachment to a common territory and (vi) a sense of solidarity. Applying the criteria to the peoples of the Tibet Plateau yields debatable results. There are a number of cultural attributes shared by Tibetans across the plateau. However, it is difficult to argue that the peoples of central Tibet were attached to the territories of Amdo and Kham. And the languages spoken by central Tibetans and Amdowa are not mutually intelligible.

Ekvall's article on Tibetans' self-image and the emerging literature on nations and nationalism inspired a generation of scholarship on Tibetan national identity. Many of these works had a political bent in that their authors supported recognition of Tibet as an independent state, even after the exiled Tibetan Government abandoned in 1988 its pursuit of independence. In *Tibetan Nation*, Warren Smith (1996) argues that Tibet existed for centuries as a nation and thus deserves the right to self-determination.⁹ In the same vein, Dawa Norbu (2001) offers a detailed account of Tibet's historical status to prove the existence of an ethnonational political community. Ronald Schwartz (1994) also draws on historical sources in his discussion of Tibetan national identity and its expression in the 1980s street protests.

For different reasons the Chinese Communist Party (CCP) took a similar approach to identifying Tibetans as a nation. The CCP was influenced by Soviet approaches to governing the different ethnic groups that lived within the borders of the new state, borrowing Stalin's criteria to identify and codify national groups. The CCP recognized Tibetans as one of the PRC's minority nationalities (*shaoshu minzu*). However, the Chinese term *minzu* had different connotations to the English-language word 'nation' – i.e., it did not suggest a right to self-determination. According to the Chinese formulation, Tibetans were a sub-group of the greater Chinese (*zhonghua*) family of ethnic groups. The

idea built on Sun Yatsen's Republican-era nation-building concept of the 'five Chinese races' – Han, Tibetan, Mongol, Manchu and Uyghur – who would join together in the creation of a post-imperial nation and China's republic. The Communist Party recognized a larger number of ethnic groups, although it provided special concessions to a select few. For territorially concentrated groups such as the Tibetans the Communist Party introduced a system of regional ethnic autonomy to ensure, in theory, a greater voice for Tibetans in the governing of local affairs, particularly in the area of social and cultural policy. The CCP had made such promises to ethnic groups during the civil war in order to enlist their support. However, unlike in the Soviet Union, the new Chinese constitution did not grant such groups the right to secede from the PRC.

Although China's *minzu* identification subordinated Tibetans within a multi-ethnic Chinese nation, the project also contributed powerfully to a pan-Tibetan ethnic consciousness. The official Chinese determination that several million peoples on the plateau belonged to the 'zang' ethnicity was an action by the out-group, but it began to shape Tibetan in-group perceptions. Like other official minority ethnicities, Tibetans were identified as 'zang' on their national identification cards, a status that would carry significant social and economic consequences over the coming decades. As more Tibetans, especially young peoples, began to undertake formal education and to learn Chinese, many became increasingly aware of their status as ethnic Tibetans, even in the absence of a Tibetan-language name for the wider group, and even though many young peoples, particularly in eastern Tibet, belonged to communities that spoke non-Tibetan languages (Roche and Suzuki 2018). Some Tibetan 'tribes' were also classified as belonging to other ethnic groups (Wallenböck 2017).

China's school curricula, designed to support nation-building goals and to reflect Marxist-inspired official ideologies about the development of human societies from primitive communism to slavery, to feudalism and capitalism, and ultimately to socialism, also tended towards a monolithic view of Tibetan history. Textbook treatment of the nature of traditional Tibetan society and Tibet's relations with China (Hillman 2003) subordinated the Tibetan experience within the larger Han Chinese-dominated historical narrative, but, in doing so, conflated diverse Tibetan experiences. More recent CCP efforts to promote integration by educating Tibetan students in special schools in Han Chinese cities (Ch. *neidiban*) have also sometimes had the unintended consequence of galvanizing a pan-Tibetan ethnic consciousness (Ch. *minzu yishi*). Although the program is designed to assimilate and groom a new generation of educated professionals in the Chinese-speaking world, by participating in the program Tibetan students from different parts of the plateau become aware of their common experiences, values and fates, which are easily contrasted with those of Han Chinese students. In a similar vein, Yang (2017) found that Tibetan students' experience of China's *minzu* university system, which was designed to 'civilize' and 'integrate' minorities, strengthened Tibetan group unity.¹⁰

THE MYTH OF TIBET AND CRITICAL RESPONSES

The nationalism studies literature that promoted a unified view of Tibetan cultural identity was accompanied by a body of (mostly Western) literature that romanticized Tibet as an unchanging land of spirituality and mystery that lay at the end of the earth (Klieger 1992; Bishop 1993). The orientalist image of Tibet, to which many Western and Chinese tourists, travel writers and journalists still cling, was inspired by travel writings from the late nineteenth century and early twentieth century that highlighted the mysteriousness of the ‘forbidden’ kingdom. Donald Lopez (1998: 3) argues that the myth-making project goes back even further to ‘the earliest encounters of Venetian travelers and Catholic missionaries with Tibetan monks at the Mongol court.’ Since then ‘tales of the mysteries of [Tibetans’] mountain homeland and the magic of their strange – yet strangely familiar – religion have had a peculiar hold on the Western imagination (3).’ The captivation is encapsulated in a quote from Christmas Humphreys’ widely read 1951 survey of Buddhism, in which the author writes ‘The great spaces ... and the silence where men are scarce and wildlife is rarer still, all lend themselves to introverted thought, to the development of abnormal ways of thought, to the practice of the best and worst of the manifold powers of the mind’ (Lopez 1998: 4).

Travel writing took off in the late nineteenth and early twentieth centuries as adventurers followed in the path of colonial expansion and conquest (Dodin and Räther 2001; Schell 2007). At the time many in the West were intrigued by Tibet’s self-imposed isolation, its ban on foreign visitors, including official foreign missions and its apparent rejection of modernity (and colonization). As adventurer Alexandra David-Néel (1927: xii) confessed, ‘what decided me to go to Lhasa was, above all, the absurd prohibition which closes Tibet.’ Writings by David-Néel and others fed a myth of Tibet as a place of ‘happy, peaceful peoples devoted to the practice of Buddhism, whose remote and ecologically enlightened land, ruled by a god-king, was invaded by the forces of evil’ in the form of a red peril (Lopez 1998: 11). This myth was nurtured through the 1950s and 1960s by Tibetans in exile who understood that the pure land myth attracted international attention and sympathy for the exiles’ cause (Anand 2007). Western Tibetologists contributed to the myth as they dissected the trove of (previously unseen outside of Tibet) literary works the exiles carried with them, which were hailed as a ‘repository of ancient wisdom whose lineage, as the Dalai Lama himself claimed, could be traced back to the Buddha himself’ (Lopez 1998: 42).

The Shangrilafication of Tibet was an imaginary exercise that many Tibetans found difficult to resist, and reproduction of the myth is today often on display during encounters with tourists both in exile enclaves and in the Tibetan areas of China, which have become increasingly exposed to foreign and Chinese domestic tourism (Kolås 2008; Hillman 2010). Since the rapid growth of China’s domestic tourism industry beginning from the early 2000s Han Chinese have also developed a fascination with Tibet based on the same myths of Tibet as Shangrila – a

name that first appears in the 1933 novel *Lost Horizon* by James Hilton (Hillman 2003). The Chinese embrace of the Tibet myth can be seen in many contemporary novels, films and travel writings. Nowadays it is common for wealthy Chinese businesspeoples and movie stars to have a personal Tibetan lama, and the rapid expansion and renovation of many Tibetan monasteries across the plateau in recent years can be attributed in part to generous donations from Han Chinese devotees (Hillman 2005; Smyer Yu 2012). The image of Tibetans as full of spirituality and free of the stresses and material obsessions of the modern world contrasts with earlier Chinese images of Tibetans and other peoples of the step as uncivilized barbarians (Hillman and Henfry 2006), and with official portrayals of pre-1949 life in Tibet as nasty, brutish and short – a politically constructed narrative designed to highlight the benefits brought by the Chinese Communist Party since 1950. Bifurcated Chinese perceptions of Tibetans – dangerous/uncivilized versus spiritual/free continue to this day, with both contrasting images serving to reinforce notions of a homogenous Tibetan identity.

Because the subject of Tibetan identity had become so politicized, it is no surprise that the Tibet-as-myth literature encountered a backlash from Tibetan nationalists and their sympathizers in the scholarly world. Georges Dreyfus (2005) offers a considered critique of Lopez and proponents of the Tibet-as-myth literature. He rejects the idea that a pan-Tibetan identity was hijacked by Western fantasies, arguing that through religion Tibetans had a sense of collective identity long before 1950 that can be understood as a form of proto-nationalism. Renowned Tibetan Buddhist scholar Robert Thurman (2001) took a more extreme position against the myth literature, famously accusing Donald Lopez of being an apologist for China. Thurman's scholarly outburst is a reminder of how polarized positions on the status of Tibet have narrowed the space for scholarly inquiry about what it means to be Tibetan, but it also highlights a difference between scholars who are spiritually and emotionally engaged in Tibetan Buddhism and the Tibetan cultural world and scholars who maintain a greater distance from their subject. Religious scholars and practitioners have tended to emphasize homogeneity among Tibetans by pointing to shared religious traditions and doctrines whereas scholars working in other disciplines such as anthropology and history increasingly emphasize local difference.¹¹

A number of works in the 1990s and 2000s by Lopez (1998), Goldstein (1997), Makley (1999), Shakya (1999) and others have sought to navigate the polarized space for debating Tibetan identity. These works have sought to demystify Tibet by painting a more nuanced and realistic picture of Tibetan society in the PRC. These efforts have paved the way for a new generation of scholars to further interrogate the boundaries and categories that have been promoted and reified by both sides of the political divide. Partly in response to the politically charged debates about Tibetan unity and identity, a new body of literature has emerged to critically examine Tibetan identity in China today. Led by anthropologists, but with contributions from geography, history, literary studies, political science

and sociology, critical Tibetan-ness studies seeks to understand the changing meanings of being Tibetan in China today (Shneiderman 2006). Influenced by constructivist understandings of identity and by interpretive approaches, and influenced by the category and label iconoclasm of the New Qing History school, critical Tibetan-ness studies have highlighted regional diversity (Roche 2015), local context (van Spengen 2006; Roche 2016) and gender differences (Makley 1999 & 2007; Hillman and Henfry 2006; Jinba 2013; Rajan 2015) in the contingent and evolving construction of Tibetan identity.

POST-2008 ETHNIC AWAKENING

Other recent developments in the study of Tibetan identity have followed the impact of the street protests of March 2008 and the accompanying wave of political mobilization. Numerous scholars have argued that the protests – the largest outpouring of anti-government sentiment since the rebellions of the 1950s – triggered a pan-ethnic ‘awakening’ among Tibetans in China. On March 10, 2008, the anniversary of the uprising that precipitated the Dalai Lama’s flight into exile, monks from Drepung and Sera, two of Lhasa’s three great monasteries, were intercepted when attempting to march on the city center. Some of the monks were reportedly beaten and arrested. On the following day another group of monks attempted to march to demand the release of their colleagues. More monks were reportedly beaten and detained. Security forces surrounded Drepung and Sera, as well as Ganden, the third great monastery of Lhasa, to prevent further mobilization. However, lay peoples began to demonstrate in the streets in support of the monks and in opposition to China’s policies (Smith 2010). Some waved the Tibetan national flag. Over the following days peaceful demonstrations turned to violent protests as a number of protestors began attacking government offices and police stations. In contrast with the protests of 1987–89, the 2008 protests were characterized not only by ‘ethnic protest’ against the state, but also by ‘ethnic conflict,’ inter-communal ethnic violence targeted at non-Tibetans (Barnett 2009; Hillman 2016a).

Street protests quickly spread across the plateau to Tibetan areas in Gansu, Qinghai and Sichuan provinces. As many as 30,000 Tibetans participated in more than 100 separate ‘mass incidents’ (Ch. *quntixing shijian*) – a broad Communist Party term for any form of social unrest, including protests, the public airing of grievances and physical skirmishes that arise from ‘internal contradictions.’¹² The unprecedented scale of political mobilization across the plateau highlighted a united sense of disaffection among Tibetans from all regions, disaffection that was shared via social media, facilitating horizontal connections among Tibetans from different parts of the plateau. In all of the protests for which records are available peoples called for the return of the Dalai Lama, highlighting the religious leader’s continued significance as a rallying point for Tibetan identity and ethnic mobilization despite six decades in exile.

Scholars generally agree that the 2008 street protests (known in Chinese and Tibetan by the shorthand ‘March 14’ [3.14]) had a galvanizing effect on a pan-Tibetan ethnic consciousness (Smith 2010; Warner 2013; Hillman 2014). It was arguably the first time that Tibetans from all regions had voiced common grievances in such a mass mobilization. The protests also brought together Tibetans from diverse backgrounds. Whereas most participants in the demonstrations of the late 1980s were monks and nuns, the 2008 street protests were led and joined by Tibetans from all walks of life. Discussion of the protests and their meaning on social media increased horizontal connections among Tibetans in China and between Tibetans in China and the Tibetan diaspora.

The authorities’ response to the protests also had a great impact on pan-Tibetan ethnic consciousness. A security crackdown on Tibetans involved mass arrests and incarcerations. Harsh sentences for vague offences were meted out to Tibetans across the plateau, causing widespread anger. In the wake of the protests Tibetans of all walks of life experienced various forms of discrimination, which also served to galvanize a pan-Tibetan ethnic consciousness, even among Tibetan Communist Party members and state employees (Grant 2016; Hillman 2016b). Airports introduced special security lanes for screening Tibetan passengers, and many hotels in major cities such as Beijing refused accommodation to Tibetans. Ethnic Tibetan public servants, including policemen, were subjected to the same treatment, reminding peoples that their ethnic status trumped other forms of identity and that Tibetans were ‘persons of interest’ regardless of their years of service to the state or loyalty to the CCP. Propaganda and patriotic education campaigns further targeted Tibetans and Tibetan areas (Terrone 2016).¹³ Tibetans from Kham and Amdo were required to obtain special permits to travel to the TAR and to stay in government-assigned accommodation.

In the wake of March 14 other forms of surveillance were introduced and strengthened in Tibetan areas, including grid surveillance in cities and the deployment of ‘volunteer’ observers in villages whose job is to report on suspicious activities. As the security crackdown successfully shut down street protests, political protest took on a new and terrible form. Although the first self-immolation took place in 2009, from 2011 the number of self-immolations dramatically increased (Buffetrille and Robin 2012; Woesser 2016). Like the street protests that preceded them, the self-immolations generated much discussion about the issues at the heart of the political protest, particularly on social media. The actions forced Tibetans from diverse backgrounds, including those who had previously shown little interest in politics or policy, to confront questions of Tibetan cultural identity and its future in the People’s Republic of China.

The events of 2008 appear to have energized Tibetan cultural life in the PRC. New debates about Tibetan unity and identity can be seen in the burgeoning blogosphere and via social media platforms such as *Wechat* (Kehoe 2015; Gayley 2016; Yangzom 2016). A movement led by writers, comedians and singers and religious figures emerged to ‘purify’ or re-Tibetanize the Tibetan language by

replacing words borrowed from Chinese with Tibetan constructs. Examples include the exhortation to use the word *Glog klad* instead of the Chinese word *diannao* for computer and *glog brnyan* instead of the Chinese word *dianying* for movie. Both of these Tibetan neologisms are direct translations of the Chinese terms – ‘electric brain’ in the case of the former, and ‘electric shadow’ in case of the latter (Thurston 2018). There are further reports in the wake of March 14 of Tibetans of all generations taking greater interest in preserving their language through grassroots language associations (Robin 2014; McConnel 2015; Henry 2016) and promoting aspects of Tibetan cultural heritage such as dress (Yeh 2013) and festivals (High Peaks Pure Earth 2012).

Scholars have documented Tibetans’ increasing use of social media to engage in Tibetan-language debates about developments in Tibet, human rights, Chinese policies and laws and Tibetan ethics, and in the process forging new links among Tibetans from across the plateau as well as with Tibetans outside China (Buffetrille 2014; Robin 2016). Such debates serve to reinforce a sense of nationhood across the plateau. Artists and writers have also responded to recent events with musical and poetic works that rally Tibetan readers around unifying themes, and which cleverly employ traditional metaphors to express cultural identities, and to evade detection by online censors (Morcom 2015). According to Lama Jabb (2015: 137) ‘the frequent use of metaphors such as “red wind,” and “wild yak,” and their status as unifying imageries, demonstrate how cultural trauma serves as a rallying point for the Tibetan peoples ... these figurative expressions reinforce Tibetan solidarity.’¹⁴

The events of 2008 also prompted new debates among Chinese scholars and policymakers about the effectiveness of China’s ethnic policies, in particular the system of ethnic regional autonomy. Using an institutionalist approach to the study of identity formation, some Chinese scholars have argued that the ethnic regional autonomy system has led to a hardening of ethnic boundaries, and reinforces local nationalism (Ma 2014). Several Chinese scholars have proposed a ‘second generation’ of ethnic policies that emphasizes individual rights and multiculturalism over regional ethnic autonomy (Leibold 2016; Elliot 2015). Such changes, although unlikely at the present time, would have an unpredictable impact on Tibetan identity formation in the PRC.

The events of 2008 and their aftermath have exposed a deep tension between competing versions of Tibetan cultural identity and approaches to governing Tibetan areas. The Party-state sponsors highly sanitized forms of cultural expression that treat ethnic identity as a subset of Chinese identity. Ethnic markers such as differences in foods, dress, song and dance are widely celebrated as long as they can be perceived as an exotic variation of Chinese-ness and not as markers of a separate nation or civilization. Expressions of cultural identity that challenge state-sanctioned versions of ethnicity in China are likely to be branded as ‘local nationalism,’ which is treated as a threat to China’s national integrity and security. The framing of the problem, which has its roots both in the CCP’s nationalist

ideology and in Maoist approaches to identifying potential friends and enemies of the revolution, thus delegitimizes certain forms of ethnic expression and all forms of Tibetan political mobilization (Hillman 2016b).

CONCLUSION

The Tibetan ethnic awakening since 2008 highlights the ongoing challenge of integrating Tibetans into the Chinese nation – a problem that is likely to persist well into the twenty-first century (Shokdung 2017). Tibetans in China are citizens of the PRC, but most Tibetans do not consider themselves to be Chinese in the cultural sense. When speaking in Tibetan, Tibetans do not use the term Han Chinese to distinguish this cultural group from minority groups in the PRC; Tibetans simply refer to the Han Chinese as ‘Chinese’ (Tib. *rgya mi*). The conflation of Chinese cultural identity (Ch. *Zhonghua*) with Chinese citizenship (Ch. *Zhongguo*) is a practice that predates the PRC – it represents nationalist efforts to include diverse groups in the modern Chinese nation in the transition from empire, a project begun by the nationalists under Sun Yatsen and continued by the Chinese Communist Party after 1949. The ideological challenge is further compounded by the PRC’s more recent promotion of a rejuvenated Greater China (also referred to as the China Dream), which is clearly rooted in Han conceptualizations of China, Chinese civilization and Chinese history. The key unanswered question, and a promising direction for future research, is how Tibetan identity will evolve in response to these ideological challenges, current policy settings and China’s rapid social and economic change. To address this question, scholarship will need to continue to draw on multiple disciplinary and theoretical perspectives.

Notes

- 1 I use the neutral term ‘annexation’ for the military conquest of Tibetan territories at the end of the Chinese civil war. The official Chinese account refers to the ‘liberation’ of Tibet. Many Tibetans and Western observers use the word ‘invasion’ to describe the People’s Republic of China’s conquest of the region.
- 2 A useful analysis of early and contemporary European writing on Tibetan culture can be found in Dodin and R  ther (2001).
- 3 The Ganden Phodrang was the government of Tibet headed by the Dalai Lamas. It was established by the Fifth Dalai Lama (1617–82) and lasted until 2011 when the 14th and current Dalai Lama relinquished his political authority.
- 4 The nature of Manchu (Qing) and earlier dynastic rule in Tibetan areas is the subject of significant scholarly debate. It is a highly politicized subject because it relates to debates about Tibet’s historical ‘belonging’ to China (Goldstein 1997; Shakya 1999). Beijing claims that Tibet was incorporated into China during the Yuan Dynasty. Tibetan exiled government characterizes the relationship between Beijing and Lhasa as that of ‘patron’ and ‘priest,’ which emphasizes equality over subordination (Powers 2007 and 2016).

- 5 The author made these remarks in reference to the 'abortive Simla conference of 1913–1914' at which British, Chinese and Tibetan representatives sought to demarcate Tibet's boundaries and political status. At the conference the Tibetan Government claimed jurisdiction over all of ethnographic Tibet, including the regions of Kham and Amdo.
- 6 Another helpful source on Tibetan perspectives on group boundaries is Sarah Jacoby (2016).
- 7 See Geoffrey Samuels (1993) for an excellent guide to the diversity of Tibetan societies over multiple centuries.
- 8 For a comprehensive history of this period and analysis of the Seventeen Point Agreement that outlined the shared powers and responsibilities of Beijing and Lhasa, see Shakya (1999).
- 9 See Smith (2009) for a more recent articulation of the argument.
- 10 On the relationship between education strategies and Tibetan identity see also Zenz (2014). On education as the frontline in the battle for the preservation of Tibetan cultural identity see Henry (2016).
- 11 See Snellgrove (1966) for an earlier debate on this same point, and Dreyfus (1994).
- 12 According to China's official news agency Xinhua, there were more than 150 incidents of vandalism or burning across Tibetan areas during the two weeks from March 10 to March 25, 2008. See <http://news.sina.com.cn/c/2008-04-01/233615271291.shtml>.
- 13 On the role of history and propaganda in PRC efforts to shape Tibetan identity and self-perception, see Powers (2004).
- 14 On the role of music in Tibetan identity among Tibetans in the diaspora see Diehl (2002). Another useful source on identity in the Tibetan diaspora is Swank (2014).

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Uyghur Identities

Joanne Smith Finley

INTRODUCTION

The academic field of Uyghur studies is composed mainly of anthropologists, political scientists and historians, although scholars working in security and terrorism studies have recently also begun to show an interest in the Xinjiang region. Identity, ethnicity and nationalism are themes that frequently surface in their work, right across disciplines, despite the political and practical difficulties attendant on researching ethno-politics on China's peripheries. Much of the published literature has been produced on the basis of ethnographic fieldwork, often and increasingly conducted on an informal (non-affiliated) basis, and always with an eye to protect the anonymity of Uyghur respondents. Some research in this field, notably Starr's edited volume (2004), has led to the state blacklisting of certain scholars (i.e. repeated refusal to grant them a visa), a punitive measure that has been applied to different individuals with differing levels of consistency. Currently (2017), within the context of comprehensive state securitisation of the region, it is almost impossible to conduct even covert fieldwork in southern or rural Xinjiang, where the greater part of the Uyghurs are concentrated.¹

A MODERN POLITICAL HISTORY OF THE UYGHURS

To understand the development of Uyghur identities, and the academic theories that seek to explain them, it is necessary to first locate the Uyghur people in

historical and political context. The territory today called Xinjiang did not fall decisively under Chinese rule until its conquest by the Manchu Qing Empire in the mid-eighteenth century, and thereafter continued to be rent by local rebellions. An initial anti-Qing uprising launched by Manchu and Uyghur officials in Üch Turpan in 1765 was unsuccessful. Then, in 1828, descendants of the Khojas² launched a series of invasions of southwest Xinjiang. Unable to overthrow the Manchu citadels, these attacks ended in the 1850s (Tsing 1961; Saguchi 1978; Millward 2004). When rebellion broke out among Hui Muslims in northwest China a decade later in the 1860s, instability quickly spread to neighbouring Xinjiang, where Uyghurs joined Hui rebels and sometimes staged separate rebellions in the cities. Subsequently, Uyghurs dominated south and west Xinjiang, while the Hui controlled the east and north. In the interim, Yaqub Beg, an adventurer from neighbouring Khokand (located in modern-day Uzbekistan), established an emirate extending from southern Xinjiang to Turpan, which lasted from 1864 until 1877 (Chu 1966; Kim 1986, 2004; Millward 2007). However, in the late 1870s, the Qing re-conquered most of Xinjiang (Millward 2004).

At the end of the nineteenth century, industrialists and merchants in Kashgar, Turpan and Ghulja launched a movement to modernise Uyghur education. Resembling the 'jadidist' ('new method' education) movements then developing in Russian Central Asia, these reformist schools instilled Turkic – and subsequently Uyghur – nationalist ideas in young Uyghurs during the 1920s, and many then joined the uprisings of the 1930s (Millward 2004; Bellér-Hann 2008). In 1931, the predatory behaviour of a Chinese military commander towards a local Uyghur woman resulted in his assassination and the Qumul Rebellion against the Chinese warlord administration in Ürümchi. A confused period of shifting political and ethnic loyalties followed, involving the entry of Hui warlord Ma Zhongying – 'Big Horse' – from Gansu (supported by the Chinese Nationalists in Nanjing), mutiny among Han forces in north Xinjiang, competition among Uyghur armies and an alliance between Chinese warlord Sheng Shicai (based in Ürümchi) and the Soviets. This led to the brief flourishing of the 'Turkish-Islamic Republic of East Turkestan' (TIRET) in Kashgar in 1933–34, which equally opposed Chinese and Soviet influence (Hedin 1936; Forbes 1986). Advocates of Uyghur independence today frequently cite this as a 'milestone of Uyghur nationalist history' (Millward 2004: 5).

From the early 1940s, the Chinese Nationalists re-established control over Xinjiang, ousting Sheng Shicai and cutting off Soviet influence. Shortly after, in 1944, the Rebellion of the Three Regions (*Uy. Üch Wilayät Inqilabi*) erupted among Kazakhs and Uyghurs in the north, who together with Kyrgyz in the south resisted warlord rule, economic hardship and Han chauvinism among Chinese Nationalist officials (Lattimore 1950; Forbes 1986). Though this rebel alliance was initially characterised by inter-ethnic competition and ambiguity towards Islam, by summer 1945 it had evolved into a secular, socialist government backed by the Soviet Union: the 'East Turkestan Republic' (ETR), based in Ghulja, northern Xinjiang. Under Soviet pressure, the ETR formed a coalition government with the Chinese Nationalists in Ürümchi in 1945; however,

tensions remained high, and the ETR is said to have ‘continued virtually without Nationalist interference’ in the north (Millward 2004: 5). In late 1949, Chinese Communist forces occupied Xinjiang, facing only minor military resistance, which came mainly from independent Kazakhs under the leadership of Osman Batur (Shih 1963; Millward 2004).

This brief political history suggests recurrent themes helpful for an understanding of modern Uyghur identities: firstly, the tension between religious and secular orientations. Take the 1864 Muslim Rebellion: this was the first instance in which the region’s Muslims (Hui and Uyghurs) united against a common non-Muslim enemy (Manchus and Han Chinese), using influential Sufi leaders as figureheads. From then on, Islam became a common focus for the mobilisation of Muslim groups against external rule. However, alliances forged along Islamic lines often broke down once victories were won. Furthermore, divisions in political ideology were perceptible in the north, south and east of the region. Since at least the early 1930s, Uyghurs and other Muslim groups in south Xinjiang had tended to mobilise political opposition along Turkish-Islamic lines. TIRET, the independent administration set up in Kashgar in 1933–34, was staunchly anti-Soviet and anti-Han, but also anti-Hui, since most Uyghurs considered this non-Turkic group to be allies of the Chinese (Bellér-Hann 2008: 59). TIRET looked to reformist Islamic regimes in Turkey, Afghanistan and the Middle East for inspiration and support. Meanwhile, political activists in the north, despite using Islam as an initial spiritual focus, had often been Soviet-educated and tended to advocate a secular secession, even while some Turkish-Islamic partisans within rebel ranks opposed this. Meanwhile, in the eastern oases of Turpan (Ch. *Tulufan*) and Qumul (Ch. *Hami*), local rulers voluntarily submitted to Qing encroachment in the 1700s. Apart from the Qumul Rebellion in 1931, there had been no anti-Chinese uprisings in these areas.

Another characteristic of these pre-1949 uprisings was that Uyghurs rarely took the initiative, tending instead to follow others’ lead. Again, the 1864 Muslim Rebellions are instructive. They were begun by the Hui, and Uyghurs in Xinjiang joined in later for their own reasons: a century of Manchu exploitation of resources and labour. Similarly, it took an outsider in the form of the Khoqandi Yaqub Beg to unite Uyghurs and others against Qing rule for 12 years until 1877. Yaqub Beg is today a folk hero and nationalist symbol (with many claiming that he was ethnically Uyghur); yet his popularity among contemporary Uyghurs cannot emanate from his actual policies, which were often detrimental to local interests (Kim 1986). Rather, it stems from Uyghurs’ desire for a leader who could effectively unite them against an outside threat.

SCHOLARLY PROPOSITIONS AROUND UYGHUR IDENTITIES

While Soviet turcologists established a Russian-language field of Uyghur ethnological studies in the 1920s (Kamalov 2007), and some information about the Uyghurs could be gleaned from travel literature on Central Asia written in the

1920s–1940s (notably, *Pivot of Asia* by the eminent scholar Owen Lattimore, 1950), English-language scholarship on the minority nationalities, as classified by the People’s Republic of China in the 1950s, began to appear only in the 1970s. Mostly consisting of broad surveys of the 55 minority groups (population, economy, language, culture, level of social integration) and detailing state policies towards them (Dreyer 1976; Heberer 1989; Mackerras 1994, 1995), this literature lacked in-depth focus on any one group. The first to deliver more detail on the Uyghurs was Schwarz (1984), which focused solely on the 21 minorities of northern China (see section titled ‘Turkic Group’). Later works narrowed their focus to one minority group (the Hui, Zhuang, Miao, Mongols or Naxi), and dedicated studies of the Uyghurs (Rudelson 1997; Gladney 2004; Bellér-Hann et al. 2007) and Xinjiang the region (Dillon 2004; Starr 2004) also began to appear. These analyses illuminated questions of identity and of the religio-cultural and socio-economic conditions of Uyghurs living under Han Chinese political control. A parallel approach examined specific social issues among various of China’s minority nationalities, and, among these, Iredale et al.’s (2003) volume on internal migration included four chapters focused on the Uyghurs.

Against the historical trajectory outlined in the first section, a dominant academic proposition that circulated until recently posited that Uyghur national identity was largely ‘created by the Chinese state’; that prior to 1949 the peoples of Xinjiang subscribed to an oasis-based or broad *musulman* (Muslim) identity (Gladney 1990). This argument hinged on the notion that, during the staged conversion to Islam taking place over several centuries, the ethnonym ‘Uyghur’ fell into disuse among southern converts because it was associated with the Uyghur Buddhist kingdom of Khocho in Turpan (Ch. *Gaochang* 850–1250). When in the mid-1400s the Turpan Uyghurs also converted to Islam, the ethnonym ‘Uyghur’ was abandoned altogether. For the next 500 years, Uyghurs identified themselves according to social group (‘merchant’) or oasis origin (‘Khotänlik’ – person from Khotän). Many scholars argued that this tendency reflected the mutual geographical isolation of the oases (for example, Oda 1978). Gladney (1990) suggested that the ethnonym reappeared only in 1921 at a conference in Tashkânt, when Soviet advisors proposed the name ‘Uyghur’ be used to designate those peoples formerly known by oasis-based names. This proposal was adopted in 1934 by the then Xinjiang provincial government, and the ethnonym was officially reinstated in the 1950s as part of the PRC’s nationalities classification project (Fei 1980).

Having conducted the first long-term, anthropological field study in Xinjiang in 1989–90, Rudelson (1997) followed Gladney (1990) in emphasising the continued separateness of oasis identities in contemporary times. He also highlighted cross-cutting social group allegiances among Uyghurs (intellectual, peasant, merchant). He concluded that while shared enmity towards the Hui, perceived as allies of the Han administration, helped Turkic Muslims envisage themselves as one group prior to 1949, today’s Uyghurs are Uyghurs *primarily because the government gave them that name*. In this way, Uyghur identity was

long conceptualised solely in terms of 'relative ethnicity', and viewed as a reaction to the Chinese 'Other'. The dominance of this theory in the field tended to (re)produce the hypothesis that Uyghurs maintained no coherent group identity prior to their incorporation within the modern Chinese nation-state.

Yet there is now some doubt over whether the ethnonym 'Uyghur' ever disappeared. Kamalov (2007) demonstrated that it was in popular use in the 1920s among Soviet turcologists, while in a 2013 interview, a Uyghur historian pointed to archival materials, hitherto suppressed by Han historians, which he claimed demonstrate the continuity of the 'Uyghur' ethnonym *among highly educated persons* from the fifteenth through the twentieth centuries. Regardless of whether this material comes to light, the 'no name, no identity' theory ignores a host of over-arching commonalities and links between oases that existed prior to 1949.

Situating the Uyghurs between China and Central Asia (Bellér Hann et al. 2007) signalled a decisive shift by framing Uyghur socio-cultural identity as a hybrid located at the nexus of the Chinese and Turkic Central Asian civilisations, but significantly closer to the latter, current political structures notwithstanding. Importantly, Newby's chapter in that volume (2007) drew on Qing sources to assert that the peoples of the Altä Shähär ('Six Cities', contemporary southern Xinjiang) shared a sense of community and discrete identity by as early as the eighteenth century, promoted by inter-oasis trade and marriage, and the Qing policy of population transfer. This emphasis on pre-existing shared resources that pre-date not just the establishment of the PRC in 1949 but the arrival of Qing troops in the western Regions – has continued: 2008 saw the publication of Bellér-Hann's historical anthropology of Uyghur collective identity from the late eighteenth to mid-twentieth centuries, followed by Dautcher's (2009) thick description of contemporary personal and community identities among Uyghur men in Ghulja. Smith Finley's (2013) longitudinal ethnography bridged the gap between the old corpus (focused on relational aspects of Uyghur identity) and the new (focused on intra-group identity) by illustrating how contemporary Uyghurs deploy 500 years' shared history of common social, cultural and religious norms (evolved since the last Buddhist Uyghurs converted to Islam in the sixteenth century), and a common attachment to the land developed over a millennium,³ to both present a positive group identity and resist Han Chinese hegemony. Connecting with Bovingdon's exploration of ways in which Han state nationalism and Uyghur ethnic nationalism compete through a 'politics of representation' (2010: 6), this work cast individuals in Xinjiang not as passive recipients of state representations, but as agents who draw upon in-group socio-cultural commonalities to create alternative identities and express symbolic oppositions. Thum (2014) brought manuscript-based evidence drawn from the seventeenth to twentieth centuries, which shows how the recitation and amendment of sacred texts during internal migrations (shrine pilgrimages) tied the oasis peoples of Xinjiang to the land (across wide geographic spaces) and to each other. In telling stories

about Muslim saints and powerful men who worked to spread Islam across the region, and visiting the shrines built to revere those figures, pilgrims laid claim to what one reviewer has called a form of ‘indigenous sovereignty’ (Byler 2017). Thum (2014) questions earlier arguments about the importance of oasis-based identities, suggesting that while these may have been salient, they were not necessarily preeminent. Most recently, Brophy’s history of the Uyghur nation (2016) has mined archival, published and manuscript sources in several languages to illustrate that communal identities across the region had combined membership in a broad Islamic community with a sense of local belonging to the land long before the twentieth century. However, Brophy is at pains to point out that these forms of identity were not proto-national. Rather, the Uyghur national idea was the product of complicated negotiations between proto-Uyghur (Taranchi, Tatar) elites and intellectuals, ethnographers and local and national Soviet officials. Re-emerging as a clear communal identification and affiliation in the 1920s, it first became a focal point for independence movements in the 1930s.

CONTEMPORARY UYGHUR SELF-IDENTITIES: FROM CULTURAL TO RELIGIOUS SYMBOLS

The ways in which Uyghur self-identities are expressed in contemporary times have evolved in response to changing domestic politics/policies and socio-economic conditions within China and in response to external events. Following the collapse of the USSR and formation of the Commonwealth of Independent States (CIS) in 1991, the Uyghurs became the only sizeable Central Asian population without an independent state to their name. Unsurprisingly, the early–mid-1990s saw a rapid growth of nationalist aspiration among young Uyghur males, fuelled by several fanciful predictions. Coined the ‘1997 theories’ (Smith 2000), these included the hope that China would attack Taiwan during the 1995–96 cross-strait tensions involving the US, the expectation that the UK would refuse to hand back its colony Hong Kong, leading to an Anglo-Chinese war (cf. Bovingdon 2010) and the wish that Chinese leader Deng Xiaoping’s death would lead to a CCP power struggle and large-scale civil unrest. Any of these eventualities could create the necessary conditions of domestic instability for Xinjiang to seize its independence. The mid-1990s thus saw urban Uyghurs segregating themselves from Han Chinese via a combination of strategies (Bellér-Hann 2002; Smith 2002), including:

- 1 Circulation of negative stereotypes of Han people (based on cultural and religious differences or perceptions of invasion and exploitation);
- 2 Construction of ethnic boundaries that ensured segregation from Han people (justified on grounds of cultural and religious differences);
- 3 Dissemination via popular song of alternative representations of Uyghur–Han relations as colonised–coloniser.

Simultaneously, there was a sharp increase in separatist violence directed against agents of the state (government officials, including indigenous ‘collaborators’; police; soldiers) and infrastructure (sabotage of roads, railways, power lines and government installations) (Smith 2000; Dillon 2004; Millward 2004; Shichor 2005; Hess 2009; Bovingdon 2010). In one dramatic incident in 1996, nine activists stormed the home of a local Uyghur leader in Kucha, and assassinated him, his wife, his younger brother and his brother’s wife, cutting out their tongues, in an act of silencing of a perceived ‘ethnic traitor’ who had failed to represent the Uyghur people.⁴ Despite these incidents, the vast majority of Uyghurs have engaged in ‘everyday’ or ‘symbolic’ resistance of a non-violent nature (Rudelson 1997; Bovingdon 2002; Smith 2002; Heller 2007; Smith Finley 2013).

Following the Ghulja disturbances in 1997⁵ and their military suppression, the Chinese government launched a series of ‘Strike Hard’ campaigns against ‘splitism’ (*fenliezhuyi*) and ‘illegal religious activities’ (*feifa zongjiao huodong*). In the eyes of the state and its majority Han subjects, these disturbances represented a perverse attempt to break away from a benevolent patron. In daring to pursue the ‘separatist’ dream, disaffected Uyghurs had failed to fulfil citizens’ duties of safeguarding nationality unity and the unification of the motherland, and were labelled ‘ingrates’ (Smith Finley 2011a). Heavy restrictions were placed on freedom of speech, thus any expression of Uyghur dissatisfaction became a punishable offence, labelled ‘local nationalist’ or ‘splittist’ (Bequelin 2004a: 375). In Ghulja, a ‘Three-No’ policy was established: no questioning [the riots], no telling [about the riots] and no visiting [those imprisoned following the riots].⁶

The political frame shifted again after the events of 11 September 2001. Now, Chinese leaders re-positioned themselves alongside the US and embraced the new discourse of the ‘Global War on Terror (GWOt)’ (Bequelin 2004b; Dillon 2004; Millward 2004), so that any expression of discontent in Xinjiang – violent or non-violent – was labelled ‘terrorist’. Then, in 2002, the public recital of an allegedly ‘nationalist’ poem during *Nawruz*⁷ celebrations in Ürümqi led to intensified censorship of cultural products deemed to have had ‘an adverse impact on society’. Chinese authorities began to claim that those now using arts and literature to ‘distort historical *facts*’ were the same people who had employed violent, terrorist tactics in the past (Bequelin 2004b: 43–4). Consequently, two former means of symbolic resistance – negative oral stereotyping and alternative representations in popular song – were outlawed. Uyghurs found themselves in an increasingly bi-polar world, where they could resist and face marginalisation, or accommodate to ensure personal survival.

Yet symbolic oppositions are necessarily fluid, emerging, adapting and disappearing in response to changing political conditions. This dynamism of symbolic boundaries is ‘a necessary element in responding to the ongoing challenges of being marginalised’ (Vasquez and Wetzel 2009: 1570). While ethnic segregation (including endogamy) continues to be enforced by most Uyghurs and has strengthened in the aftermath of the Ürümqi riots of 2009,⁸ a powerful, new

symbolic boundary has emerged in the form of an orthodox Islamic revival. Scholarship conducted since the turn of the millennium documents the return to the mosque and revitalisation of orthodox practice in Kashgar (Waite 2003, 2007) and Ürümqi (Smith Finley 2007b), as well as the economic, social and psychological role increasingly played by Sufi pilgrimage (Harris and Dawut 2002; Dawut 2007). While many in-group practices have long been informed directly or indirectly by Islam, the Uyghurs stressed their ethnic (rather than their religious) quality in the mid-nineties. More recently, emphasis has shifted from the ethnic quality of practices to the religious, such that intermarriage is currently deemed impossible on grounds of religion, whereas prior to 1997 it was more often said to be obstructed by different ethnic customs.

This process of re-Islamisation or Islamic revival has gained momentum among a section of the Uyghur population, one which increasingly cuts across categories of age, gender, social/class background and oasis origin (Koch 2006; Smith Finley 2007b, 2013; Waite 2007; Harris and Isa 2014). Significantly, the pattern is equally observable in the regional capital Ürümqi, a city formerly often viewed as a symbol of Uyghur linguistic and cultural ‘dilution’. In the southern city of Kashgar, global flows have introduced reformist ideas, broadening local disputes over what are considered ‘correct’ Islamic beliefs and practices (Waite 2007). This process of re-Islamisation has been largely peaceful and cathartic, and there is a diverse set of reasons behind it (Smith Finley 2013). While some articulate Islamic renewal as a symbol of local opposition to national (Chinese) and global (US, Russian, Israeli) oppression of Muslims (see also Smith Finley 2007b), others characterise it as a response to failed economic development (as perceived by those who failed to benefit), and a desire to return to social egalitarianism. While some have returned to Islam as a response to the frustrated ethno-political aspirations of the 1990s (failure to achieve independence along the lines of the new Central Asian states), others did so as a reaction against modernity and a return to cultural ‘purity’ – a process previously documented for many Middle Eastern societies. For still others, Islam is a vehicle for personal and national reform in a context where (ethno-)political non-fulfilment is conceived as a divine punishment for moral decline.

CONTEMPORARY UYGHUR IDENTITIES: RE-ISLAMISATION VERSUS SUBALTERN COSMOPOLITANISM

The perceived ‘pure’ route to orthodox Islam has not, however, been taken by all Uyghurs. At one end of the spectrum, we find Islamic ‘reverts’: individuals who have embraced *bāsh waq* (the five daily prayers), renounced alcohol, cigarettes and drugs, and who link the future of the Uyghur nation directly to personal, moral salvation, as a first step. At the other end, we find (a small number of) deeply acculturated youths, largely unskilled in their mother tongue, some of

whom criticise the shortcomings of Uyghur traditional culture, and hanker after all things Han, including in rare cases a Han romantic partner. Between the two, we find an assortment of 'hybrid' individuals who combine chosen aspects of religious and cultural affiliation with a (since 2004 compulsory) Chinese-language education in a bid to survive in an increasingly competitive socio-economic landscape. Among these are the urban 'cosmopolitans': new world citizens, often fully bi- or trilingual, who mobilise preferences for Central Asian, Turkish, Middle Eastern, mainland European and Anglo-American cultural products to reach for positive, globalised identities that are independent of the Chinese state's representational machine and transcendent of national borders (Smith Finley 2011b).

In this complex climate of re-Islamisation, acculturation and globalisation, poles of religious and secular seem to have become more pronounced, promoting increased religious debate in the Uyghur community. Waite's ethnographic study (2007) described a range of Uyghur popular reactions towards Islamic reformists in the early 2000s, including resentful accusation – 'they keep their wives secluded – like in a cage' – and positive appraisal, with reformists described as 'good Muslims who believe in reform (*islahat*) and progress (*täräqqiyat*)' (2007: 172). The revivalist trend among the public is also reflected in a growing preference for Arabic over Uyghur names (Sulayman 2007; Waite 2007). Uyghur intellectuals, who tended in the past to follow secular ideologies (Rudelson 1997; Bovingdon 2010), have become similarly split in orientation. Some, while acknowledging that religion can form a central vehicle for political resistance, do not view Islamic revivalism as the best path for the Uyghurs (Smith Finley 2013). Others have gravitated towards Islamic and Arab culture in their research, and may be experiencing a parallel process of re-Islamisation to sections of the lay public (see for instance Rewaidula and Rewaidula 2004).

The enhanced distinction between religious and secular is mirrored in social interaction. While in the mid-1990s the Uyghurs would introduce one another in terms of whether they were Uyghur- or Chinese-educated (a linguistic/cultural distinction), from the 2000s individuals began to base their introductions on *whether a person prayed*. The implication is that if a person actively practises Islam he/she is a good, moral and reliable person. It also appears to inform choices about whom one can trust, with some non-practising Uyghurs seen as potential *espion* (spies) (Hess 2009; Smith Finley 2013). By 2004, many Uyghur restaurants in the regional capital Ürümqi consisted of two storeys, with smokers and drinkers of alcohol seated on one floor and those who abstain seated on the other. This new system is not limited to Xinjiang, but extends to Uyghur migrant communities in eastern China; similar practices could be observed in a Uyghur restaurant and dance venue in Shanghai in 2013.

Yet the divides between nominal, partially observant and strictly observant Muslims cannot in practice be neatly explained in terms of *minkaohan* (Chinese-educated = secular) and *minkaomin* (Uyghur-educated = observant), as some

assume, including many members of the Uyghur community itself. Interview data suggest rather that while some Uyghur-educated youths went to university and embraced secularism in the 2000s, some Chinese-educated youths chose to embrace religion (Smith Finley 2013). It is particularly the Uyghur urban youth which has drawn on a wider variety of sources in order to define and celebrate its ethnic identity. One such source is transnational cosmopolitanism. In the early 2000s, a young musician named Arken Abdulla (the ‘Uyghur Guitar King’) provided a contemporary role model for Uyghur youth, as it began to move between regional and national boundaries, and then stepped across the national boundary altogether. Arken was one of the first artists to make ‘the move beyond Uyghur tradition and the geographical boundaries of Xinjiang’, immortalising this act with his first studio album *The Dolan Who Walked Out of the Desert* (*Zou chu shamo de Daolang*, 走出沙漠的刀郎), which title signalled his aspiration to ‘connect to the rest of the world’ (Baranovitch 2007: 70).⁹

This emerging cosmopolitanism among young Uyghurs should be regarded as both ‘subaltern’ and ‘rooted’ (or ‘partial’). It is ‘subaltern’ because cosmopolitanism is never gender- or ethnically neutral, in other words, cosmopolitan sociability cannot negate pre-existing social relationships of unequal power, such as that between the Uyghurs and Han Chinese. It is also ‘subaltern’ because cosmopolitan openness is constrained by the particularities of the historical moment; by time, place and circumstance (Glick Schiller, Darieva and Gruner-Domic 2011: 411–3). It is ‘rooted’ or ‘partial’ because cosmopolitan sociability is embedded within practice-based identities, and can therefore be found only in social relationships that do not negate cultural, religious or gendered differences (Glick Schiller et al. 2011: 403–4). For Uyghurs in urban Xinjiang, cosmopolitan sociability with other ethnic groups is influenced and limited by contestations over territory and culture, in a historical context of comparatively recent colonial domination (little more than 200 years). They are therefore unlikely to enter into relationships of cosmopolitan sociability with Han Chinese. Instead, they have sought out peoples with whom they have ‘experiential commonalities despite differences’ (Glick Schiller et al. 2011: 403). This helps to explain the fascination of contemporary Uyghur youth during the 2000s with the Flamenco culture of southern Spain, itself heavily influenced by North African Sufism, or with politically informed hip-hop in the US (Smith Finley 2011b). As one leading Uyghur folk musician put it: ‘Some cultures are more alike than others’ (Smith Finley 2013: 208).

Cosmopolitanism is often conceived as a threat to the nation-state; as sitting in opposition to national identity, and seeking to transcend the nation (Catterall 2011: 342). Its trans-border loyalties may be seen as ‘treacherous’, indeed, as a critique of nationalism itself (Glick Schiller et al. 2011: 401). In Xinjiang, where Uyghur continues to serve as the regional *lingua franca* despite the imposition of Chinese-medium education and increased levels of urban bi- and trilingualism, the popularity of Central Asian and Turkish songs (with vocals in Turkic-Altaic

languages) derives from a sense of linguistic and cultural closeness. In the Uyghur-dominated Yan'anlu district in southeast Ürümqi, university students 'listened to music from Uzbekistan, Kazakhstan, Russia and Turkey rather than from other regions of China' in 2005, while the district was fast becoming 'a cultural hotspot influenced primarily by the Turkic west' (Eri 2008: 77–8). This shared linguistic identity is one reason why Uyghur customers will normally choose imported Turkish chocolate over locally produced Chinese chocolate, because it is labelled in the Latinised modern Turkish script and comprehensible to most Uyghurs, who retain familiarity with the *yengi yeziq* (the Latinised New Script in use before 1980) (Erkin 2009: 425–26). That said, the food shopping phenomenon is also attributable to a shared cultural and religious identity, particularly in the recent climate of revived piety. Uyghur customers are more likely to believe that Turkish brands of chocolate are halal (permitted in the Islamic religion). In this way, 'branding, like national identity, trades upon familiarity, trust and aspiration' (Catterall 2011: 337).

In these cases, Uyghur identifications and aspirations are linked not to the bounded Chinese nation-state but to the transnational pan-Turkic world. International football provides a further compelling example of pan-Turkic identification. During one World Cup, when China was required to play Turkey, Uyghurs in Ürümqi cheered the Turkish players, and were delighted when China lost, much to the irritation of Han classmates and work colleagues (Smith Finley 2013: 387). Such incidents fully demonstrate the importance of the notion of 'alternate centres' (Bequelin 2004a: 377) as contemporary Uyghurs stress their alignments away from Beijing and towards Turkey and the Turkic cultural sphere. In another example of Uyghur identification with alternate centres, studies found that some students in Xinjiang would prefer to learn a different foreign language in place of Chinese (Schluessel 2007; Sunuodula 2015). Uyghur youngsters seemingly have no fear of the 'global advance of English', seeing the threat to the Uyghur language as deriving rather from the 'hegemonic language culture' (Catterall 2011: 338) in their region, Chinese. Uyghur students' preference for foreign languages other than Chinese suggests an alternative set of cultural and political allegiances in defiance of the Chinese state requirement of minority group alignment with the Han centre.

In addition to cosmopolitan goods, sports and foreign languages, many Uyghurs in Ürümqi seek to purchase real estate in ethnically Uyghur (Uy. *milliy*) districts of the city such as the Yan'anlu area. This preference does not reflect an inward-looking, culturally exclusive myopia; it is just that most consider the district to be 'more cosmopolitan' than other parts of Ürümqi. As one Uyghur university professor observed, foreigners and elements of foreign civilisations can be seen there, and 'modern ideas and fashions reach Yan'anlu first' (Erkin 2009: 425). It is Central Asian businessmen and the influx of Central Asian cultural products they enable – not Chinese modernity – that is viewed as bridging the gap between Xinjiang and the modern outside world. The emerging

Uyghur middle class enhances its identity with reference points from *outside* China rather than within (Erkin 2009: 420, 422). Another salient reference point for contemporary identifications is the Middle East. A fashion for belly-dancing emerged in Ürümchi since the end of the 1990s, and has spread to high-end Uyghur restaurants in Beijing and Shanghai. This new trend almost certainly emanated from the Arab world, which has become a major inspiration for some young Uyghurs, who see it as rich, modern, Muslim (therefore culturally close) and autonomous (Harris 2005). In this way, selective reception of global flows enables the evolution of a modern Uyghur culture and identity that orients itself towards the Turkic and Arab west, while Yan'anlu becomes the locus for a selective cosmopolitan modernity.

'BILINGUAL EDUCATION' AND UYGHUR IDENTITY

One factor that has affected Uyghur ethnic identity in a variety of ways in contemporary times is Chinese state repression of the Uyghur language – the regional *lingua franca* in Xinjiang. The mother tongue has long been central to Uyghur ethnic identity (Smith 2000, 2002; Dwyer 2005; Schluessel 2007, 2009; Reny 2009). However, since 1995, China's state education policy in Xinjiang has steered away from accommodative pluralism and towards assimilative monoculturalism (Dwyer 2005; Schluessel 2007). In 2002, the Chinese government introduced the 'bilingual education' (*shuangyu jiaoyu* 双语教育) policy, where this term is a euphemism for the mandatory use of Mandarin Chinese (the language of the majority Han) as the teaching medium in what were previously minority-language schools and classes (Schluessel 2007). The new policy abolished the 'separate-but-equal' parallel education system of the eighties and nineties, which had allowed Uyghur parents to choose the linguistic medium in which their children received tuition (Uyghur or Chinese). By 2005, all minority-language schools and Chinese-medium schools in urban Xinjiang had been 'consolidated', with students from all nationalities taught together in one class (Schluessel 2007). Since then, Mandarin Chinese has been rapidly institutionalised as the sole medium of instruction in the region through higher, secondary, primary and kindergarten levels of education. A secondary impact of the policy has been to relegate foreign languages such as Russian, English and Japanese to the status of third language, with pupils required to study this third language through the medium of Mandarin Chinese (Sunuodula 2015).

A recent edited volume examines the relationship among language, education and Uyghur identity in the post-2002 era, focusing on the patterns, effects and meanings of language use among contemporary urban Uyghurs (Smith Finley and Zang 2015). The contributions to this work, together with other studies (Smith 2002; Baki 2012; Smith Finley 2013), suggest that despite the recent accelerated institutionalisation of Mandarin Chinese, many Uyghurs continue to prefer the use

of the mother tongue in all but the professional realm (i.e. occasions when they must converse with Han co-workers). In a context in which a majority of Uyghurs considers their mother tongue to be the central aspect of their identity and inviolable, the bilingual education policy has been perceived as ‘linguicide’ or ‘linguistic genocide’ (the forced extinction of the minority language) and as a direct attack on Uyghur identity (Dwyer 2005; see also Yee 2005; Schluessel 2007).

Yet Uyghur objections to bilingual education do not mean an outright rejection of learning Mandarin. In fact, opinions among Uyghur parents concerning the pros and cons of an education in the mother tongue versus an education in Mandarin have been divided since at least the 1990s. While some Uyghurs view their mother tongue as intimately bound up with Uyghur identity and a cultural property to be defended, other Uyghurs are more instrumentally driven, and think strategically in terms of the potential socio-economic constraints associated with exclusively speaking the mother tongue versus the corresponding benefits of learning Mandarin (Benson 2004; Reny 2009). These strategic thinkers believe that Uyghurs ‘must compete with the Chinese on their terms’, and consider a Chinese-medium education essential for promoting Uyghur identity *from within the system* (Rudelson 1997). Nonetheless, it seems clear that most parents would have preferred to at least retain the choice over medium of education. Few Uyghurs would describe themselves as actively choosing to ‘acculturate’ to Han culture; in their own words, they make a pragmatic decision to accommodate to the prevailing system. Via a process Schluessel (2007: 270) termed ‘instrumental acceptance’, they opt to use Mandarin Chinese as a tool to improve their life chances and to further personal (and, by extension, group) interests, while continuing to express their separate ethnic identity through certain patterns of language use.

IDENTITY AND AUTHENTICITY: ‘REAL’ VERSUS ‘FAKE’ UYGHURS

The fact of Chinese as the sole medium of education across all levels of schooling since 2005, combined with a Han-centric curriculum and increased interaction with Han Chinese pupils in the school milieu, raises the question of cultural authenticity of the Uyghur youth trained under that system. According to Vannini and Williams’ (2009) social constructionist theory of authenticity, negotiation of the ‘authentic’ is a flexible and powerful scheme of evaluation, which involves boundary-making and has direct implications for the shaping of in- and out-group processes. Thus, definitions of what is – or is not – culturally ‘authentic’ can affect sub-group relationships within the Uyghur ethnic group as well as relationships between Uyghurs and other groups.

Minkaohan (Uyghurs educated in Mandarin Chinese) can be loosely divided into four groups, emerging within different political and socio-cultural environments since 1949. The first group, schooled in the 1950s–1960s, appears to have got on reasonably well with the first generation of Han Chinese who settled in

Xinjiang. While newly appointed Uyghur cadres learned Chinese, many Han newcomers attained at least functional fluency in the Uyghur language, and nearly all abstained from cultural practices outlawed in Islamic practice, such as consumption of pork (Smith 2002; Taynen 2006). This early cohort of *minkaohan* was well placed to form a bridge between Chinese administrators and local people.

The second group was the product of repression of minority languages and cultures during the Cultural Revolution (1966–76). Few Uyghur schools remained open during this period, and most Uyghur children in urban areas were forced to attend Han schools (Dreyer 1976). There, they were taught in the Chinese language, which subsequently became their first language – that they were most comfortable using – if not their mother tongue. The Arabic script, used by the Uyghurs since their conversion to Islam (and known to contemporary Uyghurs as the Old Script, *kona yeziq*), was discontinued in favour of the New Script (*yengi yeziq*) based on the Latin alphabet (Bellér-Hann 1991; Dwyer 2005). The experience of this generation of *minkaohan* was characterised by an acute sense of schizophrenia; a lack of belonging, either to the Chinese social world to which they were expected to assimilate, or to their own people among whom they felt themselves ‘fakes’ (Smith Finley 2007a).

The third group grew up during the climate of conciliatory minority policies of the 1980s and accelerated Han migration to Xinjiang across the 1990s. For this third wave, there was an element of parental choice regarding medium of education, albeit within an ethnically stratified socio-economic environment that seemed to point to only one course of action. The decision taken by some urban Uyghur parents during these decades to school their children in Chinese derived from a desire to increase their children’s education and employment opportunities. The *minkaohan* of the 1980s and 1990s received a solid early education in the home environment, where they spoke Uyghur and absorbed Uyghur socio-cultural practices. On reaching school age they went to Chinese-medium schools, where Chinese gradually replaced Uyghur as their first language and they were exposed to Chinese notions of culture. The transfer affected individuals in different ways, producing a myriad of ‘types’ on a broad spectrum of hybrid cultural combinations. For some, the experience produced a – temporary or permanent – sense of shame regarding their minority background, and a sense of cultural lack, as it had for second-generation *minkaohan*. Others, however, enjoyed more positive identities, considering themselves ‘modern’, ‘progressive’ and ‘internationalist’. Often, this third group of *minkaohan* experienced all of these emotions, at once or at different moments. Crucially, most left education and entered adult life to find that their partial sinicisation earned them only partial entrance to the sphere of Han privilege, with access increasing in proportion to the degree of sinicisation, but not guaranteed. At the same time, the two worlds they spanned were fundamentally divided by the inter-ethnic tensions that characterised 1990s Xinjiang, and they were considered neither (wholly) Uyghur by *minkaomin* (Uyghurs educated in Uyghur) nor wholly Chinese by the Han.

From the 1990s, speaking Chinese as one's first language came to be perceived as a 'minus' by some sections of the Uyghur community, who viewed this status as equal to linguistic and cultural 'dilution' (Taynen 2006; Smith Finley 2007a). *Minkaohan* stood accused of possessing incomplete knowledge of the Uyghur language and culture, and even of becoming 'quasi-Hans' (Smith 1999; Schluessel 2007). Labelled 'Xinjiang's 14th nationality' (Smith Finley 2007a: 229) by some, *minkaohan* became the preferred scapegoats of the *minkaomin* community and often the butt of jokes; some even saw *minkaohan* as potential collaborators, 'traitors' and 'sell-outs' (Taynen 2006; Smith Finley 2007a). Meanwhile, the superior status of the Uyghur mother tongue was symbolically underlined by the frequent sight of a Uyghur offering apologies to an ethnic peer after mistakenly addressing them in Chinese (Smith 1999, 2002; Taynen 2006). In Beijing, too, a similar language hierarchy has been observed among minority students; there, *minkaomin* have tended to consider *minkaohan* as only loosely representative of their ethnic group, causing *minkaohan* in Beijing to experience a 'torn identity' (Hasmath 2011).

A Chinese-medium education has been shown to exert certain psychological effects on *minkaohan* Uyghurs. Scholars report, for instance, that when growing up in a predominantly Uyghur neighbourhood, individuals tended to be academically confident and socially well-adjusted. However, if an individual grew up in a mainly Han neighbourhood, they were more likely to be quiet, withdrawn and uncertain about taking the lead in activities with Han children (Taynen 2006). *Minkaohan* often felt isolated in the Han classroom, slow to follow the jokes and banter (in Chinese) of Han peers. Inhabiting an uncomfortable middle ground, they contended with levels of ethnic discrimination not encountered by *minkaomin*, who studied in the linguistic and cultural safety of Uyghur-medium classes (Taynen 2006; Smith Finley 2007a). One *minkaohan* father, who claimed it had taken him years to feel secure and capable, described the Chinese-medium classroom as 'soul-destroying' for Uyghur children (Taynen 2006: 53–4). The situation was equally unbearable when *minkaohan* returned to a Uyghur cultural environment. Put in a situation where they were expected to demonstrate Uyghur linguistic or cultural knowledge, many *minkaohan* felt trepidation and fear (Smith Finley 2007a; Eri 2008). Because they tended to be more articulate and comfortable using Chinese, they would shift easily between Chinese and their mother tongue. This frequent code-switching fed mistrust among *minkaomin*, and created a social barrier between the two (Taynen 2006; Smith Finley 2007a). Taynen cites a typical example of one Uyghur woman, who declined to dance at a Uyghur wedding because she felt she did not know how to dance 'correctly'; other guests took offence at this, viewing the woman's refusal as a social 'slight' (2006: 56). In response to their experience of double prejudice from Han and Uyghur communities, some *minkaohan* began to form a 'third community', while others remained the 'perpetual outsider observing other people's cultures' (Taynen 2006: 46, 56).

The fourth group are receiving their education in the post-2002 era, during which Mandarin Chinese has been – so far as possible – standardised as the sole medium of

education across Xinjiang. Given that all children will now ostensibly be *minkaohan*, we might have expected that the stigma attached to that label and status would gradually fade, at least among the youth generation. Taynen (2006) noted that *minkaohan* children were irresistibly drawn to Chinese movies, TV shows, comic books and music. Eri similarly observed that the growing popularity of Uyghur performers singing lyrics in Chinese to Uyghur-style music symbolises ‘the current social expectation for young Uyghurs to be fluent in Mandarin at the same time as being proud to be Uyghur’ (2008: 78). Such developments may, however, be received with horror by the older generations. For example, Uyghur folk musicians tend to see any musical innovation, such as a new style of playing the *tāmbur* introduced by Nurmuhämmät Tursun (Harris 2005) or the fusion of Uyghur sounds with the *rumba/flamenca* gypsy style (Smith Finley 2013), as a shocking deviation from authenticity that must necessarily have resulted from Chinese influence. Their horror reflects core anxieties around the survival of Uyghur culture and identity in an environment increasingly dominated by the Han language and culture. Yet despite these growing concerns within the Uyghur community, it is increasingly clear that a Chinese-medium education does not have to lead to deep acculturation. Young Uyghurs can – and often do – emerge with multi-lingual and multi-cultural proficiency, while continuing to identify themselves solidly as Uyghur. Indeed, the desire to learn Uyghur and deepen one’s knowledge of the Uyghur language and culture is far more important than proficiency itself; so long as one has the *will* to protect the Uyghur ethnic identity, then one is normally accepted as an upstanding and honourable member of the community.

SOCIAL INEQUALITY AND UYGHUR IDENTITY

While young urban Uyghurs have become increasingly proficient at negotiating multiple languages and cultures, this proficiency has not improved their experience in an ethnically stratified labour market that is disposed to discriminate against them on the basis of ethnicity alone. Already the case in the wake of the Ghulja disturbances in 1997 (see Millward 2004), this is increasingly true of the period since the 2009 inter-ethnic riots in Ürümchi. Poor labour market outcomes, including rising unemployment and under-employment, constitute an important reason for the growth and persistence of Uyghur dissatisfaction. At their heart is ethnically informed hiring discrimination, understood within a framework of relative deprivation. While it is true that economic development has, comparatively speaking, boomed in urban Xinjiang, with a per capita GDP of 28,000–30,000 Chinese yuan in 2011 (Momtazee and Kapur 2013), and a regional GDP growth rate of 12% in 2012 (China Briefing 2013), Uyghurs are increasingly denied equal access to employment opportunities. This trend has worsened in direct proportion to the social perception among Han Chinese that Uyghurs are ‘ingrates’ who failed to fulfil their duty as PRC citizens to uphold nationality, unity and national unification (Smith Finley 2011a).

In the early–mid-1990s, *minkaomin* had faced job discrimination on the basis of insufficient fluency in the Chinese language, whereas *minkaohan* had been ‘significantly better equipped to succeed economically’ (Taynen 2006: 47, 54–5). After the 1997 Ghulja disturbances, however, *minkaohan* also began to be disadvantaged, as Uyghur applicants were rejected solely on the basis of their ethnicity (Smith Finley 2007a, 2013). It was common to see this caveat in the text of job advertisements in Xinjiang: ‘The above-described post is restricted to ethnic Han applicants’ (Ch. *yishang zhaopin xian Hanzu*, 以上招聘限汉族) (Uyghur Human Rights Project 2012: 3–6). Moreover, Maurer-Fazio, Hughes and Zhang (2007) provided quantitative data showing that Uyghur men had been badly affected, with the percentage of working-age males in employment falling dramatically from 80% to 60% between 1990 and 2000. Even where Uyghurs have been able to secure employment, they are often faced with poor or unequal progression opportunities. Relegated to lower administrative positions from which there is no hope of upward mobility (Taynen 2006), or passed over for promotions, they watch as Han colleagues ascend within the hierarchy. Zang (2011, 2012) reported a substantial gap in income between Uyghur workers and Han workers in regional capital Ürümqi. In response to this workplace discrimination, many *minkaohan* came to feel they had sacrificed their language, culture and ethnicity to gain socio-economic advantages that did not materialise (Taynen 2006), while the Uyghur community as a whole has experienced a strengthened ethnic awareness on the basis of perceptions of social inequality and injustice. This is perhaps particularly true of those Uyghurs of the so-called ‘Xinjiang Class’, who completed their education in Mandarin in the eastern cities of China proper, but are nonetheless routinely treated like criminals or terrorists by the Han public. Far from turning neatly into patriotic Chinese citizens, many abandon secularism to embrace Islam, and abandon Xinjiang for employment with foreign companies based in China’s inland cities or abroad (Grose 2015).

STATE SECURITISATION, INSECURITY AND UYGHUR IDENTITY

In response to what it sees as a rising Uyghur ethno-national and religious consciousness since the early 1990s, the Chinese government has carried out multiple and increasingly draconian ‘Strike Hard’ campaigns in the face of ‘the three evils’ of separatism, terrorism and religious extremism (Fuller and Lipman 2004; Rudelson and Jankowiak 2004; Dwyer 2005; Hyer 2006; Hess 2009). Since the Ürümqi riots in 2009, the state has moved to criminalise most forms of Islamic piety as a security threat, with ordinary everyday practices such as veiling, the growing of beards and fasting during the Qurban festival outlawed, and the introduction of an often surreal state programme of enforced secularisation (requiring pious Uyghurs to dance, sell/drink alcohol, etc.). However, repressive and punitive policies, enforced in a bid to ‘securitise’ Xinjiang, seem to have made the region less rather than more secure. Since 2012, state-sponsored violence in the form of police

intrusion into the Uyghur domestic sphere has been met by local retaliatory violence in Xinjiang on numerous occasions. For example, on 28 July 2014, riots began after more than 300 Uyghurs attacked a police station and government offices in Yarkand, prompting police to fire at the crowd, leaving 59 people dead. One local Uyghur official later indicated that the clashes had been triggered by restrictions imposed during Qurban, including house-to-house police searches and checks on Uyghur women's headscarves. Another pointed to the police shooting of a Uyghur family of five on 18 July after a policeman was injured during a quarrel triggered by police screening of headscarves at the family's home (Denyer 2014).

In the wake of ever tighter restrictions on religion, violence has spread beyond the Xinjiang region, in part because some Uyghurs have been forced to flee after getting into political trouble related to religious practice. Two incidents – the Tian'anmen crash in 2013 and the knife attack at Kunming rail station in 2014 – were especially significant in touching civilian victims in China proper for the first time, although the attacks were unsophisticated and did not bear the hallmarks of international terrorism. The Kunming case enraged many ethnic Han observers, triggering a continuous flood of anti-Islamic racism on the internet and social media, where the code word 'green' now indicates Islam in a pejorative sense. For its part, China has accelerated its ongoing crackdown and launched an all-out anti-terror campaign. Against this backdrop, some scholars of Uyghur studies (Roberts 2012; Castets 2015; Clarke 2015; Kanat 2016; Meyer 2016) are now absorbed by questions such as whether (or not) violent incidents of the past few years may be considered premeditated terror attacks; whether there are proven links between Uyghurs dissatisfied with China's domestic policies and the radical Islamist ideologies of international terrorist organisations like Al-Qaeda or Islamic State (IS); and, crucially, how far the increased violence is the consequence of increased state securitisation.¹⁰

Following the arrival of new CCP Party Secretary Chen Quanguo to the region in September 2016, new scholarship has focused on Chen's consolidation of a high-tech surveillance state in Xinjiang (Zenz and Leibold 2017) and introduction of 'political re-education centres' that target the entire Uyghur ethnic group as a 'biopolitical threat' (Roberts 2018; Zenz 2018). These centres are essentially internment camps containing hundreds of thousands of Uyghur detainees. Detainees have been submitted to indoctrination campaigns not seen since the Cultural Revolution, including interrogations, forced denunciations of Islam and Uyghur ethnicity, recitation of Chinese Communist Party slogans, singing of 'red' songs, and forced self-criticisms. Muslim interns have been forced to drink alcohol and eat pork. They have also been subjected to torture, including forced standing, food and sleep deprivation, solitary confinement, beatings, suspension by the wrists from a wall, and immobilization in a rigid 'tiger chair'. Though the state insists that these detainees are 'extremists', it is clear that the post-2017 'de-extremification' campaign targets the pious Uyghur community indiscriminately. Indeed, Xinjiang officials have publicly employed metaphors of 'weed-killer' and cancer treatment to argue that collective punishment of the Uyghur population as a whole is necessary to 'eradicate the tumours'. Known Uyghur detainees include a

university president, other academics, a philanthropist, a rising football star, a poet, a pop singer and famous musicians, including the master *dutar* player, Abdurehim Heyit (Harris and Isa 2017). This latest phase in state control of ‘the Xinjiang problem’ is nothing short of an attempt to break the Uyghur spirit: such ‘violent paternalism’ is clearly intended to eliminate the Uyghur identity (Byler 2018).

Notes

- 1 Xinjiang has distinct concentrations of ethnic populations. The Han Chinese are located in the wealthier northern corridor (Hami, Ürümchi, Changji, Shihezi, Qaramay and Bortala), with the highest levels found in the municipalities of Shihezi, Kuytun, Wujiaqu and Alar. The Uyghur are mainly located in the impoverished south (Kashgar, Khotän, Qizilsu, Aqsu, Turpan) and in northern Ili. In the Xinjiang 2010 census, Uyghurs accounted for 45.84% of the regional population (Toops 2016).
- 2 The Khojas were a Sufi lineage founded by the Samarkandi spiritual master Ahmad Kāsānī (d. 1542), a member of the Naqshbandiyya Sufi order with close links to politics. The lineage divided into two competing branches, one led by Ishāq Khoja (d. 1599) and the other by Āfāq Khoja (d. 1694). Āfāq Khoja and his followers, the Āfāqiyya, created a theocracy whose capital was Kashgar and which was based on Sufi organisation, practice and ideology. While the regime did not survive internecine conflicts and the Qing conquest in 1759, the Khojas of Kashgar continued to be active in the long term, conducting insurrections throughout the Tarim Basin until their complete neutralisation in 1866 (Papas 2017).
- 3 Until 840, the Uyghurs lived on the steppes of today’s Mongolian republic. Following the collapse of the Uyghur Empire (744–840), they began three separate migrations, one of which went west, crossed the Tianshan mountains and occupied the Turpan Basin (see Mackerras 1968; Haneda 1978; Geng 1984; Barfield 1989).
- 4 Personal communication with the daughter of a local Party official. See also Beckley (1997) and Bellér-Hann (2002: 78).
- 5 For an authoritative account of this event, see Millward (2004: 16–17). In brief, several hundred Uyghurs demonstrated after two *talipilar* (religious students) were arrested for ‘illegal religious activities’. Protestors called for ethnic equality and Uyghur independence, and expressed religious sentiments such as ‘We have only one God, and he is Allah’. Anti-riot police reportedly deployed dogs, tear gas, fire hoses, beatings and firepower, while riot targets included vehicles, police and Han residents.
- 6 Details are found in Classified document No. 175 (Dillon 2004: 95).
- 7 *Nawruz* (Persian) is the start of the new year (1 January) for Afghans, Azerbaijanis, Iranians and Tajiks. Other Central Asian peoples and some Uyghurs in Xinjiang have recently also begun to celebrate this day. The young Uyghur poet was Tursunjan Emet.
- 8 The Ürümchi riots broke out on 5–7 July 2009. Beginning as a peaceful protest on 5 July calling for an investigation into the Shaoguan incident (in which two Uyghurs were killed by Han co-workers in a toy factory), this escalated into anti-Han violence when the police confronted the march in a heavy-handed manner. The People’s Armed Police (PAP) and military were deployed, and two days later, on 7 July, hundreds of Han vigilantes launched a revenge assault on the Uyghurs, while many security personnel stood by and watched. According to official state statistics, 197 people died, the majority of whom were Hans, and many vehicles and buildings were destroyed. However, Uyghur exile groups put the death toll much higher, pointing to large-scale police sweeps and arrests during which many Uyghur men disappeared (Smith Finley 2011a).
- 9 The term Dolan refers to a people found in the Yarkand River valley, the Tarim River valley and the Lop Nur region of present-day Xinjiang. Though modern Dolan people now speak the vernacular dialect (usually Uyghur), the term refers to an earlier culture and civilisation in the region. The history of this people is little known. Some scholars and travellers believe the Dolan of the Yarkand River valley to be a Kyrgyz or Kazakh group that settled in the area during the Qing Dynasty (Newby 2007).

- 10 These were questions explored at a strategic workshop titled 'Securitisation, Insecurity and Conflict in Xinjiang, Northwest China', organised by Joanne Smith Finley, and held at Newcastle University on 3 October 2014. The workshop was supported by the Newcastle University Faculty of Humanities and Social Sciences and the Newcastle Forum for Human Rights and Social Justice. An edited collection of papers presented at this meeting is forthcoming in 2018.

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Ethnic Studies Beyond Tibet and Xinjiang

Katherine Palmer Kaup

INTRODUCTION

Over the last thirty years, there has been an explosion of research on ethnic groups in China. Influenced by developments within China as well as broader trends in scholarship and global developments outside of the country, scholars have explored an increasingly diverse range of topics, pursued their studies through an expanding array of disciplinary lenses, and utilized new tools and networks to promote the study of China's complex ethnic setting. With a few early exceptions, Western study of China's ethnic minorities began in earnest only in the early 1980s as the Chinese government lifted many restrictions on foreign scholars and reinstated the Chinese Academy of Social Sciences, the Nationalities Affairs Commission, and the Minority Nationalities Institutes that had been established in the early 1950s but closed during the Cultural Revolution. Western research begun in the early 1980s tended to be dominated by anthropologists, and focused largely on ethnic identity issues within single state-identified ethnic groups. Following the collapse of the Soviet Union and as ethnic conflict erupted across the globe in the early 1990s, the international community demanded answers to why and how some ethnic groups mobilize against states. In response, and as access to fieldwork expanded within China, the range of questions explored by scholars began to expand as scholars delved more deeply into many of the policies initially mentioned by ethnic studies scholars purely to explain how they influenced ethnic identity.

Any overview of a field this broad must limit itself to the central themes and only representative works from within them, and will, of necessity, omit numerous worthy works. Western audience's familiarity with minority issues in China

has overwhelmingly come from reports on Tibet and Xinjiang. This was particularly true before the 1990s, though remains largely true for general audiences. Scholars, journalists, policy analysts, and government officials have dedicated a great deal of attention over the last sixty years to developments within Tibet and Xinjiang, as covered elsewhere in this volume. The vast majority of scholarship on Xinjiang emerged after the breakup of the Soviet Union and has focused on the Uyghur ethnic group. The literature on Xinjiang reflects many of the themes explored in this chapter though those studies have been dominated by state–ethnic relations and human rights issues. This chapter will review scholarship focused on groups outside of Tibet and Xinjiang and on non-Tibetan and non-Uyghur ethnic groups, though a few prominent works that focus on Tibetans living outside of the Tibetan Autonomous Region will be referenced. Most of the scholarship, therefore, is based on studies and fieldwork conducted within the southwest, in Yunnan, Guangxi, and Guizhou as well as in the northern Inner Mongolia Autonomous Region.

Western scholarship on China's ethnic minorities has been influenced by developments within China itself (primarily what type of access has been accorded scholars and what type of collaborations have been permitted), by broader scholarly trends in ethnic studies and ethnic nationalism, by global developments, and, of course, by the questions that have emerged from the studies themselves. The overwhelming focus of scholarship in the early 1980s and 1990s revolved around issues of identity, classification, and representation, all related but separate issues. These issues continue to capture scholarly attention, but in the process of exploring them, additional areas of research, and in some cases entirely new fields, have emerged. Separate studies have developed from the early explorations of how ethnic consciousness emerged, how certain ethnic identities became salient for minorities and for those viewing them from the outside, and how minorities have portrayed themselves and engaged in the state's modernization drive. As early scholarship explored how state policies (including economic, education, language, and nominal autonomy policies) impacted identities, other scholars picked up on many of these policy issues to explore more fully as independent subjects of study. Louisa Schein's study (Schein 2000) of how the Han external lens exoticized Miao women, for example, helped spur further study of how minority cultures have been utilized and manipulated to promote ethnic tourism (Chio 2012; Chio 2014). These studies, combined with the early writings of Tim Oakes on tourism in Guizhou (Oakes 1997, 1998) in turn evolved into a robust study of tourism's impact in ethnic minority areas beyond its impact on identities. Studies on the influence of tourism on minorities' economies and environmental landscapes, for example, have helped paint a clearer picture of life in the ethnic countryside as discussed in more detail below.

Though Western scholars have published ethnographies and theoretical studies using case studies of numerous minorities outside of Tibet and Xinjiang, a handful of minorities and regions have garnered greater attention than others.

The Yi have received perhaps the most international attention thanks in large part to the influence of Stevan Harrell of the University of Washington, as noted below (Harrell 2013). Yi studies began in China in the 1950s, however, with the establishment of the School of Yi Studies at the Southwest University of Nationalities, which now has over 670 students and twenty-nine faculty. Much of the fieldwork on the Yi has been conducted in the Liangshan Yi Autonomous Prefecture in Sichuan. The Naxi and Mosuo in Lijiang Prefecture and along the Yunnan-Sichuan border have also attracted a great deal of scholarly attention in the English literature (McKhann 1995; Chao and Harrell 2012; Walsh 2005; Mathieu 2003; Blumenfield 2010). The Miao (Schein 2000; Diamond 1995; Oakes 1998; Chio 2014), Yao (Litzinger 2000), Dai (McCarthy 2009), Kazak (Benson and Svanberg 1998), and Zhuang (Kaup 2000) have also received in-depth coverage, though the first three have attracted wider attention. A number of ethnographies have appeared that challenge the boundaries of the current state classification system by exploring identities of groups not designated among the country's fifty-five officially recognized ethnic minority groups. Studies on the Hakka have garnered considerable attention, for example (Leo 2015; Constable 1996). Emily Honig's work on Subei people (Honig 1992) has informed many Western ethnographies of state-identified ethnic groups, though the Subei are not officially recognized as an ethnic minority themselves. Han studies has also emerged as an important field of study (Mullaney, Leibold, Gros, and Bussche 2012), though this chapter will focus primarily on trends in the study of ethnic minorities recognized by the state in southwest China.

A brief sketch of China's ethnic minority studies prior to the explosion of Western scholarship in the 1990s will set the stage for how minority studies have expanded and evolved over the last forty years. To impose some order on the wide range of writings on minorities within the space limitations of this chapter, this review divides the literature into studies of identity, representation, and classification followed by a brief sketch of several policy studies that emerged from these early explorations of identity.

THE RE-EMERGENCE OF ETHNIC STUDIES AFTER 1979

Western scholarship on China's ethnic groups had all but ceased during the 1960s and 1970s as the Chinese government closed its borders to international scholars and denounced ethnicity as a mere reflection of class interests in 1964. When the Chinese Communist Party first came into power in 1949, it promised to make the minorities 'the masters of their own homes' and free them from earlier regimes' 'manipulative policy of splitting and dividing the nationalities ... and playing one minority group off of the other to impose their tyrannical rule' (Zhang 1998). The Party pledged to allow minorities to develop their own cultures. The 1950s saw a surge in ethnic studies driven by central government projects. The government established a host of special

commissions, institutes, and centrally funded research projects. When minorities were asked to self-identify in the country's first census in 1953, citizens placed themselves in more than 400 separate groups, more than 240 in Yunnan Province alone. In an effort to group the minorities into a more manageable number of unique ethnic categories, the central government dispatched teams from the center in the mid-1950s to work with local anthropologists and government offices to conduct studies on the minority cultures, determine which groups should be considered unique minority groups, and place each citizen into one of the state-recognized ethnic categories. The teams settled on fifty-five ethnic categories, and a final group was recognized in 1979 to bring the total to fifty-six. The work teams used a Stalinist definition that required all ethnic groups to meet four criteria: each must have its own unique language, territory, economy, and culture. Copious field notes were kept on each of the groups, and the government planned to publish a series of five reports on each of the minorities, including for each group a general survey, general history, language introduction, review of autonomous governance, and social history. Political events including the Great Leap Forward and Cultural Revolution slowed the publication of these works, which were finally released in batches only beginning in the early 1980s as the 'five kinds of book series' (五种丛书).

Though ethnic studies ground to a halt during the Cultural Revolution, much research was conducted on minorities in the early years of the CCP's rule. Ethnology departments were established at several higher education institutions beginning in 1952. Several Nationalities Institutes were established both to educate minority nationalities and to infuse more discussion of minority topics into multiple disciplines. The Central Minorities Institute in Beijing, for example, became well known not only for its minority languages and literature studies and ethnic studies, but also for studying ethnic medicines within the Biology Department and ethnic economics within the Economics Department.

This early work on ethnic minorities within China was not matched by scholarship from outside. Up until the 1980s, only a handful of English-language monographs focused on China's minorities or even included significant reference to them. These works included June Teufel Dreyer's *China's Forty Millions* (1976), Herold Wiens's *China's March Toward the Tropics* (1954), G.F. Hudson's 'The Nationalities of China' (1960), Raphael Israeli's *Muslims in China: A Study in Cultural Confrontation* (1978), George Moseley's *The Consolidation of the South China Frontier* (1973), Samuel Pollard's *The Story of the Miao* (1919), Francis L. K. Hsu's *Under the Ancestors' Shadows* (1948), Owen Lattimore's history of northwest frontiers, *Pivot of Asia: Sinkiang and the Inner Asian Frontiers of China and Russia* (1950), Joseph Rock's two-volume *The Ancient Naxi Kingdom of Southwest China* (1948), and several articles in the *Journal of the West China Border Research Society*.

The early flourish of Chinese studies on minorities in the 1950s ground to a halt in June 1964 when the Chinese Communist Party's United Front

Work Department declared that ‘the nationality question is in essence a class question’ (Liu 1964). As the Cultural Revolution began in earnest in August 1966, party and state organizations tasked with handling minority affairs were dismantled and many territories stripped of the autonomous privileges accorded them in the 1950s. By the mid-1970s, select Nationality Affairs Commissions and autonomous governments were restored, but it was not until late 1979 that the Party announced a ‘new era’ for minority studies and declared that minority studies would henceforth focus on both ‘equality in principal’ and ‘equality in practice.’ This announcement launched a series of studies on economic and political practices across China’s minority regions. In 1980 the government established the Chinese Ethnological Society, and the country’s first anthropology department opened at Zhongshan (Sun Yat-sen) University in Guangdong in 1981. A second followed in 1984 at Xiamen University in Fujian. Today there are more than twenty ethnic studies and anthropology departments offering BA, MA, and PhD degrees.

With the reopening of ethnology and anthropology schools and the easing of restrictions on foreign access to fieldwork within China, several Western scholars seized the opportunity to explore exactly who these minority nationalities were. Inspired in part by new studies on ethnic identity formation, nationalism, and ethnic nationalism outside of China, the first cohort of scholars conducting fieldwork on China’s southwest minorities focused their studies on how minority identities had been formed and what the salient markers of ethnic identity were for several individual minority groups. The majority of these early studies were conducted by anthropologists using extended fieldwork, though they were soon joined by political scientists, historians, and economists. Through the course of their early explorations, these scholars identified a number of variables that contributed to the rise of ethnic identity, including a host of policies that were launched at various levels of the state and resisted, consumed, or utilized by various minority actors. Each of these policy arenas, particularly the promotion of ethnic tourism, education and language policies, economic modernization, and nominal regional autonomy have then been further explored in their own right. We turn first to Western scholars’ exploration of ethnic identity, representation, and classification.

ETHNIC IDENTITY, REPRESENTATION, AND CLASSIFICATION

Just as the Chinese government was beginning to grant international scholars access to China for fieldwork, several path-breaking works on nationalism and ethnicity were challenging assumed understandings of nationalism and identity outside of the Chinese context. Benedict Anderson’s *Imagined Communities* (1983) and Eric Hobsbawm and Terence Ranger’s *The Invention of Tradition* (1983) convincingly exposed contemporary nationalisms as modern social constructs despite their proponents’ assertions that nations are old or timeless.

Paul Brass's studies of nationalisms in India (1991), Crawford Young's work on Africa (1976), and Donald Horowitz's massive work on *Ethnic Groups in Conflict* (1985) were just a few of the major works in the years immediately surrounding the reestablishment of ethnic studies in China. The importance of discovering how and why ethnic groups form, how they interact with the state in the process, and how their ethnic identities shape their community interactions only gained urgency as ethnic conflict began to increase around the globe in the 1980s and 1990s and to elevate the questions beyond their inherent intellectual interest.

The first cohort of Western scholars to explore ethnic identity in China included Stevan Harrell, Dru Gladney, Louisa Schein, Norma Diamond, Ralph Litzinger, Bernard Vincent Olivier, Katherine Kaup, and Uradyn Bulag, among others. Each of these scholars focused primarily on a single ethnic group, the Yi, Hui, Miao (Schein and Diamond), Yao, Koreans, Zhuang, and Mongols, respectively. Through careful study of a single ethnic group and how its members in different localities understood their own ethnic identities, these authors demonstrated how minority identities were shaped by the interaction between communities and the state. By illustrating through detailed fieldwork that communities within a single ethnic category often understood their own identities in radically different terms, these studies challenged the state's classification efforts and led to a broader examination of the state's ethnic classification work. Their work and the approaches they took to their projects also provided building blocks for later studies that took a more comparative approach or pursued a single issue involved in the ethnic identity process through different lenses. A burst of publications began in the late 1990s and 2000s, though much of the fieldwork was started in the late 1980s or early 1990s.

Anthropologist Dru Gladney was one of the first to conduct extended fieldwork on a minority group after 1979. His book *Ethnic Nationalism in the People's Republic* appeared in 1991. Gladney conducted a comparative study of Hui in four separate communities. He explores the seeming paradox of ethnic revival among both the Hui of Ningxia, who were in the midst of an orthodox Islamic revival in the mid-1980s, and a Hui community in Fujian, whose members eat pork and practice ancestor worship much like their Han neighbors but nonetheless still strongly identify as Hui. Drawing on extended fieldwork and archival research, Gladney argues that different cultural markers of ethnicity gain salience in different contexts largely dependent on the communities' particular interactions with the state. He explained the interface between communities and an amorphous state. Exploring similar issues of intragroup difference, a decade later Katherine Kaup demonstrated how political administrative boundaries impact and filter the interactions of ethnic communities within territorially defined boundaries, the state actors within these boundaries, and the larger national discourse (Kaup 2002).

Gladney's 1991 book was followed shortly after by his mentor Stevan Harrell's edited volume *Cultural Encounters on China's Ethnic Frontier*, the first in what would become the influential University of Washington Press book

series *Studies on Ethnic Groups in China* edited by Harrell. Ten anthropologists and a political scientist contributed chapters to the 1996 volume, each problematizing the state representation of ethnic minorities. The book noted particularly how state discourse has often been used to represent minorities as weak or in need of modernizing. More than twenty volumes have since been published in the series, including several studies that have stretched the field through their multidisciplinary approaches.

Harrell is perhaps best known for his formative role in developing Yi studies. He began studying the Yi nationality based in Liangshan, Sichuan, in 1987. A prolific writer on the Yi, Harrell's impact on the field of ethnic studies extends much beyond his important ethnographies of the Yi, however. Not only has his own field-based scholarship contributed to a greater understanding of Yi culture and identity and the plethora of variations thereof, but his work contributed to the evolution of Yi studies as 'a field, not just as a subject of study' (Harrell 2013) with its own set of questions, conferences, monographs and articles, methods, and participants. Harrell has both trained a cohort of graduate students in Yi studies and included scholarship from within China in his edited collections. Publishing Chinese scholars' work and collaborating with Yi scholars spurred greater and much needed collaborations between Western and Chinese scholars beyond Yi studies.

In his 2001 *Ways of Being Ethnic in Southwest China*, Harrell demonstrates how ethnic identity has meaning for local minorities outside of the ethnic revival that had been inspired by the tourism market and state discourse. Harrell argues that state discourse, scholarly study, and everyday ethnic markers all intersect as various 'languages' in ethnic revival. Depending on which of these languages a member of an ethnic minority is using, his or her ethnic identity may be different. Nuosu speaking in Mandarin and accepting the state discourse, for example, may accept the state term 'Yi' while their local manifestation of 'Yi-ness' may be quite different from that of their ethnic counterparts in different localities who also are classified as Yi.

As noted, a host of important studies appeared in the 1990s examining variations in ethnic representation and identity among single ethnic groups. Ralph Litzinger's study of the Yao, Louisa Schein and Norma Diamond on the Miao, and Katherine Palmer Kaup on the Zhuang began their studies by exploring the rise of ethnic identity among these groups, but the theoretical findings that spun out of these works contributed to new strands of research in ethnic studies. Kaup, the lone political scientist among this cohort of anthropologists, noted how the Regional Ethnic Autonomy Law and its supporting policies had impacted ethnic identities, a subject picked up by others in the 2000s. Louisa Schein's work contributed to both gender studies of ethnicity and tourism studies as she explored how 'Miao-ness' is constructed, examining diverse agents of ethnic representation, how these various agents' depictions of being Miao are interpreted and internalized among various Miao actors in different

communities and locales, and how ethnic identities intersect with discussions of economic, political, and social discourses. Several edited volumes by other authors added to the discussion of identity formation and the role of state-ethnic dynamics in that process, though each of the chapter contributions continued to focus primarily on single ethnic group studies, including, for example, Melissa Brown's rich edited contribution, *Negotiating Ethnicities in China and Taiwan* (Brown 1995).

Schein and Litzinger both noted the impact of tourism on local identities. Geographer Timothy Oakes further explored the impact of tourism on ethnic and place identities in the first monograph-length study of ethnic tourism in southwest China (Oakes 1998). In his 1998 book and journal publications preceding it, Oakes shows the inadequacies of Marxist analyses of the relationship between political economy and space by showing that minority cultures are not static preexisting realities in opposition to the global modern, but are themselves shaped in important ways through continuous refinement and interactions across multiple geographical scales (Oakes 1993). As several scholars joined the discussion of tourism's impact on minority communities and these communities' efforts to redefine themselves in relation to the state's modernizing mission and ethnotourism needs, a rich body of literature developed around ethnic tourism in China (Oakes 1997, 1998, Mattison 2010; Kolås 2004; Davis 2005; Swain 2005; Donaldson 2007; Yeh 2014; Chio 2014). In these studies, scholars have explored a range of issues including how minorities have struggled to maintain their relationship with the natural landscape (Yeh 2013), how tourism has economically impacted the unique family structures of certain ethnic groups (Mattison 2010), how the uneven distribution of benefits from the tourism industry have impacted minorities' struggles to distinguish their ethnicities as worthy of focus (Donaldson 2007; Inoue et al. 2012), and how ethnic tourism may be promoted by the state as a tool of national integration while simultaneously allowing minorities to emphasize their own unique ethnic identities (Oakes 1998; Chio 2014). Several scholars also addressed the 'exoticization' of the ethnic, particularly of the feminine, in ethnic tourism (Schein 2000; Cable 2008; Swain 2005; Davis 2005). Sara Davis, while acknowledging how ethnic identities are shaped through ethnic-state interactions, discovered a different set of processes occurring in Xishuangbanna in the late 1990s. The 'front stage' process of minorities engaging in state-sponsored tourism and the representation of exotic difference required to attract tourists to the region was used as a cover by the minorities to carve space for their 'back stage' activities where they project a very different image of their ethnic identities. It was in these 'back stage' venues, such as in monasteries and in cultural performances exclusively for one another, that the Tai protected those aspects of their ethnic identity that the state might view as threatening were they not presenting a very different image for tourists.

Though some early works on ethnic identity did note that the state's classification efforts had impacted local identities, it was not until 2011 that a

comprehensive monograph-length study was published specifically on the state's classification campaign (Mullaney 2011). Using recently declassified reports from the 1954 Classification Work Teams, along with other new archival materials and interviews, Mullaney moved away from earlier scholars' focus on whether the fifty-six ethnic categories settled upon in the state's classification work accurately reflected ethnic realities. Instead, Mullaney argues that the state was more concerned with the 'plausibility of certain categorical groupings rather than their fidelity to ethnic realities' (Mullaney 2011: 90–91) as it used these categories to shape a manageable common sense of identity in the 'one great family of free and equal nationalities' espoused in the country's first constitution.

Scholars of ethnic identities and representation in China have conducted their studies with different theoretical approaches and from different disciplinary perspectives, but have generally converged on two common themes. Methods range from ethnographic fieldwork to survey methods to the use of video recording and still photography (Blumenfield 2010; Chio 2011, 2014). The first theme now clearly accepted by the field is the recognition that traditional minority cultures do not exist as independent and objective categories separate from state and community interactions. Whichever variables scholars use to explain the crafting of ethnic identity – language policy, state discourse and historiography, ethnic elite actions, educational policy, tourism, or others – they agree that ethnic identities are dynamic and mutable. Second, most if not all of the research on ethnic identities notes that state discourse presents minorities as backward or in need of modernization, which has resulted in either the minorities adopting a negative conception of their worth or a pushback among minorities unwilling to be marginalized by the state.

POLICY STUDIES

Though the field of Chinese ethnic studies was preoccupied with issues of identity, representation, and classification throughout the 1980s and 1990s, as scholars became more familiar with minority communities and how various state policies influenced their identities and interactions with the state, they began to delve into these various policies themselves, extending the questions beyond issues of identity and eventually expanding beyond single group studies. Louisa Schein described how the State Tourism Office's promotional materials on ethnic minorities shaped Miao identities (Schein 2000). Later scholars built on this work to explore how tourism impacts minorities beyond issues of identity. A wide variety of topics have been explored by social scientists – particularly education specialists, economists, legal scholars, and economists – about how central policy has impacted various minorities.

A noticeable shift also occurred in the mid-1990s and onward toward studies that included multiple ethnic groups or that examined top-down central policy

as a whole with examples offered from different localities or different ethnic groups. Guo Xiaolin in *State and Ethnicity in Southwest China* (2008), for example, compares state policy in more than one county and its impact on more than one minority group. Guo studies two adjoining counties in northern Yunnan, comparing Musuo and Han experiences, debunking those earlier arguments that suggested a dialectical relationship between Han and Musuo or between the center and local authorities. Susan McCarthy's *Communist Multiculturalism: Ethnic Revival in Southwest China* (2009) expanded beyond a single ethnic study to explore how Bai, Dai, and Hui have variously sought to strengthen their ethnic identities within the party-state's call for ethnic cultural revival. McCarthy shows how the state not only tolerates, but encourages, minorities to strengthen their ethnic identities as long as they do so within the guidelines set by the state. McCarthy's focus on southwest China, rather than on Tibet and Xinjiang, allows her to examine how ethnic elites have utilized the state's interest in promoting ethnic identities to promote domestic tourism and international trade and investment. Had she conducted her fieldwork in Tibet or Xinjiang, state officials would have felt threatened by any research that revealed assertiveness or agency on the part of local elites operating outside of official party structures. Her study identifies significant agency among ethnic elites.

A brief survey of studies on economics, education and language policy, religion, and the regional autonomy system reveals the breadth of topics addressed by the field. Many of these studies address more than one policy realm and the studies fruitfully inform one another.

Economics

Several studies focus on issues of economic disparities, particularly between the Han and minorities, though some also address disparities among different ethnic minority groups. While much attention has centered on economic disparities between the Han and Uyghurs as well as between the Han and Tibetans as discussed in other chapters of this volume, scholars interested in these issues also publish on southwest China and Inner Mongolia. Colin Mackerras (2003) examined the impact of globalization on minorities' economies, which he shows has exacerbated interethnic disparities. Katherine Palmer (1997) similarly noted how minorities broadly have struggled to compete for Foreign Direct Investment since 1979.

Though he still addresses issues of identity, Thomas Heberer delves deeply into Yi business practices, particularly among Yi entrepreneurs, to make a contribution that moves beyond identity studies (Heberer 2007). He notes that the development of entrepreneurship among the Nuosu-Yi is strengthening and building a common shared Yi identity, as they build business ties based on ethnicity and draw boundaries between themselves and the Han 'other.' Heberer, like others who delve into the relationship between ethnic identities and state

development strategies (Shih 2007; McCarthy 2009), notes that the state often identifies poverty as a key feature of minority cultures and blames economic underdevelopment on ethnic cultural ‘backwardness.’ He shows how Yi entrepreneurs have managed to emphasize their ethnicity even as they promote business techniques that are typically identified with the dominant Han ethnicity. Their active efforts to distinguish themselves as members of a separate unique minority group within the Chinese modernization project has led to strengthening of a common Yi identity in the regions Heberer examines. Lian Bai similarly notes an ethnic revival among the Manchu inspired by Manchu middle-class efforts to strengthen their economic position by building ethnic networks and affiliations (Lian 2008). The state’s consistent narrative in which ethnic peripheral cultures are placed in opposition to the modern and developed core is addressed by several studies that focus on the state’s economic development plans in minority regions (Harwood 2014; Shih 2007; Heberer 2007).

While the field of ethnic studies has developed dramatically over the last forty years and has been informed by broader core disciplinary debates outside of Chinese ethnic studies, the field still rarely informs these same core debates in disciplines such as economics. That is, though ethnic studies scholars engage in broader disciplinary discussions, often borrowing methodologies or testing broader theories with specific case studies among ethnic groups in China, these broader disciplinary discussions tend to shunt Chinese ethnic studies to the margins. Scholars of China’s minorities have incorporated theories and questions from the broader ethnic studies literature (weighing, for example, the relative value of primordialism, instrumentalism, and constructivism in shaping ethnic identities), applied methods and questions developed in the burgeoning field of tourism studies, and built on economics literature on regional disparities to test how economic policy has expanded disparities based on ethnicity. Quite often, however, discussion of minorities and the findings of Chinese ethnic studies scholars are not incorporated into the mainstream discourses and debates in disciplines outside of Chinese ethnic studies or even in China-focused works that are not specifically designed to study ethnic groups. Randall Peerenboom’s 673-page tome on *China’s Long March toward Rule of Law* (2002), for example, makes no reference to the Regional Ethnic Autonomy Law, to the legislative powers minorities have, or to the varied impact of law on minority communities. Given that the minority population accounts for nearly ten percent of China’s total, this rather frequent omission seems unfortunate. As the field of ethnic studies has grown, however, it has slowly raised the profile of minorities for consideration in the literature outside of specifically ethnic-focused studies. This may be particularly true in economic studies as the Chinese government has launched massive national economic development plans that directly impact minorities, such as the Great Western Development Project (2000) and the One Belt, One Road Initiative (2013). Michael Clarke and Douglas Smith address how the country’s broader economic development plans and its engagement with foreign powers impact state–minority relations and the

economic standing of ethnic groups along the border regions (Clarke and Smith 2016). The book notes that globalization has increased the salience of borders in China rather than making them more porous as some globalization scholars contend. Similarly, Harwood's study (2014) of economic development plans in Yunnan, though designed largely to assess their impacts on minorities, begins to integrate a broader examination of regional economic development plans and fieldwork focused specifically on certain ethnic groups.

Education and Language Policy

While the early focus on how minorities' identities evolved often led to studies of a single ethnic group that explored how multiple policies and historical interactions shaped these identities, more recently some scholars have selected a single policy to explore in more depth, examining variations in implementation and reception among different minority groups. Mette Hansen (1999), for example, addressed this topic by examining how the state's relatively uniform delivery of educational policy has been variously received by different minorities. Extended fieldwork in Lijiang and Xishuangbanna revealed dramatically different results among the Naxi in northern Yunnan and the Dai in the south. While the Naxi have a centuries-long tradition of engaging with state educational institutions, the Dai operated largely outside of the Chinese educational system until 1950. Hansen shows that the Naxi have been much more receptive to the state's educational policies while these same policies, designed to build a common sense of multinational identity and commitment to the state, have ironically instead strengthened the Dai's local ethnic identities.

Gerald Postiglione's 1999 edited volume on China's minority education highlighted the state's efforts to assimilate the minorities. Several of the contributors stressed the derogatory representation of minorities in the state's educational materials, resulting in vastly disparate educational results among different minority groups. Mackerras notes in the volume that informal religious education acts as a counter to the state's narrative, an unintended, and from the state's perspective, undesirable response to the nation-building goals of state education. In a later study, Lin (2007) similarly stressed the deleterious effects of the states' ethnicization of difference in education policy among minorities. Scholars have also examined the stratification of education offerings and attainment (Hannum 2002).

Educational policy also often touches on the issue of bilingual education in minority regions. Language policy became its own focus of study with the publication of Minglang Zhou's work on the politics of script reform (Zhou 2003). Beckett and Postiglione's edited volume in 2012 titled *China's Assimilationist Language Policy: the impact on indigenous/minority literacy and social harmony* emphasized the government's uneven hand in imposing the common national language *Putonghua* on the country's ethnic groups.

Religion

Wellens (2009) contrasted state control over religion and religious practice in Xinjiang and Tibet with religious culture among minorities in southwest China, one of the few works to make explicit comparisons between these regions. He argues that it is important to look beyond formal policy or even state discourse, and instead focus on how religion is actually practiced at the local level. In doing so, he contends, analysts will see that non-Tibetan southwest minorities actually have greater freedom of religion than do their Han counterparts in the region. Minorities are able to depict their religions as cultural markers, thus carving out greater protections and recognition of their religious autonomy. His 2010 monograph delves more deeply into this process through a richly detailed study of the Premi on the border of Sichuan and Yunnan.

The Regional Autonomy System

Governing China's Multiethnic Frontiers, edited by Morris Rossabi (2004), made an important contribution to the field by shifting scholarly focus away from top-down central state priorities and their local implementation. Instead, this multi-authored volume demonstrates that different regions and groups pose unique challenges to the regime and that management of ethnic relations involves a multipronged approach of coercion, negotiation, and accommodation in various doses depending upon both state-ethnic relations and broader, independent trends. This latter point, so clearly brought to light in the volume, also indicates a shift toward recognizing that modernization and globalization themselves often alter minority consciousness, intragroup relations, and state-ethnic dynamics. As Jonathan Lipman notes in his chapter on the Hui 'relations between the Hui (as individuals, as communities, and as an "ethnic minority")', their non-Muslim (or non-Hui) neighbors, and local government are determined more by local issues, conditions and personalities than by any national agenda' (Rossabi 2004). Several other authors in the volume continue to view the center primarily as a monolith, however, or do not make clear distinctions among different administrative levels of governance. The volume also shifts from a focus on whether the CCP's minority policy has promoted or hindered minority rights and interests to provide a more nuanced assessment of how minority citizens often accept the state's modernization goals and its understanding of ethnic minorities' roles therein, as long as they do not have to sacrifice fundamental markers of their ethnic identity and culture. It is when these ethnic markers are interpreted by the state as a direct challenge to its rule, as in the case of religious revivalism in Xinjiang and Tibet, that the state cracks down on localities and draws attention to these processes. As these conflicts are more marked in Xinjiang and Tibet, such questions have captured more scholarly attention from those studying those regions and groups than those studying southwestern and Mongol groups.

Legal scholars have examined the Regional Ethnic Autonomy Law (REAL) and explored whether or not it has been implemented in minority regions. These studies, including the work of Pitman Potter (2011), examine central policy and its implementation rather than focusing on how localities and minorities within these localities are utilizing openings in the law to promote minority interests. Ghai and Woodman's detailed study of ethnic autonomous congresses is a notable exception, providing valuable insight into the operations of local actors. The title of their study 'Unused Powers' captures their thesis handily: though the central REAL grants broad rights to the minorities, minorities have hesitated to take full advantage of these rights. Perhaps the example of Ilham Tohti's imprisonment and life sentence in 2014 for exploring how rights in Xinjiang could be better promoted helps explain why this is the case. Matthew Erie's important 2016 study of Islamic law in China examines how some members of Muslim minorities reconcile Sharia law obligations with state law dictates (Erie 2016).

Peking University Sociology Professor Ma Rong began an international debate (Naughton and Yang 2004; Mackerras 2006; Sautman 2010; Hu and Hu 2011; Leibold 2013) on the nature of the Regional Ethnic Autonomy System when he proposed the 'depoliticization' and 'reculturalization' of ethnicity in China (Ma 2004). Ma criticized the conflation of the concepts of 'ethnicity' and 'nation' into a single term in Chinese, '*minzu*.' By using the same term, he argued, and further by granting these state-recognized *minzu* their own territories in which to practice regional autonomy, the state had inadvertently rigidified ethnic divides. Ma initially argued for more precise conceptualization of the minorities by referring to them as 'ethnic groups' (using a neologism '*zuqun*') and reserving the term *minzu* for the Chinese nation as a whole (Ma 2007), but went on to argue that the state should move away from the types of preferential, affirmative-action-style policies currently based on ethnicity and instead award state assistance based on individual needs. Ma argues for a shift from group rights toward individual rights and from assistance based on ethnicity to assistance granted to *all* individuals within a given territory regardless of ethnicity (Ma 2011).

Leaping off of Ma's suggestion, Hu Angang, director of the Institute for Contemporary China Studies at Tsinghua University, urged the adoption of a 'second-generation ethnic policy' (Hu and Hu 2011). Hu argued for a systematic and dramatic shift away from the current Regional Autonomy System, including the removal of group-differentiated institutions and laws, greater integration of peoples, and a focus on creating a more unified civic culture. In the process, as James Leibold describes, Hu 'stirred a hornet's nest of contention among academic and policy experts' (Leibold 2013: 19).

As monographs and articles appeared on individual minority groups, a variety of policy issues, and theoretical issues, a number of general overviews on the minorities also increased empirical understandings of the minority context. Colin Mackerras has made significant contributions to the field of Chinese ethnic studies through his own research work, his compilation of the mammoth four-volume

collection of English-language articles on China's ethnic minorities published in Routledge's Critical Concepts in Asia series, and as editor of the journal *Asian Ethnicity*, launched in 2000. His 1994 and 2003 monographs provided an overview of the minority context with separate chapters on economics, politics, international relations, population and gender, and religion and education.

HUMAN RIGHTS

Though the bulk of studies addressing human rights focus on the situation in Tibet and in Xinjiang, ethnic rights are discussed throughout much of the ethnic studies literature and are the focus of several individual studies. Much of the work on human rights concerns has been produced by human rights-focused non-governmental organizations or by government organizations outside of China, such as the United States Congressional-Executive Commission on China (CECC). Established in 2001 with the mandate to monitor human rights and legal developments in China, the CECC publishes an annual report on these issues and a series of Roundtables and Hearings on various human rights topics, including several explicitly addressing minority concerns. The focus of these reports spans beyond Xinjiang and Tibet (though these have their own separate sections in the Annual Reports) to a wide swath of issues impacting minority rights, from language politics to religious controls to environmental policies. Numerous human rights groups also monitor and publish timely reports on human rights concerns, including Human Rights Watch, Human Rights in China, Amnesty International, the Southern Mongolia Human Rights Information Center, and others. The United States Department of State publishes an annual report on Human Rights in China, as does the US Commission on International Religious Freedom. Across the board, each of these reporting agencies has noted a general decline in the human rights situation among minorities since at least 2005, though these findings are largely influenced by their reporting on Xinjiang and Tibet, which have faced particular challenges since ethnic protests turned violent in Tibet in 2008 and in Xinjiang in 2009.

Scholars have also focused on a range of human rights issues. Yong Zhou critiques the Chinese government's failure to incorporate UN Conventions which China has ratified to assure free prior informed consent by indigenous peoples before approving hydropower projects in Yunnan (Zhou 2016). His detailed study outlines the institutional constraints limiting minorities' right to withhold their consent for hydropower construction projects.

CONCLUSION

Western scholarship on ethnic studies in China has expanded exponentially since the country opened its borders to international researchers. Through extended fieldwork in the 1980s and 1990s, scholars published an array of studies of single

ethnic groups and explored how their identities had been shaped through a dynamic interaction among members of their communities, the state, and the market. Though scholars have written on many of the officially recognized ethnic groups, numerous others have yet to attract scholarly attention. Only recently have scholars begun to examine the complexities of Han majority construction (Joniak-Luthi 2015; Mullaney, Leibold, Gros, and Bussche 2012) which will likely inspire further research. Though richly detailed studies have explored variations within a single ethnic group, few have yet explored interactions among minority groups other than the relations between Han and individual ethnic groups. Given the complexities of the ethnic composition within many of the regional autonomous areas and counties, ethnic relations surely play an important dynamic in the selection and influence of local political leaders, economic development plans, and a wide range of distributional policies. The regional autonomy system, which bestows nominal authority to the titular minority in given autonomous areas, has created winners and losers among minority groups even within regional autonomous areas. As the Chinese government continues to view these dynamics as ‘sensitive,’ scholars may both have practical challenges conducting their research and be reluctant to do so. Nonetheless, this is an important near void in the literature. While a broad body of literature has emerged on China’s minorities outside of Xinjiang and Tibet, and a rich body of studies has been published on Tibet and on Xinjiang, there should be more explicit comparisons between and among the regions.

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Religion

André Laliberté

INTRODUCTION

China is considered one of the few countries of the world where a majority of the population is classified as atheists. The numbers provided by the State Administration of Religious Affairs over the years used to claim that around 100 million Chinese are religious believers. These numbers are considered unreliable and deficient, and the Pew Research Institute, using a combination of official census, self-reporting from religious organizations, but also surveys it commissioned, such as the Spiritual Life Study of Chinese Residents by the Horizon Research Consultancy Group, in 2007, arrived at very different conclusions. Thus, on the basis of surveys completed in 2010, the Pew Research Institute estimated over 224 million Buddhists, 68 million Christians, and 24 million Muslims. It did not count Taoists, but instead counted over 294 million ‘folk religionists’, a category defined by beliefs in gods and spirits associated with Chinese folk religions. Adding to that number beliefs and practices such as Fengshui, karmic retribution, etc. the categories of folk religions and ‘unaffiliated’ could include an even greater number of people. Even if one would believe in survey results showing the largest numbers of people practicing a religion, however, China would still count the largest number of non-believers and atheists in any country, at 700 million (Pew, 2015).

The view that the Chinese are generally atheistic or indifferent to religion is not only a reflection of the official ideology promoted by the ruling party, but also a perspective held by early Christian missionaries from the Western world, who

either looked at China as a country influenced by the humanism of Confucius, or as a population influenced by ‘superstitions’. The Chinese view that the folk religious practices are not ‘religions’ also reflects the self-understanding of their social practices and views of the world, which are captured through concepts such as teachings (*jiao*), and way (*dao*). Hence, Buddhism (*fojiao*) is, literally, the teachings of the Buddha (*fo*); the teachings of the Lord (*zhu*) of Heaven (*tian*), stands for Catholicism (*tianzhujiao*). The current assessments of whether contemporary Chinese are religious believers or not tries to take into account these semantic subtleties, but many uncertainties remain, because the status of religion in Chinese societies also relate to other issues such as the claim of Chinese exceptionalism, and the relation with modernity. The study of religion in China intersects with the disciplines of history, philology, philosophy, and cultural studies in the humanities; as well as sociology, political sciences, economics, and anthropology in social sciences. For centuries, it has been and it remains as an international field, but it has gone through stages in which cultural bias and political interference have influenced its development. Despite constraints that pulled it in contradictory directions, however, the field has achieved a remarkable degree of coherence and continuity.

THE STUDY OF RELIGION IN CHINA

Scholarship on religion in China has never ceased to be highly politicized, and concerns over regime stability have often served as justification for this interference by political authorities in religious activities. China’s own history of anti-dynastic uprisings that had a religious background served as background for the idea that religions can threaten political order. Later on, the support missionaries received from colonial powers reinforced the view that organized religion can challenge state authorities and even national identity. Some of the key historical paradigms that framed the study of Chinese religions in the Western world since the late nineteenth century, such as the theory of secularization, reflected some of the perspective prevailing in China at the same time. Even the more dogmatic views held by Mao that ‘religion is the opiate of the masses’ reflected an approach held in the 1960s and 1970s by many scholars in the West, not all of them Marxists. However, the more pragmatic approach that had existed before Mao, advocated by communist intellectuals such as Li Weihan in the 1930s, reasserted itself with the period of reform and would engage in fruitful dialogue with the international community of scholars. Throughout these periods of political change, the Chinese government nevertheless always had a keen interest in closely monitoring, if not directing, the production of knowledge.

In the West, the study of Chinese religion has long been influenced by its own religious origins. The first Jesuit missionaries to China, such as Matteo Ricci, inaugurated a tradition of scholarship seeking to understand Chinese culture by

immersion within its society. In many cases, what started as an element in a strategy of conversion became an enterprise of better understanding Chinese culture for the sake, ultimately, of more successful conversion. Such self-interested approaches to the study of Chinese religions, in the end, led to two interesting paradoxes. On the one hand, the knowledge accumulated by early missionaries inspired a genuine interest to better understand China. On the other hand, Chinese modernist scholars appropriated from the categories of Western scholars the concepts of religion and superstition for their own purposes. This approach would briefly lead to a radical politicization of the study of religion, which would have consequences inside and outside China.

After the Chinese Communist Party (CCP) took power, both the practice and the study of religions experienced restrictions, and went through an interruption during the decade of the Cultural Revolution. Outside observers, however, were often too willing to take at face value the claims of the CCP that it had succeeded in accelerating the demise of religion in China (e.g. Bush, 1970). At the same time, the subject of Chinese religiosity outside of the PRC received attention in Taiwan and among overseas Chinese communities. The combination of in-depth ethnographic investigation and historiographic research led to important advances in our understanding of Chinese religion and its role in society. One important example in the field of sociology was the work of Yang Ching-kun (1961), which relied on sources collected during the Republican period and still serves as a reference for a rigorous study of religion. Meanwhile, important scholarship produced during that time re-examined religion in Chinese history, looking not only at the scriptural traditions of religions such as Buddhism and Taoism, but also at the social history of sectarianism (Overmyer, 1976). This scholarship, which the CCP would accept as politically non-threatening because it depicted religion as a feature of past society, was crucial for the development of future research on religion in contemporary China, when state attitudes to religion changed. One consequence of the relative openness of Chinese authorities to the reality of religion's resilience under socialism has been an increase of scholarship, both in China and outside.

The new, more permissive approach of the CCP towards religion, underway in the early years of the 1980s, remained largely unknown outside the community of specialists, and acknowledged in the later part of the decade only in translation of official documents (MacInnis, 1989). Scholars who had chosen to study Chinese religions from a historical perspective and could thereby develop networks with colleagues in China were in a good position to develop further their scholarship on more contemporary aspects of religion. Throughout the 1990s, important works benefitted from better conditions for scholarly exchanges and 'put religion back in' in the study of Chinese history, leading to some path-breaking discoveries and challenging arguments. Hence, the investigation by Duara (1991) of the anti-religious campaigns during the late Qing and the Republican periods shed light on continuities, contributing to blur the boundaries between pre- and post-1949 timelines

that the intellectual climate of the Cold War had nurtured. The historiography of the Boxer Rebellion by Cohen (1997) unveiled the religious dimension of what official historians had hitherto defined as a proto-nationalist movement. In-depth ethnographies became possible and produced works that would set the standards and enriched our understanding of popular religions. The study by Jing (1996) in a village of Northwest China offered a rare example of the religious dimension of Confucianism; Shahar and Weller (1996) presented the unruly behaviour of Gods in the pantheons of popular religions; Dean (1998) investigated in countless villages in Southeast China the spread of the cult to the Lord of the Three in One.

RESEARCH ON CHINESE RELIGION IN THE TWENTY-FIRST CENTURY

Despite all the progress mentioned above, restrictions remain on research on the political and social dimensions of religion. For example, the issue of new religious movements, the issue of religious diversity, and the possibility for religions to be active in politics, all common in the literature in non-Chinese journals of religion, are difficult to address in a detached way in China. One constant is that the CCP continues to show interest in religious affairs and to commission Chinese scholars of religion to investigate the compatibility of religious resilience with socialism. One positive consequence of this interest is that it has led to the convening by the Chinese Academy of Social Sciences of international conferences about religion in China, at which Chinese scholars could exchange with their foreign counterparts on issues of methods, interpretation, and translation. A net result of these exchanges has been the mutually beneficial rise in the standards of academic rigour. However, the state has at times attempted to harness Western scholarship for its own purposes, including using research on apocalyptic religions to build a case against the Falungong movement, which it banned in 1999.

A great number of high quality studies of religion in China have emerged in the twenty-first century. General introductions include Overmyer (2003), Miller (2006), Yang (2008), and Palmer, Shive, and Wickeri (2011). One of the net gains of this expansion of studies on contemporary Chinese religious practices is to question the way the category 'religion' had been used in earlier studies. Looking at the ontological issue of Chinese religions, some have questioned its status as an anthropological category (Kipnis, 2001). Over the years, other scholars would pursue that line of inquiry and suggest their own definitions of what does the practice of many rituals mean. Some argued that the use of 'faith' as an analytical category reproduced older attitudes of religious intolerance because it excluded many of the religious practices of the Chinese (Wang, 2011). Among those who kept a more conventional definition of religion, however, religion has been analysed from different perspectives. One approach that proved influential analysed Chinese religions from a sociological perspective, borrowed from the American school of religious economy (Yang, 2006). Presented as a social scientific

approach (Yang and Lang, 2012), this scholarship has influenced many scholars in China and abroad, but it has faced challenges from numerous angles (Klein and Meyer, 2011). An alternative approach that has gained considerable attention suggests moving beyond the analogy of the market by paying attention to the modalities of 'doing' religion (Chau, 2011, 2013). Another counters the market analogy with the concept of ecology, by pointing to the situation of inter- and intra-religious diversity in China (Sun, 2011). None of these theoretical innovations prevail unchallenged, but taken together, they make us aware of the necessity to better contextualize Chinese religions to enhance our understanding (Yao, 2010).

The scholarship on religions in contemporary China is becoming more specialized, with in-depth studies of specific religions (see the second half of this chapter), or studies with a specific thematic focus for which religion in general is relevant. For example, recent multi-authored studies examine the impact of the media on the vitality of different contemporary religions in China (Travagnin, 2016). Among the few recent sole-authored introductions to religion in China, the work of investigative journalism by Johnson (2017) offers descriptions of religion's vitality as a response to uncertainty. Katz (2014) examines mutations within Chinese religions to understand their resilience in modernity since the late Qing dynasty. Despite their disagreements, all these works share the view that religion, far from withering away as predicted before, remains a vital aspect of contemporary China, a view shared by Chinese officials as well.

RELIGION AND THE STATE

The political importance of religion has received much attention because of the cases of upheavals in Chinese history that religious doctrines sanctioned or inspired (see below the section on 'cults'). A second reason for this interest is the importance of the state's concern with religions, as evidenced throughout history by texts that we can trace back from Chinese antiquity (see Yu, 2005), to more recent accounts of the state response to heterodox movements during the Qing dynasty (Kuhn, 1990). There is growing recognition that we cannot attribute to the official Marxist ideology of materialism, premised on the belief in disappearance of religion, the current policy of state control of religion by the CCP, which represents continuity with the reform movement in the late Qing dynasty, when the 'religious question' arose for the first time (Goossaert, 2006; Goossaert and Palmer, 2011). The efforts of the CCP to struggle against the so-called 'reactionary sects', 'feudal superstitions', and more recently, 'evil cults', point to the continued anxieties of the CCP towards religion in general, as 'afflictions of modernity and state formation' (Yang, 2008). Within this broad context of concern over religion, however, the CCP policy has evolved considerably with the opening and reform policy of 1978, reflecting a return to the more pragmatic approach used before 1949, which argued that religion would continue to exist in socialist society.

Outside observers have long posited an opposition between the state and religion since 1949, mostly manifested in hostility by the state and the CCP, and only rarely by religious actors. This issue is near impossible to research with impartiality. Describing the nature of the relation between state and religion as repressive in nature, however, represents a too simplistic understanding of the oligopolistic nature of the organizational structure of governance for religious affairs (Lai, 2006), and the selective mechanisms of repression against specific religions (Tong, 2009). Despite decades of relative improvement in relations between the state and religious groups and the growth of visibility of religions throughout the country, official attempts to oversee religions within a legal context continue to meet with scepticism, as it is clear that regulations are attempts to provide legitimacy to a policy of control (Potter, 2003; Chan, 2005; Ying, 2006; Gao, 2010). This is the case whether recent regulations of religion are framed within the context of freedom of religion (Leung, 2005; Yang, 2013), political reform (Tong, 2010), or the management of ethnic minority affairs (Davis, 2013). In the end, however, control of religion by the state has become increasingly premised on the recognition by the CCP that religion will remain important in Chinese society for a long time (Qu, 2011; Lü and Gong, 2014; Laliberté, 2015).

Reflective of the changing policies of the CCP towards religions in general in China, recent research on the relation between religions and state offers us a more nuanced assessment that moves beyond depicting these interactions as a matter of confrontation. Hence, another dimension of the government's relations with religion that receives an increasingly important amount of attention is the positive or mutually constitutive relation between the state and some of the religions recognized by the government, captured by the expression 'making religion and making the state' (Ashiwa and Wank, 2009). We can find evidence of this collaborative dimension of relations between religion and state in two broad domains in particular: the development of tourism (Oakes and Sutton, 2010), and the performance of philanthropy by different religions (Laliberté, 2003, 2012; Weller, 2006; McCarthy, 2013). While the latter relates to the organizations of the five state-recognized religions, the former affects also the ambiguous category of 'popular belief', discussed below, which the government accepts as part of 'intangible heritage'. This mutually accommodative relationship reminds us that statecraft in traditional China has a religious nature, a reality expressed not only in historical sources but also in the festivals of communal religions in contemporary rural China (Lagerwey, 2010).

RESEARCH ON SPECIFIC RELIGIOUS TRADITIONS

Buddhism

According to recent surveys, Buddhism counts the largest number of followers among the religions recognized by the state in contemporary China. Han

Buddhists, who constitute the majority of Buddhists in China, worship according to the Pure Land and Chan traditions, while most Tibetans and a few Han practise the Tibetan variety of Buddhism, and smaller minorities in Southwest China identify with the Theravada tradition. Buddhism has received considerable attention from scholars early on thanks to the availability of material in Chinese, Tibetan, and other languages in Taiwan and in overseas communities when it was not possible to do research in China about the practice of Buddhism (Wright, 1959; Zürcher, 1959; Ch'en, 1961, 1973; Welch, 1967, 1968, 1972). Buddhism in contemporary China does not have the economic importance and political influence it had during the fifth to the tenth centuries (Gernet, 1956), but it matters in the religious landscape nevertheless. The government relies on the Buddhist Association of China (BAC) to police followers of the religion. An important aspect of Buddhist doctrine in contemporary China is the BAC leadership's support for the perspective of 'humanistic' Buddhism by the reformist monk Taixu (Pittman, 2001), which emphasizes the necessity for the religion to embed itself in current social issues for its survival. This doctrinal perspective reinforces the CCP view that religion is compatible with socialism, as mentioned above.

It remains unclear whether the embeddedness of Buddhism in China's current developments in society, politics, and economic reform expresses an alternative form of civility (Birnbaum, 2003; Laliberté, 2012; Fisher, 2014). For instance, some of the rituals associated to the religion, such as the practice of releasing captured animals to make merit, raise environmental, public health, and economic issues (Shiu and Stokes, 2008). Nevertheless, people who identify with the religion and the institutions they are building are ensuring that Buddhism is emerging as a social force (Ji and Goossaert, 2011; Ji, 2013). The political consequences of that emergence, however, are ambiguous. On the one hand, some Buddhist masters integrate 'folk Confucianism' in their teachings, and therefore reinforce existing values and social cohesion (Dutournier and, Ji 2009). Others work in tandem with the state to support its social policies through their philanthropy (Laliberté, 2003). On the other hand, as in other societies, the practice of Buddhism could mean for some a refuge away from politics.

A significant amount of attention has also been devoted to the relations between the state and Buddhism since Jiang Zemin, under whose rule the religion started to recover substantially from the damages suffered during the Cultural Revolution. This 'second revival' signals a new relationship with the central government (Ji, 2004), which sees in Buddhist associations a resource on which it can rely for the generation of social stability (Laliberté, 2011). This cooperative relationship, however, does not exclude wide variations at the local level (Ashiwa and Wank, 2006, 2009; Gildow, 2014), and even tensions between urban devotees and rural communities in which the former build temples without consideration for the culture of the latter (Fisher, 2008). Two other dimensions of this revival of Chinese Buddhism draw the attention of the outside world. First, starting with the provision of relief after natural disasters, Buddhists in Taiwan and China

have worked in tandem in the perspective of unification between the two sides of the Taiwan Strait (Laliberté, 2003). Second, Chinese Buddhists are developing increasingly dense transnational networks to promote abroad their version of the religion (Ashiwa and Wank, 2005).

Tibetan Buddhism has hitherto attracted a level of attention disproportionate to the numerical importance of that religion in China, thanks in good part to the charisma of the Dalai Lama. There is no denying that this variant of the religion matters: the relations between its leaders and the government since the fall of the Qing dynasty represent a key element in China's nation building and modernity (Tuttle, 2005). Although a majority of Tibetans practise that religion, it is also increasingly popular among Han Chinese (Smyer, 2012).

Taoism

Numerically, Taoism is the second religion in importance in China, but it has received less attention than the number of followers would warrant (Welch and Seidel, 1979; Kohn, 1993; Schipper and Verellen, 2004). Theoretically regulated by the same office of the State Administration for Religious Affairs as Buddhism, the government does not perceive Taoism as a religion that is associated with outside interference. As with Buddhism, a single association, the Taoist Association of China, theoretically manages the affairs of the religion, but there exists a doctrinal diversity within the religion, customarily divided between the teachings of the Quanzhen and Zhengyi schools (Eskildsen, 2004).

The debate on whether Taoism qualifies as a religion (Robinet, 1993; Schipper, 2008; Goossaert and Ling, 2009), a philosophy (Hansen, 2000), or both (Fowler, 2005) reveals how these concepts do not translate well into Western languages. A concise formula reconciles these terms, which sees Taoism as a religion that puts into practice Taoism as a philosophy (Robinet, 1997). Another approach, which is comparative, establishes analytically a major difference between Taoism and Christianity, wherein the former rejects the duality that the second sees between the material and the spiritual (Schipper, 1993). In this perspective, Taoism is an essentially Chinese religion, the organizational and clerical expression of more ancient forms of religiosity. The revival and/or resilience of local religions in Southeast China, which unfolded despite the attempts by the CCP to constrain the Taoist clergy to explain its doctrine in a fashion comparable to Western churches, reveals the tensions inherent in that reality (Dean, 2014 [1993]). Further underlining the difficulty in drawing neat boundaries between Chinese religions, textual studies suggest that the Taoist tradition has accepted and appropriated the concepts of rebirth and life after death from Buddhism (Bokenkamp, 2007). Recent surveys of communal temples in Chinese cities have approached this question from a different angle, asking whether these temples and Taoism are two independent aspects of modern Chinese religion, or if we should think of them as linked indissolubly (Goossaert and Liu, 2016).

Besides its ritual dimension, Taoism is not involved as much as the other four officially recognized religions in activities such as philanthropy. We cannot infer from this finding, however, that Taoism has no influence in public life. Some of the preoccupations that outsiders associate with the practice of Taoism mirror concerns shared by people in contemporary societies. For example, many see Taoism as an alternative way to look at the environment (Girardot, Miller, and Liu, 2001). Others have looked at Taoism through a gendered lens and have drawn our attention to the reality of goddesses in the Taoist pantheon, the evidence of female renunciants, nuns, and matriarchs, as well as women's inner alchemy and stages of attainment within the religious tradition (Despeux and Kohn, 2003). In doing so, they invite us to question the view that all Chinese religions sustain patriarchy and gender discrimination. This is certainly a major issue as China grapples with the social consequences generated by the traditional preference for boys that Confucianism supports in its doctrines.

Popular Religions

There is no agreement on how to translate the expression 民间宗教 (*minjian zongjiao*), to express the traditional practices that co-exist with the more institutionalized or canonical forms of religion such as Buddhism and Taoism, and which Feuchtwang (2000) captured well in his ethnography presenting them as an 'imperial metaphor'. Many have settled on the idea of 'popular religion', which denotes that these practices make sense for a great number of people whether this is geomancy – also known as 风水 (*fengshui*) (Bruun, 2003), or more organized forms of religious life seen in North-Central China (Chau, 2005, 2006). Others have preferred the term 'folk religion', which they use to distinguish from the religious beliefs or the practices of elites (Law, 2005; Yang and Hu, 2012). Finally, others prefer to call these practices 'local religions', to emphasize a variety of rituals, practices, and beliefs, but also see in this terminology a more neutral expression (Overmyer, 2009).

Our knowledge of these varieties of local religious practices has increased considerably thanks to the scope of ethnographic investigation, which covers a wide range of sites, deriving from surveys in hundreds of villages (Dean, 2003), or in-depth participant observation (Dubois, 2005). The importance in China's social fabric of the local and communal dimensions of 'popular' or 'folk' religion should not obscure the fact that its resilience can also result from a top-down approach by the state at regulating or shaping the nature of religion in China. A fascinating example of this form of state social engineering is the cult of the Yellow Emperor, which provincial governments in Northwestern China sponsored under Jiang Zemin (Billeter, 2007). More recently, a similar evolution has emerged with respect to Confucianism, which some high-ranking intellectuals would like to promote as a state religion, and which co-exists with a variety of religious practices we could conceptualize as 'popular Confucianism' (Clart, 2003).

Confucianism

Besides popular beliefs, Confucianism could be a candidate for China's sixth religion, if only officials and scholars could agree on its status as a religion, an issue discussed for a long time already (Fingarette, 1972; Taylor, 1990; Littlejohn, 2010). Most observers outside China have long ignored the religious aspects of Confucianism, but an increasing number of experts in recent years have documented state's efforts to emphasize its spirituality and ritual dimensions (Yao, 2010; Solé-Farràs, 2014), or even promote it as China's national religion (Ownby, 2009; Billioud, 2010). The return of Confucius as part of China's heritage after over a century of persecution is now a major development that takes many institutional and social dimensions (Billioud and Thoraval, 2015). This promotion of Confucianism is part of China's search for an indigenous religion and reinvention of national identity (Fan and Chen, 2013), and can even attain a global dimension that extends beyond the boundaries of China (Sun, 2013). The Confucian tradition, however, is not homogeneous, whether one approaches this issue in relation to the linguistic and methodological problems addressed above about the meaning of religion (Adler, 2014); or the different modalities of Confucian rituals and teachings (Payette, 2016).

Along with the disagreements about the nature of Confucianism as a religion, officials, experts, and intellectuals remain divided about the values it promotes and its effects on Chinese society. Some of the debates on these values have been critical, a few scholars looking at Confucianism as a philosophy that legitimated support for illiberal democracies of soft authoritarian regimes (Roy, 1994), while most tried to find in its philosophy a source of humanism, if not liberalism, and even progressive values (de Barry, 1998; Brooke, 2005; Angle, 2012; Sin, 2012). An exception to that trend, closer to the official position of the Chinese government, took a different approach and stressed the incommensurability of Confucianism with Western concepts of liberalism. Instead, it approves Confucianism as the source for an alternative model of government inspired by virtue, which it sees as superior to Western liberal democracies' divisiveness (Bell, 2010). While filial piety is a concept that is central to Confucianism, and a value promoted by the Chinese state to address the problem of long-term care based in the family, we know very little about filial piety as a religious value, except that this is often the core of many new religious groups.

SECTARIAN RELIGIONS AND REDEMPTIVE SOCIETIES

Between 1949 and 1978, it was difficult to confirm the existence of religious associations other than the five ones recognized by the CCP because they were targeted by intensive campaigns of persecution and even eradication, which government officials labelled as 'reactionary cults' or 'counter-revolutionary sects'. The CCP would like to believe that the history of these movements stops shortly after 1949,

and therefore made it difficult to research sectarian religion between 1949 and 1978 in the PRC. Research on sectarian religions in China after 1978 has remained sensitive, but the survival of these associations and the emergence of new ones outside and even inside China have sustained the interest for knowing more about them. This has raised no end of difficult ethical issues for investigators, who are concerned about the safety of their informants. Researchers have had to contend with police suspicion of their activities, while religious adherents fear the possibility that governments use against them the results of researchers' investigations. To know more about their doctrines, or their histories, we had to look at religious groups outside China, or at historical documents that described them in late imperial China or in the Republican period (Overmyer, 1976; ter Haar, 1992; Seiwert, 2003).

For some, one of the greatest obstacles for a good understanding of this phenomenon, however, is the continued use of the concept of sectarianism to refer to it. This concept is often inconsistent and too broad (Irons, 2003). An important consequence of this observation is to encourage a break from the negative perception that officials and the general population often hold against sectarian religions (Ownby, 2008a; Zhu, 2010). Another consequence is the realization that many of the sectarian movements emerging in the Republican period had a benevolent dimension because of their charity activities and non-violent posture during the war. Many of these 'redemptive societies' (Duara, 2004), did not fit within the traditional tripartite division between Confucianism, Daoism, and Buddhism, and added to their pantheon and religious world-views elements of the world religions of Christianity and Islam (Palmer, 2011).

Some of the redemptive societies have appeared since the nineteenth century and thrived in the diaspora before moving back to China in the beginning of the twenty-first century, such as Yiguandao (Billioud, 2011). Others, such as Falungong, have appeared much more recently in the '*qigong* fever' of the 1990s, a period during which traditional breathing exercises and martial arts experienced an explosive boom (Palmer, 2005; Ownby, 2008b). While Yiguandao was discrete and different groups in that religion even registered as a Buddhist or Taoist association in order to gain acceptance with minimum visibility, Falungong, on the contrary, adopted at the beginning of its existence a strategy of high visibility. It advertised itself to the public as a source of stability because of the belief that adopting its practice would have beneficial effects on public health. Unfortunately for the followers of Falungong, the authorities saw in this approach a criticism of the regime (Thornton, 2002). Moreover, the regime saw a major threat to stability in the apocalyptic theme promoted in the literature of that organization (Hsia, 2004). The state's methodical repression of the movement shows the extent to which the CCP sees this religion as a threat to its legitimacy (Tong, 2009). The intensity of the persecution has diminished somewhat in recent years, but it remains to be seen if it is the forebear to a change of policy, the recognition that this approach is a public relations failure, or that enthusiasm for that belief has diminished somewhat. A combination of all the above is more likely.

Christianity

Christianity has been present in China since the seventh century, so the question of whether it is a Chinese religion or not is a moot one (Ruokanen and Huang, 2011). There are nominally three forms of Chinese Christianity. Catholicism entered since the sixteenth century thanks to the presence of Jesuits in the Ming and Qing courts; Protestant Christianity came along the gunboats of Euro-American powers; and Orthodox Christianity came along with Russian influence in the Northeast. Another way to look at the diversity within Chinese Christianity is to consider these nominal forms of Christianity along with the hybrid forms of Christianity that took on many aspects of China's own traditional sectarian movements, and that exist in a grey zone of illegality. We know more about the first kind of Christians. Among them, Protestants represent by far the largest congregation, with an estimate of 58 million in 2010 (Pew, 2011: 97–98). Many scholars looking at Christianity agree that the growth of that religion represents a momentous change. It could have political consequences, in particular in relation to the growth of civil society (Vermander, 2000), and changing social relations in large cities with a tradition of openness to the outside world such as Wenzhou (Cao, 2010). A major dilemma for many Protestants is whether they should identify first as Christians expressing solidarity with their co-religionists worldwide or as Chinese patriots first (Vala and Lim, 2012).

The situation of the Catholic Church in China differs from that of other Christian denominations because of the extra-territorial authority of its supreme leader in Rome. The CCP looks at the Vatican's prerogative of choosing cardinals as interference in China's internal affairs, and as a response, it has imposed on Chinese Catholics the authority of the Chinese Catholic Patriotic Association (Leung, 1992). The reception to Catholicism in China was initially positive because of the willingness of Jesuit missionaries to acculturate and adapt their religion to the local context in order to facilitate conversions. The refusal of the Holy See then to accept this compromise, however, led to the end of missions for centuries, and left behind converts that had to struggle to maintain their faith (Madsen, 1998). The association of Catholic missions with the unequal treaties system in the nineteenth century left behind a legacy of rancour towards the church that superseded the goodwill resulting from its more positive involvement in education.

Protestant Christianity's resilience under the new regime has received considerable attention out of proportion to its number in the population during the first decades of the regime. Protestant Christianity has survived and even thrived thanks to the willingness of 'patriotic' Christians to adapt their beliefs to socialism and seek 'common ground' with the new regime, through the Three-Self Movement and the CCP's United Front (Wickeri, 2011), or more generally in their attempts to reconcile their spiritual values with those of socialism (Wielander, 2013). As result of this attitude, the regime has gradually come to the realization that Chinese Christians can play an important role in public life (Carpenter and den Dulk, 2014). The academic study of Protestant Christianity,

however, is not unanimous in its positive assessment of relations with the CCP. Other scholars looking at Christianity have preferred to pay attention to the plight of believers during the early decades of the new regime (see for example, Hamrin and Kindopp, 2004; Schak, 2011; Bays, 2012).

The issue of Chinese Christian sects unrecognized by the state and the 'Three-Selves' official church is at times difficult to distinguish from that of the new religious movements seen above and denounced by the regime as 'cults'. In contrast to the Yellow Turbans and the White Lotus tradition mentioned before, the influence of Christianity in political religious movements is relatively recent, with the Taiping Rebellion (1850–1864) as the most important example. The accounts over that movement's role in modern Chinese history have evolved, from the view that the movement was animated by a fanatical doctrine (Michael and Chang, 1966), to the recent interpretations that emphasized the modernist visions of some of its leaders (Platt, 2012). The Taiping was however an exceptional event and none of the unorthodox Christians that exist in the twenty-first century come close to match its influence (Kupfer, 2004; Lian, 2010). Still, the regimes fear these movements and persecute them harshly. This may be the case because the Christian identity asserted by some of these movements, such as the Eastern Thunder sect, is not recognized by the official Christians or even by other Christians outside of China.

Islam

Different ethnic groups practise Islam in China, each of which has a distinctive kind of relations with the central government. The Uyghurs have received for a while a fair amount of attention because of their plight and their location in the strategically important autonomous region of Xinjiang (Forbes, 1986; Lipman, 1997; Frankel, 2011). This situation contrasts with that of the Hui, a group with its own eponymous autonomous region, and much better relations with the central government. Their ethnogenesis – their emergence as a distinct ethnic group – represents a fascinating case study of how an ethnic identity can claim a lineage in a distant past despite its recent appearance (Gladney, 1991; Dillon, 1999). An issue that remains less clear is the sectarian diversity among Muslims in China (but see Israeli and Gardner-Rush, 2000). Six other minorities for which Islam is a defining marker of identity exist, but they represent small communities whose attributes vary from one location to another, even in contiguous counties (McCarthy, 2005).

CONCLUSION

A greater number of people appreciate the significance of religion in their lives in recent decades, even if there are different ways to experience and understand this reality. The official attitude of atheism remains widespread, not only among Communist Party high-ranking cadres, but also in the general population.

The important difference from the decade of Cultural Revolution is the rise of indifference, scepticism, and non-conformism on religious matters, if not tolerance, rather than anti-religious sentiments per se, even though there remain cases of persecution against religious minorities among the Han, or the religious practices of the ethnic minorities.

There are different perspectives on whether we should look at religious revival, resistance, resilience, or more fundamental change. One of the most difficult issues remains thinking comparatively about religion in China. Looking back at studies on fundamentalism, for example, one does not find anything about China, even though the concept appears over-stretched to such an extent that it could accommodate the realities of Islamic, Hindu, and Buddhist societies, alongside the variety of Christian societies. One leaves with the impression that China is an exceptional case, and that its authorities do not have to worry about the kind of politicization of religion that most traditions experience on all continents. This epistemological bias held by CCP intellectuals about the nature of religion in China, or the view that China has little religiosity, reinforces the teleological views about the withering away of religion in late capitalism. This perspective, however, is both misguided and problematic. Its long history until the twentieth century has shown that China is as likely as any other society to experience social change in which religion can become a key component. We need to understand more fully the social and political consequences of the religious changes underway in contemporary China that social scientists have documented so well. As the CCP considers the compatibility of socialism with religion, and the role of the latter in the promotion of the public interest, are we likely to see more research on that issue? Only time will tell.

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Sexual Minorities

William F. Schroeder

INTRODUCTION

Li Yinhe, well-known scholar and advocate for sexual rights in the People's Republic of China (PRC), has since 2002 tried to make the case to the National People's Congress and the National Committee of the Chinese People's Political Consultative Conference for legalizing same-sex marriage.¹ Her decidedly political take on the notion that citizens with non-normative sexual orientations or alternative gender identifications deserve the same protections as ethnic minorities and other so-called *ruoshi qunti* (disadvantaged groups) encapsulates what could be called a discourse of sexual minority rights (*xingshaoshu quanli*) in China. Such rights would ideally protect people who fall into this category from the social and political pressure to conform and alleviate the undue suffering of a great number of people in the contemporary PRC. The resulting politics of sexual minority status extends beyond China, however – a reality that Li brings to light in her attending argument that China's ability to acknowledge and solve the problems sexual minorities face will be a key indicator of the country's competitiveness in the global era (see also Li, 2006: 120–123). The simultaneously domestic and global perspective that many debates about sexual minorities take in China reflects the key problematic around which scholarship, activism, and personal understandings of sexual minority experiences turn. Exploring the tensions that arise from these debates also sheds light on broader concerns in the contemporary PRC: the intellectual's role in shaping social and political thought; the citizen's position in relation to the state, society, and authority more

generally; and the way that culture draws on local as well as other understandings and histories.

Yet the category of 'sexual minority' remains diffuse. The problem of specificity is not for lack of investigation and research into sexuality in the PRC, but rather because of what scholarship around the world identifies as the fundamental dilemma of identity: no human life can be reduced to a set of labels, and no human being can consistently fulfill criteria for belonging to an organizational category. Nevertheless, it is generally accepted that sexual minorities, who might include lesbians, gays, bisexuals, transgender people, and a range of others who fall under the domain known in English activist and academic parlance as 'queer,' constitute a significant population. In her proposal, Li Yinhe refers specifically only to 'homosexuals' (*tongxinglianzhe*), suggesting that 'the male and female homosexual population make up as much as 3–4 % of the entire population – in China, that constitutes 39,000,000–52,000,000 people' (data accessed online). Designating homosexuals as a particular kind of community that deserves rights goes some way to solving the problems of social, political, and economic marginalization sexual minorities face, but it also leaves a host of questions unaddressed. What about the differences between homosexual men's (*gay*) and women's (*lala*) communities, the specificity of transgender (*kuaxingbie*) needs, the particular difficulties women married to homosexual men (*tongqi*) encounter, the social position of people who have same-sex erotic attractions but do not identify as homosexual, the legal and economic status of same-sex sex workers, and so on? Although these questions are beginning to be addressed in activist and academic work and are sometimes discussed in the media, it seems that a general solution is both difficult to find and inappropriate. Nevertheless, some contemporary PRC scholars are attempting to use knowledge gained from the study of sexual minority groups to shift mainstream debates about society, culture, politics, and economics. These attempts represent the development of academic and activist approaches to sexual minority status in China and highlight the many changes that have occurred during the past few decades of public discourse in the field. They also represent certain discernible changes in the way that Chinese society understands the dilemmas of personal sexual desire and social-cultural responsibility.

The fundamental and productive tensions that result from these dilemmas, along with their consequences and outcomes, form the content of this chapter, which explores not just the rich history of scholarship on the subject of sexual minorities in general, but also the contemporary history of social and cultural activism and everyday life among sexual minorities themselves. The chapter can by no means exhaust the variety and depth of scholarship or the richness and complexity of organizing around sexual minority issues, nor the variety of strategies taken by sexual minority populations to eke out a satisfactory existence, but it can convey some of the most emblematic ideas and solutions to have emerged during a fairly short span of time. The chapter therefore narrates a

conceptual history that emergent activism and daily life have defined themselves both through and against. All parties have sought to determine the relevance of their approaches and understandings to each other as well as to contemporary China and the globe, and it is indeed this question of relevance that will shape the future of scholarship and activism in the field.

RECOGNITION

Li's proposal has never been formally addressed in the two meetings and is not without its critics in the community it seeks to serve, but it is nevertheless symbolic of an era in which discourse, dialogue, activism, and scholarship around the question of sexuality have emerged in remarkable ways. Li's forthright attempt to bring the issue of sexual minorities to the government suggests that 21st-century Chinese people envision themselves as individual or rights-holding citizens, but it also fits into a history of attempts to change the social and political landscape in China through reforms in the areas of sex and gender (cf. Evans, 1997). This history traces its roots back at least to the beginning of the People's Republic of China, further linking back to the May Fourth era, when various activists and state apparatuses attempted to reform sexual rights through marriage laws. In this way, the current colloquialism often used as an umbrella term for sexual minorities – *tongzhi*, or 'comrades' – gains added significance. This ironic name plays on the political history of the term of address and the Chinese word's sense of 'same will' or 'same understanding' to amalgamate gays, lesbians, bisexuals, transgender people, and others who do not consider themselves to fall into the sexual or gender mainstream (see Wong, 2005, on the appropriation of the term). Similar groups are often also known in Anglophone scholarly and activist language as 'queer,' a word that in translation as *ku'er* is gaining limited traction as a signifier of more radical sexual politics in the PRC but that also often functions merely as the English translation for *tongzhi*. Regardless of the complicated translational status of these terms and references, *tongzhi* implies a desire on the part of some sexual minorities to be recognized as a particular group and treated with the social and political respect that the term might once have indicated more broadly in China. Though it was originally a self-appellation developed by sexual minorities in Hong Kong, it now has a much wider range of use among both sexual minorities and the PRC mainstream.

The inclusiveness of this term, which is intended to be flexible enough to incorporate a broad range of people but meaningful enough to convey some of the PRC's most important socio-political values, harbors a core insider–outsider, global–local dynamic that characterizes much of the thinking on sexuality in contemporary China. This dynamic emerges from attempts to reconcile the particularity of the *tongzhi* experience with the similarity Chinese sexual minorities

might have with people around the world who are ill-treated as a result of sexual non-conformism. In both cases, it is important to recognize the unique and ongoing abuse *tongzhi* suffer as a result of the social and political reality of the PRC as well as the humanity of *tongzhi* persons, who, like many people in other countries today, are demanding tolerance and recognition.

This dynamic is reflected in Li's document. Although Li does not reference the term *tongzhi*, her framing of the appeal to legalize same-sex marriage in political terms and her understanding of the protection of sexual minorities in relation to the socialist promise of equality suggest that *tongzhi* issues must be understood from the perspective of both the Chinese state and Chinese culture. But in addition, *tongzhi* are not merely an example of an isolated minority within the particular history of the PRC. They often participate in the sharing of ideas and concepts about their status and their experience from across the Chinese-speaking world as well as the non-Chinese-speaking world. Like many other Chinese people, *tongzhi* frequently consider themselves at once a part of China and Chinese history and a part of a global society (cf. Fong, 2004). Therefore, one of the keys to understanding the topic of sexual minorities in China lies in recognizing how *tongzhi* seek to identify with and beyond China and how scholars and activists interpret the significance of that complex process.

Basic assumptions that all Chinese people hold certain rights as a matter of law and that the government and citizens should recognize the importance of individual dignity underpin the approach many scholars, including Li, and activists take. Yet not everyone who would be affected by the legalization of same-sex marriage agrees that the socially integrative approach to marriage and family is the best way to alleviate problems of discrimination or exclusion. Debates about these issues pivot around the question of whether *tongzhi* should expect to be merged into an existing concept of marriage and family or whether *tongzhi* should endeavor to change the definition of family and thereby alter what many people consider to be the foundation of social stability and national survival. The integrative approach sees children's responsibility to parents and elder and subsequent generations as paramount, even in the face of challenges confronting same-sex couples who cannot or perhaps do not want to produce offspring. Others, however, advocate for decentering the marriage and family issue from debates about how to achieve equality. Dissenters argue that marriage is itself a form of social exclusion creating a two-tiered society divided between those who are married, and thus command a privileged position, and those who are not. This very exclusion in its contemporary form is already likely the source of the most suffering for *tongzhi*, who consistently identify the pressure to marry and the by-pressure to produce offspring as the primary reasons for their psychological and emotional discomfort. As in other places in the world, *tongzhi* disagree about just how to understand concepts of family and belonging, which index so many of the key issues defining contemporary social life more generally – namely, gender, intergenerational responsibility, and individual self-determination.

CHINESE SCHOLARSHIP: A BRIEF HISTORY

Scholars have been exploring similar questions of how *tongzhi* fit into and are excluded from contemporary Chinese society and culture for several decades, and their work has taken a number of perspectives and approaches. Contemporary anthropologist Fu Xiaoxing, author of a recent and remarkable ethnography of ‘male homosexual groups’ in a northeastern Chinese city, has put forth a brief and cogent account of the recent history of Chinese research into sexual minorities. She uses Chen Xiuyuan’s earlier retrospective ‘*Zhongguo tongxinglian yanjiu: Huigu yu zhanwang*’ (2008) to begin to make sense of this history (Fu, 2012: 46), suggesting that scholarly investigations on the topic of homosexuality have been carried out in China since the 1980s and that this research history can be divided into three periods. Chen traces the development of scholarship from medicine and psychology’s burgeoning interest and sociology’s dominance in studies on homosexuality in the mid-1980s (2008: 31). Chen then notes a substantial increase in psychology publications on homosexuality in the 1990s and the emergence of an interest from the disciplines of law, history, philosophy, and education (2008: 31). Yet sociology, medicine, and psychology still produced the most work. By the beginning of the new millennium, most disciplines were researching homosexuality, with publications coming out in demography and political science, among others, as well as in the previously mentioned areas (2008: 31). Having been inspired by the lead of the still dominating disciplines sociology, medicine, and psychology, Chen argues, these other disciplines helped to broaden research into homosexuality more widely than ever before (2008: 31).

Fu shares the assessment that this research will continue to expand and grow, despite what she understands to be Chinese scholarship’s comparatively late entry into the field and the fairly superficial treatment of the subject in many of the works published to date (2012: 46). Nevertheless, Fu manages to divide recent Chinese research on what is more often than not homosexuality into a more descriptive set of areas than the traditional disciplines Chen uses and offers an understanding of what Chinese scholars have been concerned with. These areas are the history, the legal status, the causes, and the culture of homosexuality (including literature and film), as well as the relationship between homosexuals and correlated groups (such as male–male sex workers or heterosexual women who are interested in ‘boys’ love’ or BL fiction). Among these different areas of interest, Fu chooses to elaborate on those that approach these issues from more or less sociological perspectives and those that use medico-sexological methodologies. Fu’s focus on the areas of sociology and medicine–sexology allows her to describe and evaluate some of the best known authors to have written about homosexuality and related issues in China, and her list bears repeating.

In the early 1990s, male homosexuality could have been considered a crime falling under the broad category of ‘hooliganism’ (*liumang zui*), though most scholars agree that authorities did not usually actively prosecute this aspect of the code (see Kang, 2012), and among both men and women homosexuality was treated as a medical and psychological abnormality. In this atmosphere, Qingdao University medical professor Zhang Beichuan’s sympathetic approach to homosexuality stood out. His 1994 book *Tongxing Ai* (Same-sex Love), though it elaborated a framework for diagnosis and treatment based on an understanding of homosexuality as deviance and pathology – and although Zhang himself professed not to support but rather to sympathize with homosexuality – nevertheless paved the way for a more tolerant approach to the study of sexual minorities in the PRC (Fu, 2012: 47). Fu attributes that success to Zhang’s respectful attitude toward homosexuals, his wide citation and promotion of both Chinese and non-Chinese sources, and his cross-disciplinary approach (47). His later contributions to AIDS prevention among men who have sex with men is widely known and celebrated, and his personal involvement in prevention work and advocacy for broad-based and integrated solutions to this particular public health challenge won him accolades from both the *tongzhi* community and the academy (47; see also Kam, 2013: 44–45). Along with internationally recognized campaigner and public health professional Wan Yanhai’s more outspoken advocacy work (see Wan, 2001) – which began in concrete form around the same time Zhang published his first book on homosexuality but would draw the negative attention of authorities in the early 2000s – Zhang’s work helped to set the tone for public advocacy of homosexual issues. It contributed to a discursive framework in which *tongzhi* groups could work to elaborate their own networks and organizations. Whereas setting up *tongzhi* advocacy groups or non-governmental organizations (NGOs) was and continues to be difficult in the PRC because of the intense scrutiny of the government, growing official support for HIV-prevention work after Zhang’s and Wan’s early work created an issue around which groups could coalesce. This coalescence then established a context in which broader social, emotional, and psychological support could be offered in an organized and public way. Indeed, many larger organizations that seek recognition from within China continue to revolve not around *tongzhi* or sexual minority issues *per se* but around public health and education.

For Fu and others, however, American-trained Chinese Academy of Social Sciences sociologist Li Yinhe’s approach to researching sexual minorities sets her apart from early contemporaries. Li had been actively publishing about the topic long before she authored the same-sex marriage proposal discussed at the beginning of this chapter, and according to Fu, the way that work touches on the *tongzhi* experience is what made it not only salutary but foundational. Later scholarship took inspiration from it, and *tongzhi* themselves were able to develop a certain self-recognition as a result (Fu, 2012: 47). Li has spoken up and out on behalf of feminism, the promotion of individual sexual rights, and tolerance for

sexual diversity and orientation, and is now among the best recognized public intellectuals in the PRC. Indeed, Li has a veritable fanbase comprised of both *tongzhi* and feminists who attend domestic and international public events in which she appears. Li's earlier work, such as the 1992 *Tamen de shijie* (Their World), cowritten with her late husband, novelist Wang Xiaobo, seeks in classic ethnographic fashion to describe sexual minorities' lives holistically, though from an external or objective perspective. That book and other works on women's sexuality, such as the 2002 *Zhongguo nüxing de ganqing yu xing* (The Sexual and Emotional Lives of Chinese Women) locate her subjects' lives in real places, Fu points out, discussing people's emotional and sexual desires as well as cultural values, along with the mainstream legal and social mechanisms that encourage contemporary Chinese culture to repudiate sexual or gender non-normativity.

This approach distinguishes Li's work in general from other sociologists such as Pan Suiming, who is in some ways nearly as influential in terms of focusing Chinese scholarship on questions of sex and sexuality but produces what Fu calls work that takes a 'comprehensive largescale survey' (Fu, 2012: 48) approach. Sexual minority issues, particularly homosexuality, in such work are part of much broader Kinsey-style attempts to understand sexual attitudes and practices in China in particular times. Pan's 1995 *Zhongguo xing xianzhuang* (The Current Situation of Sex in China) is an example of this kind of project. Pan's objective approach to homosexuality as a question of gender and his conclusions that homosexuality is normal and should not be discriminated against would have been considered avant-garde at the time (Fu, 2012: 48). He continues to be known for his organized and wide-ranging approach to sexuality in China and has attracted a number of students to his Institute of Sexuality and Gender at Renmin University of China, where the biannual International Conference on Chinese Sexuality brings researchers from around the world, and especially those interested in research on the *tongzhi* community. Pan demonstrates a steadfast commitment to understanding China's sexual landscape from a domestic and contemporary perspective.

Similarly, Li Yinhe's fastidiousness and comprehensiveness have created a broadly recognized archive of research into gender and sexuality that continues to be drawn on today in both educational and activist, as well as individual, ways. But her interest in and insistence on using a comparative model is what makes it so fundamental to contemporary Chinese thinking on questions of sexuality and personhood. Li always considers Chinese sexual and gender norms and experiences in comparison to Western ones, and weaves Western scholarship in with Chinese work on sex, sexuality, and gender. Although she sometimes paints both sides with a broad brush, her relativist rhetorical move represents a first step toward placing China in a research position among what continues to be a Western-dominated discursive field. Li's work in this regard has ambitious domestic political and social goals. In the preface to her 2003 work *Xing de wenti: Foucault and Sex*, she writes:

I hope through my own research to encourage the beneficial reform of my country's laws concerning sex, and I would even like to use postmodernist theory's most taboo of words – progress – to explain my goals. Because although cultural relativity theory tells us that different cultures, customs, norms, and laws all have their own inherent value, the amusing yet sad examples I cite cannot but exasperate us: we have a few laws and norms that really are too primitive, too barbarous, too backward. Their reform and critique absolutely should not fall under 'relativist rationalization' but belong in the realm of 'absolute progress.' (2003: 1)

These laws and norms, such as those that place women in positions of inferiority to men and suppress women's sexuality (*viz.* the emphasis on female virginity), those that restrict people's access to materials and items that encourage sexual pleasure (including pornography), or those that restrict people's sexual choices in general (such as their ability to have casual sex or choose particular kinds of partners), are a few of the aspects of Chinese sexual culture that Li would like to change in the name of progress. But it is her refusal to compare cultures and paradigms simply to draw out difference that paves the way for future Chinese scholars not just to contribute data to a growing body of ethnographic literature on sexuality and gender around the world, but to develop novel and useful modes of understanding this aspect of human life beyond China as well. Li seems in general not to imagine that China could mimic Western sexual attitudes and call such mimicry 'progress,' but could draw on what she perceives as China's historically matter-of-fact attitudes toward sex and incorporate these into a contemporary understanding of individual rights and gender equality. This merged sensibility, according to Li, would achieve not just a more tolerant society but a more satisfied and happy one.

Although Li is at times highly critical of China and Chinese society and law, her strategy is also a practical one that recognizes what she envisions as innate human desires surrounding sex, and she tries to provide a sensible context for attending to them. Her technique of picking and choosing historical, political, and cultural reference points does not mean that her scholarship is inadequate but that she recognizes something fundamental about the complexity of human thought and behavior. Few people in the global era – and indeed probably at any time in history – express one consistent notion of personhood or sexual identity, draw on one specific history to understand the present, or live their lives voluntarily according to one particular political paradigm. For Li it is crucial, then, that scholarship on this most complex issue of human sexuality, reflects and incorporates a certain diversity.

DIVERSIFYING SCHOLARSHIP

Diversity, however, can be understood in multiple ways. As Fu suggests, 'Subgroups within [homosexual groups] take a variety of complicated shapes, requiring us to tease out the details that fall outside the scope of macro statistical data'

(Fu, 2012: 5). This teasing out represents a call for the finer detail of experience and identification among different groups and individuals in the *tongzhi* community than the sorts of largescale survey-based approaches taken by Pan and Zhang could provide. For example, the precise ways that transgender men and women in China perceive their relationship with the mainstream and understand themselves as both part of and different from the *tongzhi* community does not get emphasized in largescale work (though ethnographies of the transgender experience in China have not yet been published, see Chiang, 2012, for a preliminary account of the history and representation of transgenderism in China). Nor do the ways that *tongqi* feel themselves doubly marginalized by a patriarchal culture that privileges heterosexual marriage and the male voice in the *tongzhi* movement appear in broad sociological surveys (see Cheng and Halsall, 2016, for an overview). In effect, Fu's is a request for more concerted ethnographic work that takes long-term participant observation as its primary research method.

But for some researchers, providing finer detail is not enough. Lucetta Kam (2013), a Hong Kong-based, mainland-born scholar who has written about the experiences of *lalas* in Shanghai, criticizes both earlier medico-sexological and sociological works. Kam considers Zhang Beichuan's pathological portrayal of homosexuals to exist very much within a framework of repression, despite the obviously more tolerant attitude he took at a time when liberal perspectives on the matter were rare in the academy (44–45). Kam also places Li Yinhe among scholars who take a supportive and sympathetic approach to scholarship on *tongzhi* life but whose objectivity reinforces the very exclusion to be overcome (51). Kam notes that Li's first foray *Tamen de shijie* 'was criticized for heterocentrism and for its otherization of homosexuals' and that the title of the book itself – 'their' world – provides important clues about 'the overall power dynamics between the heterosexual majority and the homosexual minority' (51–52). In other words, according to Kam, 'homosexuals were put under heterosexual scrutiny in much the same way as being medically examined' (52). Therefore, the diversity that has become so important in the scholarship on sexual minorities in China must also be more rooted in the community itself, according to Kam. It should not derive merely from the objective but distanced work of sympathetic outsiders but should come from people who are themselves familiar with the struggles and joys of existing within a socially and politically abject group. Kam's is a familiar call from within the ever-growing global field of Queer Studies, and Chinese scholars are heeding it, producing work in what continues to be a difficult environment of censorship and suspicion.

As a result of this environment, one must be willing to look beyond established publishing houses and universities to find crucial, even seminal, works that fit the requirements of being produced both in and for the *tongzhi* community. For example, the widely known and often acclaimed work *Zhongguoren de nannan xingxingwei: Xing yu ziwo rentong zhuangtai diaocha* (Men who have sex with men among the Chinese: Sexuality and gender identification survey),

by sociologist Tong Ge, was published in 2005 by the Beijing Gender Health Education Institute (*Beijing ji'ande zixun zhongxin*). Pan Suiming reveals in his foreword to the book a critical awareness of the need for the kind of diversity and community-internal work that Kam calls for, complicating what could be seen on the basis of more strident critiques as an oppositional atmosphere. He makes it clear:

This book tells us that the important thing is the subjective feelings and knowledge that MSM [men who have sex with men] have about themselves, what they themselves think and say, and not just the so-called 'objective description' oriented toward finding out 'what in the world they get up to'. This is a remarkable and rare thing and something that is not easy to accomplish. Many researchers, including myself – with good intentions but all too easily – 'speak for them' or lead them to speak 'objectively' or 'summarize and refine' their speech, etc. (Pan, 2005: 13)

Tong Ge's (2005) work is as encyclopedic as it is ethnographic, and it provides in fine detail a matter-of-fact report on sexual behavior and thought among men with erotic attractions to other men. Tong Ge narrates historical changes that have led to the contemporary situation in which some men who have sex with men wish to self-identify through that experience and in which others do not. His overall goal is to describe the myriad possibilities for and understandings of homoeroticism and action and to give people to whom these experiences make sense the opportunity to consider their social and historical, as well as political, positioning from a more informed perspective. The book provides a space in which men can recognize themselves, as the title suggests, somewhere among Tong Ge's discussions of the vast range of practices and knowledge reflected in its nearly 700 pages.

This comprehensiveness allows Tong Ge to talk about the experiences of 'money boys' (*MB* in Chinese) alongside the experiences of 'same-sex lovers' (*tongxing qinglü*), and that same comprehensiveness has both benefits and drawbacks. For example, although money boys – or male sex workers who have sex with men – when compared with same-sex lovers, may have a very different attitude to the relationship between their sexual behavior and their gender or sexual identity and may not identify as 'gay' at all, they in some sense participate in a spectrum of human sexual behaviors that if recognized as such might produce a certain dignity. Yet one cannot imagine that the problems money boys face are the same as those that *gays* face; nor can one imagine that either group wishes to be identified with the other. If one places all these men within the same categorization of MSM, one risks not being able to achieve the fine-grained ethnographic detail queer scholars would like to see. This grouping further risks diminishing both the real struggle mainland gay men face in trying to achieve social and political recognition as well as the emotional and psychological satisfaction that might come with emerging from sub-cultural status, and the real abjection that money boys face as a result of being targeted by mainstream and *tongzhi* communities alike as emblems of contemporary Chinese problems. In both cases, the

complexity of the subject becomes obscured under the broad label ‘MSM’ (cf. Rofel, 2010).

Although Fu considers Tong Ge’s work to have created – using Pan Suiming’s term – a certain ‘intersubjectivity’ (*huwei zhuti*) (2012: 51) in its structure, what she is pointing to is Tong Ge’s willingness to combine community-internal research with the kind produced through largescale surveys by ‘outsiders.’ This intersubjectivity is not the same as *tongzhi* researchers doing work in *tongzhi* communities and producing ideas through mutual interaction and knowledge exchange leading to unique but organic understandings of experience. That sort of scholarly work has been conducted only lately in China by people like Wei Wei, who identifies as *tongzhi* and does research with *tongzhi* groups. Based in Shanghai in East China Normal University’s Sociology Department, Wei Wei has produced two book-length works on *tongzhi* issues, both of which have been published in the PRC: *Gongkai: Dangdai Chengdu ‘tongzhi’ kongjian de xingcheng he bianqian* (Going Public: The Production and Transformation of Queer Spaces in Contemporary Chengdu, China) (2012) and *Kudu Zhongguo shehui: Chengshi kongjian, liuxing wenhua he shehui zhengce* (Queering Chinese Society: Urban Space, Popular Culture and Social Policy) (2015). His first book looks at the specific experiences of *tongzhi* in the urban space of Chengdu, which differs substantially from the places many foreign scholars might consider to be the centers of queer cultural production in the PRC – Beijing and Shanghai. Much as Fu’s anthropological account does, Wei’s carries on a tradition of social research into sexual minority communities in China but refocuses it toward second-tier cities and inner-provincial areas.

Wei’s second book, however, aims for something altogether different. It seeks to theorize China and its recent history from a queer perspective, creating not a retrospective of how Chinese scholars have studied sexual minorities or same-sex behaviors and cultures, but a queer theory of recent Chinese history itself. This theorization would be based on the perspective that can be gained from having been a part of and researched *tongzhi* groups for many years. Wei Wei’s approach thus turns the situation of research into sexual minorities in China on its head and represents the vanguard of work in and beyond the topic. He believes that the future of studies in this arena is in ‘breaking out of the academic orientation toward homosexuality research as research on the “minority” and bravely expanding the position and perspective of homosexuality research toward the so-called mainstream – that is to say, to “queer” the mainstream’ (Wei, 2015: 3). In this sense, Wei Wei provides one response to what Petrus Liu insists is the job of *tongzhi* studies in China ‘into a useful set of queer tools’ (Liu, 2010: 316). What Liu means is that instead of China emerging simply as a set of examples of same-sex sexual behavior and culture from the non-West, and instead of simply using Western theories to understand the growing presence of and interest in *tongzhi* experiences in China, Chinese and other scholars of sexuality could make their own theoretical contribution to debates about

sexual normativity in general. They could engage the global dialogue instead of responding to it and bring Chinese experiences to bear on a set of theories that would be useful beyond just the PRC. For Wei, a primary effort in this area would involve moving the scholarship beyond questions of ‘recognition’ (*rentong*) as against the majority, which has characterized work since the beginning of research into sexual minorities, toward a more systematized understanding of the interplay of sexual, social, political, and even economic processes (Wei, 2015: 45).

GLOBAL DIVERSIFICATION

Some of this work is being done currently among scholars who do not reside in the PRC and cannot be called Chinese themselves. But for them, the basic question of recognition takes on yet another dimension. The act of recognizing contains an extraordinary power – if one feels it is one’s job to provide recognition, then one has claimed authority over the party to be recognized, but if one is recognizing oneself and compelling others to do so, one has managed to empower and opened up a space for others to engage in a similar process. Thus whether non-*tongzhi* or non-Chinese queer researchers can claim this authority or can claim similar experiences becomes an important consideration, especially in deciding what kind of research to engage in and what kinds of goals to maintain. In situations of ethnographic fieldwork, this question of what kind of researcher should be given access to *tongzhi* experiences and why, in addition to what kind of researcher’s work ‘counts,’ is significant in determining outcomes, because foreign researchers especially must ask themselves to what extent they wish to influence *tongzhi* activism’s goals and approaches or Chinese social views on *tongzhi* life, and what the relationship is between ideas that arise in Western researchers’ own cultures and the situation of the contemporary PRC. From this sensitive but important perspective arises the very basic question of whether, for example, queer theory, which was developed largely in North America and Europe, can ever contribute to an understanding of the Chinese experience and what the significance of a Western researcher who might want to engage queer theory on the experience of China might be. Considering these complexities and challenges, Li Yinhe’s insistence on balanced cross-cultural scholarship, Lucetta Kam’s call for auto-ethnography, Petrus Liu’s challenge to reverse intellectual flows and merge scholarly trends, and Wei Wei’s vision for a queered future for China all take on a different character. Whereas in many ways, both queer non-Chinese people (including researchers) and *tongzhi* are able to relate to each other because of similar experiences of cultural abjection and social marginalization, non-Chinese queer researchers of *tongzhi* culture must establish a practice that does not uncomfortably replicate the processes and methodologies of colonialism,

which places them in a position of power in determining the history, actuality, and future of the *tongzhi* movement.

All scholars must recognize that the reality of contemporary global information flows and the ways that *tongzhi* and their advocates connect with ideas that come from elsewhere, mean that *tongzhi* subjectivity is already very much non-static and that *tongzhi* history is rather non-linear. Consumers of queer and China studies scholarship are often surprised to learn, for example, that *tongzhi* do not necessarily trace their history to the classical ages of same-sex eroticism, such as those described by Bret Hinsch (1990), Giovanni Vitiello (1992), or Michael Szonyi (1998); nor do they necessarily link to a pre-modern age of tolerance such as that imagined by Chou Wah-shan (2000) or one of certain repressions such as those described by Matthew Sommer (1997). Although certainly the particular circumstances under which China's *tongzhi* present emerged must be understood in their own right, to assume that China's *tongzhi* experience links directly to a pre-modern Chinese past would be to deny the history of Chinese sexual minority scholarship, activism, and experience in favor of a homogenizing local narrative. In the first place, as scholars like Tze-lan D. Sang (2003) and Howard Chiang (2014) show, the Republican Period and its May Fourth movement significantly altered the meaning of sexuality itself and re-contextualized sexuality and gender in such a way as to be a turning point in contemporary understandings of sexual minority culture. And in the second place, the intervening communist revolutionary period, high Cultural Revolution era, and globalization have complicated China's connection to its past even further.

But in a very significant way, this observation is not limited to China, and it is historicism itself that can limit the understanding of the *tongzhi* experience. This means that questions of history must become part of a larger set of questions about how sexual minorities understand themselves and why. Whereas *tongzhi* may not connect to a past that is wholly or identifiably local – not simply because the past is complex but because history and cultural memory are dispositions – neither would they necessarily connect straightforwardly with a concept of self and sexuality that can be traced to contemporary Western influences or that would be an instantiation of a global trend. Lisa Rofel, one of the first Western academics to write about the experience of contemporary Chinese sexual minorities, encourages scholars not to conflate non-normative Chinese sexualities with any presumed Western equivalent, suggesting instead in her early work on gay Chinese men that her informants ‘index neither another exemplar of a global gay identity nor mere local particularity’ (1999: 453). They are neither global nor local, and these terms themselves are misleading. Instead, for Rofel, ‘the global and the local are both acts of positioning, perspectives rather than mere locales’ (456). Just as theories of narrative and collective memory suggest that history is not a fact but an act of situating the author or speaker, so too are acts of globalizing and localizing discursive moves in emergent present contexts. In other words, people use concepts and stories of time and space to place themselves in context – any

context – among other people and other times and places. Rofel's understanding in this regard is a core part of the *tongzhi* China archive because it incorporates a nuance into scholarly debates about the emergence and transformation of sexual identities during any period, including the present. Her approach would come to resonate with emerging calls for analyses of *tongzhi* experience that seek not to categorize sexual minorities or codify their identities and discourses, but to comprehend what brings *tongzhi* to make certain claims about themselves. It is this level of theorization that allows for what Petrus Liu finds so crucial to the development of a future *tongzhi* studies that changes – or 'queers' – the relationship between past and present, local and global, and China and the West. Taking heed of these understandings and visions for the future, but also of the sensitivities involved in conducting cross-cultural research, contemporary scholars from China and abroad are collaborating to uncover ways that Chinese experiences and understandings of gender (Huang, 2015; Yang and Xu, 2015), music (Wang, 2015), the mechanics of self-representation (Engebretsen, 2015), and activism (Schroeder, 2015) can inform relevant theory in other places.

FROM SCHOLARSHIP TO MOVEMENT

The path toward achieving both recognition and equality, as well as a queered sense of how things work, is not an easy one to take. Indeed, as Wei Wei suggests aphoristically, it has and will continue to be like carrying a heavy load down a long road (*renzhong daoyuan*) (2015: 13). In the PRC, the junction at which this path crosses into what most people know as activism – or concerted organizing and activity geared toward achieving a political or social goal – is particularly fraught and dangerous. Although since 1997 homosexuality was no longer recognized as an aspect of the crime of 'hooliganism' and after 2001 was no longer categorized as pathological (see Kang 2012 for a nuanced discussion of the decriminalization and depathologization of homosexuality in the PRC), generally, authorities across China have responded negatively to the kinds of agenda-driven public activity that seeks to further improve the *tongzhi* situation.

Nevertheless, activism, and especially what might be called street or performance activism and non-governmental organizing, is expanding. If the 1990s can be categorized as a growth decade for research into sexual minority issues, the new millennium might be known as a period of growing public awareness and a more organized non-academic or quasi-academic approach to the social and political problems of *tongzhi* life, despite official condemnation and persecution of non-governmental organizing itself. Individual challenges, building on understandings of the relationship between the citizen and the state and the particular ways the *tongzhi* question fits into that understanding, are occurring as a minor facet of this new activism. Law scholar Guo Xiaofei (2007) and others are helping to establish the legal perspective on which some activists rely to challenge the

government's stance toward sexual minorities. For example, a group of men and women acting as same-sex couples attempted to register their unions in Beijing in 2014 as an act of protest, and an actual couple sued for recognition of their union and lost in the courts in Hunan in 2016. Activist film-maker Fan Popo sued the government in 2015 for censoring his film about *tongzhi* parents by removing it from the internet. There are several other recent examples.

But these are cases in isolation, though they are encouraged by the rise in awareness and action across China regarding the *tongzhi* situation. What has been most noticeable in the new millennium is the blossoming of a huge range of diverse organizations that cater more broadly to the *tongzhi* cause: the Lala Salon, a weekly discussion group for *tongzhi* women in Beijing; Tongyu Lala, an online and offline group that educates about and advocates for *lala* rights and recognition; Pink Space, a queer feminist-leaning sexuality research organization; LGBT (lesbian, gay, bisexual, and transgender) centers and pride organizations around the country; *tongzhi* leisure organizations providing spaces and times for a huge range of recreational activities all over China; the Chinese Lala Alliance's 'Lala Camp,' which is held in various cities around mainland China and includes women from across Sinophone regions who want to learn about organizing and activism; PFLAG groups (parents and friends of lesbians and gays, or *Tongxinglian Qinyou Hui*) around the PRC, which encourage parents to understand and support their *tongzhi* children; the National LGBT Conference held in Beijing, which hosts activists and organizers from around China, including not only coastal areas but inland and ethnic minority regions as well; Aibai and Danlan, *tongzhi* web information portals; and many others.

This post-millennial *tongzhi* movement, characterized by Wei Wei as one of not primarily politically but more often socially and culturally resistant (*kangjuxing de*) activities, makes it one that authorities nevertheless suspect. Though one can only guess why such activities in particular attract the ill attention of officials and police – it is difficult to predict in advance or collate in retrospect which activists are condemned and which events are closed – it seems that any challenge to the status quo, even when it is more social than political, could be seen as dangerous. Indeed, although scholars certainly have a difficult time publishing their work because of censorship and conducting their research because of continuing academic prejudices and institutional cowardice, many activists seem to lack, from the perspective of the state and others, even basic credentials for raising awareness and are often treated as upstarts or meddlers in China's more general progress toward a future that the state has defined. It may be that written work, because it is slower to come to fruition and requires a more intense degree of contemplation on the part of the consumer, is less fraught than physical organizing, whereas incisive and direct pinpointed action on the street can seem dangerously unpredictable and in that respect possibly more influential. What the government certainly fears is the creation of tangible flashpoints that it has little power to control or manage. In this way, especially consciousness-raising events, which

seek not only to change perceptions but also to draw attention, attract the anger of authorities, suggesting that in the PRC, not just speaking but acting out of turn in the spirit of upsetting the current state of affairs in any range of scenarios could get one into trouble.

There have been a number of notable examples of this very kind of action. Beijing Film Academy professor Cui Zi'en's Beijing Queer Film Festival, first scheduled to take place in 2001, has been shut down or interfered with and threatened directly by police or some authority (including Peking University administrators) almost every time it has been put on, and its affiliate Beijing Gay and Lesbian Culture Festival was forcibly closed by police in 2005, resulting in the detention and questioning of both organizers and participants (see Fan, 2015). The festival inspired a re-organized attempt by Fan Popo, the young and influential *tongzhi* film-maker, to create a traveling exhibition known as the China Queer Film Festival Tour. The tour means to expose people around China to films by, for, and about *tongzhi* and provides a kind of refuge from the generalized censorship and repression mechanisms of the Chinese government. His film festival practices a kind of activism in motion, recalled in the evocative but also practical and literal phrase used by some Chinese activists: *Tongzhi zai xingdong!* This phrase marks a refusal to settle down or give in, and a kind of mobility or agility vis-à-vis police pursuit, but also a clear sense that not just activism, but activity itself, is the key to achieving goals of recognition (on being active, see Deklerck and Wei, 2015: 31–32). It may also be the key to dismantling, in Wei Wei's sense, oppositional understandings of minority versus mainstream.

Even so, recognition remains a primary goal in much activist culture. In 2013, a parade organized in Changsha by the group 'Hunan with Love' to mark International Day Against Homophobia and Transphobia coalesced around chants of 'I am a homosexual; I am proud' (*wo shi tongxinglian, wo jiaobao*). The march went on as planned, but organizers were later detained and released on the same day by police. The event attracted largely university-age participants from around China, including Shenzhen, Guangzhou, Beijing, Hong Kong, Chongqing, and other parts of Hunan, and it drew domestic and international media attention. Recognition was to some degree achieved as a result of the march going ahead, though at the price of the scrutiny organizers have been under since. Their successes on the day were attributed to their strategy of movement and careful circumvention of sensitive or symbolic civic areas of the city (Engebretsen, 2015). But avoiding sensitive areas or even predicting where they might be is not always straightforward. The 'feminist five' – Li Tingting, Zheng Churan, Wei Tingting, Wang Man, and Wu Rongrong – detained in 2015 for their activities promoting gender and sexuality awareness in Beijing, know all too well that sometimes focusing a movement toward everyday spaces, such as public toilets, shopping streets, and train stations, leads to extreme forms of extrajudicial detention and ill-treatment. This group concentrated on issues affecting women, such as domestic violence, access to public services, and public safety, but its leaders were at

the same time core activists in the *tongzhi* community who saw the fight for *tongzhi* recognition and equality as part and parcel of a struggle for gender parity and rights. Their activities, such as walking through the streets wearing bloody wedding dresses to protest domestic violence or occupying public men's toilets to call attention to the underprovision of services to women, brought a moving activism right into the center of people's lives and challenged the normative gendering of everyday spaces (see also Engebretsen, 2013).

This ability to emplace issues into everyday life or into the public realm very rapidly is something that academic publishing has a difficult time doing and is what makes contemporary activism so important to sexual minorities receiving the recognition they seek. Yet moving, active, and penetrating strategies are what also bring sexual minority knowledge and organization right up to that crossroads that Wei Wei defines as important to the contemporary Chinese moment – a moment in which 'comprehensive challenges to long-standing social systems and structures' emerge to define a 'transformative process of collective same-sex recognition from resistant recognition to systematic recognition' and that represents at the same time 'the process of producing and developing the homosexual movement' (Wei 2015: 45). The way that the feminist five connected 'gender' with '*tongzhi*,' though it could be seen as an outgrowth of ideas that in her oeuvre Li Yinhe has been proposing for a while, represents a kind of culminating point at which concepts merge into and cross over one another and at which concepts merge into and cross over into everyday life. It is the fundamentality of that merger – its potential for redefining the world – that strikes authorities, activists, and the next generation of scholars as particularly energetic, in turn dangerous and compelling.

MOVING IMAGE

Perhaps for this reason of the energy created in crossing over between different realms and into everyday life, the moving image has been especially important in the growth and development of *tongzhi* activism, knowledge, and aesthetics. Reflecting the same kind of creative qualities evident in contemporary *tongzhi* street organizing, what is now often known as digital video (DV) – films, documentaries, and shorts produced and disseminated with digital tools – has created a space for collecting and distributing ideas right from and right into people's everyday lives. This approach builds on the communicative usefulness and speed of the internet, which has been so crucial to the emergence of any kind of movement at all in China in the post-millennial era, to create a powerful phenomenon. As the authorities seem to feel keenly – and as activists and commentators as well as the public seem to delight in – it is particularly difficult to sustain the censorship and prohibition of images, especially digital ones circulating via the internet. If physical publishing, which of course also confronts

surveillance through censorship, manages to get its message across under the guise of providing information or analysis, moving images, and especially digital documentaries, take advantage of a similar impetus but capitalize on the benefits of the almost instantaneous ability offered by the internet and digital technology to diffuse their messages and generate action. Their imagery – which seems to capture real life or an event or a feeling – creates a lasting impression. And the quickness, breadth, and in many cases diversity of messages contained in these images allows the ideas and attitudes DV activists (*yingxiang xingdongzhe*; see Bao, 2015) share with their less digitally oriented peers to penetrate into and more importantly saturate people's lives and consciousnesses.

Thus, for example, the 2008 film *Zhi Tongzhi* (Queer China, Comrade China), made by professor Cui, combines information delivery with activist sensibilities and goals. It documents the history of the *tongzhi* movement, featuring among others Li Yinhe, Pan Suiming, and Zhang Beichuan, as well as many other figures who chart their experiences in taking account of the *tongzhi* phenomenon. But more broadly, the film suggests that this history of telling the *tongzhi* story, as well as the *tongzhi* story itself, are real, to be taken seriously, and worth recording. The film documents figures and experiences in such a way as to make it difficult for viewers to deny *tongzhi* legitimacy and contributes to a consensus-building movement that seeks broad recognition for China's *tongzhi* citizens. The film is therefore both activism and archive, and it has the potential to reach perhaps more people than professor Cui's more artistically inclined and less approachable self-labeled 'queer' films could. In a similar but much expanded way, the web portal *queercomrades.com*, known in Chinese as *Tongzhi Yi Fanren* (or 'Queer as Folk'), plays deftly with the boundaries between collecting and disseminating information and subverting normative paradigms through action. It covers a wide range of topics that are relevant to *tongzhi*, such as formal marriage (when *lalas* marry gays to avert social-familial pressure for heterosexual matrimony), transphobia both inside and outside the *tongzhi* community, the relationship between the internet and sex and love, and parental attitudes toward *tongzhi* children. All these topics are confronted and explored through a host of web-based commentaries and short blog features, but the primary outlet for *queercomrades.com*'s messaging is web-casting, or the dissemination of news-like and interview-based video productions, alongside short feature and art films or full-length documentaries. Additionally, the group behind *queercomrades* organizes an annual summer film-making school called the Queer University (*Ku'er Daxue*), which educates *tongzhi* students about the entire process of digital video production, whether they are interested in DV activism or *tongzhi* film and aesthetics more broadly. This emphasis on aesthetics and its merger with activism characterizes well-known *lala* film-makers and artists Shitou and Mingming's work, which has included the documentaries *Nüren 50 Fenzhong* (Women Fifty Minutes, 2006) and *We Are Here* (2015).

Their films and other styles of aesthetic activism add a colorful and sometimes stylized aspect to a growing movement that is incorporating the whole range of *tongzhi* talents and tastes.

CONCLUSION

The variety of digital video activists themselves as well as the techniques and approaches they take represent the diversity of the *tongzhi* movement. But diversity does not always indicate harmony. Important rifts continue to exist between men and women in the *tongzhi* community, which has tended in its organized form to be dominated by the voices of men and to have taken for granted that men's goals are necessarily the same as women's when it comes to considerations of *tongzhi* as a group deserving rights and protection. Solving gender inequity and *tongzhi* oppression remain part of the same problem, according to many scholars and activists – in both cases, the goal would be to dismantle the very strong systems of family, society, politics, and economics that continue to favor patriarchy, to be sure, but also heteropatriarchy as an encompassing concept (see Kam, 2013; Engebretsen, 2013). In fact, as Wei Wei (2015) suggests, the solution to the perseverance of systems of domination may require a more systematic dismantling of all kinds of normative concepts, including gender itself. But this enterprise cannot be undertaken while essentialized understandings about the mechanisms of gender, and by extension society, continue to be taken for granted.

Yet many *tongzhi* who are not involved in particular kinds of directed activism and who do not produce or even engage closely with scholarship might disagree with the idea that what is required for a successful future of *tongzhi* liberation is the dismantling of Chinese society as people know it. The more radical of activists and scholars, who have in workshops and public forums criticized what they see as accommodationist organizations such as PFLAG, which are not necessarily interested in understanding the queer critique of normative society, for example, encounter significant skepticism about their ideas from the wider *tongzhi* population. Umbrella organizations that seek to represent the *tongzhi* movement's breadth and diversity find themselves managing these controversies and trying to cater both to more pragmatic strands in activism and to more visionary or utopian strategies about the best future for *tongzhi* and China. But even umbrella organizations can have difficulty reaching *tongzhi* who do not much wish to be bothered with planning for the future and who find themselves burdened enough with the practicalities of carving out a space for self-recognition and understanding in the present.

What all segments of the *tongzhi* community seem to be doing is attempting to find spaces in between what is taken for granted and what is imagined, and so the *tongzhi* community as a whole could be described as both creative and innovative. The rich and varied approaches *tongzhi* take to activism come from

a certain experimentalism that emerges out of necessity because of the reality of having to dodge official censure and sanction. And in everyday life, where the as yet elusive promise of recognition and the realities of social-systemic marginalization require a special kind of creativity merely to get by, experimentalism comes by way of daily planning. Therefore, calling the contemporary moment in *tongzhi* China a movement does not indicate that there is a unified platform or a centralized and agreed set of strategies, but that there is an energetic commitment to shifting the present through innovation, no matter what context that present is identified in. Though many *tongzhi* succumb to the pressure to marry heterosexually or to conform to other kinds of social-cultural expectations, it is much easier now to obtain information and formulate a reasoning for, as some *tongzhi* put it, going one's own road (*zou zijide lu*) in a variety of both long- and short-term situations. That road twists and turns, and it certainly has not arrived at the systematic queering of China that some say would bring about a true diversity of genders, sexualities, relationships, and selves, but more and more *tongzhi* are figuring out ways to set off on it. And what is perhaps more important, these roads often intersect with non-Chinese ideas and places, establishing a growing sense of the importance of the Chinese experience to the understanding of queer and sexuality theory elsewhere.

Note

- 1 A version of this text can be found at www.baike.com/wiki/《同性婚姻提案》. The author first encountered the document in relation to a 2005 mock legislative-hearing workshop organized by the Tsinghua University Center for the Study of Contemporary China. The workshop was titled 'AIDS Prevention: Law and Public Policy' (*Qinghua daxue, dangdai zhongguo yanjiu zhongxin, aizibing mosi lifa tingzhenghui, 'aizibing fangzhi: falü yu gonggong zhengce'*).

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PART VII

Urbanization and Spatial Development: Introduction

Weiping Wu



The magnitude and scope of China's urbanization are unprecedented. As the urban landscape continues to depart from the uniformity of the socialist city, the social and economic interactions that take place in cities, and state interventions intended to regulate such interactions, become increasingly complex and at times contradictory. As a field of research, urbanization has come to provide a conceptual container for the study of populations and the built environment within spatial concentrations of human habitation and exchange. Recognizing the breadth of urbanization research, we acknowledge an immense body of literature. The contributions in this part posit historical and empirical findings as a means of analyzing the change that has occurred within China's urban system, constituent sectors critical to the functioning of cities, and the interface between human activities and the built environment.

EMERGING PATTERNS

The first pattern emerging from the following chapters centers on the use of market forces as a tool by central and local governments, more specifically the free movement of labor and exchange of capital, as a strategy for economic development. This market-enabled 'institutional fix' has been a pillar of the

reform agenda and has produced policy and patterns of urbanization unique to contemporary China.

State-sanctioned growth of non-state enterprises, and the formation of Special Economic Zones (SEZs), as well as the controlled relaxation of restrictions regarding internal movement of people, were conscious reversals of socialist-era policy and established as a strategy by the central government to encourage development through means of the market. The state, at both national and local levels, has relied on the free movement of rural peasants in particular to sustain rapid growth of urban economies in coastal provinces. The so-called ‘floating population’ in the hundreds of millions, many of which are rural–urban migrant laborers, became the backbone of export-oriented manufacturing and other labor-intensive industries.

In addition, the state has ceded the responsibility of provision of housing and social services for a majority of migrants to market actors. Migrants are excluded by their economic means, their non-local household registration status, from most forms of public and private housing when they move to urban areas to pursue employment (Wu 2002). As a consequence and compounded by their desire to cut living expenses, many migrants seek rentals in urban villages (*chengzhongcun*). Although these areas are typically considered undesirable by local governments, they serve to provide inexpensive and accessible housing for migrants, while at the same time allowing extra income for local residents who no longer have farming income. The existence of urban villages and other market procured spaces of migrant habitation have enabled local governments to enjoy the fruits of migrant labor without bearing the expense of service provision.

Lastly, given the insufficient fiscal sources of revenue for local governments’ expenditure responsibility on services and infrastructure, the use of land leases as a mechanism for revenue generation has been an extensively adopted market-based institutional fix. Aside from remedying the fiscal mismatch between revenue and expenditure, land financing is especially attractive to local governments because revenue generated this way is kept at the municipal level and relatively free from the oversight of the central government (Wu and Gaubatz 2012). The proliferation of municipal land leases has rendered local governments with aggressive pro-growth policy practically ubiquitous and accelerated the sprawling and fragmented urban growth. Many cities have seen the growth of urban land area significantly outpace growth of urban population, according to the World Bank (2015).

The second pattern is characterized by the effects of the lingering socialist legacy. Various institutionalized policies have endured from China’s planned economy largely as an intentional means of providing a gradual market transition, but in some instances simply because reform or replacement would be difficult, costly, or met with resistance. Such policies often complicate processes of urbanization; these complications have produced outcomes both favorable and unfavorable to the state.

The mixed regimes of land-ownership, in which all ‘urban’ land is owned by the state and ‘rural’ land by village collectives, creates such a complication. The unforeseen consequences are most apparent in the formation of urban villages (*chengzhongcun*) in many large cities. As municipal governments convert farmland for urban development, rural villages, legally external to state control of land, have become enveloped by developed urban land owned by the state. These villages, which dot the urban landscape, in large part are not incorporated into municipal systems of infrastructure and regulation (Wang and others 2009). As such, the spatial and management sovereignty of urban villages poses significant problems for municipal authorities.

Barriers created by the household registration system, or *hukou*, have had significant impacts on contemporary urbanization (Wu and Gaubatz 2012), producing urban landscape in which physical and socio-economic spaces are bifurcated along local–migrant lines. As illustrated by Jia Feng and Guo Chen, within the context of expanded non-state sector employment and liberalized internal movement, such barriers have precipitated the formation of bifurcated cities in which the ‘migrant underclass’ has a lower quality of life, contributing significantly to growing inequality within Chinese cities (Chapter 43).

The third pattern recognizes the continued role of the central government as an active manager of regional development to advance national agendas. Although the goals changed considerably, Beijing has consistently sought to manipulate inter-city and inter-regional patterns of resources and investment in order to strengthen a network of urban centers. Management of the urban system has often prioritized certain regions with the aim of broader development, be it for national defense (e.g. the inland Third Front during the Cultural Revolution) or jump-starting market reforms (e.g. coastal Special Economic Zones). Although the core of central mandate since 1979 has emphasized the importance of economic development in coastal provinces through the growth of export-oriented manufacturing, some consider this strategy to be waning as the Chinese economy matures (World Bank 2014).

IDENTIFYING CONSISTENCIES AND CONTRADICTIONS

A series of structural consistencies in the framework of development have set the course for socio-economic and political change. Across the literature and in the chapters in Part VII, these themes are considered fundamental to the course of urbanization thus far and critical to the understanding and analysis of future trajectories.

First, the intentional position of central and local governments as both a *developmental* and an *entrepreneurial* state has been a primary driver of the course of post-reform development. Throughout this period, the central government has established a developmental stance, maintaining a series of protectionist policies

as well as a commanding network of state-owned enterprises. This has been critical in the controlled application of market forces to a planned economy, such as the incremental development of Special Economic Zones. Chaolin Gu and Ian Cook point out that the central government, certainly local governments, has also increasingly established itself as an entrepreneurial state. These policies promote free market competition among actors, for example the promotion of Township and Village Enterprises (Chapter 39).

Second, urbanization has been significantly uneven, resulting in entrenched inequality in terms of income, employment, provision of infrastructure and services, among others. There are historical and geographical roots to spatial concentrations of economic and social exchange (Chapter 39). Although the growth of the middle class since 1979 has been comprehensive and contributed considerably to the equitable accessibility of advances in technology and improvements in the quality of life, the unevenness of development persists. In general, levels of urbanization, per capita income, educational attainment and other indicators of development are highest in coastal provinces, particularly large coastal cities, and decline steadily as distance from the coast increases. Western and other interior regions have the lowest levels of development. This skewed geography of development is evident in the unidirectional nature of interprovincial migration mapped out by Cindy Fan, which has been characterized by movement to large coastal cities from regions further inland (Chapter 40). Weiping Wu further illustrates that the prioritizing of the coastal region also is reflected in the uneven distribution of infrastructure spending (Chapter 41).

Third, as China moves steadily closer to free market institutions, the role of non-state enterprise has grown in magnitude and in scope. Although state-owned enterprises still command a significant portion of the domestic (and now global) economy, particularly in strategic sectors (e.g. telecommunication, transportation), the market has become the primary means of employment allocation (Chapter 40). The commodification of urban land has in turn rearticulated the relationship of local governments and the market, advancing government into an increasingly active role as a market actor, particularly through the proliferating local government financing vehicles (LGFVs) (Chapter 41).

For contradictions, scholars of Chinese urbanization tend to most frequently hold conflicting views on issues that concern the relationship between different levels of government and the intention of various policy initiatives. These contradictions are typically rooted in ambiguous legal and administrative conditions that arise from the often-troublesome marriage of free market and an authoritarian regime.

There are several vying tenets of thought as to the aims of the central government in managing local governments, particularly in fiscal relations. These conflicts are rooted in the simultaneous decentralization of expenditure responsibility and re-centralization of revenue since the 1994 tax reform (Chapter 41). The debate over the autonomy of local governments is twofold. Scholars disagree on whether

the current level of autonomy experienced by municipalities is appropriate, and secondly, whether this level of autonomy has been intentionally established by the central government. Implicit in this debate is what action, if any, should be taken to mitigate the ill effects, such as the alarming levels of rising local debt.

The second area of contradiction concerns the role of municipal governments as actors within the free market. Research indicates that a majority of municipal governments are significantly entangled with highly indebted LGFVs, which are used to procure funding for public projects through the means of market (Chapter 41). This entanglement is intensified by involvement of municipal officials in private development companies and the often-opaque transactions among the actors. A substantial number of land-lease deals remain negotiated behind closed doors and an extensive shadow banking industry has proliferated. A debate is rooted in the extent and implications of the 'power economy' of the property industry and the ethically questionable relationships implicit in these conflicts of interest.

Third, there are varying opinions on the effects and intentions behind the ambiguity of laws and rights concerning land transactions and municipal finance. Jiang Xu reminds us that the incremental redefining of laws regarding land ownership has created ambiguity of property rights, which allows for significant liberty in the interpretation thereof. Specifically, what purpose, if any, property right ambiguity serves and whether this ambiguity has been intentionally designed into legislation (Chapter 42). Is the ambiguity working to allow for legislative experimentation among the multitude of municipal governments or is it detrimental to the systems of long-term municipal growth? The literature is incongruous over how well the land market is functioning and how critical the real estate bubble is to the stability of the national, and to some extent global, economies. The means of addressing these potential issues is also debated by scholars.

Lastly, as China moves closer to free market conditions and many social benefits are relegated to the market, there is disagreement in the literature over the appeal of urban *hukou* and the prospect of nationwide *hukou* reform. Scholars disagree on the purpose that *hukou* serves and whether this institution should be maintained in some form (Chapter 40). Over the past decade or two, *hukou* reform experiments took place to address structural problems. One such pilot program in Chongqing lowered the barriers to obtaining urban *hukou*. Most of these experiments, including the Chongqing pilot program, have yielded mixed results. Many scholars argue that as long as land ownership is associated with rural *hukou* status, rural residents may be resistant to *hukou* conversion, contrasting with studies showing that rural migrants increasingly prefer to stay permanently in cities.

AVENUES FOR FUTURE RESEARCH

Directions for future research have been laid out in each constituent chapter, and three are highlighted here. First, as market institutions mature, new primary and

secondary markets are beginning to form. As the problems with funding public projects using land lease revenues and LGFVs' volatile leverages become increasingly recognized, the anticipated growth of the domestic bond market as a means of financing infrastructure becomes more and more relevant (Chapter 41). In addition, the secondary housing market is considerably underdeveloped in China and meta analysis on this market is sparse (Chapter 42).

While investment in public–private partnerships (PPP) in China is considered underdeveloped relative to other emerging economies such as Brazil and Chile, in 2014 directives were issued to encourage PPPs, particularly for infrastructure projects. Given the high level of debt at the local level and the unsustainable use of land sales as revenue source, PPPs may present an alternative. However, comprehensive information about the scope and performance of PPPs in China is lacking. Literature on the current capacity, feasibility of future expansion, or the use of PPPs as financing models for large-scale projects is relatively thin (Chapter 41).

It has been three decades since the loosening of population mobility control. In that time, multiple generations of rural migrants have left home to seek work in urban areas. As the migrant populations become older, more educated, and less male dominated, and as migrants adapt to 'translocal' identity (Chapter 40), the effects of multi-generational migration on social, familial, or gender relationships are not well represented in the literature and provide a promising avenue for future research.

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Urbanization and Urban System

Chaolin Gu and Ian Gillespie Cook

INTRODUCTION

The pace and scale of China's contemporary urbanization is stunning. Cities such as Beijing and Shanghai are now among the global pacesetters, known worldwide for their dramatic cityscapes and events. Throughout China, the ancient rurality of traditional Chinese life and society is being transformed into modern urbanity via the growth of cities. This chapter draws upon China's urbanization and evolution of the urban system based on in-depth experience of, and research on, urban growth and development to summarize key features of this unprecedented urbanization and to analyze concerns arising from it.

MEASURING URBAN AND URBANIZATION

Definitions of 'urban' and 'urbanization' vary tremendously, whether based on population size and concentration, urban functions, consumption activities (collective consumption, Castells, 1978, p. 460), notions of 'urbanity' as opposed to 'rurality' and other more subjective criteria. China's scholars and officials have focused much attention on the administrative classification of cities, including the transformation of towns (*zhen*) to cities (*shi*), the place of agricultural populations in urban population counts and the reliability of data collection in definitions of urban and urbanization (Chan, 2007). These are important issues; state funding and policy vary depending upon whether a place is defined as a 'village', 'town' or 'city'.

Historically, China's urban places were centers of administration, of the county (*Xian Cheng*), prefecture (*Zhou* or *Fu Cheng*) or province (*Sheng Cheng*), rather than autonomous administrative entities. China's system of municipalities and towns in a modern sense did not start until the beginning of the 20th century. In 1912, the *Municipality and Village Organization Law Decree*, which was very similar to the European city and town system, was promulgated by the *Northern China (Bei Yang) Government*. In the same year, *Nanjing* and *Shanghai* were defined as special municipalities, *Wuxi*, *Hangzhou* and other cities defined as common cities. However, these cities did not set up local governments due to the ongoing civil war. The first municipality, *Guangzhou*, was designated by the *Southern China Evolutionary Government* in 1925, but was only an autonomous community, not yet an autonomous administrative area (Gu, 1992). The government of the Republic of China started to reform the municipality system after *Nanjing* was selected as capital of the nation in 1927. *The Special Municipality Organization Law* and *the Common City Organization Law* were published in 1928, with city being defined as local administrative areas with autonomy and this has been continued ever since. Consequently, China's cities must be officially designated, with the first criterion being officially given in 1955. Although the criteria have since changed several times, the definition of the city has not.

The 1955 legislation was drafted in 1953, based on Soviet models (Kojima, 1987); a city (*Shi*) was defined as a human settlement with more than 100,000 people, and a non-agricultural population of at least 75,000. However, smaller places could also be recognized as *Shi*, for example, an industrial and mining base, a seat of administrative offices at province or prefecture level, or a place in border areas with distinct significance. All counties or banners (*Xian* or *Qi*) level and higher governmental seats, also other centers with resident populations of 20,000 or more, were classified as city or town (*Shi* or *Zhen*). Changes introduced in 1963 for economic reasons in the aftermath of the Great Leap Forward meant that the minimum population of the designated city remained the same, but any urban or suburban district of a city which contained more than 20 percent agricultural population was excluded from the city proper. These criteria were used until 1984 when new ones were introduced by the Ministry of Civil Affairs *On Adjustment of Criteria for Designated City and Conditions for City to Administer Counties* to provide the following set of criteria for city designation:

- 1a a place (town) that has more than a 60,000 non-agricultural population and with GNP more than 2000 million RMB;
- 1b a place that does not meet these criteria but is located within a border, minority or scenic area, or is a center of mining, industry, technology or transportation;
- 2a a county with less than 500,000 people; the county seat has more than 100,000 non-agricultural population, the urbanization level reaches or over 60 percent; and has a GNP of more than 3,000 million RMB; this county may be designated as a city which administers the towns and rural townships within its jurisdiction;

- 2b a county that has more than 500,000 people; the county seat has more than 120,000 non-agricultural population and a GNP of more than 4,000 million RMB;
- 3 an autonomous prefecture seat that has less than 100,000 non-agricultural population and a GNP of less than 3,000 million RMB.

These new criteria meant that new cities emerged from towns and also from counties. Soon after in 1986, the State Council issued a set of more relaxed city designation criteria that mainly enlarged the range of non-agricultural populations. Another major step was the establishment, in 1958, of the *Hukou* Registration Regulation in order to control the migration from rural areas to urban areas via a residency registration system which officially identifies a person as a resident of an area. Under the *Hukou* system, each household has a registration record which usually includes the names, births, marriages, education and migrations for each member of the household. There are fundamental differences between an urban *Hukou* and a rural *Hukou*, in terms of the holders' rights. Under this regulation, the urban population was defined as the sum of the people who had an urban *Hukou*. This means anyone living in the urban area without an urban *Hukou* would not be counted as an urban resident.

These changes meant that the 1964 and 1982 censuses counted the population with non-agricultural *Hukou* as the urban population, but as the scale of migration increased, this statistic could not accurately calculate the urban population therefore the 1990 census first used the term 'resident population', which includes all populations living in a place for more than one year. In the 2000 census, this was reduced to half a year to be considered a resident. Thus, the official statistics of urban population before 2000 do not include all migrant workers who live in cities, while after 2000 they include many who do not have an urban *Hukou* but have stayed in cities more than six months. In 2006, these agencies published a revised regulation addressing this issue. The new system counts urban population based on actual residence instead of what was designated in the *Hukou* statutes. Chan has studied the complexities of China's urban data collection over time (e.g. Chan, 2007, 2010) and illustrates, for example (Chan, 2010, p. 2), that exclusion or inclusion of those with rural *hukou* can mean that Shenzhen could be said to have a population between 1.8 million (exclusion) and 8.1 million (inclusion) in 2005. Today, according to China's official data, urban population was 771.16 million and the urbanization level reached 56.1 percent in 2015. Table 39.1 gives the current number of officially designated cities in China, by administrative level, from 132 in all in 1949 to 657 in total in 2015.

Table 39.1 Number of cities, China, by administrative level

	1949	1978	2010	2015
Centrally administered cities	12	3	4	4
Deputy-province-level and Prefecture-level cities	54	98	283	284
County-level cities	66	92	370	369

Source: National Bureau of Statistics, Division of Urban Social Economic Survey

China's cities are also divided, e.g. in the 2014 'National Plan of Urbanization', into five categories and seven grades, from small city to megacity. Currently there are 17 megacities in China, with populations over 10 million. There are also 38 'super-large' cities with populations between 5 and 10 million. The grading is important as cities compete for resources from the public and private sectors (<http://bbs.jxnews.com.cn/thread-2606322-1-1.html>).

CHINA'S ANCIENT URBAN SYSTEM

Most of this chapter is concerned with the contemporary era, but it is pertinent to briefly examine the ancient roots of China's urban system in order to discover what lessons, if any, there are for the present and the future of Chinese urbanization. One main characteristic of the Chinese ancient urban system is that it contained more cities of great age than any other country. Early centers probably began to emerge from agricultural society around 5,000 years ago (Gu, 1992, p. 13) and developed from an ancient undocumented embryonic stage through to the documented cities of *Gun* City and *Yu* Capital during the *Xia* Dynasty some 4,000 years ago. Based on archaeological discovery, many of the earliest Chinese cities were established during the *Shang* Dynasty, in the second millennium BC, including *Wangchengong* in *Denfeng* county and *Pingliangtai* in *Huaiyang* county of Henan province. Although they had walls these were small places and the west town in *Wangchengong* was as large as a modern soccer pitch while *Ao*'s walls were erected in the 15th century BC with dimensions of 4–8 meters in width at the base, enclosing an area of 1,600–1,900 meters (2,100 yards) squared.

In general, early Chinese cities grew mainly in areas where agricultural irrigation was fairly developed and had easy access to local farm products. There were 26 cities at the end of the *Shang*, in the *Weihe* river area in the central plains. However, owing to the limited number of cities, small in size, simple in function, the shortage of linkage between cities, frequent moving of the urban site and being weak in commerce and handicraft industry, a Chinese urban *system* did not arise during the *Shang* Dynasty. It was not until the *Zhou* overthrow of the *Shang* around the 11th century BC that cities grew rapidly in number, size and importance when China evolved from a slave society to a feudal one. It took about 1,000 years to complete the change. There were over 100 cities by the *Spring and Autumn Period* (770–476 BC). These spread to the *Huang He* (Yellow River), *Shandong* province plus several in the *Chang Jiang* (Yangtze River) valley. The cities formed an urban hierarchy in three grades: cities for the king, dukes or princes. Some new cities were created as a result of increasing trade and exchange, not just as administrative centers, and could also be regional traffic centers, handicraft industrial centers and non-military walled cities in an agricultural area. The urban system developed spatial interaction along administrative

management, production, settlements and transport lines, but also as an organic combination composed of natural background, social and economic bases. The Chinese urban system at the end of the *Spring and Autumn Period* had four fundamental characteristics: loosely organized system, closed system, unbalanced system and core-transferred frequently from one place to another.

Chronologically, researchers recognize four stages (Gu, 1992:46–130):

- 1 **Qin and Han Times (221 BC–AD 220)**: A highly centralized feudal society with cities concentrated mainly in the Yellow River and Huaihe River valleys. There was a lack of linkage between urban and rural, exchange of commodities was gathered in big and middle-size cities, and interaction among cities was primarily political contact from top down to the last rank in the system. Chang'an (today known as Xi'an, in Shaanxi Province) had a population of 300,000–400,000.
- 2 **Three Kingdoms, Two Jins, Southern and Northern Dynasties, Sui and Tang Times (220–907)**: The highest stage of power and splendor in China's feudal society, and consequent urban system development. Main characteristics were expanded disparity of the urban rank-size in the system, development of local and regional centers and rapidly expanded spatial distribution of the system south to a new core area of the Yangtze River Delta, plus the Pearl River Delta and the Sichuan Basin. Chang'an's population increased to 1 million in the Tang Dynasty, with a city wall 36km long and 8m wide at the base. Two urban development axes along the Grand Canal and the Yangtze River were formed, with close linkages among cities and change to the whole system structure.
- 3 **Five Dynasties and Ten Kingdoms, (Liao), Song, (Western Xia, Kin) and Yuan Times (907–1368)**: The urban economic function of the system was strengthened extensively in this period, with 'Caoshi' markets (central places in which forage and fuel were exchanged) transformed into commercial markets. The relationship between urban rank and urban size was basically established and a network of cities and county capitals in a region was formed. The urban system developed in the Song Dynasty mainly along the Yellow River and the middle and lower reaches of the Yangtze River. Bianjing (today Kaifeng), the capital city of the Song Dynasty (AD 960–1279), was surrounded by three rings of city walls and had a civilian population between 1,100,000 and 1,300,000 in the 11th century, making it the largest city in the world. Hangzhou also had a million population.
- 4 **Ming and Qing Dynasties (before the Opium War of 1840) (1368–1840)**: This marked the end of Chinese feudal society and the first seeds of capital. Cities, especially small towns, enjoyed rapid growth not only in size, but also in number. Different patterns of urban function and a regional organization structure appeared. The urban hierarchy was well coordinated and developed. Main characteristics of the urban system were: cities and towns in the Yangtze Delta area grew vigorously; coastal port towns rose and fell; two urban development axes grew along the Yangtze River and the Grand Canal; cities and towns spread in border areas; and many county cities and small towns emerged in Liaoning, Jilin, and other areas during the Qing Dynasty.

To summarize, the Chinese urban system expanded from the central plains and the North China Plain to the southern Yangtze River and Pearl River Delta in ancient times. Primate cities in the urban system were large in size, and had more people than western cities in the same period of time. For example, *Jiankang* (Nanjing), the capital of Southern Dynasty (AD 420–589), was the first city with over 1.0 million people globally. During the *Qing* Dynasty (1644–1840), *Beijing*, *Nanjing* and *Suzhou* all had over 1.0 million people, more than in Europe. Before 1840, the Chinese urban system was the most prosperous in the world.

TOWARDS A MODERN URBAN SYSTEM

The aftermath of the Opium wars of the 19th century meant Western (including Japanese) intrusion and the reshaping of the Chinese urban system into typical features of semi-colonial society. Major Chinese industrial departments were under the control of foreign capital. Foreign investment was characterized by commercial predatory capital, with the foreign capital recipients concentrated in trading ports and areas occupied by imperialist invaders. A small number of the national industries which were dependent on foreign capital could not but be concentrated in areas near large cities.

The spatial structure of the Chinese urban system became lopsided, with an imbalance between the coastal area and the interior which reflected the new economic, geographical and historical conditions. Coastal cities (treaty ports) and inland river ports grew faster than others elsewhere and by the late 19th century, the coastal area and each major river valley contained an integrated urban system, for instance, urban systems along *Panyang* Lake and *Dongting* Lake. Most cities and towns within the urban system were concentrated on the navigable Yangtze River. Coastal cities constituted 76.2 percent of the national total, and the population of eight cities accounted for about 55 percent of the total for the coastal region. One-third of China's urban population, modern industrial capital, labor force and national output were in Shanghai alone.

There was a move away from purely administrative functions. Many banks, trading houses, shipping firms and dockyards were set up in the concession areas, but there were only a few small factories producing such items as soap or matches in these cities. Urban function in the Chinese urban system could be classified into three types:

- 1 Large cities with certain capitalist industrial and commercial elements, located mainly in south-east coastal areas. Their layout reflected colonial features, and most were consumer cities.
- 2 Ancient capital cities and commercial centers, with a traditional layout.
- 3 County seats and small towns that retain features of small scale farm economy of self sufficiency.

The Chinese urban system became dual, with contrasts between the administrative function system of inland cities and the administrative economic function system of the coastal cities. Large cities and small towns developed sharply, and polarization of the urban rank-size distribution gradually emerged. Larger cities were colonial ports and cities, new mining industrial cities, new railway pivot cities and traditional cities which set up a new commercial port. Small towns were markets in rural areas, modern traffic towns and modern mining towns. The Western concessions meant that Shanghai became the most important port in Asia and the world's largest trading and banking firms set up operations along the Bund. Shanghai became the most modern city in Asia. Western intervention in the 19th century, however, with the establishment of Treaty Ports, led to the spatial

overwhelming of the ancient Chinese city as an era of ‘proto-globalization’ (Gu, Kesteloot and Cook, 2015) took place, and new forms of planning were ushered in (Gu, Hu, Guo and Cook, 2014). In Shanghai, for example, a large area was laid out in the style of Paris and other French cities in the French Concession, with broad tree-lined boulevards and European style residences, while other parts of the city’s ‘International Settlement’ included the British and American settlements, and the founding of the Bund in European and American style. Modern commercial and industrial cities appeared in China, especially in the eastern coastal area. But the Japanese invasion in 1937 combined with the civil war meant that by 1949, China’s urbanization level was a mere 10.6 percent, compared to 29.0 percent in the whole world, or 64.0 percent in North America.

Externally, the ancient Chinese city and urban system would grow to trade far and wide, including along the different routes of the Silk Road across Asia. The Roman Empire, for instance, knew of China as the home of the Seres, or silk people, and traded with the cities of China, albeit indirectly at a vast distance with there being no record of anyone traversing the whole route to China until Marco Polo in the late 13th century AD. It is at the time of Polo that, arguably, we can identify what Gu and Cook (2011, p. 91) call ‘embryonic globalization’, ‘for goods were transhipped over vast distances along the Silk Road to and from the West, as well as north–south via the grand canal, completed in 1293’. The later proto-globalization forced upon China by the West took this process further, deepening interaction across time and space, and setting in train a vast range of processes, urban and ex-urban, that were eventually to lead to systems of cities in China rather than the more dislocated and relatively separate cities of the past.

URBANIZATION OF CHINA

Table 39.2 shows the urbanization process since the founding of the PRC in 1949. Researchers have sought to understand the oscillations of government policy via periodization. We identify three broad periods, 1949–1977, 1978–1995, 1996 onwards, each linked to specific themes:

Economic Reconstruction and Industrialization-led Urbanization (1949–1977)

This, the Maoist period, was a period when industrialization was key, although precise details varied over time. In the 1950s, national economic recovery was based on rural land reform and urban industrialization, and steady urbanization took place under the system of five-year plans, with heavy industry as a key element. Inland cities began to develop to help counterbalance the dominance of the coastal area. There was parallel development between urban and rural areas, industry and agriculture, urban growth and economic growth. This type of urbanization

Table 39.2 China's population and urbanization level

	<i>Total Population (10,000)</i>	<i>Urban (10,000)</i>	<i>%</i>	<i>Rural (10,000)</i>	<i>%</i>
1949	54,167	5,765	10.6	48,402	89.4
1978	96,259	17,245	17.9	79,014	82.1
1990	114,333	30,195	26.4	84,138	73.6
2000	126,743	45,906	36.2	80,837	63.8
2010	134,091	66,978	49.9	67,113	50.1
2015	136,782	74,916	54.8	61,866	45.2

Note: Urban population includes population without residential ID. This is an official estimate by the National Bureau of Statistics of China.

Source: (1) Based on National Bureau of Statistics (2012) table 3-1. (2) www.bjzq.com.cn/dpfx/ShowArticle.asp?ArticleID=377302

may be called 'synchro-urbanization' (Gu, Kesteloot and Cook, 2015). Cities were conceived as production cities, in which consumption was minimized in order to maximize investment for economic growth. The socialist spatial configurations, especially the new ones, reflected this, with Soviet inspiration. Individual housing space was kept to the minimum and compensated for by collective space such as kitchens, canteens and washing and cleaning rooms (Zhao, 2007).

This approach ended with the Great Leap Forward (GLF) in 1958, in which people's communes were established and a rush to the cities led to large scale migration; 30 million people entering cities from 1958–1960. The urban population reached 127 million in 1961 (Gu, 1992), an urbanization level of 18.4 percent, and the number of cities was 339. This marked a period that many researchers (such as Kirkby, 1985) regard as overurbanization considering the low level of economic and social development at that time. The disruption caused by the GLF led central government to implement a policy of 'Readjustment, consolidation, strengthening and improvement' in 1961 in which agriculture and light industry were prioritized, less heavy industry reduced workers in the state-owned enterprises, and the urban population was controlled through the *Hukou* system (Chan and Buckingham, 2008). Twenty-nine million urban workers were laid off from 1961 to 1964 and 90 percent of them returned to rural areas. By 1965, China's urban population decreased to 18 percent of the total population, with the number of cities reduced to 169, seven less than in 1957 (Gu, 1992).

The next impact on urbanization was that of the Great Proletarian Cultural Revolution (GPCR), 1966–1977, a Maoist socio-political movement to enforce socialism by removing capitalist, traditional and cultural elements from Chinese society. At the same time, the Cold War and tensions with the Soviet Union demanded the implementation of 'The Third-line Construction', with its building principles of 'Dispersal To Mountain and Cave' (*Shan, San, Dong*), to Sichuan in particular. The urban population increased very slowly and urbanization was 17.9 percent in 1978, the same as that in 1965. The net increase in the number of cities was only 19 and there were 188 cities existing in China in 1976 (Gu, Yu and Li, 2008).

Economic Reform and Market-led Urbanization (1978–1995)

Economic reforms began in 1978, and included two stages. In the late 1970s and early 1980s, reform involved de-collectivization of agriculture, opening up of the country to foreign investment and permission for private entrepreneurs to start-up businesses. In the late 1980s and early 1990s, price controls were lifted and much state-owned industry privatized. A new household responsibility system was introduced which raised farm productivity. A further step in the market reforms was made in 1993. The socialist market system was officially announced as a national economic policy after Deng Xiaoping finished his famous tour in south China in 1992 (Cook and Murray, 2001). Consequently, China's economy started a new wave of rapid growth. Around 20 million educated youth who had been rusticated in the GPCR returned to the cities, collectively owned enterprises in towns (Town and Village Enterprises, TVEs) were formed, and the growing trade between the urban areas and their hinterlands re-established the attractiveness of cities and towns, both economically and demographically. In a first phase, from 1979 to 1984, small cities especially grew in size and number. TVEs grew to employ over 100 million rural laborers. In some newly industrialized areas along the coast, collectively owned enterprises were encouraged to cluster in industrial parks, in towns around medium or large cities, generating economies of scale (Chang, 1981). Rural land-use policy meant that farmers created new ways to transfer their land within the limit of the law, with those who migrated subcontracting or leasing their land-use rights to others.

The reforms were successful in agriculture and foreign investment, but less so in state owned enterprises (SOEs). Urban residents increased by about 70 million from 1978 to 1984, and the urbanization ratio jumped to 23 percent in 1984. The focus of reform turned from rural area to the cities in 1984. During the period of 1984 to 1988, those enterprises helped millions of farm laborers to be employed annually. A step-change came in 1991; urban reform permitted diverse forms of ownership economy, and SOEs to separate government functions from enterprise management, gradually expanding the enterprises' autonomy in the production and operation responsibility system. Towns could upgrade to city status, urban trade markets developed, reforms made it possible for those state-owned enterprises to employ farm labor and allowing the diversity of ownership enlarged the commodity market. Cities increased from 193 in 1978 to 479 in 1991, and the percentage of urban population to 26.4 percent while the percentage of non-agricultural populations was only 18.5 percent. But, the gate for farm workers to live and work in cities was still closed and they were not allowed to choose to live or to leave. Even at the end of 1988, farm workers in each city were forced to leave cities.

Other features of urban policy in the 1980s included establishment of Special Economic Zones (SEZs) in Shenzhen, Zhuhai and Shantou in Guangdong province and Xiamen in Fujian province, and later the entire province of Hainan. The Open Door Policy meant that large amounts of government investment were diverted

into the coastal region to launch new External Trade Development Zones (ETDZs) and hi-tech parks. In 1984, 14 coastal cities – including Dalian, Ningbo, Tianjin, Shanghai, and Guangzhou – were opened to overseas investment. Then, from 1985, the state decided to expand the open coastal areas, extending the Special Economic Zones to the Yangtze River Delta and Pearl River Delta. Foreign investments increased dramatically, mainly to the coastal region. This made the eastern coastal region once again the growth center of China's urban development and replicated the imbalance of earlier times. Especially, some metropolises have comparative advantages over small-and medium-sized cities (Gu and Chan, 1994).

This export-oriented industrialization accelerated the urbanization process in China's eastern coastal area. In these reform years, the administrative measures used to expand the number of cities include three types: turning prefectures into cities (*di gai shi*), designating rural counties as cities (*xian gai shi*), and transforming suburban counties into urban districts (*xian shi gai qu*). From 1986 to 1994, because of migration and, more importantly, administrative reclassification, the number of cities rose from 353 to 622. Most new cities were set up in coastal areas including *Guangdong*, *Shandong*, *Jiangsu*, *Zhejiang* and *Hebei*. Foreign capital underpinned this urban growth via a new manufacturing system segregated from the domestic economy. Processing trade was developed, in which Chinese producers import all or most of the raw materials, parts and components of a product, and re-export the finished products after processing or assembly. This form of production combines foreign capital and cheap domestic labor from the countryside, the latter permitted via relaxation of *hukou* registration. It was almost totally foreign market-oriented. In order to create an environment for the development of foreign enterprises and joint ventures, the Chinese Communist Party formally endorsed the development strategy of moving from the planned economy into a socialist market economy in 1992. The result of these changes was that China's urban population reached 331.7 million in 1993, with an urbanization level of 28 percent, and the number of cities increased to 570 by 1993, from 324 in 1985.

Economic Globalization and Global-Local-led Urbanization (1996–)

China's entrance into the World Trade Organization (WTO) in 2001 and the Beijing Olympic Games in 2008 herald this export-oriented growth with the rapidly growing Chinese market as an outlet for national and foreign products. Between 1990 and 2013, GDP was multiplied by nine in real terms. Although the number of cities was stable, urban population and constructed areas soared, the latter increasing from 12,856 km² in 1990 to 40,058 km² in 2010. Large cities increased their population by merging with suburban counties, and thus expanded their administrative area. Some new cities were created by merging two or more counties, and economic globalization pushed a lot of Chinese cities to connect with the urban world system. There are four features of urbanization during this period:

- 1 *Import and export trade surge*: The Open Door Policy had previously targeted import of foreign technology but foreign investments grew significantly from 1992 as did trade, with import and export trade each about 50 billion dollars in the early 1990s, but 2 trillion dollars in 2013. The trade balance became continuously positive from 1994, above 150 billion dollars since 2006. China is now industrialized to some degree, producing a large variety of products from shoes to parts for Boeing. The value of industrial products in GDP was RMB16.1 trillion in 2010, 40.1 percent of GDP (National Bureau of Statistics, 2011, p. 44).
- 2 *Development of tertiary industry and rapid growth of the middle class*: The whole system of the export-oriented manufacturing includes production, distribution and marketing and in part borrows financial and insurance systems from overseas. Transaction costs shrank dramatically and tertiary industry and urban construction became new hot-spots of investment. Economic development zones of previous decades started to generate profits from investments and production, and have become crucial urban spaces (Gu, He and Yuan, 2013). The tertiary industry, including financial services, education and retailing, has overtaken manufacturing in leading economic growth and urbanization (Gaubatz, 1999). The urbanization level rose from 17.9 percent in 1978 to 50 percent in 2010, while the share of services in value-added services such as banking, insurance or real estate increased from 23.9 percent in 1978 to 43.2 percent in 2010 (National Bureau of Statistics, 2011, Table 2-2). These dramatic changes have introduced new social groups especially in the larger cities: a rapidly growing middle class that improves its consumption level on the basis of economic growth, conspicuous consumption of the new rich, the rise of a creative class that helps to develop innovations and growth of cultural capital for the future.
- 3 *Accelerated growth in large cities and mega cities*: Although growth was slower compared to the export-oriented sector, the domestic industrial sector has made progress. A large number of non-state-owned businesses grew and are now active in the domestic market. There was an unheralded privatization of the small and mid-sized SOEs in the late 20th and early 21st centuries. According to statistics, medium-sized and large cities have accommodated most urban population growth, the latter giving rise to fast-growing mega cities (Gu and Han, 2010). In 1999, the urban population in large cities and mega cities¹ was 155 million, about 40 percent of the total urban population, but by 2010, China had 124 cities with a population of 1 million or more (National Bureau of Statistics, 2011, p. 371), compared to nine in the United States. In 2012 the urban population in large cities, including mega cities, was 325 million, about half of the total urban population. Growth is concentrated in the larger cities because they are best placed to benefit from global linkage and have sufficient expertise to establish and maintain overseas contacts, whereas smaller cities lack the means to sustain such linkages.
- 4 *Emerging global cities*: In the early 21st century, according to Japanese researchers, one-third of China's industrial production was put in place by half a trillion dollars of Foreign Direct Investment (FDI) since 1978 (Japan's Research Institute of Economy, Trade and Industry, 2004). The opening of the economy and the rapid rate of urban development in China during the last 20 years have contributed to the call for transforming some metropolitan regions into international cities.

It is worth noting that three trends of globalization are impacting on China's urban development. The first trend identifies the emergence of mega-urban regions. Region-based urbanization is preferred to city-based urbanization. Key locations are the Pearl River Delta region, the Yangtze Delta region, the Beijing–Tianjin–Tangshan region and the Southern *Liaoning* province region. The second trend is to develop closer ties between the Chinese urban system and the global urban system through the development of the world (global) cities and international cities. The third trend shows the fast polarized development in the hinterlands and peripheries around advanced economic regions. Foreigners also reappear in these cities as a symbol of the integration

Table 39.3 Floating population 1982–2015

	<i>Total population (millions)</i>	<i>Floating population (millions)</i>	<i>%</i>
1982	1016.54	6.57	0.65
1987	1072.33	18.10	1.69
1990	1143.33	21.35	1.86
1995	1211.21	70.73	5.84
2000	1267.43	102.29	8.07
2005	1307.56	147.35	11.27
2010	1340.91	221.43	16.51
2011	1395.33	252.78	18.12
2012	1354.04	236.00	17.43
2015	1374.62	247.00	17.96

Source: National Bureau of Statistics, 2016

of China in the global economy. An example is the appearance of African enclaves in Guangzhou, which serve as hubs for import/export activities between China and Africa (Li, Ma and Xue, 2009; Li, Lyons and Brown, 2012).

This globalization and rapid speed of Chinese economic growth are reflected in rapid urbanization in well-developed coastal regions and flows by hundreds of millions of rural surplus labors towards cities (Gu, Yu and Li, 2008). Table 39.3 shows that China's floating population reached its peak in 2011. A report from the National Bureau of Statistics in China in 2015 showed that the total number of the floating population reached 247 million, 17.96 percent of the total population of the country.

In 2015, China's urbanization level reached a remarkable level of 56.10 percent with a 771.16 million urban population. This significant achievement of more than half of the Chinese population living in cities is an accumulative outcome of rapid urban growth after 1949 (Zhang and Han, 2009). Nevertheless, China's urbanization level is still lower than the average level in developed countries where 80 percent of their population is urban. It is also lower than the average level of 60 percent in the developing countries that have similar per capita income. Even worse, the Chinese economy might slow down, and the economic growth based on manufacturing and real estate development could be weakened. In the past 30 years, urban government reform has emphasized marketization and decentralization, the so-called '4D processes', i.e. decentralization, devolution, downsizing and deregulation. Central government has increased efforts to promote urbanization, with decentralization and local government-led urbanization two main means of achieving these objectives.

CHINA'S CONTEMPORARY URBAN SYSTEM

In China, urban research and urban policy is often closely interwoven, but can also diverge. For example, whether to support the development of large cities or

small cities or towns has been a major research topic and policy debate since the 1950s. Large cities act as population magnets and more than 60 percent of the people who are non-agricultural workers live in the super-large cities, while the population in the middle-sized and small cities is relatively small. By 2007, 316 million people were living in 655 cities, while 268 million people lived in county-seats and townships (China Development Research Foundation, 2010, p. 12). But there is great scope for the growth of smaller urban entities, while urbanization levels vary regionally, with the western area having a much lower average urbanization level than the east. The top ten provinces had an average urbanization level of 65 percent, but the bottom ten provinces only 35 percent (ibid., p. 12). The area and population of large cities have been increasing since the 1980s, at a much faster rate than the middle-sized and small cities. For example, the top ten super-large cities in the country grew much faster than the average of the Chinese cities, even though they have been under much severe growth control.

Further, the development of large- and mid-sized cities occupies less space, which is important for China's large population and relatively small space, while small cities and towns seem unable to provide enough jobs. However, in terms of social development and social harmony, development of smaller urban centers may be more beneficial. The outcome of contrasting urban size is that the urban rank-size is pyramid-shaped and a multiple-layer urban system has been initially formed throughout the country with big cities as centers, medium and small cities as the backbone and small towns as the base.

Accession to the WTO combined with globalization trends has meant that China has sought to internationalize key cities such as Beijing or Shanghai (Chan, 2006; Cook, 2006), increasingly within a regional context in order to encourage competitive advantage and external linkages to the global economy. Three global urban regions in the Pearl River Delta (PRD), the Yangtze River Delta (YRD) and the Beijing–Tianjin–Tangshan (BTT) urban area have become central to the national modernization project, with greater market share in the Asian and Pacific region, the PRD having the largest share of import–export trade and FDI, followed by the YRD and then the BTT. Research shows that the globalization level of Shanghai and Beijing is much higher than that of other cities in China and are the most likely to enter into the international city list; while Guangzhou, Shenzhen, Tianjin, Qingdao and Dalian are metropolises with a high globalization level (Derudder et al., 2013). Such cities are the centers of the global economic organizations and financial activities, the production and renovation base of new industry and the bridge to the international economy. Border trade cities such as *Zhuhai*, *Manzhouli* or *Dongxing* can also play an important role in this regard.

Connectivity is another key feature of the contemporary urban system, and urban policy attempts to develop nodal core cities and linkages between them in order to facilitate development of their hinterlands. The focus, underpinned by research, is on national urban development axes of 'three verticals and two horizontals' (Figure 39.1) which are the:

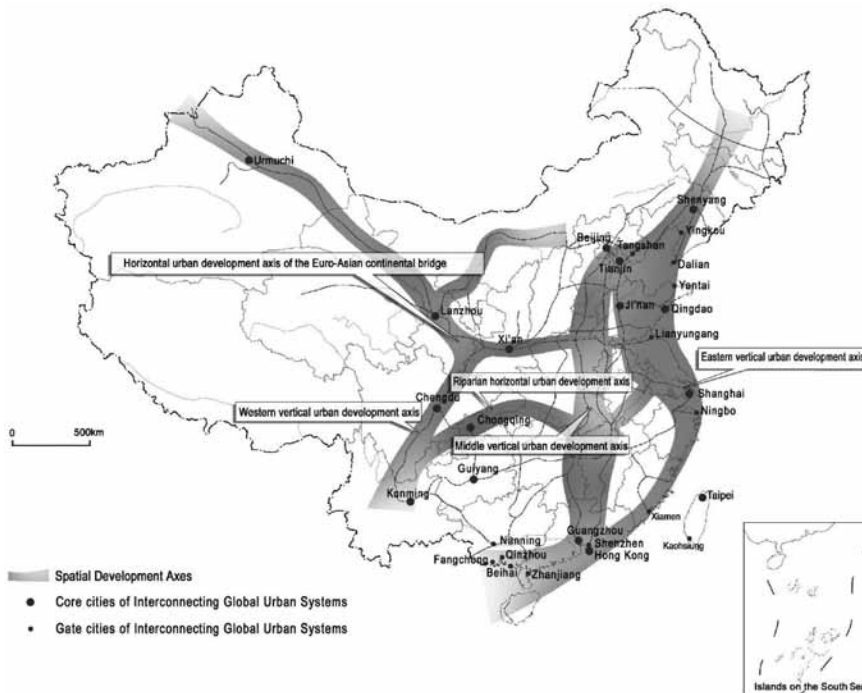


Figure 39.1 Chinese national urban development axes of three verticals and two horizontals

Source: Gu et al., 2005

- 1 *Eastern vertical urban development axis*, from the Pearl River Delta northwards to the *Bohai* Sea linked by the coastal freeway, special express passenger transport railway line and coastal port container trunk line.
- 2 *Middle vertical urban development axis* along the Beijing–Guangzhou railway and Beijing–Hong Kong (*Jiulong*) railway.
- 3 *Western vertical urban development axis* along the western traffic aorta of *Baotou*–Lanzhou, Lanzhou–Chengdu, Chengdu–Kunming railway.
- 4 *Riparian horizontal urban development axis* from Shanghai in the east to *Panzhihua* of Sichuan province in the west along the Yangtze River valley.
- 5 *Riparian horizontal urban development axis* of the Euro-Asian continental bridge.

Spatial relations of the Chinese urban system are now more complicated: Figure 39.2 shows how research identifies a *layered* spatial structure based on analysis of urban density, traffic conditions and administrative district factors. There are three metropolitan interlocking regions,² three city-and-town concentrated areas, seven urban agglomerations and 17 urban developing regions.

Metropolitan Interlocking Regions (MIRs)

As shown, the three MIRs in China are the YRD, BTT and PRD. Firstly, the YRD has 5.9 percent of China's population and produces 16.9 percent of China's

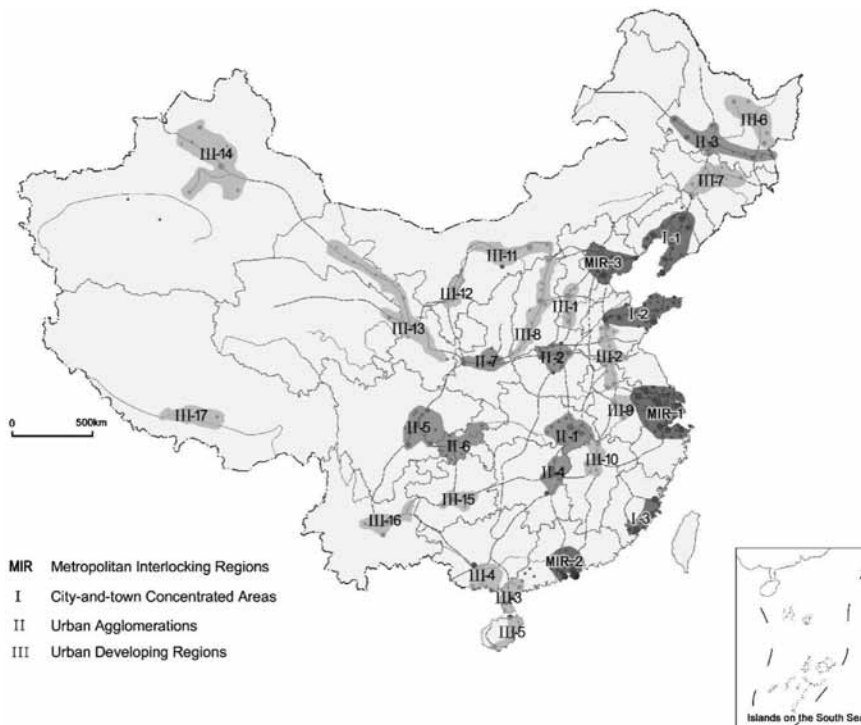


Figure 39.2 Layered urban network space pattern

Source: Gu et al., 2005

GDP. Cities in the region are expected to further develop towards a system with large and small cities in the near future, instead of one with a large number of middle-sized cities (Gu, Yu and Li, 2008, p.98). It is not only one of the largest economic core regions in China but also one of seven MIRs globally. Cities west of Shanghai, such as *Suzhou* or *Changzhou*, to the south such as *Ningbo* or *Wenzhou*, and many small cities and towns, have become international manufacturing centers or centers of petrochemical industries. These cities are connected by high-speed railroad, expressways and river networks. Over ten cities are developing on both sides of the Yangtze and it is estimated that the area will have a 91 million urban population with an urbanization rate of 70 percent by 2020 (Gu, Yu and Li, 2008, p. 114).

The second region has two super-large cities, Beijing and Tianjin and growth centers on the corridor between them. It is in a rudimentary period of a metropolitan interlocking region, but has large iron, coal and oil reserves and good connections with Japan and Korea. The human capital base is strong due to the high numbers of universities and research institutes in Beijing and, to a lesser extent, Tianjin. Constraints, however, include the scarcity of underground water, which is a bottleneck to further development, while Beijing experiences severe air pollution and the city is often blanketed in a thick fog and haze. Researchers

estimate that half of the pollution comes from industries surrounding Beijing in Hebei province, and half comes from automobile traffic in Beijing itself, an issue linked to the capital's serious traffic congestion, which is expected to grow as Beijing and Tianjin expand in the future.

The third MIR is the PRD which has 2.8 percent of the population and 13.6 percent of GDP. The population here is larger than that of the metropolitan area of Tokyo or New York and its urbanization level reached 70 percent in 2000. Benefiting from Hong Kong's financial input and management expertise, strong support from central government and dynamic local authorities in Shenzhen and Zhuhai especially, non-agricultural population increased from 4.7 million in 1980 to 12.3 million in 2000, mainly due to relaxed control of urban resident registration, *hukou*, by local government (Gu, Yu and Li, 2008, p. 127). Current policies seek to further strengthen this region via the creation of more hi-tech industrial bases, internal connectivity and coordination, plus a higher level of opening to the global economy.

CONCLUSION

The Chinese government has increased the efforts to promote national-level urbanization.³ But we can conclude by asking whither China's urbanization?

China's future process of urbanization before 2050 can be divided into three stages: (1) To build a moderately developed country by 2020. It is expected that the urbanization level will reach 60 percent with an average annual growth of 0.65 to 0.80 percent. Beijing will become a world city, connecting to other global cities in China. Urban construction quality will achieve the average level of moderately developed countries. Green and smart cities will become the mainstream in urban development. (2) To complete the basic process of urbanization by 2035. We expect that the urbanization level will reach more than 70 percent with an annual growth rate of 0.25 to 0.3 percent between 2020 and 2035. (3) An urbanized society will be formed through green and equitable development. By 2050, the urbanization level will reach about 75 percent. The urban population growth is no longer mainly from the migration of population in the rural areas (Table 39.4).

In terms of specific city types, differentiation is made between:

- 1 *World cities and global cities* supporting the position and role of China in the world. China is planning and building a world city, namely Beijing, currently a global city which is conceived as being a secondary node in the world city network. Although these have global influence, their status is below that of the world cities New York, London and Tokyo, with Hong Kong, Shanghai and Beijing now global cities of global influence.
- 2 *National central cities* and important urban agglomerations led by them, which play a radiating and leading role in regional development. 'Planning of the National Urban System (2006–2020)' defines Tianjin, Guangzhou and Chongqing as national central cities. With the development of economy in the local cities, *Wuhan, Xi'an, Zhengzhou, Shenyang, Chengdu* and *Kunming* will become national central cities.

- 3 *Local central cities and pioneer cities* for homeland security, national harmony and opening-up and development along China's border. Their selection mainly considers their predominant function, position and role in the country without regard to executive rank and other factors, such as economy, population and size of built-up area.

By 2050, the urbanization level will reach about 75 percent, with population growth no longer mainly from the migration of population from the rural areas, but natural growth of the city itself or that due to employment changes between cities. The spatial pattern of the urban system will include the development axes of planning shown in Figure 39.3.

In order to achieve such aims research focuses on a number of themes. It is incumbent on researchers to better understand Chinese urbanization chronologically and chorologically as well as urbanization globally, in order to seek guidance and ideas for future directions of urban policy. East Asia generally should be a fruitful place for analysis and research linkages, with concepts available from the Hong Kong–Macao interaction, urban agglomerations in Taiwan, the South Korean–Mongolian belt and the Tokyo agglomeration. Already, Chinese cities display elements of hybridicity and we would expect more of this to occur in future (Gu, Wei and Cook, 2015). The emphasis on innovative green policies requires further research on topics locally, nationally and globally, such as 'urban mines' for waste disposal, moves towards a zero carbon economy, minimization of air pollution, impacts of climate change on coastal cities and methods to establish the ecological 'red line' for water and soil conservation, windbreak and sand fixation and flood prevention and water diversion, with the latter being part of the perennial themes of Chinese society (Cook, 2008).

In the economic sphere of urbanization, more research is required on growth poles, growth zone and growth points, border cities, differentiated land supply and land market models across the country in order to stimulate urban development and the national urban system and further boost regional economic growth of interior areas especially. In terms of demography, research should be continued into the positive and negative impacts of population growth in large cities to help determine the flow of funds to cities of contrasting scale and location,

Table 39.4 Forecast of future urbanization level 2015–2050

<i>Year</i>	<i>Urbanization level (%)</i>
2020	60.4
2025	64.2
2030	67.4
2035	70.0
2040	72.1
2045	73.6
2050	74.5

Source: Author research

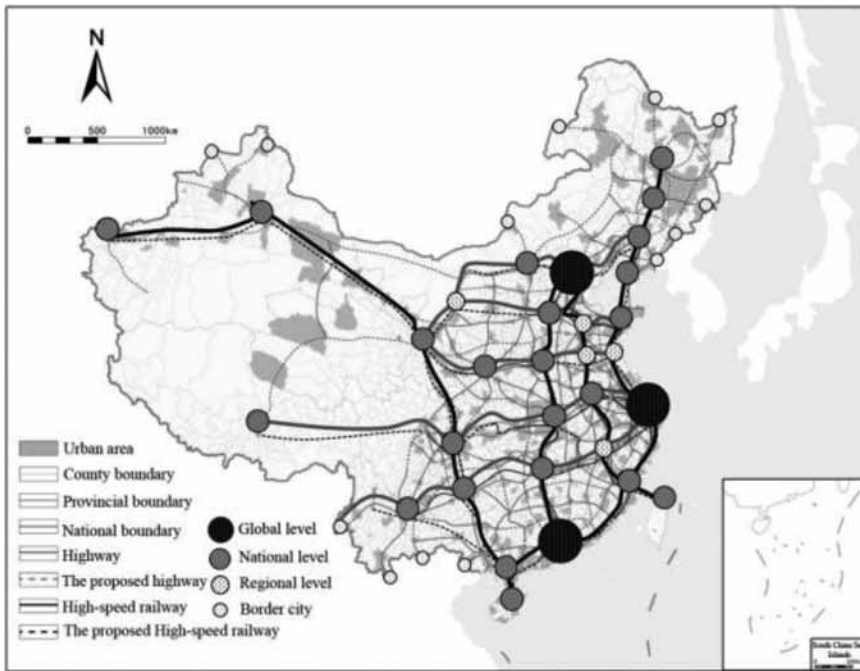


Figure 39.3 Development axis of urban system in China 2030

Source: Gu et al., 2018

while in the social sphere more analysis is required on the needs of the aging urban society (Cook and Powell, 2007; Cook and Halsall, 2012), social participation and community engagement in public health (Cook, Halsall and Wankhade, 2015) and other health challenges in Chinese cities (Cook, Gu and Halsall, 2013). Research on poverty and poverty alleviation (Gu, Chen and Wu, 2010), social justice (Gu and Cook, 2011) and the growth and impact of communication information networks and social media in urban life will also become more important.

Studies of decentralization of fiscal and planning responsibilities to lower levels in the urban system will also be necessary and evaluation of contrasting systems of government and governance for urban areas, such as the precise role of city mayors within the PRC. Urban research in a developing society such as China, in which policy is so important, will continue to require a multilayered perspective (Gu, Kesteloot and Cook, 2015) that takes into account the full gamut of urban needs for the future.

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Notes

- 1 Large cities are over 1 million inhabitants. Mega-cities count at least 10 million inhabitants. These are Beijing, Shanghai, Guangzhou, Tianjin and Shenzhen.
- 2 The population density of an urban dense region is high, about over 500 persons per square kilometer; GDP is over 270 billion yuan; GDP per capita is 10,000 yuan; actually used foreign capital per year is high, mostly over 2 billion dollars, and the most is over 10 billion dollars; the gross fixed assets is high, all over 65 billion yuan.
- 3 The central government in China launched the National New Urbanization Plan (2014–2020) in 2014; urbanization level in 2020 will reach 60 percent, and about 100 million of the rural population will become new urban residents.

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Population Mobility and Migration

C. Cindy Fan

INTRODUCTION

China's level of urbanization was only 18% in 1978 and it skyrocketed to 56% by 2015 (Jiang, 2016: 23; Wu, 2016). Such rapid urbanization was a result of not only speedy economic growth but also massive rural–urban migration, which has turned China from a relatively immobile society to one that hosts the largest population movements in the world today. The ‘floating population,’ a common indicator of migration in China, amounted to about 300 million or about 22% of the population in 2015 (NBS, 2015).

Migration is one of the most burning questions of China today not only because of its magnitude but because it is central to understanding China's economic and social change and future. Migrants provide the labor needed for industrialization and urban development, and their remittances boost income and help alleviate poverty in the countryside. However, rural migrants suffer from the *hukou* system and from discrimination and segregation. Socially, migrant households tend to be split households where family members are spatially separate. While rural–urban migration accounts for the bulk of population movements in China, urban–urban and rural–rural movements are also on the rise (Ma et al., 2014).

This chapter outlines the state of research on internal migration in China by focusing on three key themes: the *hukou* system, trajectories of population movements, and migrant households. Because the *hukou* system is so important to understanding population movements in China, the next section is devoted to *hukou*'s history, reforms, and future.

HISTORY AND FUTURE OF HUKOU

China's *hukou* system has been widely seen as a source of rural–urban inequality. Terms such as ‘invisible walls,’ ‘apartheid,’ and ‘two-class society’ have been used to describe how *hukou* has bifurcated China's population into the privileged urban and the underprivileged rural (e.g., Alexander and Chan, 2004; Chan et al., 1999). But China is not the only country that has a system of population registration or migration control. Similar systems existed or are still present in Algeria, Vietnam, South Africa, the former USSR, and North Korea (Chan, 2015; Knight and Song, 1999: 338–9; Wang, 2005: 157). Yet, China's *hukou* system has made headlines around the world because it is perceived to be unjust and inhumane, because it has remained a persistent central-planning instrument despite China's rapid economic reforms and globalization, and because of its central role in migration control during a period of the biggest population movements in China's history.

What is Hukou?

The term *hukou* refers to two aspects of population registration. The first is *hukou* type or classification (*leibie*), which consists of two categories: ‘agricultural’ (*nongcun*) and ‘nonagricultural’ (*feinong*). Persons with nonagricultural *hukou* are entitled to state welfare, benefits, and subsidies, while those with agricultural *hukou* have access to arable land as their main source of livelihood. This division was developed when the Chinese were still largely immobile and it reflects an age-old assumption that most people stay close to where they were born and to their family. This assumption is of course increasingly questionable as hundreds of millions of peasants in China are now constantly on the move, most of whom with agricultural *hukou* but having lived and worked in urban areas for years if not decades.

The second aspect of population registration is *hukou* location (*suozaidi*) or place of registration. The Chinese term *hukou suozaidi* literally means ‘where the *hukou* resides.’ In the eye of the Chinese state, *hukou* location is where one belongs (Wang, 2005: 10). It enables a Chinese citizen to gain access to benefits in a specific locality that are not normally available to individuals whose *hukou* location is elsewhere. In practical terms, having *hukou* in an urban area, especially a large city, is advantageous because of the abundance of state-sponsored benefits there compared to rural areas. For example, having a Beijing *hukou* opens the door to certain jobs, especially government jobs, which are not accessible to job-seekers whose *hukou* location is elsewhere. Like *hukou* type, a one-to-one match between one's *hukou* location and actual physical location is no longer always the case, thanks to rapid rise in migration, much of which has taken place without *hukou* change.

Why Hukou?

Various forms of population registration, mostly for purposes of taxing and farmland allocation, had existed in China long before 1949. As early as the Zhou Dynasty, population registration had been used to control migration (Yu, 2002: 14). Yet, it was during the 1950s that the *hukou* system was formally promulgated by the National People's Congress (NPC), in the form of the People's Republic of China (PRC) Regulations on Household Registration (*Zhongguo renmin gongheguo hukou dengji tiaoli*) dated January 9, 1958 (Chan and Zhang, 1999; Cheng and Selden, 1994; Yu, 2002: 18). Research has highlighted two major explanations for the prominence of *hukou* under the PRC.

The first explanation focuses on security and migration control (Yu, 2002: 15–21). In the early years of the PRC, re-establishing order, which entailed also keeping a record of the population, was deemed a high priority. During the 1950s, various new regulations were announced, such as requiring visitors to cities for more than three days to report to the Public Security Bureau. But such security measures did not necessarily control migration. In fact, Article 90 of China's Constitution that was promulgated in 1954 states that Chinese citizens have the right to change residence (China Daily, 2001). However, the waves of peasants leaving the countryside to escape rural collectivization, crop failures, and poverty during the mid to late 1950s raised concerns over unstoppable migrants flooding cities (Cheng and Selden, 1994; Yu, 2002: 17). Labeled as 'blind flows' (*mangliu*), those moves were seen as not only unsanctioned but also disorderly. In response, the Chinese government initiated various directives that culminated into the 1958 Regulations, which for the first time included in legal codes the different statuses between rural and urban Chinese, while severely limiting rural people's ability to survive in urban areas, and accordingly also served to control rural–urban migration.

Another popular explanation focuses on a development strategy that favored industry over agriculture and city over countryside (Chan and Zhang, 1999; Cheng and Selden, 1994; Knight and Song, 1999: 4; Tang et al., 1993; Wang, 1997; White, 1977). Specifically, keeping a large and cheap labor force in the countryside would facilitate the state to extract value from the countryside to the city, via supplying low-priced agricultural goods to support industrialization (China Daily, 2001). In addition, the state provided urbanites with abundant resources in order to promote industrialization, but could not afford to extend such support to rural people (Cheng and Selden, 1994). Therefore, the *hukou* system became a powerful instrument to enable 'industrialization on the cheap' by supporting 'unequal exchange' between the agricultural sector and the industrial sector (Chan and Zhang, 1999; Cheng and Selden, 1994; Li, 1995; Tang et al., 1993; Wang, 1997). The premise of this explanation is that the state was not simply responding to *mangliu* but instead it erected barriers between the city and the countryside in order to advance a specific development strategy.

While both explanations have merit, most works on the *hukou* system neglect to situate it within the larger central-planning machinery of the PRC. In short, *hukou* would not have been an effective instrument of migration control were it not for other mechanisms that impede survival – especially food, employment, and welfare – let alone success, in urban areas (Chan and Zhang, 1999; Fan, 2002; Wang, 1997; Yu, 2002: 26–29).

First, the ‘unified purchase and marketing’ (*tonggou tongxiao*) system to allocate food was already in place when the *hukou* regulations came into being in the late 1950s, thus facilitating urbanites’ entitlement to state-allocated food while peasants were left on their own to generate food supply. The system also enabled prices of agricultural goods to be set low and prices of industrial goods high. Second, the ‘unified state assignment’ system (*tongyi fenpei*) assigned school graduates to specific sectors, occupations, and regions according to the state’s development blueprints. A labor market did not exist, job mobility was low, and job search was unnecessary. Urban Chinese were allocated jobs, food, and state-subsidized welfare, resources denied to rural Chinese who instead were given access to farmland and were expected to rely on farming for their livelihood. Finally, many benefits such as health care were available to employees of state-owned and collective enterprises which dominated the urban economy. Peasants in the countryside, on the other hand, were excluded from this type of welfare provision and had to pay for all types of expenses from their agricultural activities.

In short, therefore, the *hukou* system in coordination with the food-rationing, job-allocation, and welfare systems assured that peasants (a) would not be a fiscal burden to the state; (b) would be anchored to the countryside; and (c) would contribute to the transfer of value from the countryside to urban areas (Hsu, 1994; Knight and Song, 1999: 12; Wong and Huen, 1998). The question is therefore not just about whether *hukou* should be abolished but about the entire central-planning system. Research that focuses exclusively on *hukou* without analyzing also how allocations of food, jobs, and welfare have changed is piecemeal at best.

Hukou’s Future

While the *hukou* system was designed for a largely immobile society where the rural and urban spaces, livelihoods, economies, and peoples were distinctly separate, since the 1980s rural Chinese have begun to seek urban work in large numbers. Critics of the *hukou* system have highlighted three main concerns. First, scholars who favor increased marketization point out that *hukou* impedes a full operation of the labor market and hinders efficient allocation of human resources (Cai, 2002; China Daily, 2001; Yu, 2002: 5; Zhang and Lin, 2000). Second, many have considered *hukou* a source of increased inequality between the city and countryside and between rural and urban Chinese (Cheng and Selden, 1994; Fan 2002; Gu, 1992; Solinger 1999b; Yu, 2002: 40–1). Third, a system that was developed assuming low population mobility is increasingly incompatible with

today's China, where heightened mobility makes accurate population registration and documentation very difficult (Chan, 2003; China Daily, 2001).

Despite the above concerns, most critics recommend reforming the *hukou* system rather than abolishing it altogether (Wang, 2003; Zhang and Lin, 2000). While central allocation of food and jobs is increasingly being replaced by the market, the Chinese state maintains its prominent role in guiding the course of the national economy, as seen in the visibility of Five-Year Plans (Chan and Zhang, 1999; Fan, 2006). In addition, urban governments are obligated to protect the interests of urbanites, and in that light they are not motivated to share resources with migrants. In general, therefore, it is widely accepted that some degree of migration control for large cities is necessary (Cai, 2002: 229; China Daily, 2001; Wan, 2001; Wang, 2003).

Nevertheless, since the 1980s a series of *hukou* reforms have taken place, ranging from 'hukou selling' by urban governments that require fees, investment, or home purchase in exchange for local *hukou* to programs that award urban *hukou* to 'outstanding migrant workers' (Han, 1994; Huang, 2009; Liu, 2010). And the recent 'National Plan on New Urbanization (2014–2020)' by the State Council sets a goal of providing urban *hukou* in cities and towns for 100 million rural migrants (CPC, 2014). Under that Plan, the distinction between agricultural and nonagricultural *hukou* is to be removed. However, urban *hukou* for cities whose city-district population is above five million is still strictly controlled.

Despite the voluminous research on *hukou*, it has largely ignored a puzzling phenomenon, namely, urban *hukou* is superior to rural *hukou* but rural migrants' response to *hukou* reforms has been lukewarm at best (Chen and Fan, 2016). A number of studies have reported that while most migrants have strong intentions to stay in cities, only a small proportion are willing to move their *hukou* there if given the opportunity (Huang, 2009; Liu, 2010; NBS, 2007; WSJ, 2014). Explanations for this paradox lie in the changing values of rural *hukou* and urban *hukou*. Rapid urban expansion has dramatically increased the value of rural land, especially land near cities. Therefore, as long as rural *hukou* is associated with land rights, rural Chinese will not easily give up their *hukou* in exchange for urban *hukou*. This is especially the case in locations where future land requisition may bring about large monetary compensations. In addition, recent policies have increased benefits in rural areas (Chen, 2013; Jin, 2006; Wang, 2014; Wen, 2005). The value of urban *hukou*, on the contrary, has declined, as the access to benefits and opportunities is increasingly being regulated by the market rather than central-planning mechanisms (CHIP, 2012; Gao et al., 2013). Finally, while reforms that remove *hukou* barriers tend to focus on small and medium-sized cities, most migrants prefer to settle down in large cities (Liang and Ma, 2004; Mao and Wang, 2006; State Council, 2014). In other words, the value of *hukou* in medium-sized and small cities is perceived to be limited. This mismatch between *hukou* reforms and migrants' locational preference highlights the key to *hukou*'s future: it is in large and mega cities like Beijing and Shanghai that *hukou* and migration policies demand the most attention.

TRAJECTORIES OF POPULATION MOVEMENTS

This section outlines pre-1980s population movements, migration since the 1980s, the composition of migrants and their migration reasons, and the spatial patterns of migration in China.

Pre-1980s Population Movements

Historically, population mobility in China was low, due in part to the agrarian nature of the economy which bound people to the land. Over the past decades, mobility levels and rates have fluctuated. Peasants flocked to cities during the 1950s but such movements were soon curbed by the 1958 *hukou* regulations. Accordingly, rural–urban migration declined sharply during the 1960s (Yang, 1994: 103–122). At the same time, the Chinese state’s development plans, many driven by political and ideological rationale, led to forced or ‘planned’ population movements. The Third Front program (1965–1971) moved factories and industrial workers from the eastern coastal region, which was considered vulnerable in a military sense, to inland, remote, and mountainous areas. And, during the Cultural Revolution (1966–1976), the rustication movement sent millions of urban Chinese and cadres to go ‘up to the mountains and down to the countryside’ to farm and work. In addition, Han Chinese were sent to minority regions such as Tibet and Xinjiang to consolidate Communist rule there.

Post-1980s Migration Volumes

Mobility has increased since the 1970s and especially since the 1980s. The 1990 census was the first Chinese census that collected migration data systematically, which was in part in response to heightened mobility. The two subsequent censuses in 2000 and 2010 further expanded the information collected about migration. Other census-type nationwide data such as the 1995, 2005, and 2015 One-Percent Sample Surveys also provide migration data, as do more specific surveys like the annual Floating Population Dynamic Monitoring Surveys conducted by the National Health and Family Planning Commission.

Definitions of migrants and migration are never straightforward and they vary from one source to another. In China, these definitions are further complicated by the *hukou* system and frequent changes in census forms. One popular approach is to consider the ‘floating population’ migrants (Goodkind and West, 2002; Liang and Ma, 2004; Zhang and Cen, 2014). Individuals who are not living at their *hukou* location and who have left the *hukou* location or stayed at the current location for at least six months (one year for the 1990 census) constitute the floating population. In other words, it is a stock measure that counts migrants regardless of how long ago the actual migration took place (Zhu et al., 2015).

The size of the floating population increased from two million (about 0.2% of China's population) in 1983 to 22.6 million (2%) in 1990, 144 million (12%) in 2000, 261 million (19.5%) in 2010, and 298 million (21.8%) in 2014 (NBS, 2015; Zheng, 2013; Zhu et al., 2015). If intra-city moves are excluded, then the numbers are smaller but still show rapid increase – from 121 million in 2000 to 221 million in 2010 and 253 million in 2014 (NBS, 2015).

Another approach to measure migration is to compare one's location or residence at two specific points in time, counting individuals who have crossed an administrative boundary as migrants. This is the approach used by US censuses, defining a migrant as someone who was in a different county five years ago than where he/she is on the day of census enumeration. China's censuses also record five-year migration, namely, 1985–1990 for the 1990 census, 1995–2000 for the 2000 census, and 2005–2010 for the 2010 census, but *hukou* is always part of the definition. For the 1990 census, a migrant is defined as a person aged five or older who on the date of enumeration resides in a city or county different from that five years ago and has lived in the city or county of enumeration for more than one year or left his or her *hukou* location for more than one year. They are referred to as inter-county migrants. Both the 2000 and 2010 censuses changed the minimum length of stay in the place of enumeration and minimum length of time since leaving the *hukou* location from one year to six months. Most researchers expect the effect of this change on the migration volume to be small (e.g., Liang 2001) and thus the three censuses are still comparable.

It is customary to distinguish migrants who have changed their *hukou* from those who have not. The term permanent migrants is commonly used to refer to five-year inter-county migrants who have changed their *hukou* to the place of enumeration; whereas temporary migrants refer to those who have not changed their *hukou* to the place of enumeration. The 1990 census documented a total of 35.3 million inter-county migrants, of whom 19.1 million were permanent migrants and 16.2 million were temporary migrants. The volumes recorded by the 2000 census were respectively 79.1 million, 20.2 million, and 58.8 million. In other words, in ten years inter-county temporary migrants almost quintupled while inter-county permanent migrants increased by less than 6%.

A shortcoming of the 2010 census is that unlike the previous two censuses it does not record an individual's county of residence five years ago. While it is still possible to estimate inter-county temporary migrants because there are data on the time when they left their *hukou* location, it is impossible to ascertain the size of inter-county permanent migration (Liu et al., 2014; Zhu et al., 2015). Fortunately, the 2010 census has indeed recorded one's province of residence five years ago, permitting the documentation of inter-provincial migration as well as comparison across the three censuses. In addition, studies have shown that those who undertook inter-provincial moves accounted for the majority of temporary migrants (Fan, 2008).

Figure 40.1 illustrates the volumes of inter-provincial permanent and temporary migrants ages 5+ as documented by the three censuses. From 1990 to 2010, inter-provincial temporary migrants had grown many folds while inter-provincial permanent migrants actually declined in number. In other words, the rapid increase in mobility in China over the past decades was primarily due to temporary migrants.

Who Migrates and Why?

The conventional wisdom that most Chinese migrants are male, young, and have a low level of education are still largely valid, but migrants' composition has changed (Cai, 2002; Chan et al., 1999; Zheng, 2013). Table 40.1 shows that the sex ratio of both permanent migrants and temporary migrants has declined over time. The age increase of migrants points to the phenomenon of veteran migrants staying in the migrant labor force while being joined by younger migrants. Research has shown that while age 15–24 continues to be the modal group among the floating population, those at and older than 35 have grown in size much faster than the younger groups (Zheng, 2013).

According to the 2010 census, individuals who have left their *hukou* location for more than six years accounted for as much as 23.8% of the floating population. In other words, being a migrant is not necessarily a short-term phenomenon but instead could last for many years. While migrants' modal educational attainment remains junior high, over time their education level had improved (Zheng, 2013). It is notable that temporary migrants' improvement in educational attainment not only paralleled but was at a faster rate than that of permanent migrants (Table 40.1).

Migration reasons based on the censuses reveal not only the motives for migrating but also the means of doing so, the circumstances under which

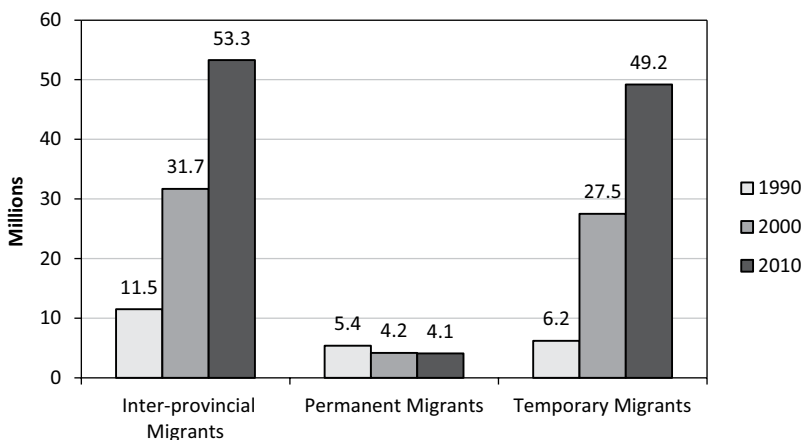


Figure 40.1 Volume of inter-provincial migrants (ages 5+), 1990–2010

migration takes place, what migrants plan to do at the destination, and above all the degree of state involvement (Fan, 2008). Among inter-provincial temporary migrants, 'industry/business' (self-initiated moves for engaging in industrial, commercial, or trade sectors) has been the dominant migration reason and its dominance increased over time (Table 40.1), a trend similar to that observed for inter-provincial floating population (Zheng, 2013). Overwhelmingly, therefore, these migrants' motive is economic, namely, to increase income and diversify their sources of household income, and the

Table 40.1 Inter-provincial migrants (ages 5+), 1990 and 2010

	1990			2010		
	<i>All migrants</i>	<i>Permanent migrants</i>	<i>Temporary migrants</i>	<i>All migrants</i>	<i>Permanent migrants</i>	<i>Temporary migrants</i>
Sex ratio	142	128	156	123	98	125
Mean age	27.4	27.2	27.6	29.7	28.5	29.8
Mean years of schooling	8.8	10.2	7.5	10.1	12.8	9.8
Migration reason* (%)						
Industry/business	29.3	1.7	53.4	67.9	5.9	77.5
Job transfer/assignment	19.8	35.1	6.4	3.7	14.5	2.4
Study/training	8.1	15.1	2.0	6.5	35.9	6.0
Marriage	13.2	14.8	11.8	5.6	23.0	2.2
Joining family	11.0	15.7	6.9	7.6	9.7	7.0
Friends/relatives	11.1	8.7	13.1	4.5	5.0	2.9
Other	7.4	8.8	6.2	4.2	6.0	2.1
Occupation** (15+) (%)						
Professional	11.2	22.9	3.0	6.4	20.5	5.7
Government	2.3	4.1	1.0	1.9	2.4	1.8
Administrative	5.3	11.1	1.2	4.6	7.2	4.5
Commerce/services	13.5	8.7	16.8	25.2	16.8	25.6
Industry	44.6	24.2	58.7	57.9	21.3	59.7
Agriculture	23.0	28.7	19.1	3.9	31.7	2.6
Other	0.2	0.3	0.1	0.1	0.1	0.1

Sources: 1990 census one-percent sample; 2000 census 0.1-percent inter-provincial migrant sample; 2010 census 0.1 percent sample

* Because the 2010 census does not provide migration reasons for permanent migrants, the 2000 census data are reported for both all migrants and permanent migrants instead.

** Excluding non-working population

economic motivation has become even more pronounced over time (Croll and Huang, 1997; Fan, 2002; Yang, 2004). Their moves are work-related and self-initiated, and they have little access to state-sponsored channels of migration (Solinger, 1999a).

In contrast, among inter-provincial permanent migrants, their migration reasons are more diverse, state-sponsored reasons such as 'job transfer/assignment' ('job transfer' refers to the transfer of workers by the state to specific jobs and regions; and 'job assignment' refers to the assignment by the state of jobs to recent graduates) are more prominent, and 'industry/business' are much less important (Table 40.1). The importance of 'job transfer/assignment' in the 1990 census reflects the central-planning legacy where jobs are allocated by the government. By 2010, however, 'study/training' and 'marriage' have become the two leading reasons for permanent migrants.

The above highlights three phenomena. First, the market's role in job allocation has increased vis-à-vis central planning. Second, admission to universities is highly competitive, and until 2003 college and university students were automatically assigned urban *hukou* in the city where their university was located, thus boosting the proportion of 'study/training' migrants among permanent migrants. But since such *hukou* conversion arrangements became optional in 2003, most students have not chosen to convert their *hukou* (Liu, 2011). Finally, most marriage migrants are rural-rural migrants whose moves are accompanied by *hukou* change (Fan, 2008; Fan and Huang, 1998).

Industry has been the leading occupation among inter-provincial temporary migrants but the share of commerce/service has increased considerably (Table 40.1), which is consistent with the changes among the floating population (Zheng, 2013). While still accounting for less than 10% of temporary migrants, the shares of professional and administrative occupations have increased over time, implying some degree of skill improvement among temporary migrants who otherwise are known for being in the bottom rungs or in 3D (dirty, dangerous, and difficult) jobs. Among inter-provincial permanent migrants, agriculture continues to hold the leading spot, followed by industry, professional, and commerce/service. Compared with temporary migrants, the occupations of permanent migrants are less concentrated and are much more highly represented in both professional and agricultural categories.

Spatial Patterns of Migration

Rural-urban migrants constitute the majority of internal migration in China. According to the 2010 census, 63.0% of the floating population are from rural areas, and 81.6% of the inter-provincial floating population are from rural areas (Zheng, 2013). The annual survey of migrant workers conducted by the National Bureau of Statistics reports 277.5 million rural laborers working in Chinese cities in 2015 (CLB, 2016).

Figures 40.2 to 40.4 illustrate the 30 largest inter-provincial migration flows based on the 1990, 2000, and 2010 censuses. Several observations are most notable. First, migration is related to the population size of origin and destination provinces. Sichuan and Guangdong are among the largest provinces in China, the former a leading origin province and the latter a leading destination province. Second, migration flows are a function of distance. Although long-distance moves such as those from Henan to Xinjiang and from Heilongjiang to Shandong were among the 30 largest flows for some years, migration between proximate provinces was more numerous and voluminous. By 2010, the Beijing–Tianjin cluster, the Yangtze River Delta cluster centering on Shanghai, Zhejiang, and Jiangsu, and the Guangdong cluster were so dominant that no other migration fields could rival them in size and concentration.

Third, the spatial patterns clearly point to the effect of uneven regional development. Most of the prominent origin provinces are relatively poor; and the most prominent destination provinces are economically more developed. The largest migration flows are toward the eastern region and have increased in intensity over time. Figure 40.2 shows that in 1990 a number of migration streams were accompanied by counter-streams, including those between Heilongjiang and Jilin, Heilongjiang and Shandong, Jiangsu and Shanghai, Jiangsu and Anhui, and Sichuan and Yunnan. By contrast, all the 30 largest migration flows in 2000 and 2010 were unidirectional (Figures 40.3 and 40.4). This suggests that over time inter-provincial migration has become more concentrated and more ‘efficient’ in redistributing population (Fan, 2005a; He and Pooler, 2002). In

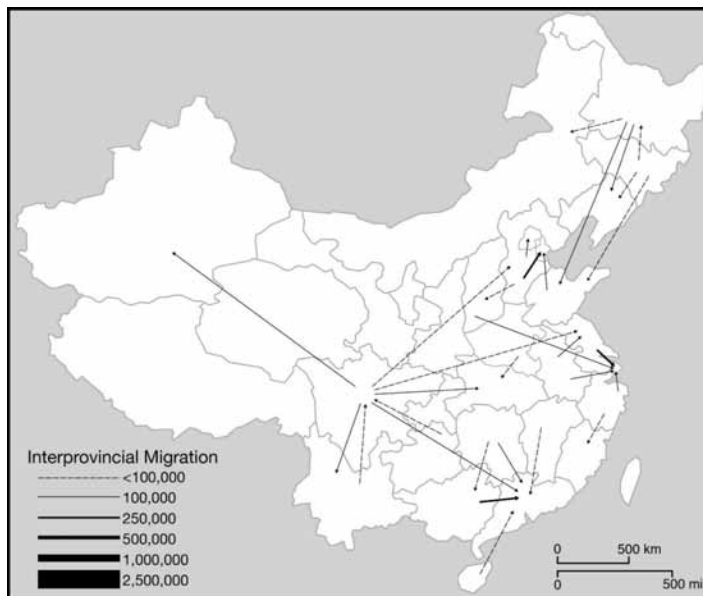


Figure 40.2 The 30 largest inter-provincial migration flows, 1985–1990

Source: 1990 census one-percent sample

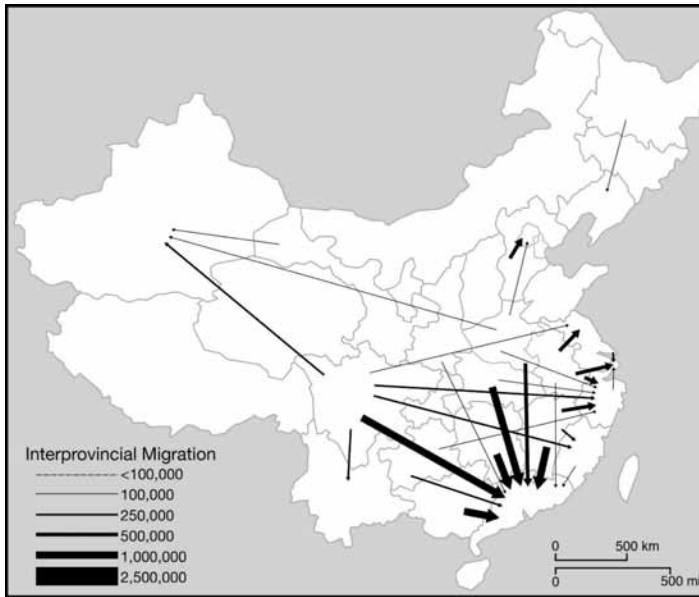


Figure 40.3 The 30 largest inter-provincial migration flows, 1995–2000

Source: 2000 census 0.1-percent inter-provincial migrant sample

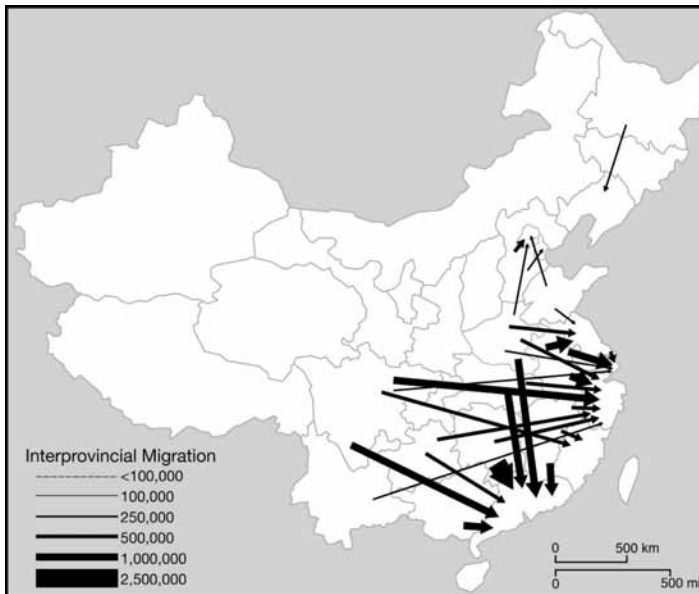


Figure 40.4 The 30 largest inter-provincial migration flows, 2005–2010

Source: 2010 census 0.1 percent sample

In addition, the 30 largest flows accounted for a significantly greater proportion of the total migration volume in the 2000 census (56.0%) than the 1990 census (31.5%). Thus, over time, inter-provincial migration has become more efficient, more unidirectional and more concentrated. The eastern coastal provinces

of Beijing, Tianjin, Jiangsu, Shanghai, Zhejiang, Fujian, and Guangdong, in particular, have clearly become the most dominant destinations. The pull of Guangdong was especially profound, attracting migrants from both nearby and distant provinces. According to the 2000 census, Guangdong alone accounted for 36% (11.5 million) of all inter-provincial in-migrants in China. By 2010, Guangdong's pull remained very strong but was rivaled by the Pearl River Delta cluster. Flows to Shanghai, Jiangsu, and Zhejiang accounted for half of the 30 largest migration flows.

Research has highlighted that over time migrants are increasingly responsive to economic opportunities in the destination and are increasingly capable of overcoming the friction of distance (Fan, 2005b). Despite these changes, the largest migration flows display a high degree of consistency, suggesting that present migration is influenced by past migration. The persistence of migration streams underscores the role of networks including those based on migrants' households and communities. The following section seeks to situate migrants in relation to their households.

MIGRATION THEORIES AND MIGRANT HOUSEHOLDS

Recent research on migration, including that focused on China, increasingly challenges conventional approaches in migration theories. This section highlights several themes in this research with particular relevance to China: circularity and translocality, the household approach, split households, the left-behind, and the new-generation migrants.

Circularity and Translocality

Migration theories tend to consider migration a one-way move from an origin to a destination rather than an interactive and iterative activity involving multiple sites and communities. However, research on international migration in particular has highlighted transnational migrants who take on multiple identities and ties across nations that are facilitated by increased ease in travel and communication (e.g., Hugo, 2006; Mitchell, 1997; Ong, 1999; Saxenian, 2005; Wang, 2007; Willis et al., 2004). Within national borders, likewise, many migrants circulate between the home and a distant work place, bringing back remittances to alleviate poverty. In and from Africa, Asia, and Latin America, circulation of migrants between their home and a place of work away from home either within national borders or overseas is a common migration strategy (Chapman and Prothero, 1983: 619; Deshingkar and Start, 2003; Fan, 2016; Hugo, 1978; 1982: 73–74; Nelson, 1976; Rigg, 2007; Roberts, 2007; Schmidt-Kallert and Franke, 2013; Skeldon, 2010; Wang and Wu, 2010). In that light, migration should be understood as continuous circularity rather than simply one-off or stepwise events.

In a similar vein, translocal geographies emphasize both mobility and place, both international and internal migration, and both the mobile and the less mobile. Brickell and Datta (2011) show that a migrant's home can be considered as translocal because it is shaped by not only remittances and consumption but also new and strengthened connections with other localities via migrants. Oakes and Schein (2006) define translocality as being identified with more than one location, as when migrants maintain a dual sense of identity between their homes and their migrant work locations. They also argue that although translocality as a concept was developed in the context of transnational studies, it is equally applicable to examining mobility within China.

Indeed, in China, circularity and translocality are extremely common practices among rural migrants. Except the few who have left the countryside for good, rural migrants tend to straddle the city and countryside for an extended period of time. Some may have lived and worked in cities for over two decades, but they still consider the village but not the city their home, even though they return to the home village only infrequently, typically once a year – during the Chinese New Year – or less. A popular explanation for circularity is institutional, namely, without local *hukou* rural migrants cannot stay in the city permanently (Goodkind and West, 2002). While the *hukou* explanation is certainly important, it does not fully elucidate the view from below. An additional explanation, one that centers on the migrant household, is necessary.

The Household Approach

Despite the central role of households in motivating and implementing migration, migration theories tend to focus on migrants themselves rather than considering the household as an organizing unit and studying also other household members including the non-migrants. Wallace (2002) argues that household strategies are especially critical for understanding societies that are subject to rapid change, when households are in situations of risk and uncertainty, when an increasing number of women enter the labor force, and when the informal economic sectors are large, all very applicable to today's China. Douglass (2006) proposed the concept of householding, which foregrounds the household as a unit of analysis as well as the social processes that sustain and reinvent the household in a changing environment.

Remittances are at the core of explanations for labor migration, by reducing poverty and raising standards of living, diversifying risk, and improving investment in human and physical capital (e.g., Sana and Massey, 2005; Taylor, 1999). But migration and remittances are part of the social processes that shape the meanings of the home and household. To the migrants, 'home' takes on new meanings as a physical site that offers security but is distanced from daily life (Fan, 2009; Fan and Wang, 2008; Graham et al., 2012). 'Being family' also takes on new meanings in the face of geographic separation and reconfiguration that

impact intimate relationships (Bustamante and Aleman, 2007; Yeoh, 2009). The productive and reproductive relations between migrants and the left-behind are constantly reworked, negotiated and renegotiated, constrained by and challenging traditional gender and generational roles and norms (Asis et al., 2004; Hugo, 2002; Xiang, 2007). Who is the migrant and who is/are left behind is not only an economic question but fundamentally a social question.

To Chinese migrants who began migrant work in the 1980s, remittances helped them to overcome poverty and made their subsistence possible (ACFTU, 2010; Wang et al., 2011; Yue et al., 2010). Over time, migrants who have achieved subsistence would use remittances to finance household expenditures, including house construction or renovation – guided by and reinforcing a gendered tradition that a new or expanded house is necessary for a son to get married – weddings, children's education, and agricultural and entrepreneurial activities. The patrilocal exogamy tradition, where the wife moves out from the natal family to join the husband's family, is rooted in marriage being practiced as a contract negotiated between two families involving the transfer of rights over women and their production and reproduction. In this connection, the prospective husband's economic capacity becomes important. A new house or an expanded house – often judged in terms of size – is one of the determining factors of men's competitiveness in the marriage market, especially in light of the grossly imbalanced sex ratio at birth due to draconian birth-control policy (Cai and Lavelly, 2003; Chen, 2015). Rural households who have sons, therefore, are especially motivated to use remittances to fund house-building projects.

Although pioneer migrants might have considered migrant work a short-term rather than long-term solution, the lack of economic opportunities in the countryside compels them to rely on migrant work for earnings for as long as they are able. Thus, migrants continue migrant work year after year, many having become 'career' migrants, leaving their spouse and children behind (Yue et al., 2010; Zhu and Chen, 2010). Furthermore, the rural Chinese are increasingly receptive to both spouses doing migrant work, leaving the children behind to be raised by their grandparents, and sending back remittances that support care-giving and other rural activities (CLB, 2016; Fan et al., 2011; NBS, 2011). Clearly, a household approach is essential for understanding rural–urban migration in China, and the household arrangement involving who does what and who is where is not static but has changed over time.

The Split Household

Research on household-splitting, though not voluminous, draws attention to the long-term separation of family members as a practice that differs from the traditional notion of the family being a spatially intact unit where family members are expected to stay together in one place (Mincer, 1978; Stacey, 1990; Walsh, 2003; Yanagisako, 1979). Conventional understanding about migration assumes that

when one household member migrates for work, his or her absence is temporary and the subsequent household-splitting is short-lived. However, long-term separation of family members due to migration is not uncommon, nor is it a new phenomenon. For example, it was and has been practiced by goldmine workers in South Africa, 19th-century Chinese coolies, Mexican braceros in the American Southwest, and post-WWII migrants in guest-work programs (Glenn, 1983; Kaufmann, 2008; Nelson, 1976). A focus on the split household, along with issues of parenting, family relations, family organization, children's education, and the emotional cost of family separation (Bustamante and Aleman, 2007; Silvey, 2006; Waters, 2002), informs not only research on migration but also an updated concept of the family, and is certainly necessary for understanding the millions of rural–urban migrants in China who have worked and lived separately from the rest of their family for a long time.

Contrary to the myth that rural Chinese want to settle down permanently in cities, many studies have revealed that the majority of rural–urban migrants intend to eventually return to the countryside (Cai, 2000; Cai and Wang, 2008; Cai and Xu, 2009; Fan, 2008: 166; Fan, 2011; Fan and Wang, 2008; Yue et al., 2010; Zhu, 2007; Zhu and Chen, 2010). This is because to migrant workers, the city is considered only a place to earn wages and augment household income rather than a place to take root. Barriers to permanent settlement in cities include not only *hukou*-related constraints but also the absence of a sustained economic future and a sense of social belonging. Migrant jobs typically are not stable, do not offer career mobility and cannot support the urban cost of living. Moreover, migrants are seen as outsiders and inferior to urbanites, and they are not integrated into urban society. Therefore, it is in their interest to maintain and invest in their social security (immediate and extended family, fellow villagers) and economic security (farmland, house) in the countryside (Fan and Wang, 2008; Tan, 2007; Xu, 2010; Zhu, 2007). In that light, a split-household strategy, along with circularity and translocality, facilitates migrants' maintaining of the social and economic bases in the countryside for their eventual return (Fan and Wang, 2008). This in part explains migrants' building of new houses and expanding existing houses in the village despite their constant absence, while some have decided to purchase a house or apartment in nearby towns in order to engage in non-farm work upon their return (Duan and Ma, 2011). Along the same vein, migrants leave behind family members to farm or lease out farmland to others – usually without collecting rent – not because of economic gain from agriculture but in order to safeguard and maintain their farmland, again for anticipated return in the future. Through household-splitting, migrants can earn urban wages, support the rest of the family at a rural and lower cost of living, build and renovate their house, and start saving for their eventual return.

Gender roles and intergenerational relations are crucial for understanding the split household and its social and spatial organization, which is continuously being reshaped and renegotiated. Patriarchal ideology underlies two household

traditions: the inside–outside dichotomy and household division or *fenjia*. The traditional inside–outside dichotomy defines the woman’s place to be inside the home, including care-giving, and the man’s responsibility to be outside, including earning wages (*nan zhu wai nu zhu nei*) (Entwisle and Henderson, 2000: 298; Hershatter, 2000; Mann, 2000). Therefore, most pioneer migrants were men, while the wives stayed behind and took up not only domestic work but also farm-work (Jacka, 2006; Stockman, 1994). Second, *fenjia* refers to a traditional practice especially in rural China where the father at an advanced age would divide his property among the adult sons. It is a process of transmission of economic control from one generation to the next allowing adult sons to establish their own households (Wakefield, 1998). However, the prevalence of migrant work among rural households reinforces the value and practicality of an extended family living under one roof, so that non-migrant members, especially parents, are needed to care for the left-behind children and farmland. In short, intergenerational collaboration among the extended family facilitates migrant work, and as a result migrant households may favor skipping or postponing *fenjia* and opt for tightening the extended family ties instead.

Over the past two to three decades, rural migrants in China have pursued different forms of household arrangement. During the 1980s and 1990s, single migrants (adult unmarried child) and sole migrants (one of the spouses, usually the husband) were the most prevalent arrangements. Since the 1990s, couple migration – both spouses pursuing migrant work and leaving their children behind – has been increasingly common (Fan and Chen, 2013; Xiang, 2007; Ye and Pan, 2008: 301). Unlike the sole migrant model, where one of the parents stays behind to take care of the children, couple migrants tend to rely on the elderly to care for the left-behind children. This is a departure from the traditional inside–outside gender division of labor and is instead illustrating a new outside–outside organization, where both the husband and wife work outside the home *and* the village. While some migrants are bringing their children to the city and the proportion of migrant workers moving as a family is increasing, the various forms of split households have contributed to a large number of children and elderly being left behind (Duan, 2015; He and An, 2015; Ma and Zhou, 2008; Xiang, 2007; Zhou, 2004).

The Left-behind

Research on the left-behind has highlighted their role in enabling others to migrate and the social changes brought about by migrants’ absence. Oakes and Schein (2006) argue that translocality involves not only people but also capital, ideas, and other forms of connectedness, such that those who don’t leave are indeed also translocal. Toyota et al. (2007) observe that the left-behind are often seen as passive recipients of migration remittances and instead advocate for considering them more centrally. For example, Nguyen et al. (2006) highlight the

impact of migration on the health of the left-behind, children who grow up in spatially and evenly globally extended family networks, and the left-behind males and elderly. Along the same vein, Graham et al. (2012) use the 'care triangle' to examine interactions between the left-behind children, the non-migrant parents and other care-givers, and the migrant parents in Indonesia and the Philippines. The New Economics of Migration Theory considers remittances as part of an implicit agreement between the migrant and the left-behind under the assumption that the migrant will eventually return (e.g., Stark and Lucas, 1988). And, recent research in China has shown that the amount of remittances that migrants send back is a function of the extent of care-giving provided by the non-migrants (Fan and Wang, 2008; Fan et al., 2011).

Labor out-migration in rural China has skewed the sex and age structure of villages. Wives who are left behind suffer from increased workload, having to care for the children, do house chores, as well as farm. In short, marriage facilitates gender division of labor, enables men's pursuit of migrant work, and fosters the feminization of agriculture (Davin, 1998; Jacka, 2006). Such gender division of labor also undermines women's status because unlike their husbands they are not physically or economically mobile and they rely on the husband's remittances for improving the household's well-being.

With increased prevalence of both spouses engaging in migrant work, many rural villages in China now have a hollowed-out age structure, namely, only the young and the old stay behind. According to the 2010 census, left-behind children under the age of 18 amounted to 61 million, accounting for about 22% of all Chinese children and 38% of rural children (CLB, 2016; Davin, 2014). Although the number of migrant children in urban areas was already 36 million by 2010 and that number is on the rise (CLB, 2016), their access to education is still constrained, and many must return to their home towns in order to prepare for the appropriate curriculum prior to taking the national university entrance examination (CLB, 2016; Davin, 2014). In short, leaving children behind remains a common practice for migrants. A survey of villages in four provinces found that while remittances help left-behind children economically, they are deprived of contact with the parents (Ye et al., 2011). It is not uncommon for left-behind children to not see their parents for more than once or twice a year or even more than a year (CLB, 2016). While research on family relations of members separated by distance is not new (e.g., Brickell and Datta, 2011), it clearly deserves much more attention in China, where rural-urban migration continues unabated, where family size has declined due to birth-control policy, and where a generation of left-behind children is fast reaching adulthood with a unique experience and uncharted social implications.

Against the backdrop of an aging population, the situation of the rural elderly in China is even more serious. With declining birth rates, increased life-expectancy, and continued out-migration of young adults, the proportion of the rural population aged 65 and older has risen from less than 6.0% in the early

1990s to 10.6% in 2012 (Zhuo and Liang, 2015). The old-age dependency ratio in rural China was 13.5% in 2008 and is projected to reach 34.4% by 2030 (Cai et al., 2012). The proportion of rural households that had at least one individual aged 65 and older increased from 23.1% in 2000 to 33.9% in 2010 (Zhuo and Liang, 2015). Research has shown that remittances sent by migrant children have enabled improvement in financial support for the left-behind elderly (Cong and Silverstein, 2011; Du et al., 2004; Guo et al., 2009), who make it possible for their adult children to pursue migrant work by taking on childcare and farming responsibilities. Such skipped-generation organization is very common (Lu, 2012; Tan, 2011; Ye and Murray, 2005). Studies have found that while many rural elders enjoy living with grandchildren, they may also feel overburdened and helpless in providing supervision and guidance for young children (Du et al., 2004; He and Ye, 2009). Left-behind elders in villages challenge the age-old tradition of filial piety where children take care of parents both economically and physically. The overall lack of social welfare and government support for the rural elderly makes their situation even more precarious.

New-generation Migrants

Migrant work as a way of life for rural Chinese is being passed from one generation to the next (Liang, 2011). For the younger generation who grew up witnessing pioneer migrants bring back remittances that were converted into a new house, a television set, or a washing machine, it is only logical that they should take up migrant work as soon as they finish school (Liu and Cheng, 2008; NBS, 2011; Wang, 2001). In fact, the new-generation migrants, most commonly defined as migrant workers born in 1980 or after (or the post-80s), now account for the majority of the migrant population in China (Fan and Chen, 2013; Liu et al., 2012; NBS, 2011; NPFPC, 2008; Yin, 2010; Zhao, 2010).

The new-generation migrants are distinct from their older and earlier counterparts in many ways. The former have a more balanced sex ratio than the old-generation migrants (NBS, 2011; Wang et al., 2011; Ye et al., 2003). Most of the new-generation migrants have finished junior high and have had more years of schooling than the old-generation migrants (Li and Tian, 2010; Liu and Cheng, 2008). Still, the former are not sufficiently skilled for the urban labor market other than the manual, labor-intensive and less desirable jobs, and their wages remain low (Duan and Ma, 2011). Compared to the older generation, the new-generation migrants are younger and more are single (NBS, 2011). Among those who are married, the new-generation are more likely than the old-generation to bring the spouse and children to the city (ACWF, 2011; NBS, 2011; Yue et al., 2010).

Growing up observing their parents and others from the countryside do migrant work, the new-generation tend to start migrant work at a younger age, typically immediately or shortly after finishing junior high. As a result, they have had little or no farming experience (Liu and Cheng, 2008; NBS, 2011; Wang, 2001).

The new-generation are more likely than the old-generation to work in manufacturing than other sectors, perhaps because the former are younger (Cheng and Yao, 2005; Duan and Ma, 2011). Compared to the older generation, the young-generation migrants have higher aspirations, move longer distance, and are more likely to move across provincial borders, and change jobs more frequently in pursuit of better pay and work conditions (NBS, 2011; Wu and Xie, 2006; Yue et al., 2010; Zhou and Sun, 2010).

The new-generation migrants earn about the same as the old-generation migrants but they send home less remittances (Liu and Cheng, 2008; NBS, 2011). This difference begs the question whether the new-generation are increasingly assuming an urban lifestyle. Compared to the old-generation, the new-generation migrants tend to pursue migrant work not only for the purpose of economic return but also for self-improvement and the urban experience (Wu and Xie, 2006). Their expenses are increasingly accounted for by consumption such as food, clothing, housing, transportation, leisure, and entertainment, although their spending is still much lower than the average urbanite (Duan and Ma, 2011). The new-generation migrants are also less tolerant of low pay and poor working conditions and are more ready to express their frustration including resorting to protests and even suicides, as in the case of the deaths of more than a dozen young workers at Foxconn's Shenzhen plants in 2010 (Chan and Pun, 2010; Li and Tian, 2010).

All the above suggests that the new-generation migrants are more ready and have a larger capacity than the old-generation migrants to chart out a more promising future. It is not clear, however, if their path entails settling down permanently in the city. The skill level and income of the new-generation migrants remain low; the cost of living in big cities is not within reach. The new-generation migrants are more aware of their rights and have wider social networks in the city than the old-generation migrants, but they continue to rely heavily on native-place ties (ACFTU, 2010; Liu et al., 2012). Compared to the old-generation migrants many of whom plan to return to farming in the rural village, the new-generation migrants' preference is more likely 'returning' to towns near their native place where they can engage in non-farm work (Duan and Ma, 2011).

FUTURE DIRECTIONS OF RESEARCH

It is clear that migration and mobility will not only shape China's demographic change but also play a profound role in the country's economic and social development. Future research would benefit from greater emphasis on four themes. First, research on the *hukou* system will continue to be important, but it needs to be updated to address rapid and recent changes. In particular, the relative values of rural *hukou* and urban *hukou* warrant more research, given the puzzling reluctance of rural migrants to take advantage of *hukou* reforms in many cities as well as the continued tight connection between rural *hukou* and land rights.

Second, the household approach that foregrounds circularity, translocality, split households, and the left-behind is imperative. This is because Chinese migrants circulate and tend to straddle the city and countryside rather than decisively settling down in the city or returning to the countryside. While the left-behind benefit economically from remittances, their overall well-being is problematic. At the same time, the new-generation migrants are young, have no or little farming experience, and tend to have higher aspirations for their future and lower tolerance for poor work conditions than older migrants. A committed household approach will address all aspects of migration including the above, their rapid changes, as well as policy implications.

This chapter has not included explicitly international migration from and to China, but both themes warrant greater attention by researchers. China has become the fourth largest source country of migrants in the world. The number of international migrants from China increased from 4.1 million in 1990 to 5.5 million in 2000 and 9.3 million in 2013, primarily comprising investment migrants, student migrants, and skilled migrants (Xiang, 2015). At the same time, students who originate from China and have earned advanced degrees overseas are increasingly motivated to return, thanks to the rising demand for skilled and professional workers, the promise of speedy social and economic mobility, and well-funded programs to recruit returnees especially in the science, education, and technology sectors (Ho, 2015).

Finally, China's rapid economic growth has also attracted migrants from other countries, including foreigners and overseas Chinese and amounting to almost 600,000 according to the 2010 census (NBS, 2011). While most tend to work in joint ventures and foreign companies and hold high-rank management and technical positions, some are in less prestigious sectors. They have given rise to enclaves in Chinese cities, such as Wangjing in Beijing for Koreans, Gubei in Shanghai for Japanese, and the 'African Zone' in Guangzhou (Shen, 2011). In addition, more and more students from other countries are studying in China, as Chinese universities develop degrees and courses aimed at international students, many of whom have become proficient in the Chinese language. In 2014, more than 377,000 international students were studying in China, more than 3.4 times the number in 2004 (IIE, 2016). International migration from and to China, a function of its rapid rise in the world, will only increase and deserves more research.

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Financing Urbanization and Infrastructure

Weiping Wu

INTRODUCTION

Rapid urbanization in the post-reform period has resulted in a very high demand for infrastructure. On an aggregate level, China has made significant progress in infrastructure services since 1979. Most urban residents have access to faucet water, cooking gas, and public transportation. There are, however, noticeable differences in nearly all available indicators of urban infrastructure services across the three large regions (eastern, central, and western). Cities in the eastern region uniformly enjoy higher levels of service in all sectors. In many inland provinces, utility services, such as public transportation, roads, streets, water supply, and waste treatment, are in poorer conditions (Wu 2010).

Infrastructure financing at the local level in China is fundamentally different from that in most other countries. The common sources include borrowing from banks (instead of through capital markets), often by local government financing vehicles (LGFVs), and local governments' own taxes and fee revenues (though not in the form of property taxes commonly levied in the West). Budgetary allocation from central and local governments has become a less important source. Given that expenditures have exploded while fiscal revenues have not kept pace since the 1994 tax reform, local governments cope with funding shortfalls through a variety of off-budget or extra-budgetary mechanisms, particularly through the collection of land lease/transfer fees (Wong 2012, Wu 2010). Aside from these opaque financing mechanisms, there has been much consternation within and outside of China with regard to the level of debt LGFVs have taken on.

This has been especially true in the years since the global financial slowdown of 2008.

Also of concern to scholars is the use of land leasing as a primary means of funding to LGFVs. This has led to what has been referred to in the literature as a 'land-infrastructure-leverage trap' (Tsui 2011) in which local governments, relying on a finite quantity of land as collateral for bank loans, become reliant on an unsustainable system for funding capital-intensive infrastructure projects that may not lead to a level of economic development necessary to pay off the debt. Multiple research approaches and theories have been employed, including putting forth reform suggestions with a strong eye toward developing capital markets, and proposals about the use of new financing channels have been offered and debated.

Scholars have questioned the degree to which current debt levels are sustainable, with different approaches to gauge debt volumes and the potential for this debt to be paid off. While some primarily offer a critique of the LGFV model, others point out that these platforms have allowed for the dramatic deployment of infrastructure across the country. Nonetheless, given the problematic nature of land leasing and LGFVs, different mechanisms for raising urban infrastructure funds have surfaced, including the use of property taxes and municipal bonds directly issued by local governments. The latter of these have begun to appear, and the least leveraged provinces have now swapped their outstanding debt for municipal bond issues (Palma 2016).

This chapter examines how researchers have investigated recent progress, problems, and trends in the financing of urban infrastructure. The focus is on economic infrastructure, including primarily transport, energy, telecommunications, water and sewerage, and other utilities. At the outset, I will situate urban finance in the large context of fiscal decentralization. I will then examine specifically the use of land as a means of leveraging, along with LGFVs responsible for carrying the preponderance of government debt. A consideration of measures of private participation in infrastructure will follow, with concluding remarks pointing to future policy and research directions.

URBAN FINANCE UNDER FISCAL DECENTRALIZATION

Relations between the central government and localities have changed over time in a piecemeal fashion, with reforms implemented at multiple points since the first measures were introduced in 1978. The upshot of the various changes is that local governments have found themselves in a position of needing to meet an increasing range of responsibilities while having much less in terms of dedicated budgetary allocation to meet those responsibilities. Precipitating the mismatch was a reorganization in 1994 of how tax revenues would be distributed among different levels of government, with a fundamental objective being to reduce

distortions in taxes being charged at the local level and increase remittances to the center, given that manipulation of tax assessments for diversion of funds to local governments was common.

However, the result was that local government expenditures exploded as a percentage of total government spending, while local revenues did not keep pace. To wit, local governments had 85% of total government expenditures but only 52% of revenues in 2012, and this ratio remained more or less steady. The overall effect of the reforms thus can be considered a decentralization of investment responsibilities and a recentralization of tax collection (Lin and Yi 2011). The largest sources of revenue, including the value-added tax (VAT) and resource tax, became principally directed to the center after 1994, and the personal and enterprise income taxes were likewise redirected toward the center at a 50% rate in 2002 and at a 60% rate thereafter (Lu and Sun 2013). An additional problem for local governments is that they may not establish taxes or issue bonds – save the ten local government entities that are now permitted to issue bonds under a pilot program initiated in 2014 – hence relying on the aforementioned transfers of taxes from the center for budgetary funds.

This situation led to large procurements of extra-budgetary funds that localities needed to meet expenditure responsibilities (e.g. infrastructure building and maintenance, service provision). These additional funding sources have been relatively opaque, and have rapidly increased over time, leading scholars to conclude that additional, significant reforms are required to address transparency and growing local debt. This is despite the advantages that cities have enjoyed as a result of increasing fiscal autonomy, notably the ability to dramatically improve infrastructure and public services, and the opportunity for local cadres to funnel money to profitable projects. The literature has demonstrated a shift over the years as the level of service in infrastructure has increased, moving from a near consensus that not enough infrastructure was being developed to meet the coming onslaught of urbanization to a point where the more pressing issue is how cities can sustain a system of local finance reliant on land financing and arguably in substantial debt.

Both Chan (1998) and Yan (1999) contended that, early on, not enough funding was being dedicated to infrastructure, especially in light of projected urbanization rates. Chan (1998) showed that as of the mid-1990s, localities actually had a surplus of funds in relation to their expenditures, with a net flow of funds upward. Yan (1999), seeing a lack of infrastructure development, as of the end of the 20th century, sought to make the case for additional investment, including the need for increased bank loans, and, notably, for urban infrastructure bonds at the local level, a proposal that has only recently seen some realization to a limited degree. Nonetheless, the concerns of these scholars with regard to infrastructure provision are demonstrative of just how far discourse about financing China's urbanization has shifted focus.

As infrastructure spending initially ramped up, additional attention was given to the ways in which capital funds would be acquired and directed. Bird (2004) in particular sought to lay out a framework for how China might 'get it right' in terms of creating an optimal urban finance regime that would not lock cities into sub-optimal physical patterns. Sounding the alarm bell about the shadowy nature of extra-budgetary financing and the exploitation of land sales for growth, Bird (2004) suggested an increasing reliance on user fees and land taxes, reforming local business taxes, and turning toward development charges and public-private partnerships (PPPs) rather than borrowing. While transparent borrowing via capital markets, with properly applied interest rates, would be theoretically a smart move, he pointed out that it would be problematic in the case of China, given the lack of market institutions.

Therein lies the overarching debate within the research and policy ranks. Although criticism of intergovernmental relations and the fiscal climate are common, a key question is to what extent local authorities maintain autonomy over decision making. Goodstadt (2012) argues that local governments have been primarily left to their own devices, enabling a predictable build-up of unsustainable debt that was encouraged by practices such as a reliance on localities to generate the majority of funds for the 2008–2009 stimulus, and the job prospects of local banking officials being directed by the local party apparatus, thus ensuring that loans were provided for dubious projects.

The idea that too much local autonomy as the main driver of fiscal problems is not universally shared, however. Tsui and Wang (2004), referring to this concept as the 'helping-hand paradigm,' (p. 71) aver that the center has far more power than is generally believed by scholars. Their contention is that through the target responsibility system, dictating what local governments should achieve in terms of services and infrastructure, local cadres pursue central objectives more than local needs, keeping in mind that appointment, promotion, and dismissal powers are kept by higher levels of government. To be sure, decentralization of financing is crucial, but Tsui and Wang (2004) contend that vertical control must be strongly considered as foundational to fiscal problems.

Elsewhere it is argued that the prevailing policy regime is best described as one of benign neglect. Wong (2013) notes that officially sanctioned means for funding development are quite inadequate, effectively forcing extra-budgetary activities. While China is similar to other countries in borrowing to finance infrastructure, they operate under what Wong (2013: 303) calls 'the three no's' – no guiding framework, no limit, and no accountability. Specifically with regard to there being no guiding framework, municipal finance has been managed and reformed over the decades by ad hoc, adaptive experimentation, on a path-dependent trajectory initiated by prior adaptations. Taking a reformist approach with a host of recommendations, Wong (2012) then suggests: resolving local debt, putting in place a realistic framework for managing sub-national borrowing, ending land finance with transparent and regulated access to capital instead, increasing

revenue discretion, and bringing the non-*hukou* citizenry into the mainstream of urban life.

Regardless of which level of government one wishes to assign blame, the consequence of the status quo has been an explosion of local debt. By the late 1990s, off-budget funds were estimated to be in the range of 19–27% of GDP (Wong 2007), with local government debt more recently pegged in 2012 at between 25% and 35% of GDP and total government debt standing at approximately 45% of GDP (Zhang and Barnett 2014). A substantial increase in debt between 2007 and 2009 was a result of countercyclical efforts to stave off larger impacts resulting from the global economic recession, but total debts have only increased since. Although the official government calculation of total outstanding debt in 2013 was RMB 17.9 billion, or 33% of GDP, adding LGFV debt to this amount sums to a total debt figure of RMB 27.6 billion, or just over 50% of GDP (Tao 2015).

PROGRESS IN URBAN INFRASTRUCTURE PROVISION AND FINANCING

As debt levels have increased, naturally so have levels of infrastructure provision. Scholars generally agree that as of the late 1990s, China was underinvested in virtually every province, while more recent examinations make the case that many provinces may now be overinvested. Shi and Huang (2014), for example, apply the Akerberg-Caves-Frazer approach to a nonparametric aggregate production function in computing the optimal allocation between infrastructure and private capital, determining the degree to which provinces are overinvested or underinvested. Their results show that as of 1997, all provinces but one (Qinghai) were underinvested, whereas by 2011 most western provinces were overinvested and others in the central and eastern regions were also overinvested.

An additional examination of investment, looking at figures through 1994, notes that implementation rates were quite low, especially in comparison with other countries (Chan 1998). Yan (1999) echoes that, as of 1998, investment had not kept pace with growth, and that private participation was still relatively low. Further, larger cities and eastern provinces were well ahead in investment. As late as 2006, albeit with statistics through 2003, scholars were still asserting that implementation rates had not kept pace with industrialization or urbanization rates, despite significant progress (Mahadevia 2006, Su and Zhao 2006).

Drawing from national statistics, scholars show a clear trajectory of urban infrastructure improving dramatically between 1990 and 2006: tap water access improved from 48% of urban population to 87%; gas access improved from 19 to 79%; and the area of paved roads per 1,000 population went from 3.1 to 11 square kilometers (Su and Zhao 2006, Wu 2010). Wastewater treatment coverage climbed from 24% in 1996 to 72% in 2010 (KPMG 2013, Wu 2010).

Among different regions, eastern provinces consistently enjoy much better infrastructure coverage than central and western provinces (Wu 2010).

By 2008, World Bank figures show total private investment in infrastructure since 1990 at US\$103.3 billion, counting for 48.3% of such investments in the Pacific and East Asia, and 9.1% of the world total (Zhang 2014). Some researchers estimated specific sectors, such as Chen (2008), who examined the Chinese power sector, finding 187 power projects with private participation between 1984 and 2007, with 439 GW of total installed capacity by 2004 and an annual growth rate at more than 10%.

China's infrastructure investment, already leading the world by that point, was significantly boosted coming out of the 2008 global economic crisis. Indeed, more than half of government stimulus spending in 2009 and 2010 was directed toward infrastructure projects, totaling more than RMB 2 trillion, calling into question whether the country is now overinvested in infrastructure (Shi and Huang 2014). To wit, by 2012 China had the second largest roadway network in the world with more than 75,000 kilometers and had the second most installed energy capacity in the world at over 900 GW (KPMG 2013).

Beyond the statistics previously cited, China was on track by 2015 to implement 40,000 kilometers of high-speed rail and 120,000 kilometers of railway overall, in addition to 2,100 kilometers of subway and tram lines; and by 2011, Shanghai had become the busiest container port in the world, while the number of airports nationwide had increased to 180 from 147 as of 2007 (KPMG 2013). In terms of overall infrastructure investment, official government estimates were RMB 6.2 trillion in 2009 and RMB 7.2 trillion in 2010 (Shi and Huang 2014).

Expenditure patterns have changed as different infrastructure sectors become focal points of investment. During the period 1953–1996, roads and bridges received the lion's share, at half of urban infrastructure investment, with water supply second and other sectors lagging behind (Yan 1999). While transport, including warehousing and postal services, retained a significant portion, at 36% of investment in 2010, other sectors, such as water, environmental protection, and energy, also received substantial investment (Barreda and Wertime 2013).

Sources of funding for infrastructure have likewise evolved, shifting fundamentally over the last two to three decades. Between 1990 and 2012, central and local budgetary allocation stayed more or less flat, so was foreign capital (less than 2%). Domestic loans, largely from state commercial banks and policy banks, grew steadily, from 4% in 1990 to 30% in 2005. The stimulus package to ease the 2008 financial crisis (and loosened credit policies) made domestic loans even more accessible, facilitated by a complacent, state-controlled banking system willing to accommodate the wishes of local governments. Overall, the single largest source now is self-raised funds, including local taxes, fees, and user charges, and proceeds from land sales (Barreda and Wertime 2013, Wu 2010). By 2012, land transfer fees alone accounted for 46% of urban infrastructure revenues (not including borrowing as data were not available, see Table 41.1).

Table 41.1 Urban maintenance and construction revenues, 1990–2012 (billion RMB)

	1990	1996	2002	2005	2010	2012	2005 (%)	
							Total	Sans borrowing
<i>Budgetary allocation</i>								
Central budgetary allocation	1.09	1.04	7.60	6.22	17.48	24.53	1.15	1.71
Local budgetary allocation	1.98	8.63	39.27	79.59	168.55	272.52	14.68	21.96
<i>Local taxes</i>								
Maintenance and construction tax	6.51	15.78	31.60	55.13	99.70	147.98	10.17	15.21
Public utility surcharge	2.26	5.56	4.99	5.55	10.91	16.64	1.02	1.53
<i>Fees and user charges</i>								
Water resource fee	0.28	0.61	1.24	2.50	2.95	4.14	0.46	0.69
Infrastructure connection fee			8.66	14.29	49.12	59.89	2.64	3.94
User charges ^a			8.94	14.55	30.50	35.11	2.68	4.01
Land transfer fee			28.30	59.45	407.11	550.85	10.96	16.40
<i>Self-raised funds</i>	2.58	11.95	60.08	94.60	26.36	40.82	17.45	26.10
<i>Other sources^b</i>	5.21	26.05	30.47	30.59	44.37	39.86	5.64	8.44
Sub-Total	19.91	69.62	221.15	362.46	857.05	1192.34	66.84	100.00
<i>Borrowing^c</i>								
Domestic loans	0.88	9.57	87.39	166.99			30.80	
Foreign capital ^d	0.25	5.59	6.11	9.27			1.71	
Bonds			0.29	3.43			0.63	
Stock financing			0.68	0.10			0.02	
Total	21.04	84.78	315.62	542.25			100.00	

Sources: Wu (1999) and Ministry of Housing and Urban–Rural Development (2004–2013).

Notes:

^aUser charges include primarily tolls on roads and bridges, wastewater treatment fee, and garbage treatment fee.

^bData on borrowing no longer available after 2005.

^cForeign capital includes both direct investment and loans.

^dA major component of other sources prior to 2002 is infrastructure connection fees.

Shanghai's LGFV, Shanghai Chengtou Corporation, is demonstrative of how its funding sources have changed over time. Many have looked to Chengtou as a model for other localities with its forerunner status as the first LGFV of the kind now widely replicated elsewhere. For instance, Zhou (2008) outlined how Chengtou relied largely on loans from multilateral development banks, such as the World Bank and Asian Development Bank, before shifting to the now-common source of land lease and transfer fees. As the availability of remaining land shrank, and as the economic crisis curbed the interest of foreign investors, Chengtou then turned to domestic bond markets to capitalize on savings by the population at large.

Moreover, the central government has become more open to allowing localities to raise funds from capital markets on their own. Although a municipal bond market had not yet developed, the central government issued local bonds since 2009 on behalf of select local governments and passed back the proceeds under an on-lending arrangement (Ingram and others 2013, Yang 2012). As of May 2014, ten local governments had been given permission to issue their own bonds through a pilot program – Guangdong, Shanghai, Shenzhen, Zhejiang, Jiangsu, Qingdao, Beijing, Jiangxi, Ningxia, and Shandong – with volumes steadily increasing under the guidance of the Ministry of Finance. The issuance of these bonds has yet to be examined critically by scholars, likely due to their relatively recent and limited introduction. Nonetheless, municipal bonds are a promising means of transparently financing infrastructure via capital markets, and merit considerable attention.

LAND FINANCING AND LEVERAGE

Working out a development strategy that expands the revenue base is an essential goal for the municipal government because its capacity depends on such revenues. In addition, the establishment of the land leasing system has strengthened the status of the municipality as the most powerful manager of state land. Since land is the most valuable commodity under the control of a municipal government, generating revenues from land leasing and development has become a popular local practice (Wu 1999, Zhang 2000). This has led to a precarious situation in which local governments increasingly rely on receipts from land leasing to pay back debt, with estimates of land sales as a share of local government revenue marked at between 34 and 46% in 2009 (Goodstadt 2012, Lu and Sun 2013). Among the four municipalities directly under the central government, this share ranged from 30% in Shanghai, 35% in Beijing, 43% in Chongqing, and 48% in Tianjin in the same year (Goodstadt 2012). Further data from the Ministry of Finance and Ministry of Land and Resources showed the ratio of land transfer fees to total fiscal revenue being 59% in 2011, 43% in 2012, and 60% in 2013 (Tao 2015).

Tsui (2011: 688) conceptualizes this status quo as a 'land-infrastructure-leverage trap.' Local officials, encouraged to put land up for auction or tender, and competing against other localities to attract development, exploited the opportunity quickly, and in tandem with stimulus measures that tacitly encouraged banks to lend. What's more, banks face a moral hazard to the extent that banking officials feel their bad loans will eventually lead to a bailout by the central government. At the outset, of course, land was relatively cheap, meaning that private entities wanting to invest in industrial, and eventually commercial and residential, development would be able to acquire land for low prices, with any infrastructure coming on line around the land in question being a further enticement. Unsurprisingly, this encouraged increasing land leases and infrastructure deployment.

Seeking to make a theoretical contribution to how financial incentives work at the local level, Tao and others (2010) present evidence for why land leases are often transacted in secret. For example, while transparent auctions of land were found to bring in three times the price of land that was negotiated away behind closed doors, they reject the idea that this has been done solely to procure bribes and line the pockets of local cadres (Tao and others 2010), a view put forward by other scholars who see the expansion of fiscal 'profits' as the main goal of local cadres (Gordon and Li 2011). Instead, the footloose nature of industrial facilities, as opposed to the locality-specific service economy, means that significant competition in attempting to gain manufacturing entities is the biggest cause of land prices being negotiated downward privately.

Cao and others (2008) consider the inefficiency and equity issues inherent in the current land ownership environment, arguing that the root of the problem is the low cost of land acquisition. Largely agreeing with Tao and others (2010), they point to manufacturing as the most sought after way to increase local GDP and employment, in addition to the realities of competition. This logic accounts for overinvestment in the industrial sector, as well as the real estate bubble that many have feared.

There is a general agreement among scholars that this 'land-infrastructure-leverage' is unsustainable for local finance, particularly in the long run, for at least three reasons. First, when land values rise, borrowing becomes easier, but falling land values will cause banks to be more conservative, meaning more land must be leased off. This raises land value volatility as an issue with implications for the ability of local governments to maintain debt repayments and continue funding infrastructure, especially as real estate markets become overheated and the likelihood rises of a bubble (Meng 2012, Tsui 2011). On the other hand, an economic downturn would likely force a fire sale of land into an already illiquid market, creating a cycle in which land values continue to plummet (Lu and Sun 2013). Second, sold land use rights represent foregone sources of income for local governments. Unlike property taxes used in many other countries, proceeds from land sales in no way guarantee steady flow of funds from year to year. Also, there is evidence that land supply is constrained in the medium term, particularly

for booming cities along the eastern seaboard. It is even plausible that urban land may be fully sold by around 2021 (Lu and Sun 2013). Third, with in-situ urbanization and expansion, there is increasing tension between the loss of arable land and cities' dependence on land leases for revenue. An early estimate showed that 2.5 to 3 million farmers were annually dispossessed of their land as a result of urban expansion (Cao and others 2008). This also represents a significant challenge to the already fragile human-environment relationship aggravated by rapid urbanization.

The question in policy and academic circles has thus been how to restructure, and move toward more sustainable forms of raising funds for urbanization. Lu and Sun (2013) take a common approach, noting that a vicious cycle may erupt if land values plummet, leading to an inability on the part of LGFVs to borrow more funds or to lease off additional land. Furthermore, investments would decrease, leading to less internally generated revenue and a further reliance on land. The risk is even more apparent when considering that construction and real estate make up more than 10% of GDP, a figure higher than virtually any other nation. Ultimately, spillover from these impacts would have serious consequences for banks and the economy as a whole. As with other researchers, Lu and Sun (2013) recommend shifting to raising funds through municipal bonds on capital markets, as well as beginning to charge property taxes so as to lessen the reliance on land leases.

The severity of the situation has led to strong language and insistence on immediate policy changes before a crisis hits. Echoing Wong's (2013) sentiments regarding benign neglect, Goodstadt (2012) sees the growing problem as 'a long-standing failure' to address the degree to which local officials make decisions at the expense of secure property markets and banking systems. Even a spokesman with the Ministry of Land and Resources has admitted that funding infrastructure through land leases and the resultant real estate development is 'simply not sustainable' (Goodstadt 2012: 1). In effect, LGFVs are broadly seen as having taken maximum advantage of avenues open to them for boosting local development.

LOCAL GOVERNMENT FINANCING VEHICLES

With their prominent place in financing urban infrastructure, and serious questions about rapidly increasing levels of local debt, it is natural that LGFVs have attracted attention in both research and policy circles. Briefly, LGFVs are corporate platforms set up by local governments to raise funds primarily for infrastructure projects. They exist off-budget and are primarily backed by land, and thousands have been created nationwide since the 1990s. While procuring funds from capital markets has historically not been allowed for local governments, as corporate platforms, LGFVs have access to both debt and equity markets.

The origins of LGFVs lie in Shanghai, where the General Corporation of Shanghai Municipal Property was established in 1992 to invest in urban infrastructure. In 1997, the Shanghai Chengtou Corporation issued the first LGFV bonds, setting the example that others would follow, and LGFV bonds are now generally referred to as ‘Chengtou bonds.’

LGFVs perform four common functions: (1) as a financing platform, raising funds for needed infrastructure projects; (2) as a public sector investor, managing and operating the local government’s assets; (3) as a land development agent; and (4) as project sponsors/owners. Nationwide, about 70% of them are under the direct control of the municipal governments, while in other cases they may report to the department of construction, a local asset management department, or the local development and reform commission (World Bank 2010). Aside from their role in infrastructure, many LGFVs also make large investments in two other lines of business: real estate (particularly residential development and construction but also a variety of commercial development) and financial services (investment banking, private equity, loan guarantee, and mergers and acquisitions).

Scholars have grappled with how LGFVs operate, given the general lack of transparency. Compared with public infrastructure development companies in other countries, China’s LGFVs do not have a scope of work that is codified into law, nor do they have transparent governance systems or a direct linkage between revenues – including budgetary support for projects that are not financially viable – and expenditures (World Bank 2010). Some have noted the benefits of LGFVs in filling the investment gap and enabling rapid development of infrastructure, while also pointing out the substantial risks of not addressing revenue and expenditure mismatches and the problems inherent in relying on land for LGFV financing (Lu and Sun 2013).

The opaqueness of LGFVs and the shadowy nature of their funding sources have led to novel means of investigation, with certain researchers approaching from indirect pathways. One analysis looks specifically at the shadow banking system, and the ‘wealth management products’ (WMPs) that shadow banks typically sell (Ueda and Gomi 2013). While shadow banks are a major source of capital for small and medium sized enterprises, Ueda and Gomi believe that most WMP funds, raised from Chinese citizens with money to invest, have gone to LGFVs. Another approach is the construction of a time series of the augmented fiscal deficit and debt to determine how they compare with official figures. While the headline numbers showed only a modest uptick in government debt as a result of stimulus measures, the reality is that most stimulus spending was off-budget through local governments, including hefty sums to LGFVs, which Zhang and Barnett (2014) combined to get a gauge of the true level of government debt. Their calculations include the caveats that certain quasi-fiscal activity is excluded, such as that of state-owned enterprises and policy banks. That said, their method shows that augmented government debt at all levels had risen to

around 45% of GDP as of 2012, with just local government debt being 25% of GDP (Zhang and Barnett 2014).

On the whole, determining the financial health of LGFVs has been difficult. One economist used publicly available data to sample 89 LGFVs at various administrative levels, finding that liabilities accounted for 54% of assets (Tsui 2011). Moreover, asset values were prone to jumping substantially when land reserves were transferred to LGFVs, raising the question of the reported asset values and meaning that downturns in real estate could cause liabilities to outweigh assets. Tsui (2011) further found that nearly 80% of the debts for this sample of LGFVs were in the form of bank loans, averaging RMB 8 billion each. Tao (2015) constructed a firm-level data set of LGFVs, covering the period of 2009–2012, using principal component analysis along with multivariate discriminate analysis to identify credit risk, and found that 60% of a sample of 1,007 of the largest LGFVs were ‘less healthy’ and therefore represented a relatively high default risk. Central and western provinces generally came out worse in this assessment, and both local and county-level governments were implicated.

In light of this, it is not unusual for researchers to place emphasis on personal motivations and decision making as being at the heart of LGFV problems. Some go so far as to use terms such as ‘frenzied enthusiasm,’ ‘unlawful autonomy,’ and ‘[elimination] of all personal responsibility’ when describing flows of funds through LGFVs, leading in due course to ‘the LGFVs downfall’ (Goodstadt 2012: 5–6). Using a bottom-up analysis, Zhang and others (2013) computed outstanding LGFV debt to be RMB 24 trillion as of the end of 2013, representing 41.9% of GDP, with the debt total being a 74.8% increase from 2010. They share the common view that LGFV debt is a problem with looming consequences, with local officials motivated to grab at a virtual free-flow of funds to pursue pet projects for influential elites, in addition to blatant theft and corruption. Despite this, others do not see a disastrous collapse on the cards for China at this juncture, largely because of the limited amount of foreign-held debt, high national savings rates, and overall relative health of the banking sector (Sharma 2015).

PRIVATE PARTICIPATION IN INFRASTRUCTURE

Private participation in infrastructure (PPI) has grown in fits and starts since the early 1990s. In general, it is defined as the private sector providing some form of upfront investment, as either equity or debt, and receiving cash flow over time from the asset (WEF 2014). Earlier steps to promote PPI focused on developing the legal and regulatory frameworks at the national level, which left the execution to local governments to the effect of significant variation. Many of the more successful projects were in the water and transport sectors. From the 1990s to the

early 2000s, such projects often were contracted with either flexible rate or fixed investment return rate with local governments. But the central government opposed and curbed the tendency for fixed-rate returns, issuing a directive in 2002 (Choi and others 2010). This policy reversal was followed by rounds of intense debates, particularly within the Ministry of Finance, about the nature and application of public private partnerships (PPPs), accompanied by a substantial wane of private investment in the wake of global recession. In 2014, a set of new central directives were issued to encourage PPPs, for at least two reasons: the high level of debt among local governments and the substantial investments local governments require for infrastructure.

Overall, the scope and number of projects with private investment have been limited given China's size and potential, and some are not typical PPPs as perceived in the West since many domestic 'private' service providers and operators had some elements of state involvement. Compared to other emerging economies, investment in PPI projects in China has been smaller (see Figure 41.1). Between 1990 and 2012, China had more than 1,020 PPI transactions in infrastructure (transport, energy, water, and sewerage) for a total value of US\$114 billion. Brazil had US\$398 billion and India US\$303 billion during the same period. PPI projects in China took a variety of forms, ranging from service and management contracts, concession, greenfield projects, to divestiture. A more general distinction is between greenfield and brownfield projects: the former refers to

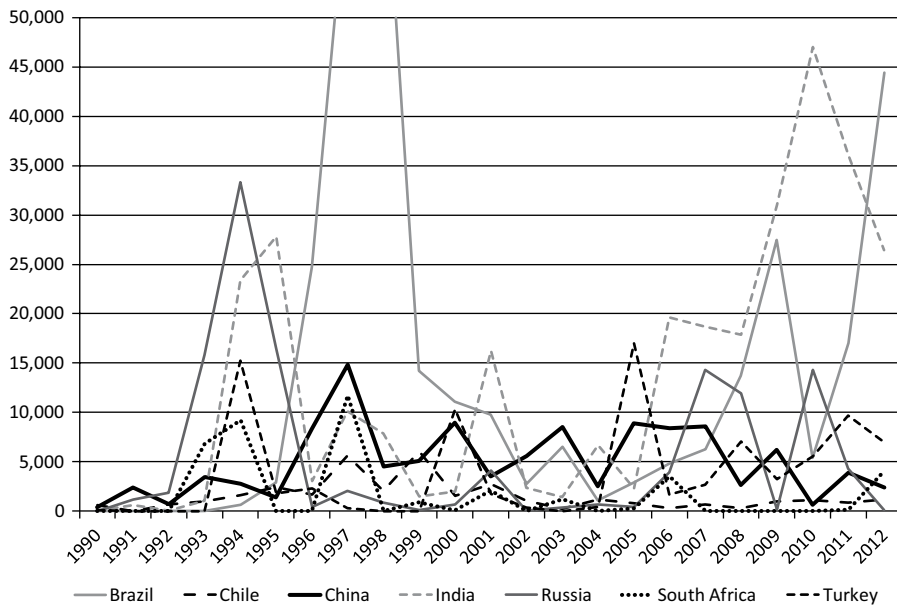


Figure 41.1 PPI in China and select emerging economies, 1990–2012 (investment in US\$ million)

Source: Own analysis based on World Bank PPI Database (<http://ppi.worldbank.org/>)

new construction or the development of new infrastructure while the latter to existing infrastructure assets already operating and frequently with a demand history (WEF 2014). Greenfield projects, in the form of BOT (build-own-transfer), BLT (build-lease-transfer), or BOO (build-own-operate), were the most common in China, though they are often perceived as higher risk by investors. In addition, significant private investment in China's infrastructure is South-South investment (from other developing countries) and domestic in origin.

Clearly, as a relative newcomer, China is still in the process of developing a clear vision for the role of PPI, and generating a robust and transparent pipeline of viable projects. There are a number of challenges – some are institutional while others are operational. Research shows that many risk factors for PPI in China are related to or affected by government in one way or another (Chen and Doloi 2008, Cheung and Chan 2011). Among these, the following deficiencies in the legal and policy framework require serious attention: fragmented legal and administrative decisions at central and local levels, lack of institutional capacity and skill set required to support PPPs, lack of appropriate and enforceable dispute resolution systems, and lack of a level playing field between state-owned enterprises and independent providers. On balance, the rise of PPI in China seems to have generated higher transaction costs, particularly as related to organizing tendering, evaluating, and selecting bids (Mu and others 2011).

Researchers have explored the institutional mechanisms through which private investment can grow, and the preponderance of efforts in the area have honed in on a given sector for analysis. Jang and others (2014) proposed that foreign investors must perform a strengths-weaknesses-opportunities-threats (SWOT) analysis prior to entering the water sector and to determine which form of PPP would be appealing in a particular location, and flexibility and project-specific interpretation must prevail. Lee (2010) addressed the policy shifts needed in the water sector to continue attracting private investment, emphasizing the need for the government to shift from the role of service provider to regulator. Further study of the water sector included the use of Mary Douglas' grid-group cultural theory as a guiding framework to consider the expansion of private activity in the water sector of Shanghai, alongside co-evolution as described by complexity theory (Lee 2003).

Relying on the World Bank's PPI database, Chen (2008) studied the power sector to inform foreign and private investors of market conditions prior to entry. While renewable energy projects have been growing fast, their scale tends to be smaller than conventional power projects. Most are located in coastal provinces except for wind farms and hydro power projects. On the other hand, the attractiveness of the nonrenewable power market in China for foreign investors and developers has not sustained.

Yuan and others (2010) examined metropolitan transportation system projects, such as subway lines and tunnels, from the perspective of the public sector in determining how private participants might approach such projects so as to create

mutually beneficial outcomes. Their study included a questionnaire of public sector experts, clients, and researchers, as well as case studies of the Beijing Number 4 Metro Line and the Nanjing Yangtze River Tunnel, and a driving factor analysis using Mann-Whitney U, KMO, and Bartlett's tests. The results show the reasoning behind public sector actors being attracted to PPP models, including a desire to improve public services, solve the problem of capital scarcity, and reduce life-cycle costs, among others. Two additional studies explore privatization in the transport sector through specific lenses: an early look at how risk is managed in Shanghai tunnel projects (Zhang and others 1998), and an analysis of privatization reforms in the airport sector (Yang and others 2008).

FUTURE POLICY AND RESEARCH DIRECTIONS

There is a near consensus among scholars and even national policy-makers that the investment-driven and land-finance-dependent urbanization path is no longer sustainable, which is also echoed by the official New-Type Urbanization Plan proposed for 2014–2020. Municipalities have neither sufficient tax resources nor sufficient authority to leverage capital markets. On the other hand, in borrowing from domestic banks to finance infrastructure, local governments face virtually no limit and little accountability. To address these challenges, at least two sets of reform measures are called for.

First and foremost, the mismatch between revenues and expenditures at the local level is a fundamental problem. Correcting this requires changes to the tax and fiscal systems, particularly the tax-sharing schemes, although drastic revamping seems unlikely at present. Intergovernmental transfers can be helpful in reducing the fiscal mismatch, so is more effective use of such transfer for the intended recipients. In addition, local governments may be granted more autonomy in setting rates for a few select taxes (e.g. vehicle tax and license fee). The realignment of central–local fiscal relations also may help reduce local reliance on land financing. Cities can find other sources of revenue by broadening the municipal tax base and/or making more effective use of user charges. The idea of generating revenue from local property taxes is one that has gained increasing attention among the research and policy ranks (e.g. Anderson 2011, Hong and Brubaker 2011, Hou and others 2015), but has been attempted in a very limited fashion by the central government. Beginning as a pilot in Chongqing and Shanghai in 2011, the property tax has been applied only to luxury housing thus far, while the conception of broadening and deepening the tax to cover all residents and businesses remains up for debate among top government officials.

Second, local finance needs stronger discipline, and this may require a process of moving public investment off the budget and into the capital market, as articulated by Wong (2012). The central government has (in late 2014) issued a

directive to further clear out local government debt generated through LGFVs. Part of the directive indicates that provincial-level governments can issue municipal bonds and project bonds on behalf of municipalities and counties, and the repayment of the debt must be reflected on municipal budgets. Imposing stronger discipline also includes unwinding LGFVs as financing platforms so that municipalities begin to borrow on their own, and their credit worthiness is based on sovereign ratings. As part of the process of shifting borrowing to capital markets, new rules and limits must be put in place, such as moving to the widespread practice of governments only being allowed to borrow for long-term, capital investments.

Further research could echo these policy directions. Feng (2013) raises the prospect of increasing competencies at the local level and improving the taxation, debt financing, and repayment capabilities at various levels of government, while establishing a comprehensive program of constraining local governments with regard to fiscal responsibilities. These proposed reforms give promising leads for additional work, including the establishment of secondary bond markets and standardized accounting practices.

A further issue at the local level requiring additional study is the intertwining of property markets and infrastructure finance. The potential fallout from declining property values are now understood as a risk to local governments given the reliance on land to fund development. But to what extent do bond markets respond to conditions on the ground? Ambrose and others (2015) note that the sustainability of the housing market and its connection to public finance are not well understood in the literature. Using a multitude of data on bond markets, local finances, and housing markets, including more than 10,000 bonds issued between 2003 and 2014 by LGFVs, their analysis shows shifts in ratings, maturities, and yields. This demonstrates that bond markets take housing risk into account when considering premiums, laying the foundation for future research detailing how housing market shifts might impact local finance.

Other recent research in this area finds significant heterogeneity in Chengtou bonds, which should not have existed given implicit guarantees by the central government (Ang and others 2015). Using graft cases investigated by the Central Commission of Discipline and Investigation, the authors declare corruption to be a key driver of bond yields. As Chengtou bonds have been the only local government assets with market prices available for study, they offer an important opportunity for researchers to ascertain the ways in which political risk, real estate risk, credit risk, and other characteristics affect local public finance.

Another promising direction of research has to do with demonstrating the track records of PPI projects in China. A competitive risk-adjusted return is a key motivation for infrastructure investment, aside from social and economic benefits. Estimates by various global investors and consultants point to a long-term nominal internal rate of return of 10–12%. These estimates also vary by sector and duration of investment, as well as country risks associate with emerging

markets, China included. However, no robust benchmarks exist for infrastructure, and return information is rare for infrastructure in China at the project level. Analyzing project returns in various sectors is an important and much needed area of inquiry.

Finally, institutional investors (e.g. pension funds, insurance companies, and sovereign wealth funds) are receiving increased attention as a potential source of finance. Given the longer-term nature of their liabilities and their low risk appetite, how to bridge the ‘investability gap’ becomes a critical issue. Experience elsewhere points to an important role for intermediaries, ranging from supra-national facilities to local or regional funds. Given that infrastructure financing has revolved around the state and development banks in China, government sponsored funds hold particular promise. How to structure such funds and what functions they will perform are all important research questions to pursue.

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Land and Housing Markets

Jiang Xu

INTRODUCTION

Land and housing markets in China have invoked a wide range of scholarly debates. This is not simply because of the numerous and fundamental institutional changes that have taken place since the 1980s to redefine and regulate the relationships between land and its users. It is also because of the gradualism and dualism of China's market reform, a diverse path of social and economic transformation. The path has been a peculiar trajectory of market transition that goes beyond the explanatory power of conventional theories. The first purpose of this chapter is to provide an overview of the history of establishing land and housing markets in China. The second purpose is to sketch out existing debates of, and approaches to understanding these markets. Too often we apply conventional interpretations of Western theories to China by either ignoring or disparaging context-specificity and path-dependence that (re)frame China's efforts in developing its land and housing markets.

LAND OWNERSHIP AND REFORM

Establishing the Land Market

Without understanding the land question, one cannot understand China's politico-economic evolution. Prior to 1949, private land ownership existed. It could be legally transferred. When the People's Republic of China was established in

1949, land was used as a political tool to fulfill two commitments of a new socialist state: to combat and eventually eliminate private ownerships of properties and the means of production and to set up a centrally planned and state-monopoly economy (Lin and Ho, 2005). Thus, land ownership was under radical transformation. Major land reforms first took place in rural areas. Rural land was confiscated from the landlord class and distributed to individual farm households in 1950. Land ownership changed hand from landlords to peasants, but it was still allowed as a kind of private ownership as a temporary 'institutional fix' for the newborn government to win support from the peasant mass (Lin and Ho, 2005). Before long, the Communist Party of China (CPC) adopted a gradual approach to stripping peasants of their private land ownership and returning the ownership to the cooperatives. The collective ownership of rural land was legally endorsed in 1962, but it was not a full-fledged one. A collective, on behalf of peasant households, might possess, use, and benefit from the ownership of land, but it had no rights to lease or sell rural land. Peasant households were limited to labor on the collective land. It was only after the introduction of the household responsibility system in 1978 that their land property rights were extended to include the rights to use and benefit from agricultural land contracted by the collectives to rural households. Likewise, a gradual approach was deployed by the CPC to nationalize urban land. By 1958, almost all urban land had become state-owned.

The collective and state ownerships of land in both rural and urban areas were supported by an institutional framework established to regulate land use under a centrally planned economy. Urban land was treated as a means of production (not commodity) owned by the state. Therefore, the use rights of urban land were administratively allocated to state organizations and urban collective units in a manner of free and infinite use. Collectively owned agricultural land was worked collectively. China's Constitution stipulates only the state having the right to expropriate collective land in the name of the public interest. State expropriation was the only way to shift land from the rural collective sector to the urban state sector (China 1954, Article 13). This land use system was notorious for problems such as land hoarding and inefficient use of land resources (Fung, 1981). Bertaud and Renaud (1997) found that the Soviet cities under socialist regime had a disproportionate share of industrial land, often in prime locations primarily due to the administrative land allocation system. Chinese cities had similar spatial features. Huang and Yang (1996) observe that prime locations in Chinese cities were often occupied by factories such as textiles and steel or warehouses instead of other high-value land uses such as office buildings. There was an absence of land prices, which eliminated the incentive to redevelop built-up areas in city centers. Those who really needed land found it difficult to acquire it while others who had land had no incentives to give it up. Land demand was met by allocating land at the periphery rather than by redeveloping areas with obsolete land uses.

Prior to 1988, selected coastal cities experimented with the practice to charge foreign-affiliated firms for land use (Walker, 1991; Yeh and Wu, 1996; Xu, Yeh, and Wu, 2009). It was not until the First Session of the Seventh People's Congress in 1988 that paid transfer of land use rights was made official. The clause 'The right to the use of land may be transferred in accordance with laws' was added to Article 10, Section 4 of the Constitution which states that 'No organization or individual may seize, buy, sell or make any other unlawful transfer of land' (Yeh, 2005: 59). Although this does not mark the end of free land supply, it ushers in the establishment of the urban land market. The State Council further amended the Land Administration Law in 1988 and enacted the Provisional Regulations on the Granting and Transferring of the Land Use Right over the State-Owned Land in Cities and Towns in 1990.

For existing land plots occupied by domestic enterprises, work units, and individuals, a land taxation system was applied. The State Council promulgated the Tentative Ordinance on Land Use Tax in 1988 to require that land users were obligated to pay an annual land use tax, which was calculated based on the sizes and grades of occupied land (State Council 1988: Article 3, Article 5). Government agencies, public infrastructure and facilities, charities, and other specified users were exempt from land taxation.

These early legislations and a series of subsequently enacted amendments and decrees have established a new urban land regime with two notable features. First, the land ownership is separated from land use rights. While state ownership of urban land remains unchanged, its use rights can be privatized. Second, there is a dual-track land supply system. Administrative allocation is still used to dispense land use rights to state-owned and non-profit users for infinite use. A market track is established to transfer land use rights through conveyance and circulation to commercial users. Under the category of state conveyance, land use right is transacted at a market-determined conveyance price from the state to various users for a fixed period (40 years for commercial land, 50 years for industrial land, and 70 years for residential land) through methods such as negotiation, tender, auction, quotation, and short lease. Transfer through negotiation involves under-table land deals between the state and developers. For tender, the conditions of the parcel and the development constraints are announced and tendering is invited. Land auction is an open competition in which the highest bidding gets the land use right. Administrative allocation and land conveyance jointly form the urban primary land market. Circulation refers to land transactions in the secondary market, where holders of the land use rights obtained through conveyance may transfer such rights to others, rent to others, or use such rights as collateral (Lin and Ho, 2005). The administrative allocation and market-track transactions remained in parallel even after the free land use regime was officially abolished in 1988.

To streamline the land market that operates in a dual-track manner, it is required that the state monopolize the supply of leased land through conveyance methods.

Transactions of land use right directly from farmers and administrative land users are illegal. The implication is that only land acquired through paid transfer of land use rights could be further transacted between different users. Municipalities are the sole agents to acquire rural land on behalf of the state by paying the collective's necessary compensation fees and then selling the requisitioned land at a much higher market-determined conveyance price. The huge difference between the compensation fees and the conveyance price incentivizes local governments to amplify local income through land leasing. Administrative land users such as work units are only allowed to transfer their land use rights to other users upon approval of and paying land premium to the municipal government.

Regulating the Land Market

Before the economic reform in 1978, rural land such as wilderness and state-owned farms was managed by land units under different agricultural departments. Urban land was managed by work units under discrete sectoral departments. This dispersed system ended in 1986 when the State Land Management Bureau (SLMB) was set up. SLMB was an independent central organization under the State Council to execute a unified management of urban and rural land. Local governments at or above county level are required to set up land departments. Township governments were responsible for township land administration.

The setting up of SLMB led to a five-tiered land administration system at the central, provincial, municipal, county, and township levels, under which municipalities and counties were given a range of land disposal responsibilities. Transferring the land management power from work units to local governments can create a favorable condition for local growth and better land use control. Yet it is also required that upper-level land departments have to supervise the lower level. This is mainly achieved through imposing specific limits in final land authorization. For example, it was stipulated in Guangzhou that where a project required less than 0.2 hectares (3 mu) of cultivated land or less than 0.67 hectares of non-cultivated land outside the city planning area, district government could make the appropriate authorization. Projects requiring up to 33.3 hectares of cultivated land or 66.7 hectares of non-cultivated land required the municipal government's authorization. If land requisition required more than 66.7 hectares of cultivated land or 133.3 hectares of non-cultivated land, the State Council's approval is essential. Municipalities were also legally entitled functions in land supply such as deciding conveyance methods in land leasing. The Municipal Land Administration Bureau executed these functions on behalf of the municipal government. These arrangements were meant to grant certain flexibilities at the lower level in order to promote local growth, but led to continuing loss of farmland and oversupply of construction land due to unscrupulous land conversions by discretionary local governments (Yeh, 2005).

In 1998, the Ministry of Land and Resources (MLR) was set up. This super-ministry is charged with the responsibility for the whole range of functions of planning, management, conservation, and utilization of nature resources including land. In the same year, the Land Administration Law was amended to re-centralize major land authorization power. Under the new law, localities below the provincial level are accorded few duties to make any important land use decisions. Major tasks in land administration are taken back by provinces and the central government. For example, it is required that any expropriation of Basic Agricultural Land (prime farmland), no matter how small, requires an approval by the State Council. Any conversion of other arable land for urban development requires an approval by provinces or the State Council. These designations subject a large proportion of China's total arable land base to a high degree of administrative oversight, making it less attractive to potential developers. Under the new framework, a municipality can only grant land uses for specific projects using extant construction land, while a district no longer has legal jurisdiction in major land administration.

Clearly, over the past decades, the institutions for regulating the land market have been consistently redefined through a gradual process of re-centralizing state power in land supply.

Interpreting the Land Market

Does China have a real land market? This is a heatedly debated question. Most scholars agree that a land market has emerged (Dowall, 1993; Yeh and Wu, 1996; Li, 1997; Zhang, T., 2000; Zhu, 2004). However, there is also a doubt on whether China has a real land market (Haila, 2007). This doubt stems from several recognizable features. First, administrative allocation, the least competitive land supply method, persists. Second, negotiation, the under-the-table land deals between local governments and commercial developers, has continued to dominate in land conveyance until recent years. Third, the black market is persuasive and involves illegal transactions and unlawful land authorizations. The forms of the black land market vary involving both urban and rural land. One example is the *de facto* owners of urban administratively allocated land, i.e. the state work units, unlawfully lease their land/buildings to other users, or use the land as shares to jointly build properties with other developers without paying land premium to the municipal governments. Farmers or collectives may rent their lands to other users as a form of investment in joint ventures. In the urban fringe where rural land is facing immediate urban expansion, farmers and collectives prefer renting their lands to either foreign or domestic investors directly, because the price is higher than the compensation paid by the municipal governments through land acquisition.

These misconducts in land transactions are often read as a symptom of the absence of a market mechanism (Xu, 2001; Ho and Lin, 2003; Yeh, 2005; Xu

and Yeh, 2005). In discussing the applicability of the concept of the market to China, Haila (2007: 13) argues for a clear definition of the term 'market'. She criticizes scholars 'who claim that the land and real estate markets have emerged in China for a conceptual inaccuracy, ontological fallacy, insufficient empirical evidence and accepting uncritically the battle cry to define property rights'. Ho and Lin (2003: 681) believe that 'the development of land markets is still at an early stage'. They observe that, because state expropriation is the only way to convey land from collective rural land to leased land, there exists a dual-track primary market, which encourages illegal land transactions and creates opportunities for corruption. Yeh (2005) points out that despite the introduction of land leasing, a large proportion of land is still allocated through administrative methods.

Some scholars have a different assessment. For instance, Xu, Yeh, and Wu (2009: 895) argue that China has thoroughly retreated from the regime of 'free land allocation' – i.e. getting land without paying a price – except for a very limited amount of land provided for military or other non-profit uses. The fact that the Chinese land market is still characterized by 'primitive' forms of transaction should not be confused with a lack of land sales – a farmer who barter fish for vegetables without using money or paying a stall fee in the open market is still a market trader. Therefore, they argue that the amount of land produced by market behaviors (market, quasi-market, and primitive form) is extensive, although it might not be labeled as leased land. Land, as a critical resource, is distributed primarily through land sales. Non-market transactions (administrative allocations) are limited.

Now, the question is: if land auctions could bring more land-related benefits to the government, then what has prevented the government from using them? For this question, there are different interpretations. Many explanations frequently rest mainly on the ambiguity of property rights (Zhu, 2002) and political considerations and, in particular, on the different objectives of the state and its bureaucrats. At one end of the spectrum, some argue that China's property industry illustrates to the utmost what the 'power economy' is all about because political power is often entangled with private developers to pursue personal gain (Bi, 1999). This argument seems particularly relevant since so many high-ranking local officials and their relatives are shareholders in prestigious real estate projects (Xu, Yeh, and Wu, 2009). In particular, the fact that the Party governs society represents a political constraint which shapes market formation (Holz, 2007).

At the other end of the spectrum, scholars argue that under-the-table dealings allow the local state to manipulate land prices to appeal to private developers (Wu, 1999). Once the governments have attracted investors into their jurisdictions, they can create a self-generating process of capital gains (Wu, Xu, and Yeh, 2007). For example, localities can benefit through in-kind land income which reduces the amount they have to remit to the central state. The local state uses the

market to relinquish its responsibility (e.g. to externalize investment risks) and to overcome hurdles to economic growth (e.g. lack of capital). In a more specific way, with the quasi-market approach, e.g. negotiation, the monetary benefit might be smaller than with a market-based approach, nevertheless, the hidden benefits and/or planning gains compensate for the low cash benefit. In addition, because the financial hurdle for entering urban development is low, more development projects are attracted. In a way, the preference of local government for quasi-market forms is because, although the government might not get the highest land price, it can get related tax benefits and other indirect benefits in terms of employment and GDP growth. Xu and Yeh (2005) explicate why quasi-market approach is preferred. Because the local state is prevented by the Budget Law of China from collecting capital directly from local and overseas financiers, it has to rely on its investment arms or other investors to barter capital from financiers. This can be reflected by the rising land circulation in the secondary market and mortgage rate. The research of Lin and Ho (2005) also confirms that using land to barter capital from financiers is more widely practiced in provinces where monetary capital is in short supply.

To sum up, the existence of these 'quasi-market' and 'primitive' forms of transaction is not due to the absence of market-led land sales. Conversely, we ought not to limit our scope to the formal and regulated land market by excluding informal or even black market transactions. If we are of the view that the peculiar form taken by these market transactions is purposely conditioned by the local state in the context of transitional economies, we should trace the establishment of the market to the state's perception of market development. To the state, commodification of space represents a political strategy to expand the scope of capital accumulation. In this sense, the land market in China has a very complicated structure. Land distribution has in fact changed from state allocation to a supply system dominated by land sales. The land produced by the quasi-market form (negotiation) and the primitive form (unregulated land conversion) has been shifted from the pool of 'free resources' to a pool of 'commodities' (even though it might not bear the label of legally leased land). A significant amount of land has been shifted from free resource to profitable commodity, relentlessly transforming urban landscape.

Refining the Land Market

The different judgments on China's land market imply different solutions to the problems regarding the land market. The central issue concerns whether a set of clearly defined property rights will lead to a well-functioning land market. Answers to this question vary greatly, but three popular and competing perspectives have taken the lead. Most scholars under the first perspective provide reasoning along the line of land economics and property rights school. They suggest that the separation of land use rights from ownership leads to an ambiguity in

property rights, which is a major source of land market problems (Zhu, 2002). Although urban land is state-owned and rural land is collectively owned, it has not clearly delineated the property rights over land among different kinds of actors involved. Property rights over urban land have become 'a contested sphere' among the central states, local governments, and state units (Wong and Zhao, 1999; Zhu, 2002; Lin, 2009). While local governments are *de facto* decision makers in the distribution of land use rights, which level of state owns urban land is not clearly defined. In a similar vein, the property rights over rural land are constitutionally assigned to the 'rural collective', but the 'rural collective' may mean the villagers' committee, the village economic cooperative, or the township collective economic entity (Lin, 2009). Also, the property rights of farmers are incomplete due to many restrictions on income, transfer, and land sale (Tian and Ma, 2009). Sometimes, the market value of collective land has not been officially acknowledged by the legislation. This is especially true in urban villages (*chengzhongcun*) where the collective land is pervasively commodified against the law (Tian and Ma, 2009).

Property rights that are not exclusively and lucidly delineated in the open domain result in undervalued land assets (Zhu, 2002), and the desire to capture land value has been the root cause for unregulated land transactions. For local governments, they are reluctant to transfer land use rights by bidding and auction because the state holds the legal property rights over urban land, whereas localities only control economic rights, therefore part of the proceeds of local land sales have to be remitted to the central state (Zhu, 2002: 52). In the judgment of scholars of land economics and property rights school, this indicates a solution to the problems of underdeveloped land markets – clarifying property rights. If property rights were 'clarified', a sense of discretion would lead to attempts to maximize land values rather than simply to capitalize land assets on undervalued terms. Walder and Oi (1999: 1) believe that 'a market economy requires property rights that are defined with sufficient clarity and enforced with sufficient predictability to encourage individuals and firms to expand effort, plan, invest and bear risk'. Such a view is well taken by scholars who study China's emerging land and real estate market.

This judgment invites criticism from scholars under the second perspective. One early critic is Anna Haila (2007: 13), who argues that there is no empirical evidence to support the idea that clearly defined property rights work well in developing a full-fledged market and solving the problem of over-supply and illegal land transactions. The advocates of property rights tend to ignore the regulatory measure in their blind belief in the market mechanism. They 'over-claim' the impact of market instruments, whereas in China space commodification is closely linked to state policies and regulations. Other scholars make related claims. For instance, Xu, Yeh, and Wu (2009) contemplate that rather than viewing the land market as underdeveloped and proposing the degree of marketization be increased by clarifying property rights, we need to understand that, because

the state itself is becoming a market actor, property rights are in a dramatic process of commodification without due regulatory constraint. This absence has created negative externality which should be eliminated through regulation. The solution is thus not the commodification of land ownership and the right of development, but rather the development of governance involving checks and balances of stakeholders.

Scholars under the third perspective have offered a radically different view to interpret the ambiguity in land property rights. Rather than condemning undefined property rights as the root cause of inefficient land use and an underdeveloped land market, they view the ambiguity as a deliberate state act in the adaptation to the transition from a planned economy to a market-oriented one. Cheung (1982), for instance, argues that the Chinese government deliberately creates a vague property rights system to leave the state free to alter the rules. Such a view is partly shared by Ho (2001: 400), who claims that the institutional indeterminacy is the 'lubricant' on which the system runs: the ambiguity of legal rules allows the land tenure system to function at the *current* stage of economic reforms. Moreover, this institutional indeterminacy is partly the result of efforts by the central leadership to create leeway for reacting to societal developments. To Ho, 'deliberate institutional ambiguity' is necessary for the state regime in transition to avoid an escalation of land disputes between the various levels of the rural collective and to excise its power over land development to ensure smooth market operation.

Understanding the Land Property Rights in China

Existing interpretations differ in their understanding of land property rights too. In the traditional economic and legal literature, property rights are understood as 'a bundle of rights that an agent is empowered to exercise over an asset or piece of property' (Putterman, 1995: 1049). Pejovich (1990, cited in Lin, 2009) believes that this bundle of rights includes the right to use an asset, capture benefits from it, change its form and substance, and transfer all or some of these rights to another agent at a mutually agreed price. Such approach views property rights as a set of ontological givens, which delineates the relationship between an owner and the owned thing. Using a similar approach, the Chinese Civil Law defines property rights as 'the rights of an owner to possess, use, reap benefit from, and dispose of his own property' (China 1986, Article 71).

Such an ontological view is challenged by other scholars. For instance, Lin (2009: 30) argues that 'in the case of China, land property rights have always been subject to contestation, negotiation, and adjustment, depending upon changes in political, economic, and geographical conditions'. There are no fixed property rights. Rather, property rights are outcomes of social practice. Using rural land in China as an example, Liu, Carter, and Yao (1998) propose an alternative approach to define property rights as a multistranded social relationship.

In this sense, property rights are a bundle of relationships between people, not between a person and a thing. They are often defined in a bottom-up manner. Many examples are cited. Lin (2007), for instance, notes that a number of the township and village enterprises (TVEs), formerly collective entities but now share-holding companies, are exempt from paying a large lump sum land conveyance fee beyond their affordability. This act contradicts requirements stipulated in China's Land Administration Law. A local solution is thus invented from below to allow TVEs to get out of this legal impasse. TVEs are required to pay a yearly small rent instead of the lump sum conveyance fee. Po (2008) explores how rural collectives have established bottom-up land-based sharing cooperatives to clarify villagers' property rights within current structure of collective ownership in order to mitigate and contain the conflicts arising from rural-urban land conversion. Rather than assuming the universality of property rights as cooperative category, Po (2008) argues that property rights arrangements are embedded in and evolved from pre-existing social contexts characterized by specific institutional constraints. Therefore, property rights are continuously redefined to reshape the grassroots economy and local politics.

A similar view is shared by Cai (2003) who investigates how rural land share-holding is used as an instrument to secure property rights of farmers, Brandt et al. (2002) who probe into the diversity of land tenure in rural China to suggest that central or regional policy makers are not the final arbiters in defining property rights, Kung (2000) who uses ample evidence to refute the claim that land reallocation leads to tenure insecurity and holds back agriculture process, Lin (2009) who reveals how the property rights over suburban land have been produced politically and administratively, and Xu, Yeh, and Wu (2009) who trace a range of ad hoc arrangements in urban land commodification process. Such a phenomenon can be viewed as a flexible operation purposely allowed by the state, and a 'neo-liberal' strategy of deregulation to construct new bottom-up institutional capacity in land development through locally organized initiatives. Lin (2009: 32) therefore contemplates that 'what really matters to land property is not so much the bundle of rights stipulated in the law. Rather, it is the relationship among different owners and users that really matters'. This, perhaps, proves a valuable perspective to study China's land property rights.

REAL ESTATE AND HOUSING MARKET

Establishing the Housing Market

Like the land market, China adopts a gradual approach to establish its housing market. After 1949, the socialist system terminated private housing supply and private home-ownership. The government or the public institutions (i.e. work units) provided housing to most urban residents as welfare items. Housing needs

such as the flat size and the floor a flat is located on were resolved based on employees' work status and merits such as the ranking of their administrative positions, service time, and other government-defined criteria. The rents charged were highly subsidized. Housing investment was normally determined by economic planning as an integral part of the state capital investment. The local housing authority, if any, only played a minor role to take care of the housing needs of those who did not work for a public institution. This kind of housing system could not sustain the need of a growing population. The housing shortage was exacerbated by the severe fiscal deficit in the late 1970s and failing public finances. Thus, the 1980s saw a housing crisis, which eventually set off a two-stage housing reform.

The first stage of the housing reform is from 1978 to 1997. The initial aim was to suspend in-kind welfare allocation through housing privatization – state work units sold existing housing stock at heavily discounted prices to their employees who were indeed the sitting tenants. Then, the housing reform was further carried forward through housing commodification – state work units withdrew from direct involvement in housing provision and individuals resorted to the 'market' to meet their housing needs. Such effort was commendable but not successful due to many factors such as the weak purchasing power of state employees (Wu, 1996; Zhou and Logan, 1996; Li, 2000a; Huang and Clark, 2002). Therefore, the first-stage reform was generally slow and piecemeal.

The second stage of the housing reform started in 1998. The main aim was to end the in-kind allocation of welfare housing by work units. The housing sector was also selected as a key policy tool to combat the 1997 Asian Financial Crisis through expanding domestic demand. Initially, a diversified housing provision system was proposed to include three types of housing (Wang, 2001; 2011), i.e. government-subsidised social rental housing, government-supported affordable housing, and commodity housing. The bulk of the housing supply should be affordable housing to cater for low- to middle-income urban households (around 70% of the population). Governments waived the land conveyance fee to developers of affordable housing with profit capped at 3% of the total construction cost. Some 15% of low-income families, financially not viable to become homeowners, would require social rental housing (Wang et al., 2012). Commodity housing was for the rich (around 15% of the population). This system was aimed at establishing a true housing market in a gradual manner, but was not materialized in reality. Affordable housing had never been fully developed as expected. Rather, the commodity housing became the dominant way of new housing supply.

Thus, the role of public housing provision played a marginal role (Stephens, 2010), leading to a severe social inequality in housing consumption (Chen, Hao, and Stephens, 2010; Man, 2011). The buyers of commodity housing are mostly better-off households with high purchasing capacity. Their housing purchase is beyond acquiring basic accommodation and is increasingly about lifestyle and

speculation. The majority of the poor urban residents have suffered from rising housing prices because the chance of becoming homeowners is low while redevelopment programs often forced them to buy commodity housing or to relocate into peripheral locations. Migrants, however, are worse off because they are excluded from the housing provision system designed for households with urban *hukou*. Many migrants are too poor to step onto the commercial property ladder. They resort to informal private rental for housing needs, causing the 'problem' of chaotic and ungovernable expansion of the 'urban villages' (Wu, W.P., 2002; Wu, F., 2004; Chen, 2016). China's urban housing consumption is therefore affected not only by socioeconomic factors, as in market economies, but also by institutional factors inherited from the socialist housing system (Huang, 2003) such as *hukou* (Logan, Fang, and Zhang, 2009), party membership (Li, 2000b), work-unit ranks (Logan, Bian, and Bian, 1999), and education level (Li and Li, 2006).

There are different indicators to gauge the housing affordability. 'Average multiple' is one indicator by the average house price divided by average household income. The *Economist* (2014) has used this indicator to compile an index of housing affordability in 40 cities in 9 economies. It is found that despite improvement of China's housing affordability due to rising income and policy adjustment, China's housing, with an average multiple of 8.8 is still less affordable than most economies (e.g. New Zealand, Australia, Singapore, the UK, Canada, Japan, Ireland, and the US), except for Hong Kong (14.9). The least affordable Chinese cities include Shenzhen (19.6), Beijing (16.6), Shanghai (12.8), and Guangzhou (11.4). Inland cities have relatively better housing affordability than their coastal counterparts.

In view of the low affordability, scholars have argued for an urgent need for policy intervention (Chen, Hao, and Stephens, 2010; Man, 2011; Wang et al., 2012). Indeed, Chinese governments have periodically imposed macro-economic adjustment policies to cool down the soaring property price. These include streamlining land supply, curbing speculative housing investment, tightening property development loans and mortgage lending, adjusting the structure of housing provision, and applying market-monitoring policies. These policies may help for a short time period, but eventually failed because of the lack of enforcement mechanism (Wu, W.P., 2002; Tan, 2009; Deng, Shen, and Wang, 2011). Taking this further, increasing public housing supply has been a key policy tool to alleviate the problem of low affordability since 2007 (Li, 2011). This program covers different types of state-led housing supply (see Chen, Yang, and Wang, 2014 for details) and meets the basic needs of marginalized urban households and migrant workers. Such effort should not be read as a resurgence of the old welfare state. Nor can they be simply understood as pure endeavors to fix the housing affordability problem. Rather, they are indeed incorporated into a whole set of policy toolkit to tackle nationwide economic hardship and to promote urbanization (Wang et al., 2012, Huang, 2012; Chen, Yang, and Wang, 2014).

Compared to the primary housing market, China's secondary housing market has been underdeveloped and under-researched (Wu, W.P., 2002; Chen, Yang,

and Wang, 2014). Owners of commodity housing have a full right to sell or rent their housing. Yet, for privatized public housing, affordable housing, and other types of housings sold to poor urban households at below-market price, buyers hold only partial property rights, and are therefore subject to certain years of resale restriction period and administrative approval before the housing can be traded in the market. The urban private rental market has developed rapidly. Nonetheless, it provides an ineffective solution for vulnerable households and poor migrants (Chen, Yang, and Wang, 2014). Many of them have to rely on an informal exchange network (Logan, Fang, and Zhang, 2009), such as resorting to private living quarters constructed by rural residents at urban fringes or urban villages, despite rules theoretically prohibiting the lease of rural private rental housing built on land allotted to farmers (Wu, W.P., 2002).

Financing the Housing Sector

Prior to the housing reform, housing construction was financed by state budget allocation. Public housing was rented to tenants as a welfare right. Rent rates were set extremely low and were not adequate to even cover operating and amortization costs. The deficit had to be complemented by subsidies. Zhou and Logan (1996) argue that such low rents and scarcity of state funds resulted in ownership of housing being a liability rather than an asset for public institutions. At the early period of the housing reform, housing finance was no longer constrained by inelastic state budget allocations. But, prior to the promulgation of the individual housing mortgage regulation in 1998, banks were not experienced in repossessing and liquidating defaulted property and were therefore reluctant to risk lending to individuals (Zhang, X.Q., 2000). Long-term mortgage lending was thus limited.

Since 1998, a dual housing finance system was installed. First, the Housing Provident Fund (HPF), modeled after Singapore's Central Provident Fund, was established as a compulsory housing saving program. HPF requires both employers and employees to contribute a certain percentage (initially 5%) of the employees' salaries to specified accounts administered by the China Construction Bank. Then, employees can withdraw their HPF savings and get low-interest mortgage loans for qualified housing purchase, home improvement, or self-construction (Zhang, X.Q., 2000: 174). HPF is mandatory for both urban public and private sectors. Yet, there are significant regional variations in its effects, with some cities experiencing low usage of HPF loans (Li and Yi, 2007; Deng, Shen, and Wang, 2011). Scholars have developed different interpretations to explicate such phenomena. Li and Yi (2007) observed that the complicated procedures of HPF loan approval discourage homebuyers in Guangzhou from utilizing this program. Other scholars argue that the main cause is a 'vertical inequality' structurally built in the HPF program (Wang, Wang, and Bramley, 2005; Lee and Zhu, 2006). Because of the salary-based nature of the program,

employees with higher salaries obtain higher HPF contribution from employers (Lee and Zhu, 2006), working to the disadvantages of low- and medium-income households (Chen, 2009).

Second, the HPF was accompanied by the unsubsidized housing mortgage from commercial banks. The mortgage system for individuals significantly expanded the affordability of urban households. The baseline mortgage rate is set by the central bank. The flexibility of commercial banks to set their own mortgage rates is very limited. Mortgage rate adjustment is a key policy tool to regulate the housing market. Yet, Chinese mortgage borrowers are sensitive to such adjustments (Deng, Shen, and Wang, 2011). They are risk averse, having a tendency to prepay their mortgage loans when the rate increases (Yang and Shen, 2008). Therefore, personal savings and parental contributions remain two primary sources of home purchase, followed by mortgage debt (Li and Yi, 2007). This feature of homebuyers in China may be different from that in other countries.

Explicating the Housing Bubble

Since 2002 many Chinese cities have seen the property boom. In particular, China's globalizing cities like Shanghai, Beijing, Shenzhen, and Guangzhou have seen a significant increase in housing price due to the huge demand for housing. The availability of good welfare services such as education and infrastructure in these first-tier cities has increased housing prices further (Wu, Gyourko, and Deng, 2012). The second- and third-tier cities experience the same trend of growing housing prices (ibid.). In general, the increase in housing prices symbolizes the coming of more urban-based economic development strategies. Yet, it also leads to a concern on housing bubbles.

In 2004, the Chinese media described spiraling housing prices as: 'it is like a naughty boy climbing a flagpole, going higher and higher, ignoring his parents' concern for his safety. The more people look at him, the more excited he becomes, and the higher he climbs' (*China Daily* 19 December 2004). In 2016, a number of public media warned of the three biggest bubbles in the world which include the US stock market, Japanese government bond, and China's housing market. It seems that the housing price in China never stops climbing up despite the tightening up of land and capital lending. To curb the housing bubble, policies have been implemented from both supply and demand sides. On the supply side, the key is the 70–90 policy implemented since 2006, which requires that 70% of newly built flats be less than 90 square meters in size. On the demand side, the core tool is the restrictive purchase since 2010, which is designed to curb speculations, reduce vacancy rate, and tackle the housing bubble. In 40 major cities, residents with local *hukou* or special experts can purchase up to two properties, while non-local residents or foreigners can only purchase one property. The interval of purchasing the second property must be at least 2 years.

In discussing China's housing bubble, one cannot simply treat all Chinese cities as one entity. Indeed, there is differentiation of housing price appreciation among cities. The housing boom started in the late 1990s in first-tier cities (Beijing, Shanghai, Guangzhou, and Shenzhen), and then spread to second- and third-tier cities in the early 2000s. Fang et al. (2015) investigate the growth rate of new construction of residential housing in Chinese cities from 2003 to 2013. They have identified a similar growth rate across all three tiers of cities from 2002 to 2005. However, since then, different cities have shown divergent trends. The first-tier cities have experienced a substantial slow-down due to the shortage of land supply. The second- and third-tier cities have continued to see growth in the new construction of residential housing. This is particularly true for the third-tier cities. Accompanying the growth of new residential housing is the rising housing prices. Ren, Xiong, and Yuan (2012) report that from 2003 to 2007, the rates of housing price increase reached as high as 14% per year, on average. First-tier cities reported a higher annual increase. Beijing, for instance, experienced an increase of 660% in just 10 years from 2003 to 2013 despite several episodes of price drops. Though in a modest way, the trends of other first-tier cities, i.e. Shanghai, Guangzhou, and Shenzhen, are similar. Housing prices in the second- and third-tier cities also grew remarkably during the same period.

There are contrasting views about whether China has a housing bubble. International Monetary Fund's (IMF) Global Financial Stability Report, in its September 2011 issue, spoke of the possible bubble as a result of a long-lasting building boom in China. The boom will be further provoked by a slowing Chinese economy and finally lead to the burst of the bubble. Models have been applied to predict its possibility (i.e. Deng, Gyourko, and Wu, 2014). On the other hand, some scholars have a more positive view. Chow and Niu (2014), for example, analyze the demand and supply of urban residential housing from 1987 to 2014. They argue that the rising housing price is indeed determined by the normal force of demand and supply. So, there should be no bubble. A similar view is shared by other scholars and analysts (Ahuja et al., 2010; Hou, 2010; Yu, 2011; Dreger and Zhang, 2013), who justify housing price increases in China with market fundamentals and buyers' rational expectation, despite the signs of overheated markets in some major cities.

Between these two contrasting views, some offer a more balanced account. Fang et al. (2015), using the housing price indices for 120 major Chinese cities from 2003 to 2013 and data on mortgage borrowers across these cities, have identified that the enormous housing price appreciation was accompanied by an equally impressive growth in household income, except in a few first-tier cities. While low-income mortgage borrowers endured severe financial burdens, their participation in the housing market remained steady and their mortgage loans were protected by down payments commonly in excess of 35%. Therefore, they argue that the housing market is unlikely to trigger an imminent financial crisis. Though scholars hold different views regarding China's housing bubble, they

share a common belief that housing policies should not be adopted uniformly in all Chinese cities. Not all cities show signs of housing bubbles. The growing housing price does not stop the development of the housing sector. Indeed, the degree of commodification in China is much higher than what might be expected in a country with the history of socialism. As early as 2004, the private ownership was 80% for urban households (Wu, Xu, and Yeh, 2007; Deng, Shen, and Wang, 2011). The real estate sector has become a major economic sector and plays a role in stimulating overall economic growth.

To curb the possible housing bubbles, the Chinese government has used many price control policies such as change of mortgage rate and tightening up of bank loan and land release. Yet, the housing price has continued to increase. While the majority of urban households with *hukou* has solved their housing demand because the stock of work-unit housing has been privatized and become their first property along with the further marketization of the housing sector, for the 'residual' population who had been outside the state system and thus not entitled to workplace-based housing and those who are not able to receive remuneration at the competitive market price (because of their low skills and low education attainment), their housing need is becoming increasingly difficult to be solved by the market method. Indeed, housing prices are expensive relative to the income of many households such as the low-income mortgage borrowers. Fang et al. (2015) explicate that the willingness of these households to buy homes is because of expectations of persistently high income growth. This may expose the housing market expose to substantial risks when households' expectations are subdued in the future, especially in the event of a sudden stop in the Chinese economy.

CONCLUSION

This chapter has traced the development of land and housing markets in China. The discussion has piled up a number of disparate dimensions and different theoretical accounts that allow us to think about the state-market relationship in establishing China's real estate market. While some people view the commodification of land and housing as a triumph of dynamic market mechanism, the development of real estate markets is far more than a spontaneous evolution from planning-based allocation to competitive market clearing. Rather, it represents a significant departure from its former path in the era of state socialism and its counterparts in other transitional societies.

First, many other transitional societies such as those in Central and Eastern Europe opted for neo-liberal 'shock therapy' marketization. However, the objective of China's transition was not to simply propose the retreat of the state. The success of China's market reform is often attributed to preserving state institutions while injecting market incentives. To unshackle the shackles, the development of the market has to be nurtured by the state. Therefore, the growth of land

and housing markets in China is an integral part of the changing state and market relation which opens up a new venue for making market-oriented development possible in a once highly monopolized and non-market society.

Second, both land and housing markets in China are built through a dual-track manner. Such a feature implies the subtlety of how the market supply coexists uneasily with state allocation, both of which, in their multiplied forms and diversified situations, result in a hybrid portrayal of the developing real estate sector. This presents a great challenge for the state to re-articulate institution to cope with the ungovernable features and irregularities resulting from dualism. Nevertheless, it also gives the state considerable leeway to mobilize and govern the market. For instance, the state uses marketization as an 'institutional fix' to solve its own crisis. This is illustrated by the land and housing reform often being driven by changing state objectives from solving shortages of capital and housing, rescuing a sluggish economy, and then to softening social contention. During this process, the state becomes an active 'market actor'. The way is both path-dependent and path-breaking. The state rolls back by introducing market incentives and relaxing state resource control. It rolls out to create market institutions through abolishing in-kind housing allocation and administrative land allocation and directly nurturing market demand through demolishing old houses and making prestigious spaces. Such a role of market building is critical in the context of non-market society.

Third, the chapter provides a bunch of corrective views that substantially change the perspectives to look at the market and assess the degree of marketization in China. Rather than viewing China's land and housing markets as underdeveloped ones, this chapter reveals pervasive market-based land transactions in variegated forms and a high degree of marketization in the housing sector. Although land and housing markets develop at different paces, they are highly related. To stabilize housing price, increasing land supply is naturally considered as an appropriate solution. Therefore, restricting land supply is blamed for further pushing up land and house prices especially in large cities. The availability of land for affordable housing is thus a key political issue. It meshes with national political agendas concerning the urban poor and their housing needs and the local development pressure arising from the land demand for high-end commercial housing.

Overall, the 'legacies' of state socialism define many parameters of land and housing markets in China, and the development of a full-fledged market society is facilitated by a high capacity of 'political mobilization'. It is this distinctive combination of the 'path-dependent' politics and a vibrant economy that demands future scholarship.

So, what does this leave for scholars who study China to do? One answer is a continued practice of theorizing the peculiar path of China's market transition. The explanatory power of Western theories becomes obsolete and parochial in its flat and contextless interpretations. It should now be possible to re-theorize

China's development of land and housing market. We have several decades of theoretical, philosophical, and practice insight to draw upon when generalizing new theories of China's land and housing sectors that take the elements I have outlined here seriously. Such an account would not simply treat land and housing as ontological givens (though they are indeed material things) but also provide detailed and meticulous interpretations to understand the ongoing process of (re)constructing social relationships around land and housing sectors. One theoretical attempt is to investigate the 'everyday land-related discourses'. This focuses attention on how these discourses are deployed by different political actors to make particular land projects/state strategies (i.e. land use change, face-lifting endeavor, and mega-infrastructure) seem as natural, normal, and legitimate as possible. This adds to form an insightful theoretical endeavor to resist the reduction of land and housing to roots or routes, to materiality or practice. The traditional arguments, which rely on land and housing as material things traded in the market, have a point but lack new theoretical perspective to take such ideas forward.

China will experience dramatic changes in the near future. While the economic slow-down and the enlarging income gap has thrust us into a serious predicament, we also see the promise of major policy and development initiatives continuously moving ahead. The phenomenon that the state uses marketization as an 'institutional fix' to solve its own crisis is unlikely to wane, albeit many people advocate the total retreat of the state from the market operation. Within this context, we can identify some further empirical questions which demand more systematic inquiry. These include, for example, in what way are land and housing sectors connected to a range of wider politico-economic and social situations such as local development strategies, fiscal conditions, and social contention? To what extent have the one-size-fits-all policies affected the outcome of policy implementations in different Chinese cities? What explains the variations in developing the secondary housing market and financing local affordable housing plans? What are the major forms of social practice in developing land and housing sectors? It is the careful interweavings of theory and these empirics that form a fuller and insightful reading of land and housing markets in contemporary China.

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Socio-Spatial Transformation of Cities

Jia Feng and Guo Chen

INTRODUCTION

A plethora of research on urban China has indicated a transforming socio-spatial landscape from a homogeneous to a heterogeneous spatial structure since the beginning of China's communist regime in 1949 (Chan 1996; Gu et al. 2006; Feng et al. 2008; Wang 2008). Based on many empirical studies, a series of factors are closely related to the urban socio-spatial transformation, such as China's ideology shift, different institutional changes, a massive influx of migrants, and a series of relevant policy applications before and after China's adoption of the open policy in the late 1970s.

The urban social landscape has developed from a relatively homogeneous 'work unit-' (*danwei*) based structure in the pre-reform era to a heterogeneous one. A number of forces are at work. First and foremost, when rural migrants come to the cities for jobs, their access to participate in the formal job market is limited due to various institutions such as *hukou*, housing, and a divided urban job market (Solinger 1999; Shen 2002; Fan 2002; Garcia 2004). Sassen (2001) noted that cities in many Global South and North countries have witnessed the emergence of dual labor markets. Comparatively, dual job markets also appeared in Chinese cities along the divided *hukou* policy as well (Fan 1996, 2001; Roberts 1997; Wang and Zuo 1999; Ding et al. 2001). Further, on top of the dichotomized rural–urban divide and migrant underclass, social stratification and classification start to figure prominently in Chinese cities as well (Wang and Zuo 1999; Fan 2002).

The transforming urban social structure also ushers a shifting spatial form, with socio-spatial disparity being one example. With increasing Foreign Direct Investment (FDI) in urban China, business entrepreneurs and professionals emerged as a 'new rich' group in cities and concentrated mostly in the outer suburbs in the major cities like Beijing (Gu and Shen 2003). The emerging housing and land markets in China (Zhou and Ma 2000; Feng et al. 2008; He et al. 2010) and local government's growth-led neo-liberal practices (Wu et al. 2014) also significantly challenged the traditionally work unit- (*danwei*) based social and spatial organization. In contrast, a significant number of urban poor are left behind in deprivation amidst affluence in various former *danwei* and dilapidated neighborhoods (Chen et al. 2006; Liu and Wu 2006). Furthermore, because of discriminatory urban policies, the incoming of rural migrants in the cities resulted in the emergence and development of urban villages¹ (*chengzhongcun*) and migrant enclaves as important residential clusters to provide affordable housing and informal job opportunities (Zhang et al. 2003; Wang 2004; Wang et al. 2009; Li Xun et al. 2010). On the one hand, the development of *chengzhongcun* and migrant enclaves is related to the increasing rural-to-urban migrants in an unfriendly environment seeking affordable housing, education, their hometown-based social networking, and job opportunities in the city. On the other hand, local government officials and planners usually view migrant space as not compatible with the modernity cities are pursuing. These migrant enclaves are frequently subject to eradication and demolition due to urban renewal and upgrading projects.

Therefore, the rapid economic development in Chinese cities has not only challenged the traditional *danwei*-based social and spatial structure, but the urban landscape has become further fragmented following an economic and market lead. Under such a shifting social and economic context, residential differentiation starts to emerge in the major Chinese cities, and the cellular urban socio-spatial landscape begins to reorganize and transform towards fragmentation. This new urban mosaic comprises recently developed villa compounds, gated communities, large shopping centers, the traditional *danwei* housing, and migrant enclaves (He 2013).

DRIVING FORCES OF URBAN SOCIO-SPATIAL TRANSFORMATION

Ideology Shift

The ideology shift from Mao's socialist regime to a market economy is considered as the first driving force leading to the socio-spatial transformation in Chinese cities (Li 2005; Gu et al. 2006). At the beginning of the communist regime, the function of cities transformed from the conventional 'consumer cities' to 'producer cities,' which focused on a Stalin industrialization model

with the slogan of ‘producing more and consuming less’ (Gu et al. 2006). Resembling countries in the former Soviet Union and East and Central Europe, China adopted an ‘urban-biased’ idea by strictly controlling the rural-to-urban migration (Ma 2002) and using price scissors² to boost industrialization. City planning during the socialist period adopted an egalitarian strategy and aimed to promote a ‘uniform and largely classless city’ (Smith 1991: 146) by using work unit (*danwei*) as the primary unit of spatial organization (Bjorklund 1986; Li 2005; Wang 2008). In addition to its economic function, *danwei* also served as a place of residence for the workers associated with the work unit. Life in *danwei* is thus organized within a walled compound, a spatially enclosed entity featuring a Chinese tradition in creating ordered spaces to demarcate and regulate social units (Bray 2005; Li 2005).

In Chinese cities, there were two types of *danwei* – the *qiye danwei*, i.e. enterprise unit or *shiye danwei*³ i.e. nonproduction units in the socialist period (Li 2005; Lu and Perry 2015). During the socialist time, China’s economic development and organization were primarily based on two mechanisms, (1) the ‘soft budget constraint’ and (2) the ‘iron rice bowl’ (Wang 2008: 51). These two mechanisms built a safety net for both the economic organizations and the workers by promising external support in deficit situations and permanent job security for everyone in order to maintain ‘equality’ in the society. However, *enterprises* were under the supervision of the State Council instead of their respective local municipalities, so the decision about land production for *enterprises* was essentially made in Beijing. Thus, during the socialist period, land-production decisions were not made at the municipal level, which was the direct cause of ‘piecemeal and uncoordinated’ urban development in Chinese cities (Li 2005: 73).

With the adoption of an open policy in 1978, China has changed its developing ideology from emphasizing ‘equality’ to prioritizing ‘efficiency.’ The slogan ‘top priority for efficiency, due consideration for equality’ (Wang 2008: 52), was used to represent the neo-liberal turn in China towards a market economy with Chinese characteristics. As many scholars have pointed out, China’s neo-liberalization initiated by Deng Xiaoping is a ‘strange case’ whereby China’s market neo-liberalization also includes an authoritarian state (Harvey 2005; Ong 2007) and the state’s power remains high in investment decision-making processes. In other words, the soft budget constraint persists. It was not until the Third Plenum of the Chinese Communist Party’s Fourteenth Central Committee which established a socialist market economy in 1994 when state enterprises started to have more freedom to compete in the market (Li 2005). Soon after, enterprises became profit-driven, and many state-owned enterprises entered the real estate development as an important field to maximize their profits in the 1980s and 1990s. After the late 1980s, *danwei* was no longer the primary housing builder, but it remained active as a buyer in the market (Li 2005). It was not until the late 1990s when *danwei* finally ceased to be the housing provider.

Hukou Policy and Rural-to-Urban Migration

Another driving force is the continuing enforcement of the *hukou* policy and the influx of rural migrants to the cities after China's market turn in the late 1970s. If we conceptualize the FDI inflow as a precipitator of change, the changing *hukou* policy, which lifted the restriction on rural-to-urban migration, constitutes another important driving force for the socio-spatial transformation in urban China.

Hukou policy, a.k.a. the household registration system was first introduced in 1951 to monitor urban residence and population mobility (Chan 1996). This system has entitled non-agricultural households with everyday necessities and access to welfares such as education, social, and medical services while excluding access to families with rural *hukou* status. With the help of grain rationing and job and housing allocation policies, the *hukou* system locked individuals in their registered areas and prevented rural-to-urban migration until the late 1970s. After 1978, *hukou* policy started to shift away from its original population control function, but rather, it began to act like an internal passport system to entitle urban *hukou* only to the selected migrants desirable for the cities (Solinger 1999; Fan 2002).

While the urban–rural divide is institutionalized, *hukou* serves as a barrier to limit migrants' access to various economic and social opportunities in Chinese cities. Rural migrants, also referred to as the floating population, are in a subordinate status or viewed as second-class citizens in the society. A dual labor market also emerged in Chinese cities. As the formal urban jobs are reserved exclusively for the local urbanites (Roberts 1997; Wang and Zuo 1999; Ding et al. 2001), rural migrants are gradually channeled into the informal sector. Facing such an unfair social circumstance, migrants rely heavily on their social relationship to secure their job opportunities in the cities (Ma and Xiang 1998). Meanwhile, when some rural migrants live in housing provided by the manufacturing enterprises they worked for, many migrants, who work in the informal sector, cannot access the local *danwei* housing. While there was still lacking a property market before the mid-1990s, migrants had very limited options in choosing where to live in Chinese cities. Under such a circumstance, the vague land tenure system in the villages on the fringe of cities, or peri-urban locations, made feasible housing opportunities available for rural migrants (Wu 2002b; Gu and Shen 2003; Li 2005; He et al. 2010). Following chain migration and migrants' hometown-based social network, various migrant enclaves started to emerge in major Chinese cities (Beijing: Fan and Taubmann 2002; Gu and Shen 2003; Shanghai: Wu and Li 2005; Guangzhou: Lin and Meulder 2012; Shenzhen: Pu et al. 2011).

Since rural-to-urban migration plays a determining role in the urban socio-spatial transformation, various studies have attempted to understand and theorize the Chinese internal migration through different approaches. First, the

neo-classical economic model assumes that immigrants have prior knowledge of the economic and/or occupational situations in both the original and the destination places before they migrate and pull–push factors are used to explain the motivation and actual action of the migration. Fan (1996) has revealed that both the present and expected economic opportunities for migrants are important factors in explaining migration volumes and directions. Furthermore, the neo-classical perspective also takes human capital into consideration and argues that migration can be viewed as an investment process and a person's human capital determines whether or not a migrant will succeed in his/her movement.

Second, given the dichotomized structure along *hukou* policy in China, many researchers have also adopted the dual labor market perspective to understand migrants' subordinate status in the urban environment. Sassen (2001) illustrated that global cities show a trend of economic polarization, where dual markets exist for both high-skilled elites and poorly paid workers in the service sector at the same time. China has a dichotomized urban–rural structure that exhibits similar characteristics as the situation in the global cities. Further, the urban formal jobs in China are nearly exclusive for residents with a local *hukou* while most rural migrants are channeled into the informal sector (Roberts 1997; Ding et al 2001; Garcia 2004).

Furthermore, social capital serves as an important factor in understanding migrants' life after their arrival in the city. Massey et al. (1998) indicate that through cumulative causation, migratory movements become self-sustaining after they start and chain migration plays a significant role in the continuation of the migration. Ma and Xiang (1998) illustrated similar situations in the rural-to-urban migration in China. When the first wave of migrants starts to settle down in the urban environment, no matter formally or informally, more migrants will follow their kinship relationship (*xueyuan guanxi*) and geographical relationship (*diyuan guanxi*) to the cities, which lower their risks in their migration destination (Ma and Xiang 1998). After migrants start to settle down in the urban environment, social capital, such as social networking, profoundly affects the turnouts of migration results in Beijing (Xiang 2005). Facing discriminatory institutional barriers in the urban environment, various migrant enclaves also start to emerge in the major Chinese cities following their hometown-based chain migration (Ma and Xiang 1998; Fan and Taubmann 2002; Gu and Liu 2002; Xiang 2005).

While many research projects focused on the migration process and migrants' social structure in cities, migrant space in cities has also started to attract scholars' attention in recent years. Many researchers adopt the structural-agency framework to investigate the role of various institutional factors in the emerging process of urban villages (*chengzhongcun*) and migrant enclaves in cities like Beijing, Shenzhen, and Guangzhou (Yeh and Wu 1995; Gu and Shen 2003; Gu et al. 2006; Tian 2008; He et al. 2010). Although the situation varies in different cities, the *hukou* policy, the dual rural–urban land system, the limited migrant housing,

constrained employment opportunities, and local government's tolerance-based strategy are noted as the main institutional factors that lead to the development of these newly emerged urban migrant spaces in large Chinese cities.

FDI

The influx of foreign direct investment (FDI) is another important driving force for reinforcing China's social and spatial transformation. After China adopted the economic reform in 1978, China has witnessed a rapid growth of FDI inflow over the past four decades. The government directed the foreign investment to Special Economic Zones in 1979 before FDI was gradually distributed to the entire country (Reardon 1996; Gu et al. 2006). As China was the second largest recipient of FDI in the world in 2015 (World Bank 2016), the distribution of FDI inflow is not evenly distributed in the country or the cities. As the central government has provided preferential tax policies for FDIs in thousands of development zones at various levels, China has witnessed a development zone fever mostly focusing on the areas in the coastal regions (Cartier 2001; Wei and Leung 2005). In the Chinese cities, the city-level government also offers incentives to attract FDI to their designated development zones, and many scholars have examined the social and spatial impacts of the FDI influx at the city level in several large Chinese cities.

Gu et al. (2006) illustrate that Beijing and Shanghai appeared to have a more rapid growth rate of FDI than other cities in China and explained that the distribution of FDI is highly unbalanced inside the city as well. In Beijing, while new service and high-tech industrial areas are preferred such as 'East City, West City, Chaoyang and Haidian,' the old manufacturing areas are not benefiting from the FDI inflow, such as 'Chongwen, Shuanwu [*Xuanwu*] and Fengtai' in Beijing (Gu et al. 2006: 273). In Shanghai, FDI also serves as one major force behind the city's development. The foreign investment has helped significantly in building Shanghai as the prime location for regional headquarters of multinational enterprises as well as a financial center in *Lujiazui* as part of the *Pudong* New Area (Olds 1997; He et al. 2006). Kim (2015) also demonstrates that FDI boosted the economic development of Suzhou and the associated Suzhou Industrial Park (SIP). Huang and Wei (2014) examined the spatial distribution of FDI in Wuhan and concluded that FDI in Wuhan exhibited geographical clustering after 2006, and they are centralized on Wuhan's Economic and Technological Development Zones (ETDZ) in a similar fashion as shown in other major cities of China. Furthermore, Wei (2015) examined the development zone fever in Nanjing and illustrated that Nanjing's urban expansion on the fringe of the city is largely dependent on the development zones and an unprecedented increase in FDI in the 2000s. Therefore, while FDI plays a significant role in the urban development, the economic activities are highly concentrated under the guidance of a national as well as a local development plan that favors 'zones.'

In addition, foreign direct investment began to pour into real estate development in Chinese cities after China's accession to World Trade Organization (WTO) in 2001. He and Zhu (2010) have documented that foreign direct investment in real estate development (FDIRE) initially focused primarily on the coastal regions in the late 1990s but has dispersed to other large inland cities in the late 2000s. However, how FDIRE has transformed the urban social and spatial structure has not been thoroughly scrutinized in the existing literature.

Emerging Land and Housing Markets

China's urban social and spatial landscape is challenged by the emerging land and housing market from a consumptive perspective, which becomes another important driving force in Chinese cities (Zhou and Ma 2000; Feng et al. 2008; He et al. 2010). Under the planned economy, *danwei* allocated housing to its workers as a welfare and *danwei* housing was usually located close to their jobs (Bjorklund 1986; Yeh and Wu 1995; Feng et al. 2008). During the market reform, housing gradually changed from a welfare provided by *danwei* to become a housing commodity associated with the development of a land leasing system and real estate businesses (Wu 1996; Wang and Murie 1999; Feng et al. 2008). The emergence of the land and housing markets were also fueled by the local government's reliance on land-related income (Guo 2001; Lin and Ho 2005; Du et al. 2016). Researchers have pointed out that China has witnessed a transition in the development mode from state-led industrialization to urban-based accumulation, as illustrated in and compared to models of neo-liberal urbanism or urban regime (Zhu 1999; Zhang 2002; Wu 2008). The land and housing reform has challenged the traditional *danwei*-based housing allocation system, and urban residents started to have the option to choose where to reside. After the emergence of a land and housing market in Chinese cities, the suburban development relied mainly on the local government-led or *danwei*-led housing development (Zhou and Ma 2000). Although *danwei* were no longer the major housing builder after the late 1980s, they were 'the single most important buyers of commodity housing' (Li 2005: 80). Because the commodity housing is usually built outside the existing *danwei*, the latter acted as an essential agent in China's suburbanization process (Li 2005). Hence the suburbanization in China is very different from the suburbanization process in Western cities since individuals and families were mostly involuntarily moving in China (Zhou and Ma 2000; Zhou and Logan 2008). Even in contemporary Chinese cities, based on a principal component analysis from the 2000 census of Guangzhou, Li Si-ming et al. (2010) illustrated that the transportation and workplace structure from the socialist time still has a strong influence on the city. However, they also found that market forces and housing decisions start to play more important roles in shaping the spatial structure of Guangzhou. In recent years, Shen and Wu (2013) examined one suburban district of Shanghai in 2010 and illustrated

that the pursuit of suburban lifestyle began to emerge as a factor among the extremely wealthy families in choosing their residing locations in the *Songjiang* District of Shanghai City.

Top-down and Bottom-up Urbanization

Hand in hand with China's rapid economic development is the urbanization process. Urbanization in China is led by two major forces: the top-down urbanization and the bottom-up urbanization. The top-down urbanization represents the process that the urbanization is designed and planned by an upper-level administrative unit while the bottom-up urbanization is in general associated with spontaneous development pursued in a market economy by the town and municipal governments (Zhang 1983). The top-down versus bottom-up divide has also been viewed as a metaphor for state–society relations, whereby 'the state [is] often positioned "above" society' (Smith 2014: 210). This top-down/bottom-up urbanization also represents a widely condoned dichotomy as the divide between 'desirable/undesirable, modern/backward, efficient/inefficient, and clean/messy' ways of development along with China's economic growth (Smith 2014: 211). The existence of this dual structure in urbanization has led different ways of development paths and consequently made their imprint socially and spatially in large Chinese cities.

First, the urbanization from above describes a state-led urbanization process tightly linked with different levels of governments' profit-seeking and economic development needs (Shen et al. 2006). Before the economic reform in 1978, only state-sponsored urbanization existed, which formed the basis of the Chinese urbanization model during that period. With the state being the major investor in urban development, the pre-reform urbanization process is named 'urbanization from above' (Shen et al. 2006). Even after China's economic reform in 1978, state-sponsored development remained a key driver of industrialization, which promoted the development of new urban districts. Rapid urban land expansion appears in new districts or different development zones, such as Economic and Technological Development Zones (ETDZ) and High Technology Development Zones (HTDZ) that are initiated by governments at various levels (Wei and Leung 2005; Li Xun et al. 2010).

Meanwhile, urbanization from below, a.k.a. bottom-up urbanization, is linked with a process of rural residents being urbanized through the process of '*li tu bu li xiang*'⁴ (Ma and Fan 1994; Shen et al. 2006), which is associated with villages' intention to promote industry enterprises in rural areas since the 1980s. TVE (Town and Village Enterprises) development is the primary force behind this bottom-up urbanization (Shen et al 2006; Li Xun et al. 2010). The distinction is that urbanization from below features the self-employed entrepreneurship at village and township levels, which is different from government-led urbanization from above.

In between urbanization from above and below, ‘urban villages’ (*chengzhongcun*) started to emerge in large Chinese cities. Li and others have described urban villages as ‘rural villages surrounded by newly built city districts, which form a particular urban landscape of villages encircled by built-up areas of cities’ (Li Xun et al. 2010: 13). These communities provide affordable housing for most migrant laborers coming to the cities. The dualistic structure of urban and rural dichotomy, governments’ policy to maximize development profits, and migrants’ needs for affordable housing all contribute to the emergence of *chengzhongcun* in large Chinese cities (Zhang et al. 2003; Wang et al. 2009; Li Xun et al. 2010). However, despite *chengzhongcun*’s critical role in supporting urbanization, government officials and urban planners easily take a negative view of *chengzhongcun* for their high crime rate, poor living conditions, risks for fire, and pressures on infrastructure (Wang et al. 2009; Liu et al. 2010; He et al. 2010).

Besides the ‘urban villages’ in many Chinese cities, scholars also recorded the emergence of several hometown-based migrant enclaves in Beijing since the late 1980s (Ma and Xiang 1998; Fan and Taubmann 2002; Gu and Liu 2002; Gu and Shen 2003, Gu et al. 2006). One important difference between the two is that *chengzhongcun* often develops from an actual administrative village encircled by the city, but migrant enclaves in Beijing are usually referring to a geographical concentration of migrants with the same origins without any necessary administrative meanings. However, both of them share one important causal factor that rural migrants do not have open access to housing in Chinese cities. From another angle, when the city government is seeking the most profitable land for development, the underdeveloped migrant enclaves become an ideal option. In recent years, public media and social network sites have revealed and reported more and more land conflicts since the late 2000s in many Chinese cities. Thus, under such a socioeconomic condition, not only do *chengzhongcun* and migrant enclaves face increasing threats from demolition and relocation, migrants find it harder and harder to fetch a new piece of available land to redevelop their new migrant enclaves. For example, *Henancun*, as a recycling enclave, in Beijing has relocated away from the central city to outside the fifth ring road (see Figure 43.1) and urban sprawl has been squeezing the space of migrant enclaves to further suburban or rural areas of Beijing (Chen and Feng, in review). The conflicts over development boundaries have brought a series of unanswered questions. Will these enclaves disappear? What impacts will these conflicts pose on the living and working space of rural migrants in cities? These issues are still left to be answered.

Understanding Urban Socio-Spatial Transformation

As outcomes of the driving forces, Chinese cities have witnessed significant socio-spatial transformation and restructuring from the pre-reform socialist ‘egalitarian’ society to a more fragmented, differentiated, and heterogeneous



Figure 43.1 The juxtaposition between urban sprawl and migrant enclaves

one. But, the urban structure today is deeply rooted in the historical urban fabric from the pre-socialist and pre-reform periods such as the foreign concession areas in many coastal cities and the seemingly ‘egalitarian’ *danwei*-based urban landscape. Two phenomena related to the urban socio-spatial transformation have caught attention among researchers in recent years: the residential differentiation and the increasing residential segregation that emerged with China’s rapid economic development and urban expansion.

Residential differentiation first caught attention in the Western world and their corresponding market economy. Residential differentiation in cities of many market economy countries is mainly related to the economic polarization and labor fragmentation associated with the globalization processes in the world (Sassen 2001; Walks 2001). Rees (1979) revealed that socioeconomic status, family status, and ethnic status are the dominant factors leading to residential differentiation in the developed world. Later, Knox and Pinch (2000) examined residential differentiation on the sector, zone, and cluster levels associated with the three previously mentioned factors and argued that the factors oversimplify the complex nature of the differentiation process. Davies (1984) further claimed that migrant status and ethnic distinction also contribute to residential differentiation with their associated occupational differentiation, the new welfare dependency, and the rising importance of substandard housing resulting from the consolidation of the urban underclass.

While the pre-reform Chinese cities tried to build a ‘uniform and largely classless’ society (Smith 1991: 146), the market economy turn has gradually ushered the development of the land and housing market in urban China, which

subsequently introduces social disparity in Chinese cities. Not so different from the condition of globalization in other market economy societies, Chinese cities also experienced a 'virtual globalization' process based on the urban-rural dichotomy and also witnessed economic polarization in the cities following the neo-liberal ideology (Solinger 1999). Social stratification and different social classes started to form in Chinese society as well (Fan 2002).

While residential differentiation describes the process of socioeconomic changes and growing disparity among the urban residents in cities, residential segregation is referring to the spatial concentration of ethnic, socioeconomic, or racial groups on the urban landscape. Examples of residential segregation exist in many countries, such as the racial ghettos and ethnic enclaves in the US, favelas in Brasil, Kibera in Nairobi, Kenya, villa miseria in Argentina as well as the various high-end gated communities in different countries too. Massey and Denton (1989) illustrated hypersegregation, which describes the persistent racial segregation associated with the Black and Hispanic population in the US. Also, Marcuse (1997) argues that spatial segregation and the outcast ghettos in the US are entirely excluded from the mainstream economy. In the case of China, race and ethnicity are not the primary driving forces behind residential segregation, but rather, the growing income disparity and the urban-rural divide combine to function as determinants of people's residential location in Chinese cities. Imbued in the process are residential enclaves such as gated communities, migrant enclaves, *chengzhongcun*, and the conventional *danwei* compounds.

RESIDENTIAL DIFFERENTIATION

In the pre-reform era of China, social stratification and residential differentiation in cities were nearly nonexistent with the ideology of building an 'egalitarian' society. The *danwei* system has also created a mixed residential and work space in cities where employees, both cadres and staff, from one particular *danwei* were tightly linked in the *danwei* housing system. In another word, occupation, under the structure of the *danwei* system, was the most important factor in determining residential differentiation (Lo 1994; Yeh et al. 1995). Logan et al. (1999) further state that the housing system before 1978 favored work units that were larger, within the state rather than the collective sector, under management from central ministries and with higher bureaucratic ranks. This inter-*danwei* difference has also become an important factor in affecting the housing distribution and allocation system after China adopted the market economy and opened up its housing market.

Although urban residents began to have the option to purchase commodity housing in the early 1980s, *danwei* remained as the main housing providers in Chinese cities until the late 1990s. Huang and Clark (2002) observe that the development of commodity housing had introduced housing with stratified

standards and at various locations. Li and Wu (2006) also illustrate that the socio-spatial differentiation in Shanghai is in fact rooted in the historical characteristics of individual neighborhoods, whereby people with higher social status would expect to upgrade their socioeconomic condition, and those with lower status suffer decline.

Also, the spatial transformation of Chinese cities has proceeded in tandem with social stratification unseen before the economic reform. When China started its economic reform in the late 1970s, the *hukou*-based dual social structure began to change especially when rural-to-urban migrants became a significant part of the urban labor force in Chinese cities. The emerging social and economic stratifications in Chinese cities remain deeply rooted in the institutional structure set in the pre-reform socialist period. Fan (2002) illustrated that Chinese urban stratum could be understood to comprise three categories: permanent migrants, non-migrant natives, and temporary migrants.

Corresponding to social stratification is spatial stratification. Yeh et al. (1995) demonstrate that population density, education level, employment, house quality, and household composition are central components of social space in Guangzhou. Li and Wu (2006) later identified the emergence of socioeconomic-status-based social groups in the society: cadres and professionals, workers and rural migrants, who are further divided among a system of residential stratification. Yang et al. (2015) also illustrate that an individual's social status and their housing affordability determine the place one can live in Shanghai. Chen's empirical study of Guangzhou (2016) links social and spatial stratifications by revealing three groups, namely the 'urban elites,' the 'native plebeians,' and the 'lower masses,' with distinct housing choice subprocesses.

Residential differentiation demonstrates different patterns in China from the Western models because China's socialist history still has substantial impacts on the market economy and housing distribution. And scholars have used various data to examine residential differentiation over different historical periods in different Chinese cities. At the early stage of the market economic turn before the full implementation of the housing reform in 1998 and 1999, market forces did not play a significant role in determining housing locations. Logan et al. (1999) examined the housing situation in Shanghai and Tianjin using the 1993 China Housing Survey and concluded that reform reinforces organizational inequality and the type, size, quality, and quantity of housing available to a worker was still largely determined by the work unit (Zhou and Logan 1996). Sit (2000) examined the 1985 Housing Survey and 1990 census in Beijing and concluded that Beijing's residential differentiation is along the lines of education, employment, occupation, age, and the type of household, which confirmed that *danwei* is still playing the determining role in housing allocation. Li (2000) studied presale commodity housing units issued by the Housing Bureau of Guangzhou between 1992 and 1994 and concluded that socioeconomic status (income, occupation, and education) are not significant in determining housing tenure.

Huang and Jiang (2009) investigated the 1995 One Percent Population Survey and 2000 census for Beijing and found that both socio economic indicators (education and occupation) and institutional indicators (*hukou* and political status) are important in determining housing consumption. In addition, their findings also support their market transition hypothesis that market forces are becoming more significant than the institutional factors in determining housing distribution. Wu (2002a) uses the housing price data from the Shanghai Real Estate Exchange Centre (SREEC) for 2000 to study the spatial differentiation of property price in Shanghai. He concluded that ‘commodification of real estate itself constitutes the source of sociospatial differentiation’ (Wu 2002a: 1613) although this process benefits more to the group who had previous political status in the city. So, although market forces started to function in residential differentiation, the historical urban fabric still plays critical roles in determining the differentiation process. Recently, Wu et al. (2014) used the fifth population census in 2000 on the community (*jiedao*) level in Nanjing and found that education emerges to be a major factor in gentrification and residential differentiation in the city as well.

In the plethora of existing studies on socio-spatial and residential differentiation in urban China, most researchers are using the 1985 Housing Survey, 1990 and 2000 census, and 1995 and 2005 One Percent Population Surveys at the district level to understand the differentiation processes. Socio-spatial data at a finer resolution from recent years are needed to explore the residential differentiation process in urban China.

RESIDENTIAL SEGREGATION

Residential segregation in China has emerged due to both residential preferences and limitations on people’s housing choices. While the previously discussed factors focus on the production of urban space, enclave urbanism becomes one important phenomenon from the urban consumptive perspective (Wissink et al. 2012; Shen and Wu 2012). Wu et al. (2014: 110) have summarized that existing literature has examined the five common factors that led to the segregation as status, tenure, migrant workers, income, and socialist urban policies. They also showed that ‘*jiaoyufication*’ (education) appears to be another important factor in shaping a new form of gentrification in Nanjing, China. Throughout China’s economic transformation process, residential segregation appeared in different forms, most commonly regarding urban villages (*chengzhongcun*), migration origin-based migrant enclaves, and the affluent gated communities, but almost all are related to the institutional factors, such as the *danwei* system, new land/housing market, and *hukou*.

Despite the waning impact of *danwei* on urban social space, Chen (2012) argues that the housing distribution remains path-dependent whereby the traditional institutional forces continue affecting the housing development.

After China took the economic reform, urban landscape has transformed from *danwei*-based towards a 'community-' based organization. After 2000, 'community building' was further introduced as a way to enhance grassroots organizational infrastructure and a new form of urban institution in response to the 'fragmentation of city life' (Bray 2006: 537). Housing started to shift 'from people-centered to commodity-centered,' or from 'providing a social arena to providing privatized living environments' (Zhu et al. 2012; Staub and Yu 2014).

Despite the market turn on the housing system, Staub and Yu (2014) show that the new commodity housing has deep roots in the traditional collectivist culture as in *siheyuan* or later work unit- (*danwei*) based organization. Without the mixed working, residential and social functions *danwei* used to provide, housing development started to focus on its residential functions. With exercises to continue the collectivist culture, gated communities emerged, in a similar fashion as the ones in the Western context, representing a secured and excluded superior space in urban China. As we mentioned in previous sections, when 'piecemeal and uncoordinated' urban development met the long 'walling' history in China, enclave urbanism starts to become a widespread phenomenon in Chinese cities.

In 2012, a special issue in *Urban Geography* was devoted to the discussion on enclave urbanism in Chinese cities and provided a thorough examination from a wide variety of perspectives. In the definition, 'enclave urbanism' takes a neutral interpretation to describe the urban spatial development in the forms of 'patch-worked, unifunctional and monocultural enclaves ... often separated by walls and gates' (Wissink et al. 2012: 161). First of all, Shen and Wu (2012) studied a residential enclave in the *Songjiang* District of Shanghai City and concluded that consumption is not yet the primary force behind this particular residential enclave development (Shen and Wu 2012; Wissink et al. 2012). In the following year, Shen and Wu (2013) discovered that consumption started to express itself in Shanghai's suburban development in a separate project. And a series of articles argue that different from the Western style of enclave urbanism, gating and gates in urban China are not related to social exclusion, minimizing neighborly contacts, or intensive social tensions (Hazelzet and Wissink 2012; Yip 2012; Li et al. 2012; Breitung 2012).

In particular, the emerging land/housing market and *hukou* barrier have contributed to the development of urban villages (*chengzhongcun*) in South China and hometown-based migrant enclaves in Beijing. Migrant enclaves in Chinese cities share many similarities with the immigrants' self-institutionalizing activities in ethnic enclaves and slums in the Western context too (Massey 1985). From an agency perspective, migrants develop vibrant 'migrant' businesses within their enclaves (Liu et al. 2015). Nevertheless, such agency is easily negated by formidable structural barriers as evidenced by Beijing's migrant enclaves (Chen and Feng, in review).

In Beijing, various migrant enclaves have been noted in the literature including *Zhejiang*, *Xinjiang*, *Anhui*, and *Henan* villages, which are associated with

their particular segments of businesses, e.g. garment, restaurants, nannies, and recycling businesses (Fan and Taubmann 2002). Some of these enclaves have dissipated, and some have remained firm during urban redevelopment processes. *Zhejiangcun* has been recognized by the city and remained strong in South Beijing, and it has developed to become a modern shopping center featuring goods produced in migrants' hometown factories in *Zhejiang* province. *Xinjiangcun* in Beijing were demolished due to urban redevelopment projects, and *Anhui* villages gradually lost their identities in Beijing's development as well. Meanwhile, relying on the informal recycling business, *Henancun* have developed together with the thriving recycling business, which benefited from the increasing volume of recyclable materials in Beijing. However, they have faced a lot more repetitive demolition and relocation cases than other migrant enclaves in Beijing (see Chen and Feng, in review).

CONCLUSION

Chinese cities have gradually shifted away from the conventional *danwei*-based egalitarian social and spatial structure under the socialist China, towards a more fragmented and differentiated urban landscape. While the historical urban fabric remains a strong force in determining residential differentiation, market forces have gradually developed to become a dominant factor in determining the spatial development in Chinese cities. In addition, various forms of spatial segregation also appeared in the forms of urban villages, *chengzhongcun*, migrant enclaves, and gated communities. This dynamic transformation happening within Chinese cities demands further research attention given China's rising income inequality (Chen et al. 2016).

First, in the development of the housing market in urban China, many scholars have detected the lingering effects of the urban spatial structure from the planned economy as well as various *hukou*-based institutional factors even after China's housing reform in 1998 and 1999. Although many researchers have predicted the expected determinant role of the market forces in shaping urban residential differentiation, individuals' socioeconomic status or choices on housing locations have not become a leading factor in residential space development. Data availabilities from the 2010 census on the sub-district level have become a bottle-neck for future studies in understanding the residential differentiation pattern in the past ten years.

Second, the long-existing spatial divide between migrants' hometown and their jobs had reclaimed its significance in shaping migrants' future especially when unlimited surplus labor is diminishing (Zhang X.B. et al. 2011). After China's economic reform, rural–urban migration has long been viewed as an important driving mechanism in large Chinese cities. When labor shortage emerges as a new phenomenon in China, the migrant-run businesses in the service sector will

face a significant challenge in the cities that rely on the service provided by rural migrants. While *hukou*'s power has waned in regulating people's movement, the institutional effects closely attached to one's *hukou* status remain strong in migrants' livelihood, and they are still actively limiting rural migrants' accessibility to occupation, education, social welfare, and housing in their migration destinations. Since 2011, *hukou* reform has also become a significant topic, and in 2013, the State Council in China published a report about urbanization development,⁵ which promotes urbanization in mid-size and small-size cities. However, *hukou* is far less important for migrants outside the large cities and whether or not this new policy would introduce significant socio-spatial reorganization in small- to mid-size cities is still yet to be observed.

Third, one of the essential functions of urban villages (*chengzhongcun*) and migrant enclaves is to provide affordable housing for rural migrants in the city. In addition to these long-existing 'informal' urban spaces in the cities, 'new' informal residential spaces are also in the making, such as collective rental apartments and the usage of underground space in the cities. Huang and Yi (2015) examined Beijing's underground living through a survey focusing mostly on the eastern part of the inner city and argues that housing has become a 'driving force for exclusion and marginalisation' (Huang and Yi 2015: 2967). Annette M. Kim (2016) also studied and mapped out the bomb shelter and basement-based underground rental housing market in Beijing based on data gathered from rental advertisement through the internet. Given the extreme and illegal nature of these 'new' residential spaces in the cities, the emergence of these urban spaces illustrates the demand for cheap housing that is close to the core of the cities. In some sense, they also show a growing disparity between migrants' work and their accessible accommodation in the city as well. When urban renewal and redevelopment projects further squeeze the in-city residential space for migrants, additional 'new' spaces will start to emerge in no time to accommodate migrants in major Chinese cities. How the local government will treat these newly emerged urban space and migrants' growing needs in the cities will become urgent issues for the near future in the increasingly fragmented urban space in China.

Notes

- 1 Although urban villages (*chengzhongcun*) in South China are also considered migrant enclaves, the developing mechanism is different from the migration origin-based migrant enclaves in Beijing.
- 2 Price scissors refer to the process in which the government subsidizes the urban sector by lowering the price for agricultural products (Lin and Yu 2008).
- 3 Lu and Perry (2015) argue that there is also *xingzheng danwei* or administrative units, which are sometimes considered as a subcategory of *shiyeh danwei*.
- 4 *li tu bu li xiang*: leave the land but not the village.
- 5 国务院关于城镇化建设工作情况的报告 State Council's Report on the Development Situation of Urbanization and Construction 26 June 2013.

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PART VIII

Poverty and Inequality: Introduction

Weiping Wu



The intensity of socio-economic change in contemporary China has had a significant impact on conditions of poverty and inequality. Prior to market reform, unity and homogeneity were pillars of the communist ideology and the lion's share of the citizenry was equitably impoverished. Apart from lifting hundreds of millions out of poverty and extreme poverty, market liberalization and the subsequent growth have created concentrations of social and economic capital and have shifted historical geographies of poverty. It is no surprise then that a robust body of research has developed around the study of poverty and inequality. Contributions in this part of the handbook assert historical and analytical findings to underscore conditions of relative and absolute poverty, regional divide, income inequality, urban–rural divide, and the relationship between gender, migration, and sexually transmitted infections.

METRICS AND METHODOLOGIES

Scholars in China and abroad have recognized the need to establish metrics, models, and scales of inquiry that appropriately accommodate the contemporary context. With improved data collection methodologies (the inclusion of

nonpermanent migrants in recent census and survey data, for example), as well as new analytical tools, they have begun to account for the complexity and heterogeneity that increasingly characterizes contemporary Chinese society. Coined the '*hukou* problem' by scholars, including contributors Björn Gustafsson, Haifeng Liao and Dennis Yehua Wei, exclusion of migrants in official data collection complicated social science research, especially migration research, for decades. Analyses on inequality tend to use smaller geographical units (counties, for example), but have broadened to include analyses of social and public services, and environmental indicators, as a means of measuring regional and local disparity (Chapters 44 and 45). Those studying internal migration are inclined to conduct research that disaggregates the tens of millions of people categorized as 'rural migrants.' Some such studies investigate the differences in socio-economic characteristics between inter-provincial and intra-provincial migrants, as Huimin Du and Wenfei Winnie Wang have illustrated (Chapter 46). In addition, multiple scholars, such as Xiushi Yang, Hongyun Fu and Meizhen Liao, are beginning to study internal migration in China as a gendered experience (Chapter 47).

The first pattern that emerges traces the frequently problematic application of international metrics to understanding poverty and inequality in China. A considerable number of studies have vetted indicators, metrics, and models developed in other contexts. Although international metrics present a valuable means of conducting comparative analysis, models developed for Western, liberal market economies (Chapter 45) have proven problematic, not particularly applicable to a country occupying a shifting position somewhere in the political-economic gray area between state socialism and free market. In addition, Yanjie Bian and others argue that Marxist social classifications, which were foundational to the construction of Maoist society, have retained little to no validity in describing contemporary China (Chapter 48) as they rely on class composition no longer existent. In addition, the application of international definitions on poverty has yielded fragmentary results in many cases (Chapter 44).

A closely related, second pattern recognizes the establishment of China-specific methodologies in an attempt to account for the peculiarities of the country's political and economic systems. Most take the form of new metrics and conceptual frameworks. Scholars have established social strata unique to the contemporary Chinese context (Chapter 48) and many agree that four classifications – the 'new rich,' middle class, working class, and poor – most effectively describe Chinese society today. In addition, those studying regional inequality (Chapter 45) as well the migrant class (Chapter 46) have expressed the need for new, more appropriate conceptual frameworks.

IDENTIFYING CONSISTENCIES

A series of structural consistencies have set the course of socioeconomic change and are intrinsically linked to the study of conditions of poverty and inequality.

The first is rooted in the irrefutable reduction in poverty that has occurred since market reform policies were initiated. Although poverty undoubtedly persists and benefits of economic growth have manifested with considerable unevenness, both traditional (income) and multi-dimensional indicators show that over the last 40 years there has been a monumental reduction in poverty and extreme poverty in China (Chapter 44). In fact, development since 1979 has lifted more people out of poverty and extreme poverty than ever before in human history (World Bank 2014). This phenomenon has had vast domestic and global implications and has provided a foundation upon which unprecedented change in contemporary China continues to unfold.

Poverty reduction has been characterized by a series of economic trends widely accepted by Chinese and non-Chinese scholars as unequivocal. Quantifiable increases in gross domestic product, per capita income, and purchasing power underpin the diminution of widespread poverty. In addition, improvements as measured by aggregated indicators such as standard of living and the Human Development Index have been broadly accepted by scholars. Supplementary factors used to characterize poverty reduction include steadily rising level of educational attainment (Parkhouse and Rong 2016) and such health indicators as male and female life expectancies and infant mortality rate (StatsAPEC).

Embedded within the broader narrative of poverty alleviation, conditions of poverty and extreme poverty persist and new patterns have emerged. Urban poverty, in particular, has increased steadily over the past three decades and is now observable across China. The Mao-era social support institutions and population mobility restrictions that suppressed conditions of urban poverty from occurring under state socialism have slowly dissipated. Much fewer safety nets remain, and an increasing number of urban residents with no or low incomes, especially migrants, the unemployed, the elderly, and the disabled, have fallen into conditions of poverty.

The second consistency relates to the inevitable complexity that has arisen due to accelerated and comprehensive modernization and urbanization. Compared to the constructed uniformity under state socialism, contemporary society has become considerably more heterogeneous, particularly in urban areas. The manifold condition is a double-edged sword: these changes problematize both traditional and Maoist models for living and present new challenges for policymakers, but have also enabled the formation of a more robust economy and an emerging middle class. Here, of course, lies a throng of new opportunities for future research.

A number of forces are at play. The internal movement of people has undoubtedly played a critical role in creating a heterogeneous society. Cities, particularly those in coastal provinces, have seen an influx of linguistically and culturally diverse people. Large populations of unmarried male and female migrants working and living in cities have reshaped traditional gender roles. At rural migrants' places of origin, once nuclear families have become increasingly fragmented, and it is not uncommon for rural villages to be 'drained' of

their young adult population. The redistribution of social classes, specifically the substantial growth of the middle class, has also served to complicate societal conditions. With rising incomes for the middle and working classes, mass consumption continues to reshape the economy as the flow of goods and services is redirected towards a new consumer class. Property ownership has become an increasingly popular means of investing family savings. Higher incomes have in part given rise to higher levels of educational attainment for middle class, and to a significant extent working class (Chapter 48), which have in turn contributed in reshaping the socio-economic landscape, notably the distribution of employment by sector.

Furthermore, growing socioeconomic inequality continues to slowly polarize the contemporary population, problematizing the institutionalized homogeneity, a hallmark in Maoist China. Although those earning middle-class incomes has grown substantially, the gap between poor and rich widens. Market reform has presented newfound opportunities for a limited number of individuals to amass a considerable amount of capital. It has also opened the door for the diminution or privatization of government services, reducing security for the poor. Emerging social classes on both ends of the income scale – the ‘new rich’ (Chapter 48) and the urban poor – have served to complicate contemporary Chinese society.

The third consistency reflects the growing recognition of the bifurcation of spatial and socio-economic landscapes. This character is best illuminated through the divergent employment and housing available to migrant and non-migrant populations and the channels through which they are acquired. Limited housing and employment opportunities, among other factors, has led migrants to earn significantly less income (Chapter 44) and are subject to a lower quality of life than their non-migrant counterparts. Furthermore, relative to local urban residents, rural migrants are also subject to distinct health concerns; most striking is their markedly higher predisposition to contracting HIV/AIDS and other sexual transmitted infections (Chapter 47). Many lifestyle and employment opportunities established as part of the migrant cultural lexicon expose rural migrants, especially those that identify as female, to multiple sexual partners. The vast majority of employees in the commercial sex industry are migrant women.

IDENTIFYING CONTRADICTIONS

Scholars tend to hold varying views most frequently on matters where the data is open to a wide range of interpretations. To start with, incomplete data and inconsistent collection methods have made research difficult and irregular. The considerable variation in how the floating population has been represented in survey and census data further compounds the challenge.

First, social scientists disagree as to the actual level in the reduction of poverty and extreme poverty that has occurred. While congruent in acknowledging

overall reductions, multiple scholars have drawn attention to the unevenness. Rural poverty in western China has remained noticeably more pervasive than that in eastern provinces (Chapter 44). New poverty typologies, the most notable being urban poverty, also have evolved. In addition, there is yet a consensus over which metrics/indicators are appropriate and most important in determining poverty reduction in the contemporary Chinese context.

Second, there are different views on the extent to which economic growth has been responsible for reducing rates of poverty and extreme poverty. A number of scholars have stressed the importance of the development of economic sectors in which immense amounts of unskilled labor are necessary inputs (Loayza and Raddatz 2010). Others point to social protection policies as enabling economic growth to reduce poverty. Some research indicates that certain portions of the Chinese population have been negatively affected by trade liberalization (Chapter 44).

The third relates to the geography of inequality. Regional and urban–rural gaps in socio-economic capital have persisted. There is disagreement as to why these disparities have remained predominantly unchanged, as well as over the divergent or convergent tendencies of such disparities. Gender-based inequalities in terms of access to social and economic capital have also persisted. Although labor force participation by women remains strong (Gaetano and Jacka 2004), there has been little observable improvement in gender discrimination. In fact, some scholars contest that market reform, in some sense, may have jeopardized the ‘guarantee for gender equality in the work place’ institutionalized under state socialism thus impeding the advancement of women’s social and economic status (Chapter 47).

AVENUES FOR FUTURE RESEARCH

Gaps in the literature have formed primarily where research has not been able to keep pace with the rapid societal change or where old frameworks and metrics can no longer effectively characterize the population. Urban poverty is a relatively new phenomenon and its analysis is underrepresented in the current literature. Further investigation, especially multidimensional and relational analyses, will help to fill gaps, particularly in light of recent experimentation in *hukou* reform in select urban areas, as well as such government programs as the minimum living standard guarantee (*dibao*) that target the urban poor. In addition, as the economy matures and mass employment by labor-intensive manufacturing wanes, studies on urban poverty may illuminate a transitional economy’s negative effect on urban populations.

As the second generation of reform-era Chinese enters the workforce, researchers have recognized the opportunity to study what effects development has had on upward social mobility. Currently, studies on generational social

mobility are not well represented. Opportunities exist for comparative studies analyzing the social mobility of those characterized as poor, working class, and middle class (Chapter 48). As contemporary class stratification forms, the degree to which these pathways are followed becomes an important question for social scientists.

Despite a fairly robust body of literature surrounding HIV/AIDS, scholarly investigation of the disease vis-a-vis migration and gender is limited and more can be pursued. Although HIV/AIDS has been present for decades, their transmission had historically occurred primarily through intravenous needle use; only since the mid-2000s has the majority of HIV/AIDS transmission shifted to sexual intercourse (Chapter 47). Much of the literature presents strong evidence that correlates migrant populations with the transmission of HIV/AIDS, and many scholars agree that rural migrants, especially female migrants, have an elevated risk of contracting HIV/AIDS and other sexually transmitted infections. In addition, as more local governments aim to incrementally incorporate rural migrants into urban society through provision of select social services, the resulting effects will present an important topic for research.

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Poverty and Its Alleviation

Björn Gustafsson

INTRODUCTION

Since economic reforms were introduced in the late 1970s in rural China, the country has witnessed a remarkable reduction in the extent of poverty. Fewer and fewer Chinese consume at a level below the poverty line the World Bank uses for assessing poverty globally, and official statistics on income poverty for rural China tell the same story. However, according to both these benchmarks, poverty remains a problem for millions of households and people living in rural China. It is also true that fewer would be poor if China's economic growth had been more equally shared. In addition, there is concern that economic reform has caused poverty to emerge in urban China for more than one reason. As a labour market evolved, lifelong contracts with work units were discontinued and work units laid off tens of millions of workers during the second half of the 1990s. In parallel, loosened restrictions on geographical movement together with the growing urban economy made it possible for many rural residents to move to the cities, temporarily or permanently. Some of them have not found well-paid jobs and many live in low-quality housing.

Based on the literature, this paper provides an overview of the problem of poverty in contemporary China. We also discuss some of the more important policies explicitly intended to combat poverty in China. The coverage of the literature is incomplete as it is based mainly on work written in English.

POVERTY IN CHINA FROM A GLOBAL PERSPECTIVE

For decades, the World Bank has been influential in monitoring poverty in the developing world,¹ successfully assembling household data from an increasing number of countries and, based on these data, assessing the extent of poverty in low- and middle-income countries. Such information helps shape how people in general, policymakers, and researchers perceive poverty around the world, in turn affecting decision making on, for example, where rich countries focus their international development assistance efforts.

The World Bank's assessment of global poverty is based on information on how much people living in various households consume and on a predetermined poverty line. Rich countries typically apply poverty lines that allow for higher consumption levels than do those used in poorer countries. The poverty line the World Bank uses to map worldwide poverty is based on the poverty lines applied in the world's poorest countries and is intended to measure 'extreme poverty'². As countries express their poverty lines in local currencies, these need to be converted into a common unit for the purpose of comparison. This is done with the help of exchange rates and the Purchasing Power Parity (PPP) index, which should enable identical baskets of goods in different countries to have the same price when expressed in the same currency.³ Since autumn 2015, the World Poverty Line has been set at US\$ 1.90 PPP per person per day, so households and those living in them consuming less than US\$ 1.90 in PPP per person per day are considered extremely poor. It should be understood that in such assessments, consumption includes not only goods bought at markets but also goods produced in households, notably, food.

Selected information from the World Bank's PovcalNet website on poverty in the developing world is reproduced in Table 44.1. It shows that the number of poor people in the world in 2013 was estimated at 766 million or 11 per cent of the world population. Of these, 25 million lived in China, a very small fraction of the number considered poor in China in 1981, when as many as 88 per cent of China's population was deemed poor. The dramatic decrease in the number of poor in China means that more than three-quarters of the world's reduction in the number of poor people from 1981 to 2013 can be attributed to poverty reduction in China.⁴ However, this reduction has been uneven as, for example, the poverty rate increased in the late 1980s. China's poverty has been and remains very much a rural problem, and China's impressive poverty reduction is entirely due to the reduced number of rural poor. This in turn can be attributed to rapidly falling poverty rates and to larger proportions of the population living in urban areas where the poverty rate is low. That China's lower poverty rate is due to reduced rural poverty constitutes a lesson for low- and middle-income countries trying to reduce poverty among their inhabitants (Ravallion, 2009). For example, many African countries are not focusing their poverty alleviation policies on the rural majority.

Table 44.1 Poverty rates for China and India and the number of people deemed poor

<i>Year</i>	<i>Rural poverty rate (%)</i>	<i>Urban poverty rate (%)</i>	<i>Total poverty rate (%)</i>	<i>Total number of poor people (millions)</i>
1981	95.6	59.4	88.3	878
1984	85.2	42.6	75.8	785
1987	72.6	24.3	60.8	660
1990	78.9	32.2	66.6	756
1993	71.8	20.9	57.0	672
1996	55.3	13.9	42.1	512
1999	56.4	11.0	40.5	508
2002	48.8	1.3	32.0	409
2005	30.6	2.7	18.8	244
2008	26.3	1.3	14.7	194
2010	21.2	0.7	11.2	150
2012	12.3	0.4	6.5	87
2013	3.4	0.5	1.9	25
For comparison				
India, 1983	58.8	33.0	52.6	394
India, 2011	24.8	13.4	21.2	268
World, 1981			44.0	1982
World, 2013			10.7	766

Note: Source, World Bank (<http://iresearch.worldbank.org/PovcalNet>), accessed 10 October 2016; the first year covered in PovcalNet is 1988. Poverty is defined as living in a household consuming less than US\$ 1.90 PPP (per person per day). The latest available information for India refers to 2011.

For comparison, Table 44.1 also shows information on poverty in India, a country that had fewer poor than China in the early 1980s. Since then, the Indian economy has grown and its poverty rate declined, but not as rapidly as in China, where economic growth was even faster. In addition, the Indian population has grown faster than the Chinese population. The result is that, for some years, there have been considerably more poor people in India than in China.

Several scholars have contrasted the different poverty reduction experiences of China and the countries of South Asia. One is Ravallion (2011), who compared the poverty reduction experiences of China and India (as well as Brazil) from the early 1980s to 2005. After summarizing the positive experiences in combating poverty in both these countries, Ravallion ends by drawing attention to the remaining problems:

In China's case, progress has been slow in implementing new social policies more relevant to the new market economy (despite historical advantages in this area, inherited from the past regime), and in India's case, the bigger problems are the extent of capture of the many

existing policies by non-poor groups and the weak capabilities of the state for delivering better basic public services. (Ravallion, 2011, p. 93)

Another comparison of poverty in China and India considered rural areas in the mid 1990s. Borooah et al. (2006) found that the proportion of the population falling below the World Bank's poverty line (as then specified) was similar in western China and in several Indian regions, but much lower in prosperous eastern China. Minorities were more poverty prone in both countries, an issue further explored by Bhalla and Luo (2013). Yet another comparison of China and India is that of de Brauw and Suryanarayana (2015), who contrasted poverty, food security, and undernutrition in the two countries, concluding that China needs better tools for targeting the poor or malnourished. Begum et al. (2012) compared child poverty in Bangladesh in 1995 and 2000 with its counterpart in China in 1988, 1995, and 2002 using the World Bank's poverty line (as then specified). Unsurprisingly, Bangladesh was found to have a higher child poverty rate than China and in both countries poverty was very much a problem for rural children. The study also demonstrated that economic growth can, but does not automatically, reduce child poverty.

The issue of how economic growth and poverty reduction are related in the developing world has attracted attention from several researchers looking for a general pattern. The increased availability of data for defining and measuring poverty in the same way across countries has stimulated this research. One often-quoted such study is that of Dollar and Kraay (2002), who emphasize the role of economic growth in poverty reduction. Kraay (2006) uses a decomposition framework to analyse data, mainly from the 1990s, covering 80 developing countries. Analysis of spells of poverty change leads to the conclusion that cross-country differences in growth, especially in the medium- and long terms, are the dominant factors explaining changes in poverty. Combining this database on spells of poverty with information on sector value-added and global trade, Loayza and Raddatz (2010) investigate how the sectoral composition of growth affects the economy's capacity to reduce poverty. These authors conclude that growth in sectors intensively using unskilled labour have the largest potential to reduce poverty. Economic growth can in turn be stimulated by globalization. For example, based on data on 114 countries, Bergh and Nilsson (2014) report that globalization is negatively associated with poverty.

All those findings fit the experience of China, which experienced rapid economic growth stimulated by globalization during the earlier reform years. However, economic growth does not necessarily tell the complete story of how mass poverty is reduced. Fiszbein et al. (2014), based on the World Bank's ASPIRE dataset, including household survey data from many countries, demonstrate that social protection policies can also play a role in poverty reduction, a finding that should be applicable to China as well.

INCOME AND CONSUMPTION POVERTY AND ITS MEASUREMENT

Historically, poverty alleviation emerges first in an effort to preserve social stability, and only later for the additional purpose of improving the living conditions of the poor (see, e.g., Ravallion, 2016). 'Poverty' traditionally often refers to how many and who have income or consumption levels below a threshold specified in a poverty line.⁵ Several concepts are related to 'poverty' but do not strictly define it. For example, people who receive social assistance (an income-tested government transfer), in the Chinese case most importantly via the Dibao programme, can be referred to as 'the poor'. True through a process of means testing receivers of social assistance have been deemed as eligible to a payment aiming to reduce poverty. However, Dibao receipts also reflect the ambitions of Chinese central, provincial, and sub-provincial governments when it comes to supporting the poor, ambitions that vary across locations and over time.

In some cases, such as those of rural China and Hong Kong, official definitions and measurements of poverty exist. In these cases, researchers often choose to base their poverty assessments on the official definitions. In other cases, researchers have to convince policymakers and the general public that the definitions applied by them are relevant outside academia. In still other cases, researchers see their task as revealing circumstances that are relevant when policymakers are determining what should be meant by 'poverty'.

Several issues are involved in defining income or consumption poverty. One is the level at which the poverty line for a person living alone should be set, while another is whether and how spatial price differences within a country should be considered. Still another issue is whether the poverty line should take differences in household structure into account, i.e., the equivalence scale issue. Some researchers have used the so-called subjective poverty line approach in studying the perceptions of the general population regarding those issues. This is done by asking respondents how much money they consider enough for the household in which they live to make ends meet. The answers are often positively related to household income, but the elasticity with regard to household income is typically lower than 1.0. By estimating a regression equation, it is possible to determine the income level that respondents state is sufficient (Goedhart et al., 1977), a level that can be considered a poverty line. It is also possible to derive empirical equivalence scales from the data by considering variables measuring other household attributes.

Studies of China have used this approach to establish a poverty line and/or the implied equivalence scale. The first was by Gustafsson et al. (2004), who studied urban areas in 1999, followed by Bishop et al. (2006), who analysed data on urban China as of 1995. Gustafsson and Yue (2012) investigated responses from rural respondents, collected in 2002, who were asked one

question about the amount of grain necessary for the respondent's household and another about the amount of cash necessary. The results indicated that people in high-income counties perceived that more cash, but not more grain, was needed than was perceived by those living in low-income counties. From this it follows that rural Chinese respondents typically conceptualize poverty as in some sense 'relative'. The authors also report that respondents perceive that economies of scale exist in the amounts of cash needed for a household. Respondents also perceive that young children need less grain than do adults and that schoolchildren incur higher money expenditures than do adults. Such properties are not captured in the poverty line used by the World Bank or the official poverty line for rural China.

Poverty assessments require data. The National Bureau of Statistics (NBS) had long collected household data separately for rural and urban parts of China. A limitation of this approach was that people living in urban areas but with a rural hukou (i.e., registration) were usually not covered, which explains why rather few studies of the extent and profile of poverty among rural–urban migrants can be found. However, NBS has recently started using an integrated sampling frame. In addition, several research-related surveys can be used in mapping the poverty situation in China.⁶

TIME IN THE MEASUREMENT OF POVERTY

Time enters the conceptualizing and measurement of poverty in various ways. One issue is how to update a poverty line, a matter important in studies of how poverty develops over time, particularly in rapidly growing economies like that of China. One alternative is to update the poverty line according to changes in consumer prices, the approach followed in officially defining poverty in the United States. This kind of approach has often been criticized as potentially making such poverty measures socially irrelevant. When the general living standard is rising, aspirations of the population and policymakers increase, motivating an increase in the purchasing power of the poverty line. As we will discuss below, it is interesting to note that China has raised its official rural poverty line as the economy has grown.

The Special Administrative Region of Hong Kong has defined its official poverty line using a rather different approach to updating the poverty line. The same approach is also used in many poverty assessments of rich countries, for example, when Eurostat, the statistical agency of the European Union (EU) defines poverty in Member States, when the OECD compares poverty between rich countries, and in research comparing poverty in rich countries based on the Luxembourg Income Study (see OECD, 2008, Eurostat, 2016, and LIS, 2016). A household and its members living in Hong Kong are deemed poor if its income is under 50 per cent of median household income in Hong Kong as observed the

same year.⁷ The official estimate of the poverty rate in Hong Kong in 2016 was 15 per cent and Hong Kong's poverty has a clear age profile: not less than 32 per cent of the elderly were reportedly poor, compared with 17 per cent of children and 10 per cent of adults.⁸

Studies that apply a poverty line based on median income in the territory under study often update it to follow changes in income at the median or mean level. Consequently, during periods of economic growth, the purchasing power of the poverty line moves up, though the reverse can be the case if the real value of the median income falls. However, this is not the only possibility when starting from a purely relative poverty line. One can anchor the poverty line in a base year and then update it according to the consumer price index. For such an assessment of change in poverty in China, see Gustafsson and Wei (2000), who studied the development of poverty between 1988 and 1995. Those authors report that, despite rapid economic growth, the poverty rate defined in this way had decreased only slightly.

Issues of time are also relevant when assessing poverty at the household and individual levels. Experiences of poverty can be brief (i.e., temporary poverty), longer lasting (i.e., chronic or permanent poverty), and even last generations (i.e., intergenerational poverty). Often it is assumed that permanent poverty is more serious than temporary poverty. Measures to combat poverty can differ depending on how long the poverty lasts at the household and individual levels. The temporary poor by definition move in and out of poverty, and such movements as well as the reasons for and processes leading to them can be studied. The duration of poverty can be measured and analysed. Vulnerability to poverty during future periods can be simulated. Studying these matters requires panel data, which have now been used in several studies of rural China.⁹

MULTIDIMENSIONAL POVERTY

There is a newer development according to which broader circumstances than income or consumption are considered when assessing how many and who are poor. For some time, the United Nations Development Programme (UNDP) has published statistics capturing the extent of 'multidimensional poverty' in various developing countries. A recent such publication contains assessments of multidimensional poverty based on ten indicators measuring health, education, and asset ownership (UNDP, 2015). This development has stimulated research on poverty in China, and several studies of multidimensional poverty in China have recently been published.

Several authors have used data from more than one wave of the China Health and Nutrition Survey (CHNS). Labar and Bresson (2011) considered education and health in addition to income, finding that multidimensional poverty, like poverty indicators considering only income or consumption, declined during the period studied (1991 to 2004). Another example is Yu (2013), who used data for

2000–2009 capturing five dimensions of multidimensional poverty: income, living conditions, education, health, and social security. This study also reports a reduction of the extent of multidimensional poverty over time. The same finding was obtained by Qi and Wu (2014), who investigated changes in multidimensional child poverty by applying a battery of deprivation indicators. Finally, Yang and Mukhopadhyaya (2016a), who used data from the 2010 China Panel Study, considered five dimensions captured by thirteen indicators, deriving poverty estimates at the national, rural, urban, regional, and provincial levels leading to a range of results.

This short survey indicates that there is not yet a consensus on how to apply a multidimensional framework in poverty assessments of China. For example, one can vindicate the approach of Yang and Mukhopadhyaya (2016a), in which having access to social security as one dimension moves the study beyond mere poverty assessment, as the authors' measure incorporates how vulnerable households and their individual members are to shocks. One can claim that the multidimensional approach could better identify complex situations when narrowly focusing on income or consumption could mislead observers or policymakers. Actually, something similar would appear to have occurred if one had followed the official definitions of poverty in rural China. Gustafsson and Li (2004), who analysed the development of rural poverty from 1995 to 2002, demonstrated that, although the official poverty rate fell, rural households faced increasing costs of health care and basic education during this period. It can be claimed that such costs are largely not subject to choice and should be analytically treated like an income tax. Those authors demonstrate that adjusting the definition of income for health and education expenditures leads to the conclusion that rural poverty did not decline during the studied period.

RURAL POVERTY

The National Bureau of Statistics (NBS) has for some time published statistical information on the poverty rate and the size of the poor population in rural China;¹⁰ for example, in 1999 and 2000, the NBS used a poverty line set to CNY 625 per person per year. This was lower than the poverty line the World Bank applied for the same years when monitoring global poverty.¹¹ According to this criterion, no more than 3.7 per cent of rural inhabitants in China were poor in 2000, when the rural poor numbered 32 million. However, in 2000, the NBS introduced a 'low-income line' set to CNY 865 per person per year, reporting for that year that 10.2 per cent of the rural population had low incomes, excluding the 3.5 per cent deemed poor. The practice of using two cut-offs was discontinued in 2008 when the poverty line was raised to CNY 1,196 per person per year; the poverty line was increased further to CNY 1,274 per person per year in 2010 and to CNY 2,300 per person per year in 2011. Consequently, the official poverty

line for rural China has become higher than the global poverty line applied by the World Bank. The NBS (2016) reports that in 2015 in China, 55.75 million rural residents lived in households with incomes less than CNY 2,300 per person per year (at constant 2010 prices), a reduction of 14.42 million people since 2014, and that the poverty rate stood at 9.2 per cent. The NBS claim that 9.2 per cent of the rural population were poor in 2014, while the NBS had previously reported that 3.7 per cent were poor in 2000, must be understood in light of the fact that the definition of the poverty line has changed.

How should we understand declining rural poverty once we apply a definition that represents the same purchasing power in all years studied? At one level the answer is simple: the decline is driven by household income growth. However, income growth in China has not been the same for households at the bottom of the income distribution as for those higher up. Several studies have demonstrated that if those at the bottom of the income distribution had benefited proportionally from average income growth, the poverty rates would have declined still faster (see Yao, 1999, 2000, Yao et al., 2004, Zhang and Wan, 2006, Khan, 2008, and Goh et al., 2009). In this sense, China's growing inequality has hurt China's poor, leaving them behind. Ever since the reform started, and probably even before, rural households living in western China have had higher poverty rates than those living in the east. This discrepancy was actually exacerbated by government policy, as China opened up to foreign trade and investment first in its eastern part. For example, Gustafsson and Wei (2000) report that the poverty rate in eastern rural China fell from 9 per cent in 1988 to 5 per cent in 1995 while the poverty rate in rural western China increased from 27 per cent to 31 per cent.

Several studies have analysed the mechanisms by which economic growth has affected rural poverty in China. For example, since the initiation of economic reform, China's agricultural sector has become more commercialized and productive. Montalvo and Ravallion (2010) accordingly demonstrate, based on panel data for Chinese provinces, 1983–2001, that the primary sector, mainly agriculture, was the main driving force of poverty reduction. Agricultural production in turn can be affected by changed conditions of international trade, where the trend has been liberalization stimulated by China's accession to the World Trade Organization in December 2001. Huang et al. (2007) use a simulation model to predict the poverty consequences 2005–2010, finding that the effect of trade liberalization on the average household income in China was positive. However, trade liberalization was deemed disadvantageous for poorer households, particularly those living in the west. Before liberalization, farmers in the west were producing commodities that subsequently became subject to increased competition from imports.

Another mechanism of rural poverty reduction is that of household members taking up non-agricultural work, locally or by migrating. An increasing number of young rural adults have left their villages temporarily or permanently to earn income, predominately in cities. Many remit or bring back large parts of their incomes to their home villages. Du et al. (2005) demonstrate, based on analysing

the China Poverty Monitoring Survey (CPMS) covering nationally designated poor counties 1997–2001, that outmigration had reduced household poverty. However, the overall impact on poverty during this period was modest because most poor people had not migrated.

Poverty also is related to a lack of access to credit (Yuan and Xu, 2015) as well as low human capital. Adults with more education tend to be more productive than those with less or no education, and healthier people are in a better position to earn income than are the sick and frail. Rural China has seen a large expansion in education, and this should be another piece in the puzzle of decreased rural poverty. However, poverty among parents can mean that they cannot afford to keep their offspring in school, preventing them from choosing longer educations. Such a mechanism has been demonstrated to exist by, for example, Brown and Park (2002), who analysed 1997 data from six poor counties in six different provinces. Poverty in one generation can thus be transmitted to the next.

Poverty in rural China also has an ethnic dimension. Although most rural poor belong to the Han majority, Gustafsson et al. (2016), who analysed household data for 2011 from seven regions, found that poverty was more widespread among China's ethnic minorities than among the ethnic majority, and that most minorities appear to be more poverty prone than the majority. This was the case even when a number of factors related to household poverty status were considered. The risk of being poor in rural China was found to be related in an understandable manner to the altitude at which the household lives, the size of the fields it has the right to use, the educational level of members of working age, and household size.

MEASURES TO COMBAT RURAL POVERTY

Poverty alleviation in post-Mao China initially depended on economic reform. A further step was taken in 1986 when the Leading Group of Poverty Alleviation and Development was established and 331 counties were identified as poor. This meant that counties, not households, were targeted by various governmental programmes, based on the assumption that poverty is largely spatial and can therefore be combated by measures directed towards specific areas.

However, such a strategy has certain limitations. One is that resources are directed to local governments and might not reach poor households. Another limitation is that far from all poor live in officially designated poor areas and therefore cannot be reached by such policy measures. Regarding the latter, Riskin (1994) demonstrated, based on household data for 1988, that most poor actually lived outside the designated poor counties. Gustafsson and Wei (2000) demonstrated that most households living in poor counties were not poor, which constitutes another limitation of relying on a strategy that focuses poverty measures on selected counties. However, Park et al. (2002), analysing panel data for

1981–1995, found that an increasingly larger proportion of China's rural poor were living in counties covered by the policy. The same study also reported that in addition to economic circumstances, political factors had affected which counties were designated as poor. Another finding indicated that the effects on rural income growth of being designated a poor county were only modest, and the authors concluded that regional targeting may be a rather 'blunt instrument' for reaching the poor.

In 2001, public measures supporting the rural poor took a new direction. Public resources were directed by the government to villages officially designated as poor, not to poor counties. About 140 million people, or 15 per cent of China's rural population, lived in the officially designated poor villages. Under this programme, each designated village completed a public investment plan that was supposed to follow a procedure in which villagers voted to select projects. Park and Wang (2010a) evaluated the performance of the programme during its first years using household- and village-level panel data and matching methods. Their results indicate that the programme increased both government- and village-financed investments. However, the programme did not benefit the poorer households but rather increased the income and consumption of richer households. Available evidence indicates that a strategy of geographic targeting in poverty alleviation measures has limits. For example, it should be understood that there is substantial income inequality *within* poor villages (see, e.g., Li et al., 2009).

Public policy in China long had a strong urban bias, contributing to a large urban–rural income gap. However, since the beginning of this millennium, the central government has introduced a number of programmes aiming to make life better for rural residents. (See, for example, World Bank, 2009, Yang and Mukhopadhyaya, 2016b, chapter 3, and Yan, 2016.) One programme provides short-term training to farmers to help them transition to non-agricultural employment, often in urban areas. Agricultural taxes have been eliminated. Direct subsidies to agriculture, including grain and input subsidies (for fuel and fertilizers), have been introduced. The National Cooperative Medical Scheme (NCMS) has been scaled up in rural areas. Free compulsory education has been introduced. The income-tested Di Bao programme was rolled out to all of rural China in 2007, and had expanded to reach 54 million recipients as of 2013.¹² Looking ahead, it can be noted that China's top leaders have stressed that poverty alleviation is an important task in the country's 13th Five-Year Plan (2016–2020). In 2016, president Xi Jinping stated that efforts to alleviate and eliminate poverty must be more precise (see Pumin, 2016).

URBAN POVERTY

For a long time there was little reason to talk about urban poverty in China. Almost all urban residents lived in households maintained by earnings from

workers with stable employment in the state or the collective sector, while a few households were supported by pensions. A first change was when the administrative allocation of necessities was abolished as part of the reform process and food prices increased rapidly. In addition, fees for schools and hospitals rose, causing serious problems for those of lesser means (Meng et al., 2005). Changes during the second half of the 1990s were dramatic, as the lifelong bonds between workers and work units were dissolved and public enterprises laid off tens of millions of workers. Consequently, many workers left the workforce while others became unemployed looking for work.¹³

The other process leading to the increased relevance of talking about urban poverty has been the loosening of formal and informal restrictions on migration that, in combination with a large urban–rural income gap, has stimulated ever larger numbers of rural inhabitants to move to the cities. While many migrants have found jobs (although lower paid than those held by urban residents), some have not found work and many live in low-quality housing.¹⁴ While the government has taken measures to alleviate poverty among urban residents, very little has been done for the poor migrants. An ethnographic study conducted in north-east China also indicates that the two categories live largely separate from each other (see Cho, 2013).

During the 1990s, China saw the introduction and expansion of labour training programmes and early retirement payments. These measures declined in importance as the labour market situation improved in the early 2000s. In contrast, the number of recipients of the income-tested Di Bao programme grew to 21 million by 2002, and since has remained stable. There are now several studies of various aspects of this programme. A typical finding is that the social assistance payments appear to be strongly targeted towards the poor. However, as the Di Bao payments are typically small and many urban poor are not receivers, much urban poverty remains.¹⁵

There is no official poverty line for all of China. Studies applying a poverty line intended to represent the same living standard in urban as well as rural areas find that poverty is much less prevalent among urban residents than in the rural population (see, for example, Khan, 2008 and World Bank, 2009). Studies comparing poverty incidence based on household income among urban residents versus among rural migrants living in urban China have reached conflicting results. On one hand, Khan (2008), using 2002 data, reported that while no more than 2 per cent of urban residents were poor according to the higher poverty line the author applied, fully 14 per cent of rural-to-urban migrants were poor according to the same measure. On the other hand, Park and Wang (2010b), based on 2005 data from ten cities, found no large difference in the poverty rate between these two populations. These authors point out that although the hourly wages of rural migrants are much lower than those of local urban residents, rural migrant households have lower dependency ratios, higher labour force participation rates, and work longer hours.

Following urban residents and using a poverty line that captures the same living standard each year, one study analysing household data for 1988, 1995,

1999, and 2002 finds that urban residents have been ‘growing out of poverty’ (Appleton et al., 2010). However, as discussed in the section ‘Income and Consumption Poverty and its Measurements’, this is only one way to update the poverty line and perhaps not the best one in a rapidly growing economy like that of China. One can ask whether it does not instead make better sense to follow the practice applied for the official definition of poverty in Hong Kong and the EU, as discussed in the section ‘Income and Consumption Poverty and its Measurements’. The situation then appears rather different. See Figure 44.1, which for 1988, 1995, and 2002, uses the same data as used by Appleton et al. (2010) and adds data for 2007 and 2013.

In Figure 44.1 we see a very clear trend for an increasing number of individuals to fall under a poverty line set at a fraction of the median income observed in urban China in given years. For example, in 1988, 7 per cent of urban residents lived in households having income below 60 per cent of the median, and the proportion had increased to 21 per cent by 2013. Are the relative poverty rates in urban China in 2013 high or low in international comparison? One answer is that the 21 per cent under the 60 per cent of the median income poverty line in urban China is somewhat higher than the 17 per cent that Eurostat (2016) reports for EU 28 for the same year. Of those 28 countries, only Bulgaria, Greece, Rumania, and Spain have relative poverty rates of 20 per cent or higher. Another reference point is Hong Kong, where it is reported that 15 per cent of residents were under

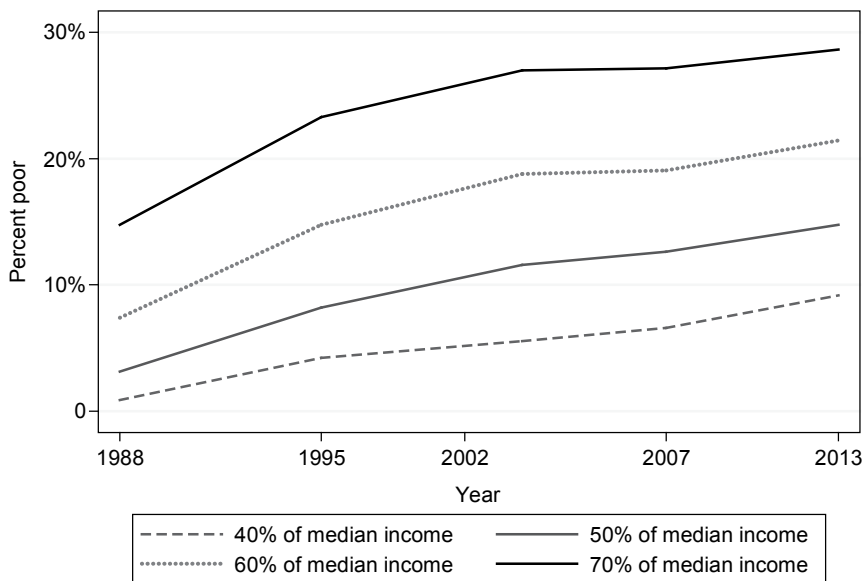


Figure 44.1 The development of relative poverty in urban China, 1988–2013

Source: Gustafsson and Ding (2017)

Note: The figure is based on CHIP data for the years 1988, 1995, 2002, 2007, and 2013 and pertains to urban residents.

the 50 per cent of median income poverty line, the same proportion as reported for urban China the same year (see Figure 44.1).

CONCLUSION

When economic reforms were introduced in China after Mao, the country was among the world's poorest. Since then, the Chinese economy has grown at a uniquely high rate for many years and China's reduction of rural poverty has become a global success story. Despite this, poverty with the full meaning it has in the developing world is a reality for millions of rural Chinese. These poor are more likely to be found in the lesser developed western parts of China; most of them rely greatly on agricultural self-production and are undereducated, and disproportionately many belong to China's ethnic minorities.

To improve the lot of China's rural poor, the Chinese government first applied broad growth policies: in the 1980s, it introduced measures targeting officially designated poor counties, replacing these in 2001 with policies targeting designated poor villages. Several other measures to improve the conditions of rural inhabitants have been taken since the beginning of the new millennium. That poverty alleviation is taken seriously in China is indicated by the existence of an official poverty line for rural China. Interestingly, the purchasing power of the official poverty line has gradually increased as China has become richer. During the same period something similar did not take place in the United States, a country that has an official poverty line.

While the rural poor represent China's old poverty, it has become increasingly germane to talk about poverty in the country's urban regions. It is unfortunate that China does not officially monitor poverty in urban areas, where a slight majority of the population now live, as it does in its rural areas. In the urban population having urban hukou income growth has not been equal and employment has decreased. Those issues deserve more research.

Another reason for welcoming more research on poverty in urban regions of China is that many rural residents have moved to the cities. Many live under poorer conditions than the urban residents. However, as shown above we have found very few studies focused on the extent of income or consumption poverty among rural-to-urban migrants and their results do not point in the same direction. Pay attention to that migration and poverty is a complicated issue. Migration in contemporary China is often temporary. Many migrants choose to save a large proportion of their incomes with the purpose of sending them to their families or spending them when returning to the home village. Migration, can as we have discussed above, be a road out of rural poverty. A full-sided analysis of migration and poverty in China needs to take more than one mechanism into account. Panel data so individuals can be followed over more than one period is required. It is a large challenge to collect such data having a large spatial coverage.

Finally, in China as in all countries, the production of knowledge on poverty strongly depends on access to good data. China has developed an official system of household statistics with one statistical bureau at the national level and bureaus at the provincial level. The content and quality of information collected in and published from this system is crucial for how policymakers comprehend poverty. In many countries researchers can have access to the information for each household sampled. There can be a division of labour between the statistical bureaus and the research community meaning that each side concentrates on what it is good at: the statistical bureaus on sampling households and collecting data, the researchers on analysing the data. In the best case, there is also feed-back from researchers so they can influence which data are collected. Improved access for researchers to microdata collected by the statistical bureaus and increased intellectual exchange between officials at statistical bureaus and researchers have the potential of making differences in what we can know about poverty and its alleviation in China.

Notes

- 1 Two early annual World Development Reports (World Bank, 1990, 2000) focus on global poverty. For discussion of how to measure global poverty, see for example Deaton (2005), Anand et al. (2010), a special issue of the *Journal of Economic Inequality* (2016) (Number 2), and World Bank (2017).
- 2 See Ferreira et al. (2016).
- 3 For how estimates of PPP have developed see for example Heston (2017). Several issues encountered in estimating PPP should not be underrated, as they can affect estimates of poverty for single countries.
- 4 The numbers cited here are not identical to those previously reported by the World Bank for the same years; on the revision of the World Bank's estimate of poverty in China, see Chen and Ravallion (2010). See also Ravallion and Chen (2007) who conclude that while the incidence of extreme poverty fell dramatically in China over 1980–2001, progress was uneven over time and across provinces.
- 5 The international literature contains examples of data on both household income and wealth being considered when assessing poverty (see, e.g., Azpitarte, 2012). So far, this does not seem to have been done for China, though You (2014) analysed poverty in household assets (but not income) in rural China using data from CHNS, 1989–2006.
- 6 For a discussion of NBS household data and research-initiated data, see Gustafsson et al. (2014). Zhang et al. (2014) estimated 2010 poverty rates from various research-initiated surveys and reports, most of which find poverty rates higher than reported in official statistics. These authors suggest that the alternative estimates are in some senses 'truer' than the official ones, though this judgement is not necessarily shared by other observers.
- 7 Household income is adjusted by an equivalence scale.
- 8 See Government of the Hong Kong Special Administrative Region (2017). The approach of setting the poverty line at 50 per cent of the median income in a Chinese city was previously applied by Wong (1995, 1997). Saunders (2007), in a study of poverty among elderly living in urban China, takes a similar approach by defining the poverty line as 50 per cent of the median or 50 per cent of the mean income in urban China. Other examples of authors basing a poverty line for China at the contemporary median are Osberg and Xu (2008) and Qi and Wu (2016), the latter concentrating on poverty among children.

- 9 Such studies include those of Jalan and Ravallion (2000), McCulloch and Calandrino (2003), Gustafsson and Ding (2009), Duclos et al. (2010), Glauben et al. (2012), Imai and You (2014), and Ward (2016). For a survey on concepts and measurement on vulnerability to poverty see Fujii (2016).
- 10 A compilation of the official poverty lines and estimates for the 1978–2013 period can be found in Yang and Mukhopadhaya (2016b, p. 79).
- 11 The NBS bases its estimates of rural poverty on household income, the World Bank on consumption.
- 12 Golan et al. (2017) are among the first to evaluate the rural programme, finding that it provides sufficient income to poor beneficiaries but does not substantially reduce the overall level of poverty, partly because the number of beneficiaries is small relative to the number of poor.
- 13 See, for example, Solinger (2002) and Liu and Wu (2006). Fang et al. (2002) investigated urban poverty 1992 to 1998. Giles et al. (2006) applied definitions in line with International Labour Organisation (ILO) recommendations, reporting that the employment rate dropped by as much as 12.2 percentage points from January 1996 to November 2010. For a study examining the employment situation in 1988, 1995, 2002, and 2007, see Gustafsson and Ding (2013).
- 14 For a comparison of jobs and earnings among migrants versus urban residents, see, for example, Démurger et al. (2009), and for a comparison of housing among migrants versus urban residents, see, for example, Sato (2006).
- 15 Examples of the growing literature investigating various aspects of the Di Bao programme in cities are Gustafsson and Deng (2011), Solinger and Hu (2012), Ravallion and Chen (2016), and Gao (2017).

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Regional Inequality: Scales, Mechanisms and Beyond

Felix Haifeng Liao and Yehua Dennis Wei

INTRODUCTION

It has been almost four decades since China implemented open-door and reform policies in the late 1970s. The Chinese economy has transformed from a centrally planned system to a market-oriented one, with an annual growth rate of over 8%. The success of the reform, however, has hardly been distributed evenly across provinces, cities, and counties. The Gini coefficient of wealth inequality in the Chinese society was as high as 0.73 in 2012 (Xie and Yu 2015). China has faced many big challenges because of intensifying provincial economic inequalities and a widening rural–urban divide (World Bank 2011, Fan, Kanbur, and Zhang 2009). Given its size, diversity, and identity as a transitional and developing country, China provides one of the best laboratories to study regional development and inequality, and has drawn worldwide attention.

Regional inequality has been a major concern for the Chinese government, as it poses serious challenges to national unity and societal stability, conflicting with the socialist ideology (Wei 1999). With rapid growth of export-oriented manufacturing in the coastal region, the Ninth Five-Year Plan (FYP) (1996–2000) considered regional inequality and polarization as one of the most important issues in policy making. The central government gave a high priority to regional inequality (Wei 2002). Since the late 1990s, the central government promulgated a number of specific spatial policies towards inequality reduction. Examples include the Western China Development (*xibu dakaiifa*) announced in 1999 during the Ninth

FYP, reviving Northeastern Region (*zhenxing dongbei*) and the resurgence of the central region (or *Zhongbu Jueqi*, both during the Tenth FYP, 2000–2005).

In the early 2000s, following the concept of ‘harmonious society’ (Fan, Kanbur, and Zhang 2011), inequality and poverty alleviation have received more attention in China’s Eleventh FYP (Fan 2006). One of the key elements in Hu’s ‘harmonious society’ strategy was the battle with inequality and solving the problem of underdevelopment in rural China (Li, Sato, and Sicular 2013). Under Xi’s regime, an ambitious international development program called the ‘Belt and Road’ came to the fore, aiming at collaboration with countries in Central Asia (Li 2016). These programs have been associated with large-scale infrastructure development to support development in inland regions (Shi and Huang 2014). Scholars once again disagree over the efficacy of these successive rounds of development policies in reducing regional inequality, and they question whether the massive investments made to these regions have had observable effects (Chen 2010, Chen and Groenewold 2010).

Thanks to the uneven impact of global economic crisis, inequality has once again become a hotly debated topic (Stiglitz 2012), engaging top world leaders, including those of the United Nations (UN), the World Bank and the United States. Equity has even become a top sustainable development goal of the UN’s post-2015 development agenda, and the focus of the war on poverty has shifted towards the war on inequality. The renewed interests in spatial and regional inequality at the global level has also led to an explosion of new empirical research on regional inequality in China (e.g., special issues published in *Applied Geography*, *Geographical Review*, Fan Kanbur and Zhang 2009, Yu 2011, Li Sato and Sicular 2013, Jiang 2014). However, it is surprising that there have been only a few evaluations of the debate over regional inequality and disparities in China, except for Wei (1999), and, to lesser extent, Wei (2007, 2017).

This chapter aims to make a timely contribution to a comprehensive review of the literature on regional (economic) inequality in China. The chapter summarizes the scope, the approaches, and the findings of this cuprous research domain. It also pays more attention to the role played by scale, space, and time in the studies of regional inequality in China, addressing the applications of space–time analysis techniques in a geographic information systems (GIS) environment. Moreover, we discuss critical data issues that troubled researchers in the past. The chapter concludes with a review of future directions.

STUDIES OF REGIONAL INEQUALITY AND CONVERGENCE IN CHINA

Publications on regional development and inequality in China can be traced back to the Lardy–Donnithorne debate in the 1970s, which emphasizes the association between changing spatial allocation of investment funds during the Mao period

and the change in regional economic disparity (Wei 1999). The disagreement about the trends and sources of regional inequality continued during the 1980s and the 1990s (Wei and Ma 1996, Weng 1998, Song, Chu, and Chao 2000). In the 1980s, regional development had been experimental, and encouraging coastal regions to 'get rich first' was a more critical concern. Consequently, the economic reform unleashed new forces that led to spatial restructuring of industries, whereas coastal provinces have benefited more from these changes (Wei and Ma 1996, Fan 2006). Recent studies have reached the consensus about the rising gap between coastal and inland areas and increased rural–urban divide during the reform era, but scholars tend to disagree over regional convergence or divergence among provinces (Fan and Sun 2008, Fan et al. 2009, Li and Wei 2010a, He, Bayrak, and Lin 2017).

Regional inequality studies in China have covered the oscillation in regional inequality through the journey from central planning to the reforms (Kanbur and Zhang 2005). Scholars have found that before the establishment of the PRC in 1949, uneven development in China was already evident, characterized by a more developed coastal region due to its geographical location and legacy of colonialism (Yu and Wei 2003, Wei 2007). Using newly released data, works in the mid-1990s presented a more complete landscape of uneven regional development in China and extended to data in the 1980s (Wei and Ma 1996).

Studying regional inequality in China is productive. Many regional economists employed the neoclassical growth models to analyze change in regional inequality in China. The modeling specifically adopts two concepts of convergence: 1) σ convergence, which occurs when the divergence of per capita income or output across regions decline over time, and 2) β convergence that refers to the tendency for initially poorer regions to develop more rapidly than richer areas (Barro and Sala-I-Martin, 1995).

Lyons (1991) conducted a pioneering study and found that the economic status of Chinese provinces diverged from 1966 to 1976, resulting in rising regional disparities during the period of 'Mao radicalism.' Using a neoclassical convergence paradigm, Jian et al. (1996) took a step further and identified regional convergence among Chinese provinces in the early stage of the reform (1978–1985), and a divergence trend after 1985 (Chen and Fleisher 1996, Jian, Sachs, and Warner 1996). Although convergence or divergence following the neoclassical thoughts remain prevalent (Yao and Zhang 2001), researchers tend to agree that the coastal and inland divide has persisted during the reform era, but findings from most recent literature have been inconclusive (Sakamoto and Islam 2008, Li and Gibson 2013).

Focusing on the different 'ergodic distributions' before and after the reform, additional evidence has been provided about uncertainties towards convergence at the provincial level (Sakamoto and Islam 2008). In contrast, using the indicators of capital intensity, labor productivity, and total factor productivity, or TFP, Herrerias and Monfort (2015) found that convergence among provinces

is evident when analyzing the data for the period of 1952–2008. Most in the framework of convergence analysis, scholarly attention has also been directed to the notion of *club convergence*, which refers to the convergence process in different regions or locales with similar economic conditions. Studies applying the concept tend to define clubs based on the predefined coastal–inland divide (Phillips and Sul 2007, Lau 2010). However, some empirical work found that dual-convergence club based on usual and coastal-versus-interior classification could hardly explain the spatial patterns of provincial level economic growth differentials (Pedroni and Yao 2006).

SCALES OF REGIONAL INEQUALITY

The neoclassical account for uneven development was founded upon assumptions of economic rationality, perfect mobility, perfect information, and competition, basically drawing upon the thinking of equilibrium (Chen 2010). Economic geographers or other researches would like to focus on the spatiality or multi-scalar nature of regional inequality (Li and Wei 2010b, Wei 2015, Wei 2016). In the case of China, regional inequality has been examined at different scales including interregional, interprovincial, intra-provincial, and urban–rural scales (Figure 45.1).

First, regional inequality in China is sensitive to geographical scales. Interregional inequalities have been intensified after the reform, but there was a

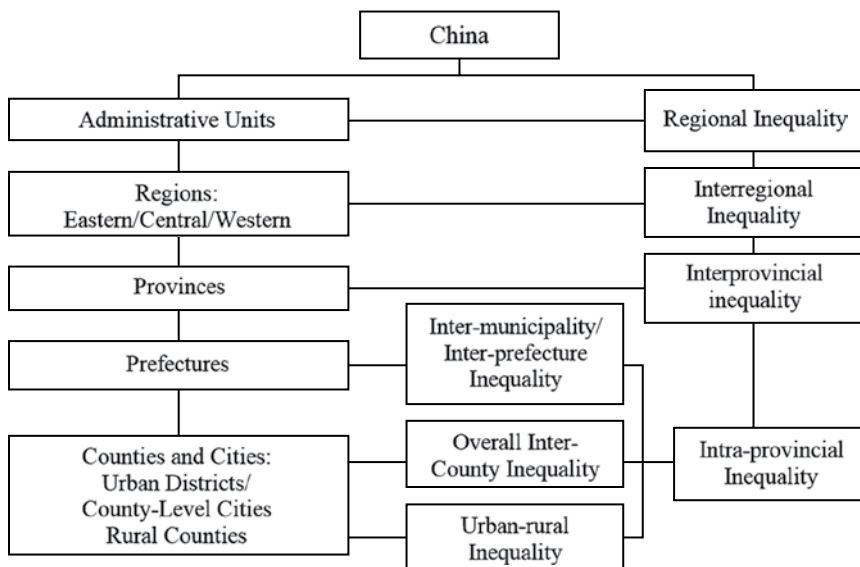


Figure 45.1 A typology of multi-scalar regional inequalities in China

Source: Adapted from Wei and Ye (2009) and Liao and Wei (2012)

Table 45.1 Interprovincial and interregional inequalities in China, 1952–2013

Year	<i>Interprovincial inequality</i>			<i>Interregional inequality</i>		
	<i>Theil</i>	<i>CV</i>	<i>GINI</i>	<i>Theil</i>	<i>CV</i>	<i>GINI</i>
1952	0.068	0.566	0.245	0.012	0.162	0.081
1960	0.171	0.775	0.331	0.019	0.199	0.108
1965	0.098	0.612	0.263	0.010	0.142	0.077
1970	0.140	0.837	0.328	0.023	0.222	0.121
1975	0.163	0.929	0.356	0.033	0.265	0.141
1980	0.154	0.949	0.346	0.038	0.282	0.146
1985	0.135	0.879	0.327	0.041	0.295	0.152
1990	0.132	0.837	0.324	0.050	0.326	0.164
1995	0.158	0.880	0.355	0.089	0.438	0.217
2000	0.175	0.951	0.377	0.102	0.469	0.232
2005	0.194	0.970	0.395	0.115	0.501	0.246
2010	0.189	0.928	0.396	0.111	0.490	0.240
2013	0.173	0.887	0.383	0.097	0.458	0.223

Notes: GDP per capita is calculated based on 1978 constant price GDP and *hukou* population

noticeable drop of interprovincial inequality in the 1980s (Fan 1995, Fan 1997). As shown in Table 45.1, in comparison with regional income gaps among provinces, interregional inequality consistently increased over the past sixty years (1952–2013). Values of the Theil index, CV, and the Gini coefficient increased by 798%, 284%, and 276% respectively during the period 1952–2013 (Table 45.1), while interprovincial inequality, with respect to the values of the Theil index, CV, and the Gini coefficient, rose by 253%, 157%, and 156% respectively.

Second, decomposition analysis has been widely used in the literature, since it can quantify the relationship between regional inequalities at different scales (e.g., interregional and intraregional inequalities) (Fan and Sun 2008). As evidenced in Figure 45.2, interprovincial inequality actually fluctuated but interregional inequality has increased consistently since 1952, despite a noticeable drop after 2007. Moreover, interregional inequality increased in most of the time during the past six decades (Figure 45.2), but due to the recent decrease after 2007, interregional inequality in 2013 has returned to the same level in 1998. The level of spatial inequality within regions also fluctuated in the pre-reform era (1952–1978) and generally followed the trajectory of interprovincial inequalities before the reform.

The level of intra regional inequality peaked in 1975 and substantially declined during the reform period as demonstrated in previous literature (Tsui 2007, Fan and Sun 2008, Fan et al. 2011). It is also worth noting that the intraregional inequality's contributions to the total inequality at the provincial level were overtaken by interregional inequality after the early 1990s (Figure 45.2). The general declining intraregional inequality masks the changes of intraregional inequality

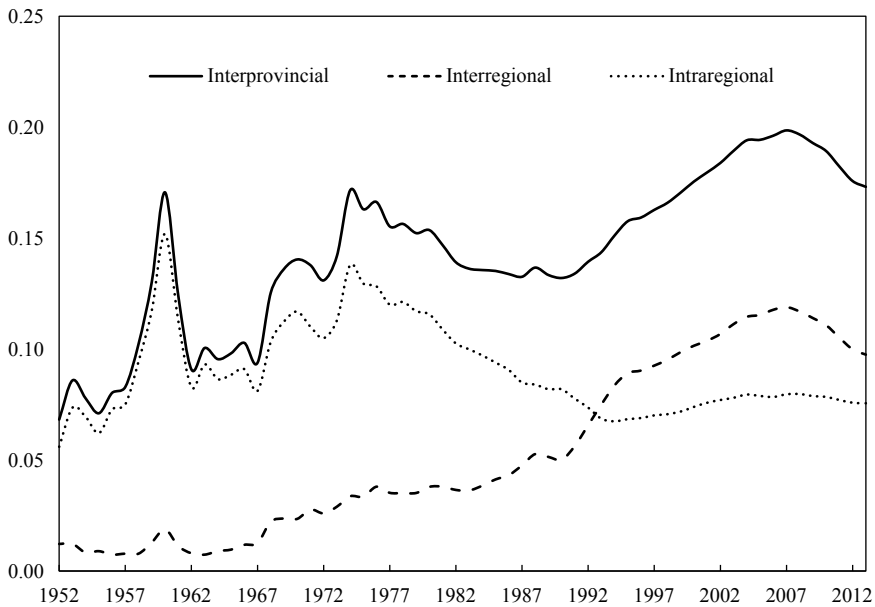


Figure 45.2 Decomposition of interprovincial inequality using Theil Index, 1952–2012

within each region. In comparison with intraregional inequality within the central and western regions, intraregional inequality in the eastern region was considerably high. Intraregional inequality within the eastern region is obviously a primary contributor to the total intraregional inequality.

Third, the scale of analysis in this area has more recently extended to county or city level data covering the whole country. Studies have provided a comprehensive analysis of the multi-scalar nature of regional inequality in China (Song et al. 2000, Cheong and Wu 2013, Li and Fang 2016, Cheong and Wu 2018). Li and Fang (2016) found the speed of convergence among 2,286 urban and county units was slightly faster than those at the city level over 1992–2010. He et al. (2017) also found that county level inequalities demonstrated a consistent upward trend, while convergence after 2004 has been evident at the provincial and prefecture levels. Therefore, there is no clear evidence to suggest regional inequality in China follows a convergence, divergence, or inverted-U pattern hypothesis. Changes in regional inequality are sensitive to geographical scales.

Fourth, there has been a growing body of literature on intra-provincial level regional inequality (Wei 2000, Wei and Fang 2006). Hotspots of intra-provincial analysis include Guangdong, Zhejiang, and Jiangsu (Wei and Kim 2002, Ye and Wei 2005, Wei and Fan 2000, Wei 2007, Yu, and Wei 2008, Wei and Ye 2009, Wei, Yu, and Chen 2011, Liao and Wei 2012). Inland and western provinces such as Henan, Guangxi, and Guizhou have also been analyzed in recent

literature (Li and Wei 2014, Sun et al. 2016, Dai et al. 2017). These studies have documented diverse evidence and enrich our understanding of the multi-scalar nature of regional inequality that could not be accounted for in the abovementioned national level analysis.

CHANGING MECHANISMS OF REGIONAL INEQUALITY

Scholars have for some time debated the sources of regional inequality in China. Earlier work tends to focus on the effect of economic transition, such as fiscal decentralization (Wei 2000, Tsui 2007, Wang 2010, Song 2013), labor market distortion (Cai, Wang, and Du 2002), and trade or exports (Fujita and Hu 2001, Kanbur and Zhang 2005), on the changing level of regional inequality in China. Scholarly attention was directed to the role played by institutions, especially the Chinese estate and the central–local fiscal relationship (Fan 1997, Wei 1999, Wei and Fan 2000, Wang 2010).

Recent investigations have extended to other factors like human capital (Fleisher, Li, and Zhao 2010), financial mediation (Chen, Liu, and Zhang 2010), industrial agglomeration (Ge 2009, Ke 2010), and public infrastructure investments (Wang and Zhang 2003, Yu et al. 2011), and other mechanisms. Li and Fang (2014, 2016) comprehensively evaluated the mechanisms behind uneven regional development at the county level and results emphasize the critical role played by industrialization and decentralization (Li and Fang 2014, 2016).

The complexity of regional development mechanisms under economic transition also prompts researchers to develop new conceptual frameworks that could be more applicable to the case of China. Specifically, Wei (1999, 2000, 2002) argued for a multi-mechanism approach and advocated that regional development mechanisms in China can be better conceptualized into a triple process of economic transition, including 1) from a closed or self-reliant system to an open economy increasingly integrated into the global economy (globalization), 2) from a state- and collectively owned economy to a market-based system with growing level of private ownership (marketization), and 3) the political and fiscal system increasingly decentralized in the post-reform era (decentralization) (Wei 1999, 2001, 2002).

Different from the conventional approach, geographers tend to focus more on the question how different growth paths or trajectories at the local level can help us to understand the sources of regional inequality in China (Wei 2007, Wei and Ye 2009). This approach is more popular in those intra-provincial level investigations. Studies found that the rise of Wenzhou model in Zhejiang has contributed to the changing spatial pattern of economic development, which has shifted from the north–south divide to a coastal–inland one (Ye and Wei 2005, Wei and Ye 2009). In Jiangsu, bottom-up restructuring of the Sunan model (i.e., economic development driven by booming Township and Village Enterprises (TVEs) has intensified the gap between Sunan (South Jiangsu),

Suzhong (Central Jiangsu), and Subei (North Jiangsu) (Wei et al. 2011, Yuan, Wei, and Chen 2014).

Scholars are also concerned about the transformation of the Pearl River Delta (PRD) model in Guangdong and its implications for regional development disparities between the core region and the rest of the province (Lu and Wei 2007, Liao and Wei 2012). Recent works document the evolution of regional institutions and how it changes the dynamics of regional development in the PRD (Yang 2012). Zhang and Peck (2016) took a step further and found that these heterogeneous particularities are fundamental for understanding uneven regional development in China, which could hardly fit into the analytical boxes of Anglo-American liberal market economy and German-style coordinated market economy. Therefore, analyzing different regional models or 'regional capitalism' would provide new information about underlying mechanisms of uneven regional development in China.

SPACE, TIME, AND, ANALYZING REGIONAL INEQUALITY WITH GIS

Many studies focusing on regional inequality in China have employed spatial econometric modeling and geographic information systems (GIS) spatial analysis methods. This strand of literature tends to emphasize the role played by space and time, and explicitly takes into account the role of geography.

First, geography matters in regional development. Physical geographical characteristics, such as elevation, and other natural endowments (e.g., water resource and arable land), which can be simplified into the first-nature of geography, impose fundamental challenges for a balanced development (Liu and Xie 2013, Li and Fang 2014), reinforcing the core-periphery divide of development in China (Wei and Fang 2006, Liao and Wei 2012).

Second, following Krugman (1991)'s new economic geography theory (Rey 2004, Rey and Janikas 2005), more recent studies adopt a more microeconomic lens to consider the effects of self-reinforcing agglomeration or the second nature of geography (Ying 2000, 3000, Yu and Wei 2003, Ye and Wei 2005). Liao and Wei (2012) employed the spatial Markov-chain technique to a county level dataset in Guangdong province and found that mobility of the county's income per capita is sensitive to the status of the neighborhood. Li and Fang (2016) suggested that the β convergence ratio at the county level could increase by 77.86% if spatial effect is accounted for (p. 15). Other studies also found spatial association measured by Moran's I statistics has constantly increased over time as compared to the fluctuation of other inequality index values (e.g., Theil, GINI, and CV) during the same study period (Ye and Wei 2005). The results confirm the pervasive force of agglomeration that operate at the local level and the hidden sources of inequality in relation to agglomeration economies and spatial interactions (Wei and Ye 2009).

Third, regional inequality is sensitive to time (Wei and Ye 2009, Ye and Rey 2013, Wei 2015). Evolution of regional development disparities could not be simplified into either convergence or divergence. Researchers adopted a distribution dynamics approach that emphasizes changes in regional income distribution (Quah 1993, Quah 1996), and studies have employed Markov chains to predict or quantify the long-term distribution of economic development (Wei et al. 2011, Liao and Wei 2012, Villaverde and Maza 2012, He et al. 2017). Some studies done by economists further drew upon the notion of ‘structural breaks,’ and used advanced econometric techniques (e.g., the vector-autoregressive (VAR) model) (Groenewold, Lee and Chen 2007). For instance, Ho and Li (2008) used the unit root testing of structural changes of regional inequality measures for economic inequalities at the provincial level, and identified ‘breaks’ were in line with such episodic events as the Cultural Revolution and market reforms. The findings confirm the effect of policy shocks on changes in regional inequality (Ho and Li 2008, Chen 2010, Chen and Groenewold 2010).

Last, geographers tend to favor the abovementioned bottom-up approach when analyzing the changes in regional inequality over time. Recent studies have also been fueled by the advancements of space–time data analysis techniques in the field of GIScience (Ye and Rey 2013, Gu, Zhou, and Ye 2016, Wang, Z et al. 2016). Through analyzing continuous time series space data, studies have provided a more nuanced understanding of the space–time process of economic development at the local level and its consequence related to the development gap between regions (Gu et al. 2016). In addition, studies that integrate spatial–temporal modeling with the triple-process transition framework provide additional empirical insights. As an example, Li and Wei (2010b) employed multi-level modeling that explicitly identified the spatial and temporal hierarchy of regional development mechanisms in China. Results further clarified the effect of foreign direct investment (FDI) and socialist market reform on regional development disparities. Liao and Wei (2015) revealed the core–periphery heterogeneity of development mechanisms in Guangdong and reiterated the importance of FDI for regional inequality.

EVOLVING DATA LANDSCAPES FOR REGIONAL INEQUALITY STUDIES

Research on regional inequality in China faces challenges with respect to data availability and quality. Publications in the 1970s and 1980s were constrained by the incomplete dataset that could not even cover all of the Chinese provinces (Lyons 1991). Publications in the 1990s focused on the gross value of industrial and agricultural output (GVIAO) rather than GDP, which may result in the problem of double counting (Fan and Sun 2008).

GDP is still regarded as the best indicator in the studies of regional (economic or income) inequality in China, as it provides most continuity data that covers

the large time span. While recent studies have been able to use GDP data at the county level which is the most disaggregated spatial unit in China, data issues remain troublesome. Specifically, due to the lack of consistent deflators, studies have to employ current-price or nominal GDP data (Gu et al. 2016). As wealthier places appear to have higher costs of living, and using nominal GDP data could overestimate the degree of regional inequality (Brandt and Holz 2006). Based on the study done by Li and Gibson (2013), if interprovincial inequality is measured using nominal GDP data, there would be a 20–40% increase of the Theil index values. Recent work has been able to employ nation-wide and comparable price deflators at the provincial level across a longer period, but intra-provincial studies are largely constrained by the nominal GDP data.

Similarly, the key indicator of economic development, i.e., GDP per capita, is often calculated using the *hukou* population, which refers to the population with residence status in China's household registration system. Because coastal provinces have hosted a large number of non-*hukou* migrants, the degree of regional inequality could be overestimated (Chan and Wang 2008). Some studies demonstrated the calculation using different population data could even change the judgment of divergence or convergence (Li and Gibson 2013). However, because the registered population has better access to jobs and public services, the two types of population might be complementary. Inequality between *hukou* and residential populations actually reflects the nature of China's institutionally created inequality (Wei 2016).

Because GDP and population statistics are aggregated using administrative boundaries, studies on regional inequality have also recognized the influence of using different administrative boundaries and regional participation schema on inequality measures. Li and Wei (2010b) compared the regional inequality with and without consideration of centrally administered municipalities, and results showed that regional inequality has dropped down significantly after removing the four centrally administered municipalities of Beijing, Shanghai, Tianjin, and Chongqing (Li and Wei 2010b). This issue could be more pressing for finer scale investigations as the economic transition has strong administrative boundary effects. More recent work has documented that different findings regarding the extent of regional inequality could be attributable to different spatial partitioning systems, because there has been a trend of merging suburban counties into central urban districts since the early 2000s (Zhang and Wu 2006, He et al. 2016).

Although GDP per capita serves as the most commonly used indicator in the literature, recent studies have broadened our understanding of regional economic inequality by using alternative datasets. Firm level survey data become an alternative dataset (Ge 2009, Rizov and Zhang 2014, He, Zhou, and Zhu 2016). Rizov and Zhang (2014) studied the micro-level firm statistics to describe the sources of regional inequality in China and found clear evidence of regional convergence in terms of productivity level (Lemoine, Poncet, and Unal 2015, He, Zhou,

and Zhu 2017). Scholars have increasingly recognized the advantages of utilizing firm level statistics in studying spatial inequalities as they could be readily decomposed into different scales (e.g., regional, urban–rural, coastal–inland, and intra-provincial versus interprovincial). However, most of these firm-level data are focused on manufacturing, and results can hardly be compared to those using output data.

CONCLUDING REMARKS AND FUTURE DIRECTIONS

Regional inequality has been a hotly debated issue associated with poverty reduction and sustainable economic growth in China (Glauben et al. 2012). This chapter has reviewed a large body of literature on regional inequality in China. It has paid particular attention to two strands of literature, including one on the scales and spatiality of regional inequality and underlying mechanisms, and the other on the applications of spatial thinking and GIS methods.

Overall, the literature suggests changes of regional inequality in China coincide with different phases of the reform, while the neoclassical account of regional inequality tends to underestimate the spatiality of regional inequality. Empirical studies have provided clear evidence that the evolution of regional inequality in China cannot be oversimplified into convergence, divergence, or inverted U patterns. The degree of inequality is sensitive to geographical scales. Although interprovincial inequality fluctuated, interregional inequality has risen despite a noticeable drop after 2005. From our review of the empirical literature, we further summarize several areas that could offer potential fruitful avenues for future research.

First, although recent down-scale analyses at the county level have been informative (Zhang and Xu 2011, Li and Fang 2014), the interrelationship between spatial inequalities at multiple scales has by no means been thoroughly explored (Lu et al. 2015). In the era of big data, spatial inequality may be addressed using alternative data sources that are readily interpolated across different geographical scales (Wang, Cheng and Zhang 2012, Zhou et al. 2015). For example, Zhou et al. (2015) used satellite nighttime light images and population census data to analyze the degree of intraregional inequality. The emergence of big data has also provided a new horizon for researchers to explore the spatiality of inequality even at neighborhood scales (Long, Shen, and Jin 2016).

Second, existing studies of individual level or interpersonal inequality (e.g., wage inequality) in China (Benjamin, Brandt and Giles 2011) and work on regional inequality (e.g., economic output disparities) remain largely disconnected. Social scientists, especially sociologists, have produced a vast body of literature on individual or interpersonal level inequality in China using census or survey data (Brajer, Mead, and Xiao 2010, Li et al. 2014). However, the spatial dimension of this level of inequality remains largely understudied, although the

research on this topic has been found critical in recent studies in the context of more developed economies (Moser and Schnetzer 2015, Rey 2018).

Third, regional inequality has been shaped by the connections between different places over space and time. The application of newly developed spatial or social network analysis techniques could help advance our understanding about the spatial networks in relation to regional economic inequality in China. While this line of inquiry has resulted in recent publications addressing spatial inequality in Asia and southeast Asia, more studies focusing on internal flows and connections within China are intriguing (Wei 2016), especially those done by using spatial linkages, input–output, and trade flows data (Liu, Dai, and Derudder 2017).

Fourth, work on regional inequality has been closely tied to public policy analysis. Previous work has documented the pervasive effects of spatial policies such as the growth pole strategies on regional disparities (Ke and Feser 2010). As China's economic transition continues and reform deepens, other mechanisms or large-scale development projects will leave their footprints. For instance, studies that focus on the constructions of high-speed railway and urban roads have pointed out that high-speed railway development has contributed to economic convergence at regional scales (Jiang and Kim 2016), but reinforced the disparities between city proper and their nearby rural counties (Ding 2013, Qin 2017). Similarly, when China's economy becomes more innovation- or knowledge-based, new forms of regional inequality have been generated (Lu and Wei 2007, Fan, Wan, and Lu 2012). Researchers are also concerned about the regional effects of reducing emission policies that may result in adverse economic consequence (e.g., exacerbating the already large regional disparities) (Chen and Groenewold 2015). Spatial policies that aim to reduce regional inequality may still conflict with other economic development or growth strategies, and research on the distributional impacts of these policies or development projects will be of great significance.

Fifth, while this chapter mainly reviews the work focusing on regional income or economic inequality, the scope of regional inequality studies in China has been broadened to spatial inequality in social and public services, and regional disparities in other dimensions such as innovation (Wang and Zhang 2003, Li and Wei 2014, Wang et al. 2016). Public services developed hand-in-hand with economic growth, whereas the distribution of these services in China is highly uneven. Health care services, for instance, have been agglomerated in central cities, while rural areas and inland provinces have lagged further behind during the reform era (Zhang and Kanbur 2005, Li and Wei 2010a). Financial exclusion has also been noted, and poor farmers are still spatially excluded from important financial services such as loans (Yeung, He, and Zhang 2017). Other dimensions of social inequality such as digital divide and inequality in happiness create new opportunities for research (Lam and Liu 2014, Wang et al. 2016), which echoes the increased interests in the interrelationship between interpersonal and spatial inequalities as discussed in the previous sections.

China's development is, to some extent, at the expense of environmental pollution and degradation. Focusing on issues related to environmental inequalities, one of the most heated debates is the spatial convergence of carbon dioxide (CO₂) emissions (Huang and Meng 2013, Wu et al. 2016). Future studies could further our understanding of the spatial inequalities in energy consumption, which could shed light on the broader concern about the relationship between development and environmental sustainability in China (Wang 2013, Sheng, Shi, and Zhang 2014).

Finally, as China has experienced unprecedented urbanization, increasing attention has been paid to urban inequalities. Scholars debate over inequalities in urban China by addressing some urban problems similar to those found in the United States, such as residential segregation, spatial mismatch, and digital divide (Wang and Chai 2009, Lin and Gaubatz 2017, Wang et al. 2016). Under the reform, the spatial distribution of public services has experienced dramatic changes. Studies have found intensifying housing inequality in China, reflecting the structural force that shape neighborhood level inequalities (Long et al. 2016). Spatial agglomeration of resources in cities has also led to the rising gap between urban and rural areas and results in deterioration in some rural counties and small towns (Fu and Ren 2010). Therefore, this chapter also calls for more studies dealing with urban–rural divide and urban inequalities in China.

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The Making of the 'Migrant Class'

Huimin Du and Wenfei Winnie Wang

INTRODUCTION

Under the urban-biased economic priorities and the heavy industrial development strategy in the society of the Mao era, fundamentally different distribution policies were adopted towards the cities and towards the countryside. The urbanites were guaranteed supplies of food and consumer goods and entitled secure jobs, state-provided housing, education, medical care, pensions, etc.; the peasants, in contrast, were outside the state budget and had to fend for themselves in the form of collectivised agriculture (Zhang, 2002; Whyte, 2010). The extensive urban rationing and the associated bureaucratic controls over jobs, housing, medical care, etc., combined with the *hukou* mechanism and the *nongzhuanfei* (agricultural to non-agricultural *hukou*) regime, ensured that the rural-to-urban mobility control was enforceable and effective (Whyte, 2010). To prevent a rural exodus, the *hukou* (household registration) system, as one of the most powerful mechanisms, was legislated in 1958. The *hukou* conversion from the rural to the urban category was tightly controlled through the *nongzhuanfei* regime and was permitted only in relatively rare and special circumstances (see Chan and Zhang, 1999 for details).

While many Maoist policies and institutions have been increasingly dismantled after 1978 and replaced by market distribution – the impact on peasants could be disastrous or positive – some have not changed or have not changed enough to matter (Whyte, 2010). Decentralisation meant a decrease

in government involvement in the health service and schooling, rendering difficult access to health care and education for individuals in rural areas. The de-collectivisation of agriculture and the loosening of migration restrictions liberated peasants to pursue better opportunities. In the 1980s, the return to family farming yielded a dramatic rise in agricultural productivity and in consequence a greatly enlarged labour surplus; meanwhile, the development of a market-oriented economy, especially the high growth of 'non-state' sector, produced off-farm employment opportunities (Chan, 1996). Rural-to-urban mobility rose. On the one hand, economic reforms weakened the effectiveness of the state's control over employment, housing, grain, and mobility; on the other, deployment of rural labour to the cities became a major state strategy to supply the demand of the labour-intensive, export-oriented growth in the mid-1980s and the 1990s (Chan, 2010).

The state in 1985 tacitly legitimised the presence of peasants in cities and created a special certificate for them, and in 1988 recommended provinces with impoverished populations to 'export' their labour (Solinger, 1999). Rural migrants are required to register with the local authorities and apply for temporary residence certificate to work and live in the cities, which facilitates the regulation and governance of the 'temporary' population by local governments, although many migrants remain unregistered. In other words, peasants can leave agriculture and their village, work on urban jobs and reside in the urban areas, but must retain their agricultural and non-local *hukou*, meaning that they are not *de jure* residents even though they are *de facto* residents at the destination (Chan, 2009). Based on their 'temporary' status, the local governments are legally able to deny migrants' rights and entitlements to urban benefits and public services. The state thereby could take advantage of the cheap labour and take no responsibility for their material well-being so as to serve its own fiscal and modernisation needs (Solinger, 1999). Despite much debate and some changes in *hukou* policies in recent years, there is no significant transformation in the core of the dualistic structure; *hukou* conversion becomes even harder in many cases as a result of localisation of *hukou* regulation (Chan and Buckingham, 2008). The differentiating principle as a driving force in the trajectory of citizenship transformation has further forged hierarchies of citizenship rights in China (Wu, 2010).

The state's favouritism towards urban and industrial development continues in the reform era, under which the countryside still faces serious development obstacles. The villages are expected to maintain and improve public facilities and the welfare of rural residents but without significant state funding, largely a continuation of the 'unfunded mandate' approach of the Mao era (Whyte, 2010). Huang (2008) claims that there is a great reversal: the entrepreneurial, market-driven rural China in the 1980s vis-à-vis the state-led urban China in the 1990s. In the 1980s, rural China experimented with private ownership, vibrant rural entrepreneurship, a degree of institutional convergence, and substantial financial

liberalisation. The 1990s saw administrative and fiscal recentralisation, financial repression, and change in township and village enterprise (TVE) policy, while foreign direct investment (FDI), technology, national champions, massive infrastructural developments, and urban renewal were given top priority. The policy changes in the 1990s, according to Huang, were rooted in a technocratic industrial policy blueprint and a heavy urban bias; the effect was a dramatic change in the balance of power between the rural and the urban. As a result, the 1990s saw a slow-down in rural income growth, the downfall of TVEs, less accessible and affordable education and health care in rural China, as well as an increase in the flow of migrants flocking to China's metropolises. Since the late 1990s, the state has launched efforts to shift priorities and resources towards rural areas (e.g., tax-for-free reforms, funding for rural schooling, reintroduction of cooperative medical insurance systems for rural areas, a minimum income subsidy system for poor rural families, etc.), which provide some hope but have only marginal impact (Whyte, 2010).

Unger and Chan's state corporatism thesis (1995) argues that the peasant majority, who were a sacrifice to the state under Mao, are still marginalised by the state in the reform era. There was little space for autonomy in corporatism Chinese style during the Mao era: by top-down transmission, the corporatist sectoral agencies mobilised workers and peasants for production for the nation's collective good but were not allowed to percolate up articulation of grassroots rights and interests. In the reform era, more corporatist associations were established and obtained more space to work towards their organisational interests, although they are much more responsive to the state or the party than to the labour. In the case of the peasantry and workers in private and collective-sector factories – the majority of workers were agricultural population under *hukou* categories – they were almost entirely excluded from representation. When power is monopolised by the Chinese Communist Party (CCP) and the representative relationship is a top-down process – 'we represent you' rather than 'we (workers) delegate authority to you' – the disorganised individuals are deprived of their weapon (workers' autonomous associations) and are forced to confront the hegemonic power of the state and capital on their own (Friedman and Lee, 2010).

The 'migrant class' in this chapter refers to the migrant population without local *hukou* at the host city, which is in contrast with the highly selective and privileged permanent migrants whose migration is accompanied by the grant of local urban *hukou* (Fan, 2002; Bian and Li, 2014). Even though urban–urban migration has been on the rise in recent years, the majority of the non-*hukou* migrants are still rural migrants; therefore, they are the group we mainly discuss in this chapter unless specified otherwise. Whether in a two-class social structure (i.e., rural migrants and urbanites) (Chan, 1996) or a more refined societal group classification (i.e., the unregistered migrants on the bottom, to 'temporary residents' or non-*hukou* migrants, to the blue-stamp residents or *hukou* migrants,

and to the local residents or natives) (Chan and Zhang, 1999; Wu, 2010), the 'migrant class' has clearly been treated as a second-class (Chan, 1996) or under-class (Solinger, 2006) in the urban social hierarchy. By 'migrant class', we do not take migrants as a homogenous group, nor do we infer that they have fully developed class consciousness. While some migrants are better off than others, they as a whole encounter structural discrimination in cities. It is also known that migrants are all but disorganised and have a weak sense of class consciousness when formal organisation of migrant workers is largely absent in China. However, recent studies suggest that different from the first generation, the new generation of migrants have become increasingly conscious of their class position and also participate in labour collective actions (Chan and Pun, 2009; Pun and Lu, 2010).

The following sections provide a review of studies on the 'migrant class' in urban China, with a focus on employment and housing, two central elements of social stratification in the reform era. The final section highlights some methodological issues and provides suggestions for future studies.

MIGRANT EMPLOYMENT

As elsewhere, the main drivers for labour migration in China are job opportunities and higher earnings in cities. Researchers started to pay attention to migrants' employment in the urban labour market since the 1990s (Yang and Guo, 1996; Knight and Song, 1999; Fan, 2001; Meng, 2012; Wang et al., 2015). Most of the studies used empirical evidence to examine the extent and the determinants of migrants' disadvantages, particularly in comparison with the urban residents. This review highlights two main dimensions of such employment disadvantages: (1) access to the urban labour market and (2) earning disadvantage.

Access to the Urban Labour Market

According to the labour market segmentation theory, migrants are largely trapped in the secondary sector with jobs that are low pay, low stability, and little chance for upward mobility whereas the primary sector is characterised by good working conditions, good pay, job security, and well-defined promotion routes (Doeringer and Piore, 1985; Portes and Zhou, 1993). The urban labour market in China is also highly segmented; *hukou* plays a crucial role in segregating migrants in the urban labour market from the urban population.

Along with the urban economic transition, migrants' employment segregation has experienced three periods. The emergence and growth of the non-state sector, including township and village enterprises, the privately-owned sector,

and *sanzi qiye*, has become an increasingly important source of labour absorption (Li, 1997). Before the mid-1990s, migrants took up the newly created jobs in the non-state sector, engaging mainly in labour-intensive and low-wage work that was spurned by urban residents. Migrants were thus not considered as a competing force to urban residents whose jobs were still well protected by the state (Yang and Chan, 2000; Knight and Yueh, 2009). In response to massive layoffs in the state-owned enterprises (known as *xiagang*) and the rise in urban unemployment since the mid-1990s, many cities tightened controls on the recruitment of migrants and set restrictions on various sectors and occupations to protect the employment of urban residents (Knight et al., 1999; Cai et al., 2001; Xie, 2007). Even though the urban labour market remained segmented, there were also elements of competition between migrants and urban residents during this period (Knight and Song, 1999). Since the early 2000s, the central government started to shift its policy focus from migrant control to migrants' integration in cities (Wang et al., 2015). Substantial *hukou* and social security reforms have been carried out aiming at providing equal opportunities, treatment, and protection for migrant workers. For example, the 2007 Labour Contract Law offers more labour rights, benefits, and protection for migrant workers including mandatory contracts, social security provision, wage standards, working overtime, etc. The full effect of this legislation is yet to be seen due to its varied local implementation, but existing studies have suggested that the new labour law has more significant implications for urban workers than migrant workers (Cheng et al., 2015).

As shown in Table 46.1, the percentage of rural migrants working in the state sector appears to be stable throughout the 1990s and 2000s (less than 10 per cent). However, as a result of the reform of state-owned enterprises, the percentage of urban residents working in the state sector is significantly lower than in earlier years, decreasing from around 80 per cent in 1995 to 50 per cent in 2009. The trend reflects labour market segmentation in ownership appears to have moderated somewhat in the 2000s.

Regardless of being employed in the state sector or non-state sector, most rural migrants are concentrated mainly in the low-end occupations, in particular, jobs with low skills, health hazards, and little stability (Knight et al., 1999; Démurger et al., 2009). An early study shows that rural migrants concentrate in a limited number of occupations within each broad occupation category, for example, more than 70 per cent of rural industrial migrants are found in only seven occupations within the industrial sector (Yang and Guo, 1996). In contrast, a higher proportion of urban residents are employed as professionals with good working conditions, decent pay, and promotion opportunities (Yang and Guo, 1996; Fan, 2001; Meng, 2001). Such segregation persists from the 1990s to 2000s, and only a small minority group of migrants have been working as professionals in cities (see Table 46.1).

Table 46.1 Employment segregation of migrants from selected studies

Survey Year	% working in the state sector (collective ownership is excluded)				Reference	Data
	Urban residents	Rural migrants	Urban residents	Rural migrants		
1990			24.0**	3.0**	Yang and Guo, 1996	1% sample of 1990 census.
1995			19.1	1.0	Knight and Song, 1999	2900 migrants in 118 enterprises from Beijing, Shenzhen, Wuhan and Suzhou.
1995	81.06	9.52			Cui et al, 2012	Chinese Household Income Project (CHIP).
2002	53.14	8.97			Cui et al, 2012	Chinese Household Income Project (CHIP).
2005	61.8*	10.5*	29.6	4.8	Zhang and Wu, 2013	1% sample of 2005 census.
2008	50	10			Wang et al, 2015	A survey in Beijing, Shanghai, Tianjin and Guangzhou.
2009	49.43	7.31	28.51***	5.62***	Meng, 2012	Rural Urban Migration in China and Indonesia (RUMiC) Migrant and Urban Surveys.

*the category includes governmental agencies/state institutions and public enterprises

**the category includes professional, cadres and clerical

***the category includes professional, managers including shop owners

Earning Disadvantage

Scholars have long been engaged in examining income inequalities between migrants and urban residents. One key area of concern in migrants' earning disadvantages is the extent to which it is caused by the segregation effect (between-occupation wage differential) or by the discrimination effect (within-occupation wage differential), where the former indicates an indirect effect of *hukou* and the latter points to a direct effect of *hukou*. Some early studies (Knight et al., 1999; Meng and Zhang, 2001) show that the earnings gap between rural migrants and urban workers is mainly due to the differential treatment (discrimination effect) of the two groups. More recent research, however, suggests that occupational segregation is the main source of income differentials between migrants and urban residents. Zhang and Wu (2013), for example, find that rural migrants' earning disadvantages relative to urban locals are mainly attributable to occupational segregation rather than unequal pay within each occupation. Cheng et al. (2013) also conclude that inter-category rather than intra-category differentials explain more of migrants' wage disadvantages, suggesting that institutional barriers have restricted migrants from obtaining better positions in the employment structure, hence are subject to lower earnings.

Employment sectors also play an important role in determining earnings inequality (Lin and Bian, 1991). Studies have suggested that private enterprises offer higher wages than the state-owned enterprises (Cui et al., 2012; Zhang and Wu, 2013) and that self-employed migrants are better off than the wage-earners (Li, 1997; Meng, 2001; Corrado et al., 2012). Tian (2010) argues that the primary source of wage differences is the segregation effect (between-sector wage differential) rather than the discrimination effect (within-sector wage differential). Excluding migrant workers living in construction sites and dormitories, Démurger et al. (2009) find that the sectorial segregation effect on earning differentials between urban residents and migrants is neither strong nor robust. They concluded that the main source of the income disparity between urban residents and migrants is pre-market personal endowment such as human capital and experiences.

Earlier work mostly adopted the urban–rural dichotomy framework in their analysis of urban labour market, comparing rural migrants with urban residents (Knight and Song, 1999; Meng and Zhang, 2001). As the migrant population became more diverse after the mid-1990s, particularly corresponding to the rise of urban–urban migration, some of the more recent work on employment and wage discrimination additionally included urban–urban migrants as a comparison group. Their results suggest that the employment segmentation between urban residents and rural migrants has been declining (Cheng et al., 2013; Qu and Zhao, 2014; Song and Li, 2014). Employment segregation is more pronounced between locals and non-locals than the segmentation between urban residents

and rural migrants (Song and Li, 2014; Wang et al., 2015). However, studies still identify rural migrants as the most disadvantaged group in urban society and face urban vs. rural and local vs. non-local dual segmentations (Cheng et al., 2013; Wang et al., 2015).

MIGRANT HOUSING

Migrants' position and unequal treatment in the urban labour market, as discussed above, is certainly a central concern of scholarly inquiry on their 'right to the city'. On the other hand, migrants' living space in the city is also a crucial element of social stratification in the reform era. Indeed, migrants' housing poverty in cities is an emerging and growing poverty issue in China (Liu and Wu, 2006; Sato, 2006; Zhang and Chen, 2015). Some scholars view housing as an institution of marginalisation and exclusion of migrants in Chinese cities (Huang and Yi, 2015). This section provides a review of migrants' living space in urban China, with a focus on their access to urban housing and housing conditions.

Access to Urban Housing

There has been increasing scholarly attention on urban housing in transitional China since the housing reforms in the late 1980s. Most of the earlier work primarily focused on local urban residents with some including migrant population as part of the analysis. This reflects China's then urban housing system: urban housing was mainly public housing and off limit to migrants until the 1990s. Housing reforms have greatly improved the living conditions of urban residents but overlooked the needs of the migrant population (Wang and Murie, 2000).

In conjunction with advances in our understanding of Chinese urban housing (see Chapter 42) as well as internal migration in China (see Chapter 40), more scholarly attention is devoted to the issue of housing migrants in cities. The analysis is inextricably linked with the Chinese transitional urban housing market as well as the *hukou* system. Because of their non-local *hukou* status, migrants cannot acquire either use right or ownership right of municipal and work unit public housing; affordable housing programmes, including the economic and comfortable housing programme and the affordable rental housing programme, are also reserved for urban residents (Wu, 2002). Commodity housing is an option for migrants but is far beyond the reach of those in the lower-income strata; their non-local *hukou* status also prevents them from getting mortgages from banks. The newly launched public rental housing programme includes migrants but favours more educated and professional migrants (Liu et al., 2013). Theoretically,

Table 46.2 Migrant's access to urban housing

<i>Housing type</i>	<i>Non-hukou migrants</i>
Municipal public housing	Not eligible to buy; eligible to rent
Work unit public housing	Not eligible to buy; eligible to rent
Economic & comfortable housing	Not eligible to buy; eligible to rent
Affordable rental housing	Not eligible to apply
Commodity housing	Eligible to buy in most cities; eligible to rent
Public rental housing	Eligible but preferably rent to educated migrants
Private housing (e.g., pre-1949 urban housing units, urban villages)	Eligible to buy and rent
Collective housing (e.g., dormitories, shelters on worksites)	Eligible to rent

migrants are largely excluded from the formal housing system (see Table 46.2); in practice, a small proportion purchase municipal and work unit public housing as well as economic and comfortable housing and have access to affordable rental housing (Jiang, 2006; Lin et al., 2014).

Due to constrained housing choices, renting becomes the primary option. The so-called *chengzhongcun*, villages-in-the-city, or urban villages, are at the heart of our understanding of migrant housing because they have become important migrant settlements and accommodate a vast population of migrants. Scholars have been working on urban villages since the 1990s (e.g., Xiang, 2000). Numerous surveys and case studies on urban villages have been conducted in metropolitan cities. Compared with other migrants, those in urban villages are more family oriented and work in the tertiary sector (Wu, 2016). Another key choice is dormitories and other housing types in the workplace provided by employers (Wu, 2002; Shen and Huang, 2003; Wang and Wang, 2008). More recently, scholars have expanded their work to include analysis of invisible migrant living space, such as basement renting (Yu and Cai, 2013; Huang and Yi, 2015). Migrants' housing choices vary by occupation: construction workers mainly live in temporary shelters on construction sites provided by the construction companies; manufacturing workers are usually accommodated by the enterprises in dormitories, inside or near the factories; domestic maids mainly live in local households; those engaged in trade and services usually live in rental housing (Shen and Huang, 2003; Wang and Wang, 2008). Compared with those living in urban villages, basement tenants are less likely to be self-employed and have even lower income (Huang and Yi, 2015).

Apart from housing segregation, another focus of the literature is on homeownership. With the rapid marketisation of housing in urban China, the homeownership rate among urban residents increased from 24 per cent in 1990 to

72 per cent in 2000 (Bian and Liu, 2005) and 75 per cent in 2010 (Lin et al., 2014). According to the 2010 census data, 42 per cent of migrants own a house; the homeownership rate varies across regions (Lin et al., 2014). However, the census excludes those who live in collective households and those who migrate for less than six months. It thus can be expected that migrants have a much lower homeownership rate. Surveys in Beijing (Wu, 2002; Jiang, 2006; Hou and Li, 2010; Wu and Wang, 2014), Shanghai (Wu, 2002; Wu and Wang, 2014), Guangzhou (Li and Du, 2014), and Shenzhen (Song et al., 2008) confirm that homeownership is minimal among migrants in these large cities. Besides, migrants practise a highly portable residential mobility strategy (He et al., 2010); yet, such a high rate of residential mobility is neither necessarily related to housing tenure change nor driven by amenity considerations (Wu, 2006). Most migrants are stuck in the private rental sector and see little room for upward socioeconomic mobility through homeownership.

The institution–market framework is typically adopted to weigh and aggregate various factors underlying housing inequality in general, and migrant housing in particular. Both institutional and market forces are important, yet their relative importance differs in relation to housing tenure. For instance, *hukou* is critical for living in market rental housing, self-built housing, and collective housing, making it evident that rural migrants are more likely than urban natives to live in market rental housing or collective housing (Logan et al., 2009). Regarding homeownership, *hukou* also is the most crucial determinant: local *hukou* holders are much more likely than migrants to own property (Wu, 2004). These studies based on data generated around 2000 indicate that, for migrants, institutional restrictions associated with the *hukou* system play a more central role than market-related factors such as income and education. More recent evidence demonstrates persistent disadvantages for migrants in access to urban housing; yet, they also provide clues of the increasing importance of market forces in the process of market deepening. For instance, Li and Du (2014) report that individuals with local *hukou* consume more housing than non-locals; however, *hukou* ranked as the second most significant discriminatory factor, the first being household income. Wu and Wang (2014) find education, another market-related factor, is increasingly important in predicting homeownership.

In recent years, researchers increasingly recognise heterogeneity of the migrant population. There has been an emerging interest in their differential access to urban housing. For instance, Logan et al. (2009) compare housing choices among established urban migrants, recent urban migrants, established rural migrants, and recent rural migrants; Li (2010) examines the distribution of housing choices among the new generation of migrants, i.e., labour migrants, intellectual migrants, and entrepreneurial migrants. With respect to factors influencing housing choices among the migrant population, social capital (i.e., social ties with local *hukou* holders) is found to significantly increase migrants' access to formal housing (Liu et al., 2013). The low-income group, the recent migrants,

and manufacturing and construction workers tend to live in employer-provided accommodation (Li and Zhang, 2011). The younger, less educated, intending a shorter stay, with a lower income, holding a rural *hukou*, and the self-employed are more likely to choose urban villages (Song et al., 2008). Regarding homeownership, both institutional and market factors are important. Migrants with non-agricultural *hukou*, state employers, and the tertiary-educated are more likely to own homes (Wu and Wang, 2014). Among rural migrants, education, income, and household size have positive effects on homeownership; the local *hukou* plays a significant role in more affluent cities but is not significant in less affluent cities (Huang et al., 2014). From the perspective of migrants, ties to the hometown significantly influence migrants' decision on homeownership and housing choice in cities (Tao et al., 2015); proximity to workplaces and relatively cheap accommodation are two primary motivators for living in urban villages (Zhang et al., 2003; Wang et al., 2013).

Housing Conditions

With growing interest and progress in the study of migrant housing, a considerable amount of literature has been published on migrants' housing conditions, especially housing space and housing facilities. By and large, overcrowding and limited facilities are prominent features. The shelters on work sites constitute the worst conditions. The living conditions of dormitories are slightly better. In both cases, overcrowding is normal, and facilities are very basic (Wang and Wang, 2008). For private rental housing, the quality of housing conditions is below the average standard of the city; sharing a room or a flat with other migrants is not uncommon (Wang and Wang, 2008). Jiang (2006) claims that excluding those living in the collective households, migrants' housing facilities are not necessarily poorer than those of local residents. However, migrant surveys suggest a large gap in space and facilities between migrants and the permanent residents (Wu, 2002; Chan et al., 2003; Liu et al., 2013; Wang et al., 2013; Zhang and Chen, 2015). As a central source of the private rental housing market, urban village is an important aspect of research on migrant housing. Surveys of urban villages in Beijing, Shanghai, Guangzhou, Shenzhen (Wang et al., 2010, 2013, 2014; Zhang et al., 2003; Zheng et al., 2009; Wu, 2016), and other cities (Liu et al., 2010) suggest that migrants' housing conditions are poor in general but improving in recent years and vary across cities. Also, migrants in the central city are relatively better off than those living in the suburbs in terms of facilities (Wu, 2002) but are worse off regarding housing space (Liu et al., 2010). Housing conditions in basements are generally worse off than urban villages (Huang and Yi, 2015).

Again, the institution–market framework is a popular approach to understanding factors affecting housing conditions. The impact of institutional factors

accounts for over half of the variations both in housing size and in housing facilities; the effect of socioeconomic factors is much weaker (Wu, 2004). Among migrants, non-agricultural *hukou* corresponds to better housing conditions (Wu, 2002; Jiang, 2006; Liu et al., 2013). Migrants' access to housing has a substantial impact on the qualitative aspects of housing: those staying with local residents or purchasing commercial housing, therefore gaining some access to the urban housing system, markedly improve their housing conditions (Wu, 2002). Access to housing has a similar but weaker impact on housing size (Wu, 2002). Liu et al. (2013) further confirm that migrants who have social ties with local *hukou* holders are more likely to live in formal housing and thus enjoy better housing conditions: a much stronger effect on housing facilities than housing space.

In terms of socioeconomic factors, higher levels of education and income have a significant and positive impact on housing conditions (Wu, 2002; Jiang, 2006; Liu et al., 2013). Research on urban villages yet finds a very weak impact, indicating that migrants in urban villages belong to a vulnerable social and economic group in cities and face similar difficulties regardless of their background (Wang et al., 2010). Regarding occupation and work unit type, migrants with higher occupational status enjoy better housing facilities (Jiang, 2006); those working in state-sector and private enterprises live in more crowded housing, while self-employed migrants enjoy worse housing facilities (Wu, 2002). However, excluding those living in dormitories and worksheds, occupation and work unit type do not have significant influences on housing access, housing space, and housing facilities (Liu et al., 2013). With respect to individual and household characteristics, the new generation of migrants has relatively better living conditions (Li, 2010; Duan and Ma, 2011; Liu et al., 2013). The effects of household type and size are mixed: married migrants tend to have less housing space for each household member (Wu, 2002; Liu et al., 2013); family households have more facilities than one-person households (Wang et al., 2010). Some find that inter-provincial migrants have worse living conditions than intra-provincial migrants (Jiang, 2006); others do not (Liu et al., 2013).

From the perspective of migrants, housing consumption is associated with their low income as well as their reluctance to increase spending on housing. It corroborates the notion that migrants consider the host city as a place to work rather than a home (Zheng et al., 2009; Li and Zhang, 2011; Du et al., 2017). These are in line with the findings in earlier studies that migrants who intend to stay in the host city are likely to invest more in housing and thus have better housing conditions (Wu, 2002). In most cases, migrants' housing conditions in the city are worse than the home place (Wu, 2002; Wang and Wang, 2008; Wang et al., 2014). However, primarily because they try to minimise the living costs and have low expectations in housing, migrants are not as dissatisfied with their housing situations as expected (Zhang et al., 2003), with exceptions in some cases the housing conditions are extremely poor (Wang, 2003). Recent development

on migrants' residential satisfaction shows that, among others, housing facilities significantly influence residential satisfaction (Du and Li, 2010; Li and Wu, 2013; Tao et al., 2014).

CONCLUSION

The state has played a pivotal role in creating a precarious 'migrant class'. In the Maoist era, the state generated huge economic and social disparities between the urbanites and peasants through a range of Maoist policies and institutions under the growth strategy of industrialisation. In the reform era, the urban-biased economic priorities have led to the massive exodus of rural labourers in search of jobs in cities. The *hukou*-based system of discriminatory access to urban facilities and benefits has persisted between the 'locals' (urbanites) and the 'outsiders' (temporary migrants) throughout the reform era. While the state and the employers take the opportunities to exploit their powerless 'temporary' position, grassroots' rights and interests have been neglected under the hegemonic power of the state and capital. In the pre-reform era, peasants were permanently locked in farming and in the countryside (Chan, 1996); in the post-Mao era, they form a distinctive 'migrant class' in cities and were locked in the position of being permanent sojourners (Friedman and Lee, 2010; Lee and Kofman, 2012).

Plenty of empirical evidence has demonstrated how migrants have been forced into a disadvantaged social and economic position in urban society. This chapter draws attention to employment and housing, two essential elements of social stratification, to address the issue of the 'migrant class' in urban China. The discrimination inherent in the segmented labour market and housing market limits migrants' access to urban employment and housing, which in turn contributes to their income disadvantage and poor housing conditions.

One main progress in studying 'migrant class' may have been the increased available data sets on migrant population which enabled scholars to conduct detailed research of migrants' work and life experiences in cities. There are wide range sources of migrant data, each with its cons and pros. Censuses provide more representative data, but the information provided is rather limited to address more complex research questions relating to migrants. In addition, there have been inconsistencies in the definition of migrants and questions asked (e.g., Liang et al., 2014), which makes comparison between censuses problematic. The official household registration record of the registered migrant population is another source of migrant data, but they do not include unregistered migrants who tend to be worse off among the migrant population (e.g., Shen and Huang, 2003). In some large cities like Beijing and Shanghai, large-scale surveys of migrants conducted by the local governments provide valuable migration data sources (e.g., Roberts, 2001). Other large-scale surveys are usually based on

samples of the total population, such as China urban labour surveys (CULS) (e.g., Lee, 2012), China Household Income Project (CHIP) (e.g., Démurger et al., 2009), etc. Because of spatial concentration of the migrant population in urban villages and collective housing, such samples cannot be fully representative of migrants.

Much micro-level research relies on primary data collected at selected cities, which usually use specially designed surveys of migrant employment (e.g., Knight et al., 1999) or migrant housing (e.g., Wu, 2004). These surveys tend to contain much more detailed and targeted information of migrants' experiences. Their sample sizes range from hundreds to thousands. One likely issue with these surveys is their representativeness. As such, readers should be cautious to link and compare the findings from different studies, as the definitions of migrants and sampling methods will influence the conclusion drawn. In future studies, researchers need to consider which type of data source is most appropriate for the research they are undertaking; they can also integrate different sources of data and provide a more rounded picture (e.g., Fan, 2002; Wu, 2002). For those designing their own survey, they need to be aware of the existing data sources relevant to the specific research project and build on existing datasets.

Future empirical studies may consider the following suggestions. First, longitudinal migration research that incorporates a temporal dimension in examining migrants' experiences in China, with a particular focus on the changing role of institution-market forces in migrants' disadvantages, is currently scarce and demands much more academic attention. Second, the context of the place of origin is largely absent in the literature. It is mainly because most studies are conducted in receiving places. The perspective from the native place (e.g., Wang et al., 2011) can be helpful in deepening our understanding of varied migrants' experiences in cities. Finally, the existing studies tend to focus on migrants in coastal regions where inter-provincial migration predominates; such results cannot be readily generalised to inland areas and to intra-provincial migration. The fact that intra-provincial migrants outnumber inter-provincial migrants also suggests that more attention be paid to intra-provincial migrants in inland regions.

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Gender, Migration and HIV/STI Risks and Risk Behaviors

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INTRODUCTION

Since the 1980s, China has witnessed unprecedented rural–urban migration and epidemic growth of HIV and other sexually transmitted infections (STIs). The widespread commercial and extramarital casual sex in contemporary China (Wang et al. 2007; Zheng 2009; Pan et al. 2014; Yang et al. 2016) will likely continue to fuel the growth of HIV and STIs. As a social construct, gender may play an important role in men’s and women’s experiences with migration and vulnerability to HIV/STIs. Does increasing rural–urban migration contribute to the emergence/reemergence and spread of HIV/STIs? Do men and women equally participate in, and more importantly, benefit from migration? Are men and women similarly vulnerable to HIV/STIs? Is there any interaction between gender and migration, which may make female migrants particularly vulnerable to any potentially detrimental health impact of migration? This chapter tries to answer these interrelated questions. The goals are to (1) synthesize what we know about the gendered experience of migration and vulnerability to HIV/STIs, the behavioral and socioeconomic processes that may contribute to migration and HIV/STI links, and the interplay between migration and gender that renders female migrants particularly vulnerable to HIV/STIs and (2) stimulate more theory-driven research to better understand the dynamics characterizing gender, migration, and HIV/STI risks and risk behaviors.

GENDER AND MIGRATION

Changing Patterns of Migration

Although varied over time and across cultures, gender differences in participation in and experience of migration have been well documented (Fan 2003; Gaetano and Jacka 2004; Liang and Chen 2004; Davin 2005; Yang and Xia 2006). In China, migration, particularly rural–urban migration, has been tightly controlled by local governments prior to the 1980s. However, structural changes and the marketization of the economy since the 1980s have effectively removed the legal and market barriers to free rural–urban migration (Yang 1993, 1994), leading to a large and growing migrant population. More and more women have responded to economic opportunities in cities and have actively participated in rural–urban migration (Fan 2003; Gaetano and Jacka 2004; Liang and Ma 2004). There is evidence of increasing feminization of rural–urban migration in China (Liang and Chen 2004; Liu and Erwin 2015), and since 2010 women have achieved parity with or even outnumbered men in rural–urban migration (Duan et al. 2010; National Bureau of Statistics of China 2015).

Even though the national statistics suggest that women are as active as men in migration, the conventional characterization of male dominance in rural–urban labor migration and economic motives for male and social and familial reasons for female migrants cannot be discarded completely. Research continues to stress that gender-related sociocultural constraints may continue to limit women’s participation in rural–urban labor migration (Fan 2003; Gaetano 2004; Zhao 2005). The structural forces unleashed by the economic reform have not altered and in some ways have actually reinforced patriarchal traditions in China that give priority to ‘the social, economic and physical mobility of men and relegate women to secondary, supporting and care-giving roles’ (Fan 2000: 421). Rural women’s migration to cities is further limited due to gender inequalities in accessing education and non-agricultural economic opportunities (Zhang et al. 2008; Zhang 2014). The most salient factor constraining women’s participation in labor migration is marriage and its associated supporting and care-giving roles expected of married women from family and the society (Yang and Guo 1999). When women migrate, more do so for non-economic social or family reasons, such as marriage and accompanying family (Yang and Guo 1999; Zhao 1999; Wang et al. 2015).

However, recent research suggests that the deterring effect of marriage, dependent children, and related traditional family care expected of married women may be eroding and giving way to their rising aspiration for family and children. Neither marriage nor having children seems to have deterred the migration of women (Lou et al. 2004; Zhang 2014; Liu and Erwin 2015), which may help to explain that in the second decade of the 21st century rural women are equally participating in rural–urban migration in China. Economic motives started to play

a more important role in women's decision for migration, relative to family or social factors (Liang and Ma 2004; Jacka 2005). Young women are increasingly stimulated to move for high autonomy, urban experience, modernity, and a better life in the cities (Liang and Chen 2004; Qin et al. 2016). In addition to seeking social and economic betterment for themselves, married women migrate for their newly established households and for the future of their children. Some married women have actually used migration as a way to escape unhappy marriages, domestic violence, and/or women's subordinate status in rural China (Gaetano 2008; Zhang C. et al. 2013).

Consequences of Migration for Women

More research has focused on the gendered experience and consequence of migration (Fan 2003; Gaetano 2004; Davin 2005; Yang and Xia 2006, 2008; Fang et al. 2007; Wang 2015). On the positive side, migration is seen to allow women to break away from traditional roles and help them to gain economic independence; the urban experiences can empower woman migrants, change their views about gender roles, and enable them to benefit from development and to become potential agents for changing the sociocultural norms that define women's roles and entitlements (Fan 2003; Lou et al. 2004; Murphy 2004; Wang 2015). Other studies focused on the family dynamics of migration and examined the changes in gender relationship within households, as migration of family, rather than individuals, has become the primary option for some rural families (Li 2006; Zhang C. et al. 2013; Zhang 2014). For example, Zhang C. and colleagues (2013) examined changes in gender relationship between husbands and wives, through comparing situations prior and subsequent to migration. Their study showed that most wives started to move away from domestic labor to waged labor, although women in general still earned less than men. Further, the wives enjoyed more economic decision-making power after migration. More egalitarian gender relations were observed in household division of labor and family decision making after migration. Rural-to-urban migration has to some extent altered the traditional patterns of gendered division of labor and decision-making and enhanced the perceived fairness and satisfaction regarding gender relations within households (Zhang C. et al. 2013; Lu and Tao 2015). In addition, some studies found that the *hukou*-based barriers for urban employment may be loosened for women who are young and have 'soft skills', for example, good physical appearance, personality traits, or skills of communication with clients (Gustafsson and Li 2000; Duan et al. 2010; Wang 2015). Nevertheless, Wang (2015) has cautioned that female migrants are still largely serving as cheap urban laborers in service sectors. The so-called advantages associated with being feminine and physically attractive are highly selective in nature and hard to maintain. Essentially, they are reflections of gender-based inequality and oppression in society (Gaetano 2008; Wang 2015).

On the other hand, migration in many cases is not so positive for women (Lee 1995; Tan and Short 2004). Due to gender inequalities in education and job training, female migrants in cities are at a disadvantaged position and do not perform as well as their male counterparts (Fan 2003; Liang and Chen 2004). Further, the market transition has weakened the institutional support for gender equality and increased gender segregation in the labor market. Consequently, female migrants are channeled mainly into women's and low-status occupations, perpetuating and reinforcing women's inferior and subordinate statuses. Being heavily concentrated in labor-intensive assembly and personal service industries (Fan 2003; Gaetano 2004; Zhang 2014), where jobs often carry social stigma and are characterized by high turnover, low pay, long working hours, and lax labor disciplines, female migrants in particular are economically marginalized and socially isolated, vulnerable to economic and sexual exploitation and poorer health outcomes in places of urban destination. While some migrants may put down their roots in the city (Roberts 2002; Tan and Short 2004; Huang et al. 2014), many migrant women return to their rural village when they reach marriageable ages and face difficulties in readjusting to rural ways of life (Murphy 2004; Zhang 2013).

GENDER AND HIV/STIs

The Feminization of HIV and Women's Vulnerability

Although more men than women have been infected with HIV in China, women's share in people living with HIV/AIDS (PLWHA) has been increasing as the epidemic evolves from one mainly driven by blood transmission, namely needle sharing in injection drug use, to one predominately fueled through sexual transmission of the virus. For example, of the estimated 780,000 PLWHA nationwide in 2011, 28.6% were women (MOH 2012), which represented almost a threefold increase from the early 1990s when women accounted for about 10% of the total PLWHA (Renwick 2002). Since 2005, sexual transmission has taken over injection drug use and become the predominant route of new HIV transmission in China. In the first 10 months of 2015, 93.8% of the estimated 97,000 new HIV infections was attributable to sexual transmission (66.6% heterosexual and 27.2% same-sex transmission) (Sina News 2015). As elsewhere around the world where heterosexual transmission drives the epidemic (UNAIDS and WHO 2007; Baral et al. 2012), the evolving AIDS epidemic in China has increasingly affected women (Yang 2011; Chow et al. 2015).

Biologically, women are more susceptible to HIV infection than men through heterosexual contact (Treichler 1988), which makes the heterosexual transmission of the virus more efficient from male to female than vice versa. However, women's biological susceptibility to HIV alone does not account for women's

heightened vulnerability; research to understand why women are increasingly affected by HIV has frequently pointed to women's social and cultural vulnerability to unsafe heterosexual behavior (Lin et al. 2007; Krishnan et al. 2008). Gender-related unequal power relationships and cultural norms about gender and sexuality are increasingly recognized as important determinants of risky sexual behavior among women (Raffaelli and Pranke 1995; Higgins et al. 2010; Ma et al. 2015).

According to the theory of gender and power (Connell 1987; Wingood and DiClemente 2002), women's heightened vulnerability to HIV/STIs is a function of gendered relationships between men and women that are rooted in the sexual divisions of labor and power and the gendered structure of social norms. The sexual division of labor limits women's equal access to the paid labor market, which is further aggravated by women's unequal access to education, and creates economic inequalities between men and women. This reinforces women's economic dependence on men and increases women's 'economic exposure' to HIV/STIs. The sexual division of power leads to unequal power between men and women that results in men's control in relationships and renders women vulnerable to sexual or physical abuse/violence. This limits women's ability to make decisions on sexual matters and increases their 'physical exposure' to HIV/STIs. The gendered structure of social norms generates gender-specific norms that restrict women's sexual expressions and submit women to men in sexual relationships. This discourages open discussion within relationships and limits women's access to information, thereby increasing women's 'social exposure' to HIV/STIs.

Gender Norms and Men's HIV Vulnerability

On the other hand, gender stereotypes in traditional Chinese culture encourage men to take control in sexual behaviors/relationships and other macho roles. While sex is regulated within formal arrangement and sex outside of marriage is condemned, men's premarital and extramarital sex is much more tolerated. Results from a national representative sample of urban Chinese indicated that about 15% of married men in China (versus 5% of married women) engaged in extramarital sex in the past year; and half of the men's extramarital sex was commercial (Zhang 2010). Rising levels of premarital sex among young people have also been reported, with a much higher proportion of young men than women reporting having their sexual debut before age 18 (Cao et al. 2011; Guo et al. 2012). The literature on HIV risks in men highlights men's elevated use of drugs and greater likelihood of having extramarital sex and multiple/concurrent sexual partners, particularly among migrant men (Yang et al. 2005; Zhang L. et al. 2013; Liu et al. 2014; Zou et al. 2014). The high sex ratio at birth (118) also may produce a large number of young 'surplus men' who cannot find a suitable marriage partner (South and Trent 2011; Liu et al. 2012), which

may facilitate the practice of casual/commercial sex and in turn the spread of HIV/STIs.

Furthermore, an outbreak of HIV has been reported in men who have sex with men (MSM) and transgender women (Zhang L. et al. 2013). A rising body of literature has documented high levels of risk-taking behaviors and rapid increases in incidences of HIV/STIs in MSM (Zhang L. et al. 2013, Wu et al. 2013). Under the Confucian culture, men are expected to get married and have children to fulfill their familial duty. A significant proportion of MSM in China are married and/or having sex with females (20%–40%), representing an important ‘bridging population’ for the transmission of HIV to their female partners (Liao et al. 2015). Societal stigmatization against homosexual behavior and gender nonconformity may result in internalized homophobia in MSM and punitive social environments, which in turn leads to their delays in seeking HIV/STI screening and treatment services (Wei et al. 2016).

Together, economic inequalities, unequal power, and gender-specific cultural/sexual norms exert critical influences over individuals’ sexual behavior and act as formidable barriers in exercising control in sexual and social relationships (Zhang and Beck 1999). In particular, research conducted among Chinese women suggests that the Confucian concept of model womanhood, which commands the submission of women to men in sexual relationships, can significantly constrain women’s ability to insist on safe sex (Choi and Holroyd 2007; Chapman et al. 2008; Yang X. et al. 2010; Gao et al. 2012). In general, unsafe sex among Chinese women is related to lack of information, embarrassment in talking about condoms, and fear of being perceived as sexually available as a result of conservative Confucian concepts about women and sexuality (Yang et al. 2012; Gao et al. 2012; Huang et al. 2015). Women’s role in motherhood and childbearing responsibility also undermines women’s ability to adopt safe sex by insisting on using condoms in sex (Zierler and Krieger 1997). In addition, research has revealed that Chinese women tend to have sexual relationships with older men, who often have had more sexual partners and a higher likelihood of carrying HIV, relative to younger men (Wu et al. 2016), which increases women’s exposure to the HIV virus. Research has also pointed to the high prevalence of intimate partner violence and sexual abuse against women in China, which renders women completely helpless and unable to exercise personal control in sexual relationships (Xu 2005; Wang et al. 2007; Zhang et al. 2012). HIV transmission within marriage has posed an increasing threat for women, particularly among those who married high-risk men, for example, migrants and MSM (Chow et al. 2011; Wei et al. 2014).

Changes in labor force dynamics following the economic reform have no doubt made more socioeconomic opportunities open to women. However, economic development in the last three and a half decades in China has not much improved Chinese women’s social and economic status. On the contrary, the weakening of the institutional guarantee for gender equality in the work place

and the resurfacing of negative stereotyping of women (Eklund 2000; Fan 2003; Chi and Li 2008) may have fueled discrimination against women and deepened gender segregation in the urban labor markets. This, together with the breakdown in traditional norms about sexual behaviors amid development and market transition, arguably a main contributing factor in the spread of commercial sex and other risky sexual behaviors (Wang et al. 2007; Choi and Holroyd 2007; Chow et al. 2015), may perpetuate gender inequalities in social and economic life and in turn women's heightened exposure to HIV/STIs.

MIGRATION AND HIV/STIs

The link between migration and HIV/STIs has captured a great deal of research attention worldwide. Numerous studies in China and elsewhere have highlighted the vulnerability of migrants to HIV/STIs and the subsequent spread of the diseases to general populations (Organista and Organista 1997; Brockerhoff and Biddlecom 1999; Anderson et al. 2003; Yang 2010; Zhang L. et al. 2013; Zou et al. 2014). At the aggregate level, migration brings more people into close contact and creates a greater mixing of populations at places of destination, which can provide the ready environment for disease transmission. Through the movement of infected persons, migration in turn offers a convenient vehicle to transport viruses/diseases to places where they are previously unknown. There is empirical evidence that the HIV/STI epidemics tend to spread from the epicenters outward geographically along transport connections, trade routes, and migration systems, and socially along personal and social networks (Obbo 1993) and are positively correlated with the intensity of residential mobility (Yang 2005). For example, the AIDS epidemic in China first hits the Yunnan province bordering the golden triangle area (the world drug production and distribution center) and then spreads outward along the major drug trafficking routes to Guangxi and Xinjiang. Meanwhile, provinces with larger migration flows tend to also report higher rates of HIV and/or STIs (Yang 2004; Zheng et al. 2014).

At the individual level, transmission of HIV to others requires more intimate personal contacts with bodily fluid exchange; movement of people – both healthy and those infected with HIV – in itself will not spread HIV although it can with other common infectious diseases. One must go beyond the conventional view of the migrant as the virus carrier and population mixer to understand the migration and HIV link at the individual level. Rural–urban migration is arguably more than a transporter of the AIDS virus; it breeds broader social and behavioral changes that render migrants vulnerable to HIV risk behaviors and more susceptible to HIV infections (Yang 2004).

Rural–urban labor migration is indeed found to actually create a sub-population (migrants) whose socioeconomic contexts are conducive to HIV/STI risk sexual behaviors (Caldwell et al. 1997; Wolffers et al. 2002;

Yang 2010). Separation from spouse or regular sexual partner and migrants' post-migration milieus are found to encourage HIV/STI risk sexual behaviors (Yang 2010; Mantell et al. 2011). When separation from spouse is frequent and lengthy, it can disrupt migrants' regular sexual relationships. This, together with post-migration economic marginalization and social isolation, may lead to a more promiscuous life as a way to escape loneliness, bury anxieties about family and work, and release sexual frustration (Jochelson et al. 1991; Caldwell et al. 1997; Brockerhoff and Biddlecom 1999). The separation from family and the home community may also create a sort of social control vacuum whereby migrants feel less constrained by social norms since families and friends back home are unlikely to find out what they do while away from home (Detels et al. 2003; Yang and Xia 2006). The more anonymous life and easier access to commercial sex in the city may help migrants to break away from social norms of morality and sexual fidelity and encourage them to seek casual and/or commercial sex (Yang and Xia 2008; Yang C. et al. 2010).

The link between rural–urban labor migration, casual and commercial sex, and the spread of HIV/STIs has been well documented in China (Zhang L. 2013; Zou et al. 2014). Migrants are found to be more likely than non-migrants to engage in risky sexual behaviors due to their post-migration exposure to new social and economic environments (Li et al. 2004; Yang et al. 2007; Yi et al. 2010). By detaching migrants from their normal family and home communities, migration is believed to weaken social and normative control over migrants' sexual behaviors; the power of sanction embedded in social control over individual behaviors is lost in the process (Yang 2004). Lax social control associated with the more anonymous migrant life and easier access to commercial sex in cities in turn encourage migrants to seek extramarital and HIV/STI risky sex (Yang et al. 2007; Yang and Xia 2008; Yang 2010).

Migrants' post-migration social and economic milieus and adaptation to local culture may also be more conducive to their risky sexual behavior (Mantell et al. 2011). Although there are exceptions, many rural–urban labor migrants in China may be socially, culturally, and residentially isolated from the mainstream society in the city. Most are concentrated in the margins of the urban economy. They do the dirty, dangerous, and dead-end jobs (Solinger 1999; Li 2006; Wang 2015) and live with fellow villagers at the work place or in migrant communities often characterized by overcrowding, social disintegration, and a lack of social and health services (Zhang 2001). As a result, many rural–urban labor migrants in China may experience little social or cultural assimilation in cities, feel helpless, insecure, discontented, and resentful, and may be prone to risky sexual behavior (Anderson et al. 2003). The confluence of post-migration economic marginalization, social isolation, and weakened social control may be the key to understanding migrants' elevated risky sexual behavior and in turn the migration and HIV/STIs link (Yang et al. 2007).

Post-migration urban residence and exposure to the urban environment could also contribute to rural–urban migrants' elevated risky sexual behavior

(Yang et al. 2007; Yi et al. 2010). The physical environment of urban living is arguably more stressful than rural living, which may increase mental health problems and in turn risky sexual behaviors. Socioeconomic inequalities, which are more pronounced in urban than in rural areas, may be associated with increased psychosocial stresses. This can lead to greater interpersonal tension and increases in risky sexual behaviors as coping and stress reduction mechanisms (Yang et al. 2007). The social and normative environments in urban areas meanwhile may be more conducive to risky sexual behaviors because of greater anonymity, more liberal behavioral norms, and increased diversities in population and social networks than rural areas (Zhang 2001; Zheng et al. 2014). The more tolerable normative environment, reinforced by the presence of people with different sexual behaviors, may facilitate the spread of risky sexual behavior in urban environments. Rural–urban migration thus exposes migrants to the sexually riskier urban living and contributes indirectly to migrants' increased likelihood of practicing unsafe sex (Yang and Luo 2009).

Results from several systematic review papers indicated high levels of risk-taking behaviors and HIV/STIs rates in migrants relative to non-migrants (Yang et al. 2005; Zhang L. et al. 2013; Zou et al. 2014). Male migrants had greater risk of having multiple sexual partners and engaging in commercial sex (Liu et al. 2012). Unmarried male migrants were more likely to engage in commercial sex and be infected with STIs than married migrants. Male migrants with higher incomes were more likely to have multiple sexual partners and be infected with STIs (Liu et al. 2012). Zhang L. and colleagues (2013) conducted a meta-analysis and found that 53% of HIV-infected individuals had migratory experience. Out-migrants recruited in their home communities had a high rate of HIV (0.15%) relative to the general population (0.06%); the HIV rate in migrants recruited in their urban destinations was even higher (0.38%) relative to out-migrants and the general population; and migrants returning from urban destinations, including both long-term and short-term migrants, had higher HIV rates (0.18%) relative to the general population. The odds of having STIs among rural-to-urban migrants were 3.8 times the odds in the general population (Zou et al. 2014). Construction workers, long-distance truck drivers, and married migrant pregnant women are particularly susceptible to STIs. The HIV prevalence in migrant pregnant women was much higher than that of pregnant women in the general population (Zou et al. 2014).

GENDER, MIGRATION, AND HIV/STIs

Although bivariate linkages between gender and migration, gender and HIV/STIs, and migration and HIV/STIs have captured a great deal of research attention, the literature has not been very specific on whether men and women may experience behavior changes and HIV/STI risk as a result of migration differently.

The potential migration and gender interaction in shaping gendered patterns of HIV/STI risk behavior and disease burden has largely been neglected. A number of recent studies in China (Yang and Xia 2006, 2008; Sutherland 2011) have directly or indirectly documented such potential migration and gender interaction. Findings from these studies reveal that the behavioral impact of migration on HIV risk sexual behavior is more pronounced among migrant women than migrant men. Different from the public perception and media portrayal, migrant men are actually not significantly different from their non-migrant counterparts in risky sexual behavior. Young single migrant women, particularly those working in the personal service and entertainment industry, experience disproportionate increases in their risky sexual behavior and are at the highest risk of HIV/STIs among the gender-by-migrant-by-marital status groups (Yang and Xia 2006, 2008).

Theoretically, rural–urban migration may affect migrant women’s economic, physical, and social exposures to risky sexual behavior and consequently HIV/STIs (Wingood and DiClemente 2002). On the positive side, rural–urban migration allows women to break away from traditional roles and helps them to gain economic independence, thereby reducing their economic exposure to risky sexual behavior. The urban experience can empower migrant women. This, together with greater gender equality in relationship power and behavioral norms, may help them to gain control in matters related to reproductive health, including sexual behaviors (Choi and Holroyd, 2007; Lin et al. 2007; Gaetano 2008). This means that migration may change female migrants’ views about gender roles and sexuality, give them greater freedom and decision-making power in sexual relationships, and reduce both their physical and social exposure to risky sexual behavior.

On the negative side, there is increasing evidence that migrant women do not do as well economically as migrant men in the cities (Zhang et al. 2008; Duan et al. 2010; Magnani and Zhu 2012; Wang et al. 2015; Qin et al. 2016). Being heavily concentrated in the personal service and entertainment industries where jobs carry social stigma, migrant women are economically more marginalized and socially more isolated (Yang and Xia 2008; Zhang 2014; Wang 2015). Economic marginalization and social isolation, together with separation from family and social supporting networks, can reinforce traditional gender-role behaviors among migrant women. In their struggle for survival in cities, many migrant women may be forced to enter into casual sexual relationships in the hope of securing economic and emotional support. Economic hardship and dependence on a partner can in turn reduce migrant women’s personal control in sexual relationships, rendering them vulnerable to sexual violence by abusive partners and increasing their risky sexual behavior (Zhang et al. 2012; Kelvin et al. 2013).

Research has also suggested that the impact of weakening behavioral control of migration on sexual behavior may be more pronounced for migrant women than migrant men. Although significant improvement on women’s rights has

been made in the past several decades, there are still widespread double standards of sexual behavior for men and women in China (Zou et al. 2012), whereby families and communities at large exercise more control and scrutiny over women's than men's sexual behavior. Similarly, sexual infidelity remains more tolerated for men than for women. The separation from family and home community following migration and the anonymity of migrant life may thus carry greater sexual freedom for migrant women than migrant men, who typically already enjoy more freedom and tolerance at home (Yang and Xia 2008). However, the greater sexual freedom migrant women can enjoy away from home may not necessarily translate into greater relationship power and personal control in sexual encounters. On the contrary, the greater economic marginalization and social isolation experienced by migrant women, together with the demand for sexual services in the city and the lure of quick money in commercial sex, may force some migrant women to exchange sex for money. There is abundant evidence that female sex workers, who are mainly rural-urban migrants, often do not have much control over their sexual encounters with clients and are vulnerable to client violence and other sex-related safety risks and consequently at high risk of unsafe sex and HIV/STIs (Xia and Yang 2005; Wang et al. 2012; Yi et al. 2012; Hong et al 2013; Kelvin et al. 2013).

CONCLUSION

The relationship between migration, gender, sexual behavior change, and HIV/STI risks is complex. Migration likely affects women differently than men in that migrant women often do not perform as well as migrant men economically and are socially more isolated in the urban destinations than migrant men. Although there are exceptions, the gendered post-migration experience appears to have helped to perpetuate gender inequalities and women's subordinate status among migrants and further compromises migrant women's relationship power, rendering migrant women vulnerable to HIV/STI risk sexual behavior. Studies of the association between migration and HIV/STI risk sexual behavior would be incomplete without addressing issues of gender and gender-migration interaction. Likewise, studies of women's increased vulnerability to HIV/STIs would not be complete without paying attention to issues of migration and migration-gender interaction, especially in light of the growing size of the female migrant population and migrant women's particularly elevated HIV/STI risk sexual behavior.

More theory-driven research with appropriate study designs and data is needed to sort out the complex dynamics characterizing gender, migration, and HIV/STIs in the context of the profound socioeconomic changes China has witnessed in the last three and a half decades. The potential gender and migration interaction, which may render migrant women particularly vulnerable to

HIV/STI risk sexual behavior and consequently HIV/STIs, deserves special attention in future studies of gender and HIV/STI disease burden. Although this review does not cover the issue, it should be noted that the impact of rural–urban migration on women’s vulnerability to HIV/STIs goes beyond women’s own migration experience. Limited research has also suggested that even when women are not migrating and being sexually faithful the migration of their spouses or sexual partners could increase rural women’s risk of HIV/STIs (Wu and Ye 2016). Future research could also benefit from more attention to any underlying factors or mechanisms that mediate or moderate the impact of migration, which could help to identify the focal points for effective intervention and better inform the development of targeted interventions to reduce any gender-neutral or gender-specific negative impact of migration.

Methodologically, in order to rigorously test the potential migration and gender interaction, future studies need to employ a longitudinal design covering representative samples of migrants and non-migrants in places of both origin and destination and collecting both pre- and post-migration data. Collection of pre-migration data and comparison between pre- and post-migration data would be particularly critical to better understand and quantify the behavioral, health, or any other impact of migration, including its interaction with gender. Although it would be extremely challenging, if possible, to achieve all the above in empirical research due to a host of methodological and logistical constraints, innovative application of natural experiment designs may help address the existing gaps in literature and should be explored in future studies addressing migration, gender, and behavioral risks for HIV/STIs.

Collection of sensitive behavioral data, such as sexual and drug-using behavior, via self-report in a face-to-face interview by a researcher, which is by far the most often employed data collection method in survey research in China, could be susceptible to underreporting as well as response and social desirability biases. Whenever feasible, future behavioral research should incorporate audio computer assisted self-interview (ACASI) in survey design and also collect biomarkers to verify self-reports of sensitive behaviors. There is evidence that ACASI works better in getting more reports of sensitive behaviors (Phillips et al. 2010; Yeganeh et al. 2013); however, face-to-face interview is found to help to enhance rapport and respondents’ sense of connection, thereby improving participant retention (Kalichman et al. 1997; Sherman and Latkin 1999). Innovative combinations or a hybrid of ACASI and face-to-face interview, for example, computer assisted face-to-face interview (NIMH Collaborative HIV/STD Prevention Trial Group 2007) or use of an ACASI module for sensitive questions and face-to-face interview for other questions, is highly recommended.

Meanwhile, prevention intervention programs are urgently needed to target migrant women as well as their male sexual partners. To reduce migrant women’s HIV/STI risk sexual behaviors, it appears necessary to improve their economic wellbeing and social integration in cities. Policy measures to alleviate social,

cultural, and institutional constraints that limit migrants', particularly migrant women's, equal access to urban employment are urgently needed. It is imperative that policy measures be taken to reinstitute and re-enforce the principle of gender equality, to eliminate discrimination against migrant women in hiring, and to make every option equally available to migrant women who are otherwise fully qualified.

It may also be the time for policy makers in China to seriously consider the option of abolishing the *hukou* system to completely de-link access to employment and social services from the possession of a local permanent household registration. The lack of local permanent household registration has been the key to rural–urban migrants' economic marginalization, social isolation, and lax social/normative control and in turn to their risky sexual behavior in the places of urban destination. The removal of the man-made divide between official local urban *hukou* haves (official urban residents) and have-nots (migrants) would greatly facilitate the full integration of migrant women. This will likely reduce their economic marginalization and social isolation, improve their psychosocial wellbeing, decrease their economic and emotional dependence on male partners, and enhance their personal control and relationship power in social and sexual relationships, thereby reducing their risky sexual behavior.

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Income Inequality and Class Stratification

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INTRODUCTION

This chapter assesses the trend of income inequality in post-1978 reform-era China and describes the resulting class stratification. The authors have taken an empirically informed theoretical position to conduct this work. Empirically, China has been characterized by steadily growing income inequality, and an assessment of this trend is the starting point for any analysis of class stratification. Theoretically, property ownership, managerial power, and work skills are the three distinctive sources of income earned to satisfy the needs of survival, enjoyment, and development for individuals and families, and therefore become the theoretical foundation on which class stratification is shaped and reshaped in society. We first provide an assessment of the income inequality trend in China from 1978 to 2014, then present an analysis of China's class stratification as observed in the second decade of the twenty-first century. Interested readers may use this chapter in combination with earlier reviews or syntheses (Bian 2002; Davis and Wang 2008; Goodman 2014) for a deeper understanding of the dynamics of China's class stratification during the reform era.

How to define social class has been a longstanding controversy in sociology (Grusky and Weisshaar 2014). Much of the consensus, however, has drawn on class distinctions in accessing three types of valued resources in market societies: productive property or wealth that is invested in economic processes; power or authority as reflected in work and political processes; and status or prestige, which is generated from occupational skills and social-influence processes.

Our theoretical position recognizes this sociological consensus and reveals four distinctive social classes in China today: the new rich, the middle class, the working class, and the poor. We will elaborate this four-class scheme and characterize the four social classes following an analysis of income inequality.

INCOME INEQUALITY

Overall Trend

China produced an average 8.72 percent annual growth of gross domestic product (GDP) from 1978 to 2014, and based on 2005 constant dollars its per capita GDP was \$3,800 in 2014, jumping from \$195 in 1978. This reveals a total net growth of twenty times over a period of thirty-six years. During that period China’s income inequality more than doubled; Figure 48.1 shows that the Gini index, a measure of inequality, increased from 0.24 in the late 1970s to about 0.50 in 2012.

This increasing trend of income inequality was assessed by using multiple sources of data. Academic sources of data were available throughout the period, but in many years different datasets produce a huge discrepancy in the Gini index, as shown in Figure 48.1. On the other hand, international data sources generally have a higher level of income inequality reported than that reported in academic data sources, especially in the early years of the period. Finally, China’s official Gini index was calculated separately for rural and urban areas before 1995.

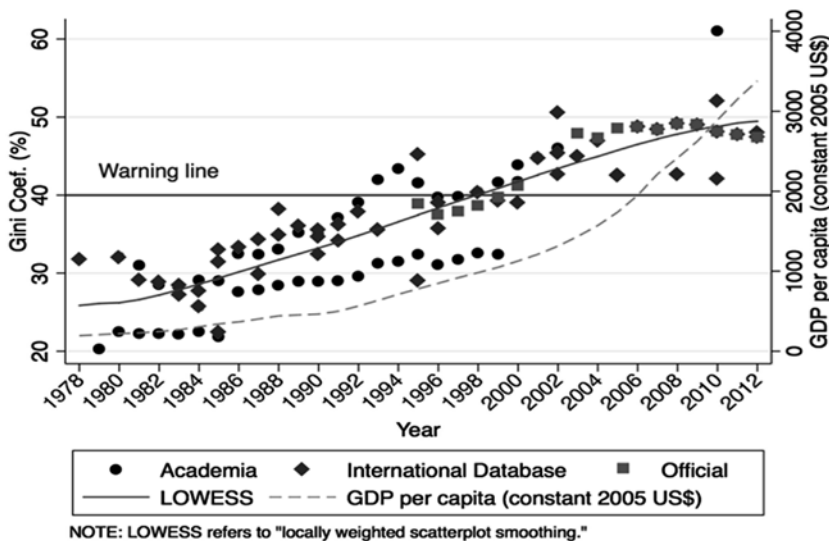


Figure 48.1 Trend of income inequality (generated from multiple data sources)

The post-1995 national-level Gini index depicted a trend of moderate income inequality as compared to measures based on academic and international data sources.

Using a ‘locally weighted scatterplot smoothing’ (LOWESS) line, the authors illustrate the changing trend of averaged Gini indexes from 1978 to 2012. As shown in Figure 48.1, the degree of income inequality steadily increased over the thirty-six-year period, along with steady growth of per capita GDP. Two things are worth noting about Figure 48.1. First, the Gini index reached the arguable warning line of 0.40 in 1998, when China launched its property reform in the state sector known as ‘grabbing the big, releasing the small,’ and the post-1998 trend of inequality was even higher than the pre-1998 period. Second, the beginning years of the second decade of the twenty-first century seem to demonstrate a slowing pace in income inequality, although China’s economic growth, measured by per capita GDP, seems unaffected as of 2012. The post-2012 administration under Xi Jinping’s leadership proposed a ‘new normal’ policy of slowing down economic growth and creating a more fair and harmonious society. This policy may have changed both the trends in inequality and economic growth. Data are needed to verify this proposition.

Patterns of Income Inequality

Reform policies and economic development have interplayed with each other in driving the increases in income inequality (Naughton 1995). Market reforms were implemented first in Guangdong, Fujian, and other eastern regions along the Pacific coast, pulling both capital and labor into these areas. Economic growth and rising income inequality were immediately observed (Vogel 1989). Reform measures were later introduced into the central and western regions, but coast–inland discrepancies in economic resources and opportunities increased already-existing regional as well as urban–rural inequalities (Li and Luo 2012). A significant portion of China’s income inequality was due to ‘categorical differences’ measured by regions, rural–urban localities, and industrial sectors (Wang F 2008). The urban–rural income disparity began to narrow in 2010 (Xie and Zhou 2014), and the gap began to decline around 2014 when the household registration system (*hukou*) was reformed to relax residential restrictions (Wu 2015).

How market reforms have reshaped the pattern of inequality has been a hotly debated issue in the sociological research of reform-era China (see reviews by Nee and Matthews 1996; Bian 2002; Keister and Borelli 2012). Nee’s (1989) ‘market transition theory’ argues for the declining significance of political power and the increasing significance of human capital in income distribution. The theory gained empirical support from a 1985 Fujian survey of rural households. However, city-based and nationally representative surveys show increasing income returns to both education and political power over time, indicating

the coexistence and coevolution of market and political forces in maintaining and increasing income inequalities (Bian and Logan 1996; Parish and Michelson 1996; Zhou 2000). Even in rural areas political power is a significant source of inequality since the growing nonagricultural industry gives village cadres control over economic resources that generate higher income for themselves (Walder 2002). While the gender wage gap remains relatively unchanged (Shu and Bian 2003), networks of social contacts are found to play an increasing role in allocating jobs (Bian 2008; Bian and Huang 2015; Tian and Lin 2016) and in wage income (Zhao 2013; Bian et al. 2015).

DEFINING SOCIAL CLASSES IN CHINA

‘Social class’ is a scholarly term used to identify positions of social distinction, and individuals with similar positions are considered to have similar political-economic interests in the system of social stratification in any given society. While this general definition of social class has drawn a fairly high consensus among social scientists in general and sociologists in particular, a continuous scholarly debate has arisen on what exactly defines the similar and dissimilar positions and political-economic interests that distinguish one social class from another. Grusky and Weisshaar (2014) have assembled a large number of classical and contemporary essays on theoretical perspectives as well as empirical research on social class analysis.

From this literature two systematic conceptualizations used to define and analyze social classes in industrial and postindustrial societies have emerged. The first is the Marxist conceptualization, which defines social class in terms of access to the ownership of productive property. Classical and neo-Marxists argue that the capitalist mode of production empowers the capitalist class in exploiting economic surpluses produced by the working class. The chief criterion used to distinguish Marxism from any other school of thought about social class is whether or not to recognize class exploitation as the central analytical concept. The second is the Weberian conceptualization, which uses a multidimensional vision to consider the system of social stratification as jointly produced and reproduced by unequal access to economic resources (property ownership included), political power, and social status (prestige or honor). Influenced by this view, a great majority of sociologists have defined social class in terms of unequal access to the three widely valued resources in market societies: property ownership, work authority, and occupational skill (Wright 1997).

The 1949 Communist revolution of China was guided by a Maoist application of the Marxist framework of class analysis. Mao viewed pre-1949 China as deeply divided between two class camps; on one side was a propertied class camp of ‘three big mountains’ of imperialism (i.e., foreign capitalists), feudalism (landlords and rich farmers), and bureaucratic capitalism (business owners and

their military and official representatives); on the other side was an unpropertied class camp of the masses, comprised of industrial workers, poor peasants, landless rural labor, and other wage workers. The post-1949 Maoist regime was observed to have taken away the ownership rights of the prerevolutionary propertied classes to all sorts of economic properties. However, the Maoist regime was hardly a classless society because a new, rigid status hierarchy institutionalized a rural–urban divide in residential status, a state–collective dualism in economic structure, a cadre–worker dichotomy in occupational classification, and a revolution–counterrevolution split in political categorization (Bian 2002). Ironically, the post-Mao regime began a remarkable reform policy that eroded the institutional bases of the prereform status hierarchy, and an evolving class system has been in the making (Davis 1995). Thus far, we have observed four influential class analyses of reform-era China.

The first is orthodox Marxist class analysis (Zheng 2009). Representing the official position that recognizes Marxism as the guiding ideology of the country, Chinese orthodox Marxism continues to adopt the classical Marxist definition of social class. However, this position is driven by the party’s political ideology: it is silent about the class nature of emerging business owners, avoids confronting the Marxist notion of surplus value, and ignores the emerging phenomenon of class exploitation in light of rising privatization. As a result, this position has developed a pragmatic approach to recognizing that China remains a socialist system in which class divisions are replaced by different social strata whose class conflicts are minimized.

The second is a Chinese version of Weberian class stratification (Lu 2010). It adopts the three Weberian variables of property ownership, work authority, and occupational skills, but for ideological considerations it names these variables with the politically correct labels of economic resources, organizational resources, and career resources, using these labels to characterize ten social strata. Keep in mind that in China’s official discourses the notion of ‘social strata’ does not necessarily imply class conflicts, and that the notion of ‘class divisions’ surely does so. From the highest to lowest, the ten social strata are: (1) leaders of state and nonstate organizations, (2) managerial, (3) private entrepreneurs, (4) professional and technical, (5) clerical, (6) household business, (7) commercial and service workers, (8) industrial workers, (9) peasants, and (10) unemployed and semi-unemployed.

The third is a class reproduction thesis (Li 2002). Influenced by a Weberian notion of class closure, this thesis recognizes the high degree of intergenerational immobility as observed in patterns of educational and occupational attainments in the reform era. Implicit in this thesis is the assumption that post-Mao market reforms have unexpectedly strengthened the criterion of ascription in the restratification dynamics under Deng’s and post-Deng leadership. This implication has been made explicit in a popular view that China has become an elitist regime (Sun 2007). While it initially allowed for upward mobility from the lower ranks

to higher classes, this regime reached its static mode at the turn of the century when political, economic, and cultural elites formed their coalition. Three social consequences of the coalition define the elitist regime: the elitists join hands to influence policymaking processes in order to maintain their vested interests in the current economic and political structures; the elitists monopolize all high positions in the party and state apparatuses, corporations, and nonprofit organizations, reserving these positions for their children and their loyal followers; and upward mobility into the elites has become almost impossible other than through the paths of status inheritance and political incorporation.

Finally, the fourth influential work is the analysis of changing mechanisms of social stratification in the reform era. Nee (1989, Nee and Matthews 1996) makes a bold statement about the direction of change, and his theory of market transition has spurred a lively and fruitful debate about the social consequences of economic transformation. While much of this debate has been reviewed elsewhere (Nee and Matthew 1996; Bian 2002; Keister and Borelli 2012), two implications for the remaking of social classes surface here. First, China has maintained a strong elitist class whose members possess a great deal of political, social, human, and economic capitals (Davis et al. 2005). However, the elitist class does not seem to be a consolidated one, since political and professional elites come from distinct career paths and obtain different kinds of incentives from the regime (Walder and Hu 2009). Second, the nonelite class is clearly diversified into several social groups, but their career paths and class formations have not received sufficient research attention. One observation regards the differentiation and de-empowerment of Mao's working class as of the late 1990s into wage labor in the private sector, unprotected labor in the state sector, layoff labor whose families were forced to live in poverty, and deprived migrant peasant labor (So 2013).

Our own view of the divisions of China's social classes is twofold. On the one hand, the remaking of social classes is ongoing, and any chosen class analysis scheme is open to empirical verification and justification. On the other hand, however dynamic, China's class stratification is multidimensional, and the adoption of the Weberian view of property, authority, and skill helps us capture the main criteria of class distinction. Accordingly, the authors have taken an empirically informed theoretical position to suggest a four-class scheme: (1) 'the new rich' is a class label for China's elites, whose class origins lie in the ownership of large productive assets and the supporting political power structure; (2) 'middle class' is a class label for China's officials, professionals, managers, and entrepreneurs whose class origins lie in less-than-large property ownership, managerial power, or professional skills; (3) 'working class' is a class label for the category of wage labor, despite the fact that the working class may vary in their income, lifestyle, and future economic security; and (4) 'the poor' is a class label for families and individuals who are struggling in day-to-day hardships. We now elaborate on these classes in greater length.

THE NEW RICH

Characterizing the New Rich

The new rich are an emerging social class in the reform era. During the 1950s Mao's China diminished, if not eliminated, the property class through state consolidation of lands in villages and industrial and commercial means of production in cities. The post-1978 reform era has gradually legalized private economic activities in the form of individual laborers, household businesses, and finally ownership of sizable firms and companies, paving the path for the rebirth of the property class and the emergence and growth of the new rich.

As of 2015 China had 1.21 million business owners whose productive assets exceeded 10 million RMB *yuan* (\$1.54 million); of these 78,000 had productive assets of over 100 million RMB *yuan* (\$15.4 million). Although the estimated size of this class varies in different reports (e.g., *Hurun Reports*, *Forbes Reports*, *Global Wealth Reports*), there is no doubt that the new rich have become an economically important force, a socially visible class, and a politically influential group in contemporary China (Goodman 2008).

The new rich are estimated to account for some 3 percent of China's population. Of this total, owners of sizable firms, top executives of business groups, and managers of large companies together compose the majority of 85.3 percent, with the rest being state officials and their relatives, artists and entertainers, and others whose total accumulated wealth meet the international standards of 1 million US dollars (Credit Suisse 2015; Meng 2015). The new rich quickly grow in the private sector, especially in such industries as real estate, service, and e-commerce, where capital and wealth can be accumulated within a short business cycle (Chen 2016). The new rich are well connected politically, as evidenced by a good number of them serving as representatives to the National People's Congress, China's legislative branch, and members of the Political Consultative Council, a body of political parties and influential entrepreneurs, educators, artists, and entertainers (Lu 2010; Zhao 2012).

The great majority of the new rich were born in the 1950s and 1960s. They were not highly educated prior to becoming the new rich, but along the way many of them sought educational opportunities, earning MBA and EMBA degrees from nationally and regionally competitive programs. These wealthy people, coupled with many young state officials, are part of the reason why China's professional degrees in business administration have quickly gained a world-class standard of tuition charges, and why part-time student bodies increased rapidly from the 1990s onward. Well-known institutions of higher education, such as Peking, Tsinghua, Changjiang, and China-Euro universities, have become not merely a venue of knowledge transfer but also a networking space for the formation and accumulation of social capital. Social capitalists grew exponentially among these part-time degree achievers.

Class Reproduction of the New Rich

To what extent are members of the new rich the children of prerevolutionary landlords or capitalists? Longitudinal studies show that by and large, Chinese entrepreneurs and top executives come from Communist cadre families or otherwise humble backgrounds, with only a few having lineage to the prerevolutionary property class (Zhang 2005). From a sociological perspective, China's new rich are a phenomenon of class mobility so far as wealthy people themselves are concerned. However, this conclusion does not apply to the children of the new rich. On the contrary, the term 'second generation of the rich' (in Chinese 富二代) refers to the specific phenomenon that class reproduction rather than class mobility characterizes the mode of class immobility and status inheritance for the children of the new rich (Bian and Lu 2014).

'The second generation of the rich' is a popular term in public discourse. It is partly related to a 'red-eye syndrome' about envying the wealth of the new rich since the children of the new rich are not only inheriting the business ownership and accumulated wealth of their parents, but more importantly enjoy an array of opportunities that the children of the middle and working classes can never dream of (Zhang 2014). These opportunities include private tutoring, overseas education, political and entrepreneurial networks, and timely and ample chances to gain various experiences, all of which contribute to preparing for future positions of affluence and influence. While this pattern of class reproduction and status inheritance is not uncommon among older generations before and after the 1949 Communist revolution (Walder and Hu 2009), and is certainly universal across political economies around the world (Parkin 1974), its social significance is magnified in today's China because of its sharp contrast to Communist ideologies of equality and party-state slogans on building a harmonious, equal, and fair society. One well-circulated proposition is that China has entered into a Weberian system of class closure in which power, property, and prestige are highly concentrated in and institutionally protected by the new rich (Sun 2007). This is a system with closed ranks and unlikely upward mobility into elite positions.

THE MIDDLE AND WORKING CLASSES

Overview

The middle class and the working class are similar in their generation of income through labor, but they differ in the type of labor. The main source of income for the middle class is mental labor in the form of ownership and management of medium or small entities, as well as nonmanual and professional job skills that generate fairly high income in a growing market economy. Consequently individuals and families in the middle class have stable jobs and income, sustain

a well-to-do lifestyle, feel better than the working class but significantly worse than the new rich, and have sufficient income to satisfy the needs of life enjoyment, children's development, and old-age security. The middle class has been and still is expanding, and at present accounts for about 30 percent of China's population. On the other hand, the working class is composed of those individuals and families whose main sources of income are generated by manual labor. Their jobs are less stable and their income lower than middle-class individuals. Therefore working-class families have sufficient income to satisfy the basic needs of their family, but they do not have a sense of security regarding income, children's development, or old-age life. The working class is the largest social class in China today, accounting for 50 percent of the country's nonagricultural working population. These similarities and differences allow us to describe and compare the middle and working classes in this section.

Mao recognized workers and peasants as the class base of his Communist regime. After land reforms and the Great Leap Forward in the 1950s, China's peasants were organized to work in collectivized People's Communes; in the early 1980s this system was dismantled in light of market reforms. Mao's working class included industrial and commercial workers in state- and collective-owned enterprises in towns and cities. Administrative and managerial personnel were recognized as 'cadres' (in Chinese 干部), a term indicating that their job activities were essentially nonmanual. 'Revolutionary cadres' were politically considered part of the working class during the Cultural Revolution decade of 1966–76 (Bian 2002). Interestingly, Mao gave no specific class status to intellectuals; it was Deng Xiaoping who declared in 1980 that China's intellectuals were 'part of the working class.' One scholarly view is that because of their lifelong employment, relatively high salaries, and an array of socialist redistributive benefits including housing, medical care, child care, and retirement benefits, Mao's state factory workers should be considered as a 'quasi-middle class' (Li 2005).

Despite the above complications, in the 1980s we began observing the rise of the middle class and the differentiation of the working class in a dynamic Chinese society (Lu 2010). Sociologically, in market societies white-collar managerial and professional employees, private entrepreneurs, and the self-employed are commonly recognized as the main components of the middle class. This class has stable employment contracts, above-median income, and well-to-do but by no means luxurious lifestyles. Different estimates have been reported on the size of China's middle class during the reform era, as shown in Table 48.1. To be sure, China's middle class is dynamic and continuously expanding. On the other hand, the concept of the working class refers to manual and semi-manual industrial and commercial workers and nonmanagerial employees in the service sector. In China today rural migrant workers are a new and sizable component of the working class. The size of the working class has been estimated to be in the range of 30–50 percent of the urban labor force (Lu 2010; Zhang 2015).

Table 48.1 A summary comparison of middle and working classes

<i>Defining Criterion</i>	<i>Characterizations</i>		<i>Sources of Data</i>
	<i>Middle Class</i>	<i>Working Class</i>	
Wealth	10% (2015); Personal wealth between \$50k-500k		Credit Suisse, 2015, national
Occupation	22% (2010); Mid-level managers, SM entrepreneurs, professionals, clerks	34% (2013); Skilled and semi-skilled manual workers, urban or migrant	Lu, X., 2010, national Zhang, Y., 2015, national
Occupation	30% (2003); SM entrepreneurs, mid-level managers & administrators, professionals		Liu, X., 2007, urban
Occupation	30% (2006); Managers, professionals, clerks, entrepreneurs, self-employed	>40% (2007); Skilled and semi-skilled manual workers, urban or migrant	Li, C., 2008, urban Lu, X., 2010, national
Income	27% (2013); Per capital annual household income between RMB 28k-100k	55% (2013); Per capital annual household income RMB 8.5k-28k	Li, P., 2015, urban
Income	30% (2009); Higher than national average but lower than twice of national average		Li, S., 2010, national
Income	37% (2010); Higher-than-average national per capita income		NDRC, 2012, national
Income	68% (2013); Per capita annual household disposable income RMB 60k-229k		Barton, et al., 2013, urban

Characteristics of the Middle and Working Classes

Scholars and practitioners have used multiple definitions and criteria to assess the middle class and the working class. Table 48.1 presents a simple summary comparison of some of the influential assessments, mainly from China and a few international sources. By the criterion of personal wealth, and applying an international standard of personal wealth of \$50k–500k, Credit Suisse (2015) gives the lowest assessment of China's middle class, at 10 percent as of 2015. This reveals 109 million middle-class individuals in China, higher than in the United States or Japan, which are second and third in order, at 9.2 million and 6.2 million

respectively. Using the criterion of occupation, the three assessments presented in Table 48.1 are highly similar to each other, although the lower assessment was obtained for the nation (22 percent) and higher for the cities (30 percent). When switching to the criterion of income, researchers report significant differences in their assessments of the middle class, ranging from 27 percent to 68 percent. Logically, the relative sizes of the working class are adjusted accordingly.

The differences observed in these assessments arise from several controversies. The first is a conceptual dispute over what the middle class is all about. This dispute leads to different criteria used to classify individuals and households into the middle class, resulting in diverse assessments. The second is empirical judgment of statistical measures used to draw the lower and upper limits of a middle-class range of an income or wealth distribution, which once again leads to varying assessments. The third is diverse data sources used to construct these assessments; some of these data are local and therefore highly unreliable; some are regional and mostly from the eastern region. Although they are the most useful, the national representative sample surveys can lead to inaccurate assessments because these surveys can be affected by poor design or external factors. The authors' best estimate is that as of 2015 China had 25–30 percent of her population living a middle-class lifestyle. These individuals and households had a stable source of income, were not involved in manual work activities, and had the financial resources to enjoy leisure time as well as support their children's attendance in college. These individuals usually had a tertiary education, at least one privately owned home, and additional gains from investments in capital markets. In contrast, a typical portrait of China's working class is a less-educated person who depends solely on wage income from a manual/semi-manual job for their living, with no extra money for costly leisure activities, job training, or personal development.

Housing and investment are two major components of wealth for the Chinese. Home ownership is very high at around 95 percent, but second-home ownership is higher for middle-class families (21 percent) than for working-class families (17 percent) (Zhang 2015). The middle and working classes differ significantly in investments. In 2010 94.2 percent of urban middle-class families had investments in securities or mutual funds, and this percentage was almost zero for working-class families (Li 2011).

Educational attainment is another indicator used to characterize the middle and working classes. On average, skilled and semi-skilled workers have nine years of formal schooling (Lu 2004), while migrant workers have significantly fewer years of schooling (Zhu 2014). Members of the middle class do much better than those of the working class but vary in terms of educational attainment. The 2012 Chinese General Social Survey (CGSS) shows that 40 percent of middle-class members had tertiary education, 29 percent a secondary education, and the remaining 31 percent only a primary education. Due to economic development and expansion of higher education in recent years, younger

persons tend to have a much higher education level than the older generations (Li 2010).

Class differences are always revealed in consumption and lifestyles. While middle-class families spend 30 percent of their disposable household income on food (Zhong et al. 2010), their working-class counterparts spend 23 percent more income on food (Li 2007). The difference in this Engel index is reflected in the differential class taste for kinds of foods, clothing, furniture, cars, and other consumer goods to those purchased by middle- and working-class families (Yu 2005). For example, around 50 percent of middle-class youths shop for name-brand products (Barton et al. 2013) and 30 percent own cars (Li 2011), while these percentages are nearly zero for working-class youngsters. While middle-class individuals go to movies, concerts, and museums in their leisure time, their working-class counterparts frequently play mahjong, Chinese chess, and poker at home, in neighborhood clubs, or on the sidewalks of commercial streets (Li 2007).

In general China's working-class individuals have a clear class identity and a strong awareness of social conflict and social injustice, but little interest in democracy and political reforms (Li 2004). In contrast, middle-class persons tend to have a blurred class identification and mixed attitudes toward political reforms (Li and Wang 2008). Both classes demonstrate weak incentive for political participation (Unger 2006).

Patterns of Social Mobility

As of 2015 China had 272 million peasant migrant workers in the cities (National Bureau of Statistics of China 2015). These individuals are literally engaged in upward mobility from the peasantry to the working class; this move is motivated by the desire for economic prosperity, higher social standing, and urban identity and residence. Because of the structural changes of an expanding economy, members of the working class have had the chance to move up across layers of the occupational hierarchy and enter the nascent middle class (Lu 2004), although the opportunity of doing so is not very high (Zhu 2014). When reforms of state-owned enterprises deepened in the 1990s, industrial workers began to face the challenge of unemployment, and many eventually lost their jobs and entered the urban poor.

Youths from middle-class families tend to have the capability of maintaining the social status of their parents (Zheng and Li 2009); this is especially true for children of professionals who enjoy an extremely high probability of earning a degree in higher education (Yang et al. 2014). Upward mobility through higher education also helps the offspring of working-class families as well as migrant workers (Bian and Xiao 2015), although the rate of mobility is comparatively lower (Wu 2007; Li and Zhu 2015).

China's growing economy implies that the middle class is expanding. One projection is that China's middle class will increase to 40 percent by 2020

and to 70 percent by 2030 (Kharas and Gertz 2010). If so, the middle class will be a major driving force of income distribution, consumption, and economic development. The question of how all this will translate into a more-stable, more-democratic, and more-open society is yet to be answered. However, we are likely to face two urgent challenges as well. First, China's economic development and resource distribution are highly uneven, favoring urban areas and east-coastal regions (Wu 2015). As a result, 80 percent of middle-class families and individuals are concentrated in east-coastal cities, especially in the four highly developed metropolitan areas of Beijing, Shanghai, Guangzhou, and Shenzhen, China's first-tier cities (Barton et al. 2013). Second, microlevel mechanisms such as human, social, and cultural capital are some of the barriers preventing the upward mobility of those with working-class backgrounds to middle-class status. This is particularly true for migrant workers and their offspring, who have unequal educational opportunities and face the challenges of assimilation to urban life (Bian and Li 2014; Bian and Xiao 2015).

THE POOR

General Assessment

Depending on the definition, China's poor accounts for 7–18 percent of the country's population (Liang and Fang 2011). Officially defined poverty lines change over time and vary across localities. Individuals and families living in poverty have limited life chances, largely due to low job skills, long-term health problems that have exhausted household budgets, or the poor and remote mountainous areas in which they reside. These people live in severe hardships, rely on welfare benefits from local governments for survival, and expect continuous financial and social support from their children, communities, and the state for the old-age stage of life (Du and Cai 2006).

The World Bank uses two daily-spending standards to define poverty. By the lower standard of \$1.25 a day, using a 2011 Product Purchase Parity measure, as of 2015 China had 84.1 million persons, or 6.3 percent, living below the poverty line; by the higher standard of \$2.00 a day, China's poverty level was 18.6 percent with 250 million persons living below the poverty line (World Bank 2015). Although China has had a long history of fighting against poverty, it used its own standards to define poverty. As of 2011 China's official standard of poverty for *rural villagers* was a per capita annual income of 2,300 RMB *yuan*; this indicates daily spending of roughly \$1.00. The National Statistical Bureau reported that in 2015 China's rural villagers living below the poverty line were reduced from 70.17 million persons to 55.75 million persons, a decline of rural poverty rates from 7.2 percent to 5.7 percent.

Urban China adopted different standards to define poverty across cities whose living costs vary tremendously. This makes it difficult to assess a national level of

poverty for urban residents. Nevertheless, one estimate is that as of 2011 China had 50 million urban residents, or about 7 percent, living below the poverty line in the range of a per capita annual income of 7,500–8,500 RMB *yuan* (Luo and Fu 2016). We thus describe rural and urban poor separately and briefly; for more detailed and complete descriptions please read Chapter 44 on poverty and Chapter 46 on migrants.

Rural poor

Mao's rural China was a world of poverty (Parish and Whyte 1980). Antipoverty programs began to be implemented officially in the mid-1980s. Out of some 2,800 counties, one-fifth was identified as 'poverty counties'; these counties began receiving policy-permitted tax breaks, financial aid, and industrial projects designed to reduce poverty. After decades of effort these programs effectively reduced poverty regions to a small number, although poverty villages and poverty households continued to be scattered throughout the countryside, with some concentration in the poor and mountainous areas of the western region. Consequently, by China's official standards the rural poverty population was reduced from 125 million villagers in 1986 to 32 million in 2000 (Du and Cai 2006). As of 2015 China had 49 million rural villagers receiving 'minimum income' (in Chinese 低保) from the state, without which these people would live in severe poverty.

This officially provided minimum income is a major state-tailored program implemented to alleviate poverty. It has been effective, especially when it is combined with the 'poverty county' program. If they do not reside in a poverty county, rural villagers living below the official poverty line have to go through complicated procedures to apply for 'minimum income' from the county government of one's residence. One must provide proof of income, living costs, injuries or long-term illness, and loss of labor ability in order to claim eligibility for the support. Documenting these issues was extremely difficult for the affected, low-educated, and oftentimes aging villagers. Consequently, those in need could not receive the help. To resolve this problem, in 2013 Xi Jinping raised the concept of 'precision poverty reduction' (in Chinese 精准扶贫); its derived policies are aimed at applying more-accurate and effective 'scientific' methods to 'target, aid, and manage' villagers in poverty. The effectiveness of this new program is yet to be studied.

Urban Poor within the Permanent Population

Mao's urban poor referred to those individuals who lacked work ability, income, and a legally recognized relative who could provide them with economic support. Around the late 1970s a rough estimate of those with the 'three lacks' was 300,000 urbanites (Xiao 1997). During the reform era the individuals

and families with 'three lacks' continued to receive financial aid from the local government of their residence, but three new categories of urban poor resulted from industrial restructuring and institutional reforms: the unemployed, the retired, and 'other' individuals, all of whom lived below the official poverty line. The 'other' category included many different groups of individuals, such as the injured, those affected by disasters, inmates who had completed their sentence and been released, drug abusers, and broken gamblers. The new urban poor is now a persistent phenomenon in Chinese cities (Liang and Fang 2011).

The persistence of the urban poor makes Maoist poverty-lifting methods outdated. Maoist methods were centered on the notion of temporary aid to those who, for personal or family reasons, ended up living below the poverty line for a short period. This notion of temporariness is no longer suitable for the reform era. Around the early 1990s, China experimented with a 'security system in support of basic livelihood' (in Chinese 最低生活保障制度) to support those in poverty, and this became a major work task for municipal governments. While financial resources from both central and local state budgets are made available to the system, it is the responsibility of municipal governments to assess the level of poverty, eligibility to receive benefits, and distribution of the benefits. The cities of Shanghai, Wuhan, and Chongqing started implementing the experiment in 1993; by 1999 667 cities and 1,638 county-seat towns had followed, and by mid-2002 all Chinese cities and towns, according to China's Department of Civic Administration, had adopted this system.

The effectiveness of this system is yet to be determined. One assessment is that the system has been 'fairly effective,' even though full coverage of the system is in serious doubt (Du and Park 2007). Certainly the system requires a score of well-trained personnel to operate it, and it has been found that improvements in assets reporting, monitoring of aid distribution, and support services are needed (Liu 2009).

Urban Poor within the Migrant Population

As of 2015 China was estimated to have 272 million peasant migrant workers in cities. Some peasants want to migrate to pursue opportunities for economic prosperity in cities, others choose to lease their allocated lands to skilled farming specialists and search for nonagricultural work elsewhere, and still others are forced to leave their home villages because they have lost their allocated lands to urbanization or rural industrialization. Some of these peasant migrants succeed in the cities, earning a better life and bringing money back home to support their elderly parents and children (Bian and Xiao 2015), but many others are unprepared for urban work and life as well as *hukou* discrimination, and find themselves living under severe poverty in the cities. This migrant population is a source of the 'new dynamic poverty' in urban China (Luo and Fu 2016).

Without a permanent urban *hukou*, peasant migrant workers face social exclusion in urban communities. While some migrants manage to rent apartments from urban owners, many others gather with hometown migrants to live on the city outskirts. Their settlements are known as ‘Zhejiang Villages,’ ‘Henan Villages,’ ‘Xinjiang Villages,’ or generally ‘urban villages.’ Some of these urban villages resulted from the expansion of cities in which peasants lost land but retained the rights to their original home lots now surrounded by industrial and commercial developments. The migrant residential communities are outside of the municipal service systems of water, sewers, shops, and schools. Migrant settlers therefore establish their own system to supply these services under a self-governance structure. The problem is that migrant communities have a high population density, polluted environments, dysfunctional infrastructures, and low-quality schools (Yuan et al. 2009). Migrant communities are urban slums.

The migrant poor in the cities has three serious problems. The first is that many of the migrants are involved in bad jobs (Yuan and Han 2009), resulting in a wage gap between them (2,248 RMB *yuan*) and their urban counterparts (3,019 RMB *yuan*). This is despite the fact that a small proportion of educated migrant workers have landed managerial, professional, or technical positions at a much higher salary (Bian and Li 2014; Bian and Xiao 2015). The second is the lack of social security. Peasant migrant workers and their families still hold a rural *hukou*, and without an urban *hukou* they are excluded from the municipal social security system designed and operated for urbanites (Wang and Chen 2010). Finally, children of peasant migrants are not given the right to education in the cities where their parents work and live. Their applications to colleges and universities have to be submitted from their *hukou* homes or they are not accepted (Yang 2009).

CONCLUSION

China’s income inequality has increased steadily since the late 1970s when market mechanisms were implemented to reform the Chinese economy. By the first few years of the second decade of the twenty-first century, the Gini index of income inequality grew from 0.24 to nearly 0.50, having gone beyond the warning line of 0.40 since 1998. These accelerated income inequalities have led to the differentiation of the working class, the creation of the new rich and the poor in rural and urban areas, and the rise and expansion of the middle class. China’s class stratification has been shaped and reshaped, calling for future research on the life chances, social outcomes, and political implications of the four classes: the new rich, the middle class, the working class, and the poor.

Three research questions remain about the new rich. First, what are the components of the new rich? Is the new rich basically an economic category in which a certain level of accumulated wealth qualifies someone to belong, or are the new rich a mixed elite group in which membership requires diverse pathways, not just

economic success? Second, to what extent are the pathways for upward mobility into the new rich closed? That is, individuals of humble backgrounds have no chance to be part of the new rich even if they have obtained a higher education, occupational skills of high market value, and entrepreneurial innovation. Finally, what is the new evidence on the coalition of political, economic, and cultural elites? And what is the new evidence on the existence of a Weberian system of class closure in which power, property, and prestige are highly concentrated and crystalized in and institutionally protected by the new rich?

Further research is needed to establish a clear-cut concept of China's middle class. We need a cross-nationally plausible framework through which to integrate multiple criteria used to generate an assessment that makes sense in the increasingly globalized world. Systematic and large-scale data collections are necessary. Official, scholarly, and international data sources must be compared with each other before an empirically based assessment can be produced. Also of fundamental interest to students of contemporary China are the behavioral and perceptual manifestations of the middle class. What are the expectations of China's middle class regarding economic development, globalization, consumerism, civil society, and political democracy?

The Chinese working class is often neglected in scholarly research, and how it has transformed and diversified needs further study. What is the probability of working-class individuals to move up to the middle class? What are the pathways of this upward mobility? At the same time, how likely is it for working-class individuals to lose jobs and become marginalized and live in poverty? Finally, is there still a working-class consciousness? What does working-class consciousness imply for political participation or social movement?

Readers should consult chapters 44 and 46 for future research directions about rural and urban poverty. Here we point out one unique category of the poor in China today, the so-called 'three-without poverty': a rural villager without land, without a job, and without official protection (Wang 2005). This new category of the poor has yet to enter official statistics and therefore no assessment is available. This area calls for further research in the future.

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Social Change: Introduction

Weiping Wu



This part of the *Handbook* presents a comprehensive amalgam of research on the conditions and characteristics of social change, and more broadly the relationships between the individual, family, society and state. Contributions range from population demographics, welfare institutions, education, the night-time economy, family relations, health, to the media. Noteworthy is the fact that the provision of social welfare has had a unique and varied historical trajectory. Today, a robust cultural history of traditional kinship-based support systems and waning socialist-era welfare institutions coexist within a geography of support provision divided by rural–urban classification and increasingly defined by market forces.

EMERGING PATTERNS IN SOCIAL WELFARE

Fluctuations in the level of institutional provision of social welfare have created a dynamic relationship between contemporary and traditional support systems. The early reform period can be largely characterized by the incremental diminution of social welfare systems leading to what most of the literature describes as inadequate levels of provision throughout the 1980s and 1990s (Wong 1994). Many scholars argue that this condition served to reinvigorate familial support systems, which had been notably less necessary during state socialism. Today,

traditional support systems based on familial networks and contemporary systems based on government institutions operate in parallel. Familial support systems often serve to fill the growing gaps in pension, healthcare, childcare, and unemployment insurance programs, even though the recent decade or so has borne witness to a reassertion of social support institutions, especially for rural households (Ngok 2016).

Furthermore, the role individuals perform within their family has largely shifted from the traditional support system based on cultural obligation and values of filial piety to one based on the mutual benefit of family members (Croll 2008). Traditionally, Confucianism clearly prescribed the role of the individual relative to the nuclear and extended family, emphasizing an ‘intergenerational compact’ between family members that obligated them to familial duties. In the contemporary context, however, family support systems have become increasingly centered around mutual benefit for those involved.

In parallel, the contemporary trajectory of institutional social welfare reflects the government’s objective to experiment with privatization. This pattern illuminates a slow but pragmatic approach towards effective large-scale provision. Arguably the most significant changes to the prior socialist system of welfare provision was the dissolution of collective provision for the rural population and the substantial curtailment of state-owned enterprises for the urban population; in fact, during the early reform period, many urban and most rural households were largely left without support (Saich 2011). As market-based practices permeate, deferring the costs of social support institutions through program reduction or privatization is at odds with providing equitable and universal support. Research highlights the recent reengagement by the state (2002–present) by providing more robust social service, largely through program creation or upgrading.

There has been a conscious effort by the central government, at least to some degree, to reverse the prioritization of economic growth over public welfare. This recent shift illustrates the reengagement of the state in its role to safeguard the physical, financial, and informational interests of the people, though arguably more for the state interest on some fronts. For example, after decades of ineffective policy, the comprehensive provision of healthcare services became an important component of the central government agenda; currently, three national healthcare programs provide near-universal coverage (96 percent). The minimum income guarantee (*dibao*) program was expanded considerably since 2007 under Hu Jintao to include a larger range of services as well to cover rural households.

CONSISTENCIES

A set of structural and thematic consistencies not only define the literature, but illuminate the relationship between state and society. The first and most uncontested concerns the substantial impact the One Child Policy has had on

demographics, economy, and familial and gender roles broadly. Although the central government has recently relaxed restrictions on childbirth, the reduction of birthrate over the course of thirty years has produced socio-economic hurdles that may prove difficult to reverse. Societal ramifications of the policy are already observable and scholars call attention to the growing magnitude in the coming decades.

The most pressing issues of the One Child Policy are its potentially problematic effect on the national economy as well as the welfare systems. The policy has effectively accelerated the aging of the country's overall population. David R. Phillips and Zhixin Feng show that fewer working age people may lead to slow or negative economic growth (Chapter 49). In addition, social welfare programs, many of which are structured to use income tax revenue, depend on a robust working age population. As the median age continues to rise, pensions, healthcare, long-term care and other public support systems may risk becoming strained.

Furthermore, the policy has contributed significantly to changes in familial and gender roles, as illustrated by Jieyu Liu and colleagues (Chapter 53). The now ubiquitous '4-2-1' familial structure has necessitated that familial-based support systems, as well as the relationships between family members, adjust to a narrowing bloodline. Among these adjustments, the change in care for elderly family members is most striking. In many cases it is no longer possible for a sole child to care for multiple parents and grandparents, and the use of long-term care facilities for the elderly is growing in popularity, particularly in urban areas (Cheng and others 2011). Outside of the family unit, gender roles also have changed more broadly, specifically with increasing levels of education attainment for young women (shown by Mette Halskov Hansen in Chapter 51) who are frequently only children and seen as their family's sole means of achieving a better life.

Second, scholars including Lawton R. Burns and Gordon G. Liu acknowledge that China's stride to advance the provision of infrastructure has contributed to improved public health (Chapter 54). Although air and water pollution are still significant problems, particularly in cities, there has been notable progress in providing access to clean water and sanitation, primarily through the construction of freshwater and wastewater infrastructure. This service infrastructure contributes to improved life expectancy, lower infant mortality rates, and fewer occupational health hazards by reducing exposure to pollutants, pathogens, and waterborne diseases.

On the other hand, scholars have emphasized the disparity in the provision of support services. Despite recent efforts to correct this, rural areas have consistently received considerably fewer support programs that, by and large, provide a lower standard of care. Since the onset of reforms, the central government typically instituted separate, asymmetrical welfare programs along rural-urban lines. For example, the current healthcare system is comprised of 'three prongs,' each of which effectively constitutes an individual program delivering breadth

and quality of treatment that differs from the other (Chapter 54). In addition, the *dibao* (minimum income guarantee) program was created in the 1990s specifically to serve urban populations and only expanded to include rural population in 2007 (Golan and others 2014).

Lastly, Daniel Hammond (Chapter 50) and other scholars have continued to highlight the oft-problematic use of mandates, unfunded by the central government and imposed on local governments as a means of implementing public support programs. Per capita budgetary targets included as part of the mandates establish clear monetary obligations for local governments and grant the central government a considerable amount of vertical control (Tsui and Wang 2004). As the expenditure responsibility of local governments, unfunded mandates have contributed to chronic deficits and the proliferation of unsustainable local financing practices, the latter of which is a topic of discussion in Part VII of the handbook.

CONTRADICTIONS

Given the complexity of societal change, there are inevitable disagreements as to how scholars consider the implications of policy interventions. The first is reflected in varying views on how much the One Child Policy has actually accelerated the birth rate decline, as opposed to voluntary reduction brought on by broader shifts in the social economy (Chapter 49). Furthering the point of voluntary reduction, although the One Child Policy has been relaxed such that families can now have two children, a slew of cultural and economic conditions – chief among them the expense of raising children in urban settings – has meant that many families still choose to have one child. In addition, as a population achieves considerably higher income, is more educated, and gets married later in life than previous generations, they tend to have significantly fewer children (Barro 1991), complicating analysis of the One Child Policy.

A second disagreement centers round the question whether it is possible to develop an educational system that fosters innovation and creativity within traditional Chinese pedagogical methodologies. The current set of practice is rooted in an examination-based ‘emulation model’ that emphasizes the propagation of universal truths (Chapter 51). Many scholars see this education approach as an impediment to the generation of new ideas and expressions of creativity. Although China undoubtedly continues to make strides in technology and research and development, these structural characteristics of education may pose significant constraints to the formation of a national economy based on innovation. In addition, the changes necessary to re-center education around innovation, which include lowering barriers to information, and permitting a certain level of inquisition and critical thinking among others, may compromise the state’s ‘monopoly on truth’ within the education system.

The third area of scholarly debate is rooted in the implications of new (digital) media, specifically social media, for the relationship between the state and society. There are divergent views on to what extent the role of new media serves to further open up the country or serves to bolster the power of the state to subjugate the population (as discussed by Jian Xu and Wanning Sun in Chapter 55). The ‘empowerment’ versus ‘repression’ hypotheses in new media research are not unique, but have become especially poignant within recent conditions of information control. Many scholars posit this dichotomy as beyond a mutually exclusive condition, noting the complex roles of new media in simultaneously providing a means of information dissemination and exercising agency among netizens as well as enabling the expansion of state control.

AVENUES FOR FUTURE RESEARCH

The implications of new trends in healthcare, education, and other social welfare programs present researchers with compelling areas of focus for future directions of investigation. As the population continues to age, familial roles and specifically the relationship between those of working age and the elderly have begun to change considerably. Although traditional values stress filial piety, broader socio-economic change has caused a considerable number of working age people to become unable or unwilling to cohabit with or provide care for their parents (Chapter 49). A new phenomenon, privately operated long-term care facilities, have become an increasingly popular option. There is a significant opportunity for research on evolving familial relationships and the wellbeing of the burgeoning elderly population. In particular, investigation of elderly-focused healthcare systems as well as long-term care facilities is under-represented in the literature.

Although there is a substantial body of literature investigating sociological phenomena, many scholars have identified the need for more research on sexual relationships (Chapter 53). Sex has historically been a subject considered taboo by the mainstream and academia alike; existing scholarly investigation of sex in contemporary China generally exists within broader public health or sociological studies. As a growing number of younger Chinese choose to delay or forgo marriage and child rearing, the sexual practices of individuals have varied considerably. In addition, given the interconnectivity of the sex industry and the night-time economy, James Farrer points to a significant opportunity for scholarly investigation of sexual relationships *vis-à-vis* contemporary nightlife (Chapter 52).

Last, members of the middle and upper classes now have the means to send children abroad for higher education. As such, the number of Chinese students that receive higher education in Western Europe or North America has ballooned, contributing considerably to the growth of a cosmopolitan intelligentsia in China. Given the scale of this phenomenon, more research is needed on the effect of

the foreign educated population on the social and political economy in China (Chapter 51). Several scholars have posited the potential of the Western-educated intelligentsia to initiate change within the Chinese pedagogical system, potentially advocating for further educational reform.

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Demographics and Aging

David R. Phillips and Zhixin Feng

INTRODUCTION

The People's Republic of China (PRC) has the largest population and also the largest number of older persons of any nation globally (Phillips and Feng, 2018). During the decades following the PRC's inception in 1949, it has developed one of the world's most interesting demographic profiles and, looking forward from 2018, it promises to have one of the most important demographic aging patterns. China is arguably *the* outstanding example of a modern nation in which population policies and economic development have directly affected population structure and demographic aging. As a result, demographic changes, and especially aging, have emerged as major national concerns and for some time have been expressly considered in national development planning at the highest levels (Phillips and Feng, 2015). This chapter focuses on four major aspects of demography and demographic aging in contemporary China, with a particular view to likely future trends and consequences. First, we introduce the demographic drivers of aging; second, we discuss the nature and legacies of recent population policies (especially the one-child policy) and effects on demographic structure in the context of rising incomes and urbanization; third, the emerging gender imbalance and potential social effects of 'surplus' males; and fourth, we consider costs and actual and potential issues related to social support in the context of population aging.

'DEMOGRAPHIC DRIVERS' OF AGING

Many people tend to think that increased longevity is the main reason why populations age. However, 'the most prominent factor in population aging has been fertility decline' which *together with* increased life expectancy are the 'demographic drivers' of population aging (Kinsella and Phillips, 2005, p. 8). Increased longevity is determined to some extent by socio-economic development, social conditions and education, nutrition and improvements in health care, but in China's case, drastic fertility decline is largely a consequence of population policy, particularly the one-child policy. Whilst it is likely that, in the future, declining mortality will play an increasing role in aging, today we are still witnessing principally the results of population policy combined with very rapid economic development especially since about 1980.

In terms of aging per se, by the end of 2014, people aged 60 and over numbered 209.2 million, about 15.2 per cent of the total population (HelpAge International, 2015). The proportion of older persons is expected to reach 36.5 per cent by 2050 (HelpAge International, 2015). Life expectancy at birth (LEB/ELB) has also increased substantially. Historically, China had a low life expectancy but this has steadily risen over the past 50 years to reach 71.4 years in 2000 and 74.83 years in 2010 (NBS, 2015). In October 2016, the Communist Party of China and the State Council launched the official blueprint *Healthy China 2030*, which included aiming for an average life expectancy of 79 by 2030 (CCP and State Council, 2016; Xinhua News Agency, 2016). Moreover, ELB is expected to rise further to 82.5 by 2045–2050 (UNDESA, 2015), higher even than the 78.8 for 2050 forecasted by Zeng and George in 2002. A significant feature of China's population structure is that the United Nations expects median age to increase from 37 years in 2015 to 49.6 years by 2050 and to reach 51.1 years by the end of the century. This would place China by mid-century as one of the oldest countries in the world. The Hong Kong Special Administrative Region (HKSAR) of China will be even older in age structure, at a median age of 52.7 and sixth oldest country/area globally by 2050 (UNDESA, 2015).

As outlined below, the PRC has witnessed a number of stages of radical population policies over the last 50 years, alongside enormous economic and social developments. The various stages culminated in 1979 in the well-known one-child policy, which remained in force (with some modifications) for some 36 years. After more than a decade of debate, the Chinese government in October 2015 announced the alteration of the one-child to a two-child policy. It is acknowledged that the policy had in practice been relaxed somewhat in recent years for some groups and places and had never been fully enforced for the 'ethnic minorities' but, for most people, one child had remained a reality. China has also achieved enormous economic development over the past 35 years and is now the second largest and still one of the fastest growing economies in

Box 49.1 Global AgeWatch Index 2015: China's overall rank 52 out of 96

- Largest ageing population in the world; older people 14.4% of 2014 population
- Faces significant challenges but with progress on age-friendly policies
- Performs best in the enabling environment domain (28); lowest rank in the income security domain (75)

Income Security (Rank 75/96)

- Lowest rank due to elderly poverty rate (23.9%) and low relative welfare (50%)
- Pension coverage growing in urban and rural China
- Over 125 million people receive a pension, partly from expansion of the New Rural Social Pension Scheme
- Many provinces developed old age allowance schemes with monthly cash grants; benefits will increase with economic growth
- Economic growth remains unbalanced between urban and rural areas, east and west China.

Health Status Rank (Rank 58/96)

- Life expectancy at 60 in China is 19 years; healthy life expectancy of 16.8 years
- Health insurance coverage has increased
- Encourages volunteers in elder care; community centres developed
- High rates of depression among older people and need for long-term care led to aim for a comprehensive and integrated LTC strategy
- Older people face many health problems including non-communicable diseases
- Community health services for older people need improvement in China

Capability (Rank 39/96)

- Most Chinese older people live in rural areas; many remain working in farming to secure incomes
- Survey data: about 40% aged 55-59 work in urban areas, drops to 20% age 60-64
- Higher proportion of rural people aged 65 to 69 continue to work and over 20% aged over 80+ still work
- Third age schools reached 49,289 (2014) with 587m older people registered

Enabling Environments (Rank 28/96)

- Best ranked domain, above regional average values in 3 of 4 indicators: Safety (78%), civic freedom (76%) and satisfaction with public transport (71%)
- State Council regulation on barrier-free environment construction in 2012
- New revised ageing law (2012) sets rules on age-friendly living arrangements
- Over 490,000 associations and over 700,000 cultural centres for older people provide important platforms for social and cultural participation
- Most urban older people get free access to public transport, parks and attractions.

Source: Summarized from HelpAge International (2015) *Global AgeWatch Index 2015 China country commentary*. www.helpage.org/global-agewatch/population-ageing-data/country-ageing-data/?country=China

the world. However, its gross national income per capita remains much lower than in many other countries (at only between one-fifth to one-third that of many Western industrialized countries) (World Bank, 2015). In addition, social security provision and welfare services for older persons are still underdeveloped, underfunded and unevenly distributed, and vary especially between urban and rural areas (Feng et al., 2013) and between the larger cities and the second, third or fourth tier cities.

Box 1 summarizes China's current comparative global situation in terms of aging based on the Global AgeWatch Index (HelpAge International, 2015). China ranks at 52nd overall, roughly in the middle of the 96 countries included in the index. In terms of detailed achievements, it has done best in the enabling environments domain but performs worst in the income security domain principally because of its high old-age poverty rate and low relative welfare. With its combination of rapid aging and large older population but low income per capita, low relative social security and welfare, China epitomizes the well-known adage of a nation 'growing old before it grows rich' (Phillips and Feng, 2015).

LEGACIES OF POPULATION PLANNING AND ECONOMIC DEVELOPMENT

Population Planning and Declining Birth Rates

At the establishment of the PRC in 1949, China's population was about 542 million, and its average annual population growth rate was around 16 per thousand (NBS, 1988). The large population and improving distribution of food and medical care resulted in a high birth rate (average 37 per thousand) and led to rapid early population growth (the so-called 'first baby boom') during the PRC's first five years. China's population increased to 602.66 million in 1954, an approximately 11 per cent growth (NBS, 1988). This substantial increase raised concerns among the nation's leadership that food production could not meet such an increasing population and that economic development could be much more difficult with this fast population growth. This spurred the Chinese government to launch its first birth-planning campaign. The early 'emphasis was on fertility planning, rather than fertility reduction' (Harper, 1994, p. 62). In 1956, Premier Zhou Enlai officially endorsed birth control.

The sequence of subsequent population changes as major consequences of varying phases of population planning are shown in Figure 49.1 (birth rate, death rate and natural growth rate) and Figure 49.2 (Total Fertility Rate).

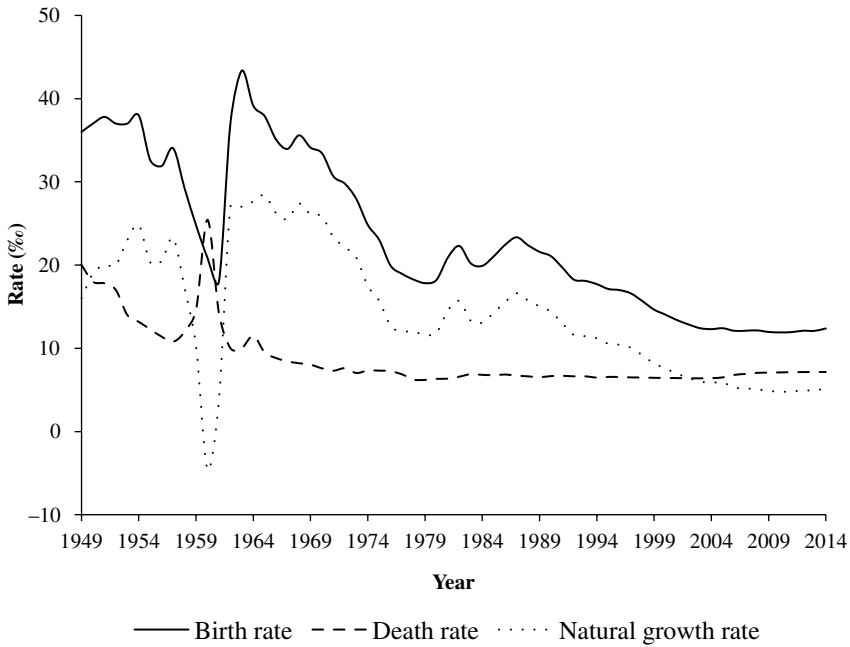


Figure 49.1 Birth rate, death rate and natural growth rate of China's population 1949–2013

Sources: data from NBS (1988, 2015)

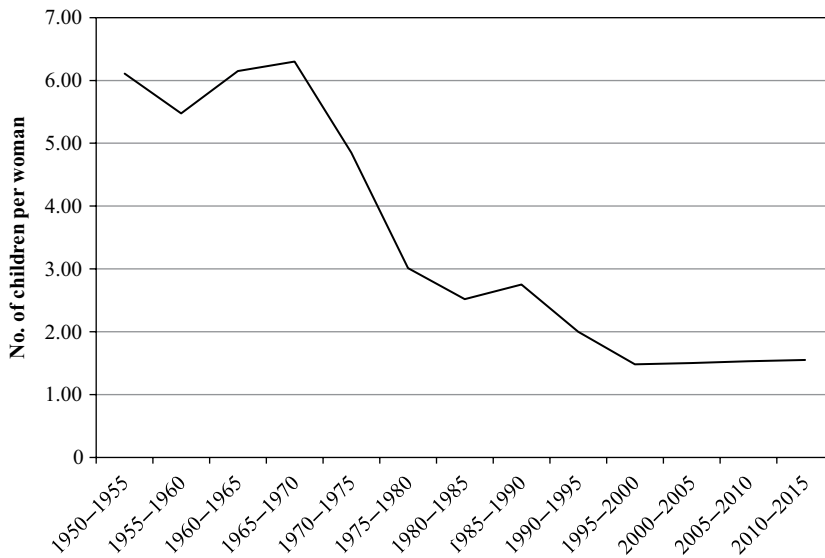


Figure 49.2 The evolution of China's Total Fertility Rate 1950–2015 (TFR, children per woman)

Source: United Nations (2015)

The first birth-planning phase only lasted for about three years and came to an end with the Great Leap Forward in 1958. During this short period, the birth rate decreased from around 37 to 32 per thousand (Figure 49.1) and the Total Fertility Rate (TFR) decreased to 5.48 from 6.11 children per woman (Figure 49.2).

A series of famines caused by a combination of consequences of Mao's 1958 Great Leap Forward and several natural disasters resulted in a significantly increased death rate (25.4 per thousand) and China's natural population growth rate dipped to negative, at -4.57 per thousand from 1958 and 1961 (see Figure 49.1), which effectively halted any population control. Indeed, the second baby boom was from 1962 to 1970, in a period of tentative control of unwanted fertility but also one of increasing birth rates, which only fell back to the 1959 level by the end of the 1960s. Although the State Council began a campaign which included nationwide birth-planning measures, promoting contraceptives and late marriage in 1962, the Cultural Revolution, which began in 1966, greatly disrupted the results of this birth-planning campaign among much other turmoil. Government controls on birth planning were lifted in the Cultural Revolution and, as a result, birth rates were again high (33.4–43.4 per thousand). The death rate fell to around 10 per thousand (Figure 49.1), whilst the TFR also remained high at between 6.15 and 6.30 children per woman (Figure 49.2).

Since then, three phases or stages of 'modern' population planning to control the birth rate have been recognized and we are now entering a fourth stage. Harper (1994, pp. 64–67) identified the first three and the fourth is the latest:

- 1 Two-Child policy (1971–79) ('Late, spaced, small')
- 2 One-Child policy (1979–84)
- 3 Modified One-Child policy (1984) and future policies
- 4 Return to Two-Child policy (late 2015)

When social conditions became more stable and people from the first baby boom reached marriageable age, an 'efficient' family planning campaign was conducted between 1970 and 1979. This 'first phase' of recent family planning included three elements, encompassed in the slogan *Wan-Xi-Shao* (usually translated as 'late-spaced-small'). *Wan* refers to late or delayed marriage (mid-twenties for women, late twenties for men); *Xi* refers to long intervals between births (3–4 years), birth spacing, a recognized way of reducing overall birthrates; and *Shao* refers to having fewer children (no more than two children per couple in urban areas, and three in the rural areas), resulting in a small family. As Figure 49.1 shows, this initial policy did have considerable impacts and encouraged a rapid reduction in the birth rate (from 33.41 per thousand in 1970 to 17.82 per thousand in 1979). Fertility (TFR) fell by more than half, from 6.3 children per woman in 1970 to 3.01 children per woman by 1980 (Figure 49.2).

Why then was the second, and more Draconian, phase of family planning introduced? It was recognized that, from 1979 onwards, people from the second

baby boom had reached or were close to marriageable age, which would result in huge growth in population numbers, even if limiting families to two children. At the same time, China was starting to implement economic reforms and the so-called 'Open Door policy' (Goodman, 1989). Deng Xiaoping, the architect of China's contemporary economic miracle, believed that without a rapid fall in the birth rate, it would not be possible to develop China's economy and raise living standards (Potts, 2006). Consequently, the Chinese government launched its soon-to-become famous one-child policy which allowed couples to have only one child. It was rigorously enforced in many areas and localities, especially in towns, and met with considerable criticism internationally. However, strict implementation also met with difficulties, particularly in rural areas, due to high demand for workers in the household contract responsibility system and the rural tradition of raising sons as support in older age.

Therefore, the third phase emerged in family planning policy implementation which involved certain important modifications. These included relaxation of rules in some circumstances, including allowing variations to emerge between provinces. For example, if a couple's first child was physically or mentally challenged, or couples were divorcees, such couples in urban areas or if government employees, could be permitted to have a second child. In rural areas, 'peasants' (agricultural families) in particular were allowed to have a second child after five years if the first-born was a girl (Mamdani and Mamdani, 2006). Since 2002, all provinces, regions and municipalities have modified their family planning implementation according to local situations (including making allowances for factors such as urban-rural differences, ethnic groups and population density). Importantly, 'ethnic minority' groups (non-Han Chinese citizens), who comprised about 8.46 per cent of the population in China's 2010 Census (NBS, 2011), were generally allowed to have two children or were even wholly outside the remit of the family planning policy in some remote areas. The numbers of some ethnic minority groups actually increased and not all groups showed rapid population aging in the early policy, though the picture has been rather complex (Du and Guo, 2000).

What have the demographic impacts been of the policies over the past three and a half decades or so? As Figure 49.1 shows, nationally, birth rates fluctuated during the first 10 years (1979-1988), and then decreased, falling to around 12 per thousand after 2002, and remained relatively stable at around 12.08 per thousand until 2013. The natural growth rate also fluctuated over the first 10 years, and decreased to fewer than 10 per thousand after 1997. Since then, it has constantly declined to reach 4.9 per thousand in 2013, some 35 years after the one-child policy's initiation (Figure 49.1). Fertility, in terms of TFR, has steadily decreased since 1979, and dropped below 2.1 (the theoretical 'natural replacement level') in the mid-1990s. The TFR is now well below this replacement level and was estimated at around 1.5 children per woman at the end of the first decade of the twenty-first century and now hovers at or below that figure.

Economic Development and Low Birth Rates

Despite the often-fierce criticisms of the rigorous family planning policies, there is little doubt that much of China's achievement in moving to low fertility has been due to this concerted government-led family planning. What perhaps could not have been foreseen is the simultaneous enormous success of China's economic development, with vastly improving social and economic conditions, which have also contributed to an effectively 'voluntary' reduction in the birth rate. Several writers early in the period, including Lavelly and Freedman (1990), Poston and Gu (1987) and Tien (1984) noted this, but it was difficult to have foreseen the huge impacts of the policy and the extent of socio-economic changes, including alterations in many people's family aspirations.

Certainly, similar though seldom as rapid and drastic declines in birth rates have been seen in some other rapidly developed economies. In many other countries in East Asia and globally, social and economic development, including the effects of industrialization, urbanization and improvements in mass education, health and living standards, have generally changed both the institutional contexts and cost/benefit calculations in people's fertility decisions. These factors undoubtedly played a significant role in China (Cai, 2010). For example, in the 1970s, fertility in the Beijing and Shanghai municipalities, the leading metropolitan areas, was already lower than in the less-urbanized provinces (Tien, 1984). By 2014, fertility in the Beijing and Shanghai municipalities was still lower than the national level of 12.37‰, at 9.75‰ in Beijing and 8.35‰ in Shanghai (NBS, 2015). So, some argue that social and economic development have played the decisive role in the transition to below-replacement fertility in China (Cai, 2010), especially in the past two decades or so. Socio-economic development appears likely to be the major factor that will *perpetuate* low fertility in the future, even though population policy has relaxed as follows.

After almost three and a half decades of the one-child policy and following many years of often heated discussion and pressure for its change or abandonment (see for example Peng, 2004), the Chinese government relaxed this policy in late 2013 in the light of low fertility rates and a rapidly aging population and a shrinking labor force. Couples in which one partner was an only child could legally have two children. Although the birth rate showed a very slight increase to 12.37 per thousand at the end of 2014 (Figure 49.1), China has by no means witnessed a baby boom (Denyer, 2015). In late 2015, the Chinese government took a decisive step and officially announced further modification of the one-child policy to a two-child policy, now permitting all couples to have two children. However, it is uncertain whether this relaxation will cause any significant increase in total fertility. As suggested earlier, many people's expectations and aspirations in modern China may well militate against such a boom. Moreover, a large number of 'only children' are reaching their late-30s. Many are deciding whether they would like to become older parents which, with the high cost

of raising children in contemporary China, may well make them disinclined to have a second child.

Legacies of Population Planning and Aging Population

Consequent upon the above phases of population policy and the combined effects of national development since the late 1970s, several distinct phases of population aging have also been identified. Broadly, the following phases have been noted by Harper (1994, pp. 60–61) and others such as Xiao (2007):

- 1 Moderate aging phase (1982–2000): From an intermediate to a young–old society. Approximately 10 per cent aged 60+
- 2 Quickening aging phase (2000–2025): Moving to an older old structure, with the percentage of older persons almost doubling to around 20 per cent
- 3 Super aging phase (2025–2050): An increase in the percentage of older people to about 25 per cent and a decrease in those aged under 14 to only 18 per cent. Emergence of large percentages of the older population aged 70+ (growth of the ‘oldest old’ group) and high dependency rates especially old-age dependency rates.

Xiao (2007) looks even further forward for the third phase and identifies post-2050 a steady phase of high-degree aging (2051 to 2100).

A reflection on the demographic impacts of the one-child policy suggests it prevented 400 million births (Phillips, 2015). Importantly, this has underpinned demographic aging with its large and growing numbers and percentages of older people. The three phases of population policy lead to the three phases of aging in China, with China becoming an ‘aging society’ in 1999 (approximately 10 per cent of the population aged above 60). During the 2001 to 2020/25 ‘rapid aging’ phase, people from the first baby boom began entering older age. Therefore, the increase in older population will likely be at an average annual growth rate of 3.25 per cent, much higher than the annual increase rate (0.66 per cent) of total population (Xiao, 2007). The proportion of people aged 65 years and over will likely double from 7 to 14 per cent from 2000 to 2026 (Cheng, 2015). From 2021 to 2050, Xiao’s second phase of aging, China will face an accelerating phase of population aging. People from the second baby boom will enter old age and the aging population will show an annual increase of over 6 million whilst the total population will remain stable or even slightly decrease, contributing to yet greater overall demographic aging.

The elderly population will be around 270 million by about 2023, equaling the population of children aged 0–14. By 2051, the older population will peak at around 437 million, about twice as many as the population of children, a very significant and unusual demographic pattern. The older population will remain around 300 to 400 million, around 31 per cent of the total population. Importantly, the oldest old population (aged 80+) will likely be steady at about

25–30 per cent of the older population. The challenges of population aging and the aging of the older population itself will become marked. Importantly, because of the variations and modifications of the one-child policy between provinces and urban and rural areas over the years (Peng, 2004), there are substantial regional variations in aging population distribution between urban and rural areas and different provinces (see Figure 49.3). For example, in 2013, the old-age dependence ratio was 10.9 in urban areas compared to 15.93 in rural areas (DPESTNBSC, 2014). In terms of the variations among provinces, the old-age dependence ratio showed considerable variations, from 7.86 in Tibet to 20 in Chongqing in 2014 (NBS, 2015).

Looking forward to the immediate future years between about 2020 and 2040, many researchers, commentators and even official bodies have suggested that the dramatic falls in TFR and the large number of one-child families will have serious consequences. These will be both in terms of the broad economy (falling numbers of workers, raising labor costs and with changed labor force skills) and population structure, in that the growth of the older population will require enormous reorientation of many activities including welfare, retirement, health, education, social care and housing. We consider these consequences below but first we outline some important features of modern China's family structure.

FAMILY STRUCTURE, GENDER IMBALANCE AND POTENTIAL SOCIAL EFFECTS OF 'SURPLUS' MALES

Impacts on Family Size and Structure

One of the most significant social consequences of population policy and subsequent fertility decline has been the inevitable emergence of smaller families. In 1982, average family size was 4.4 persons, which decreased to 2.97 by 2014 (NBS, 2015). Despite the various interim modifications of the one-child policy and the official promulgation of a two-child policy in late 2015, many commentators feel it highly unlikely the TFR will return towards 2.0 (around natural replacement level). As noted, many couples nowadays plan for just one child because of non-policy constraints and pressures (Morgan et al., 2009) and practical and economic reasons (Denyer, 2015). It seems the optimistic scenarios of many two-child families emerging and consequent economic boosts, outlined by some commentators (eg Jin, 2016) are not very probable. There is for example evidence of attitudinal change especially in the large cities in which a smaller (de facto, one child) family is accepted by many in the modern economy. This means the TFR will most likely hover only slightly above 1 for some time.

Probably the most noted family effect has been the famous '4-2-1' family structure, meaning four grandparents, two parents and one child. The almost

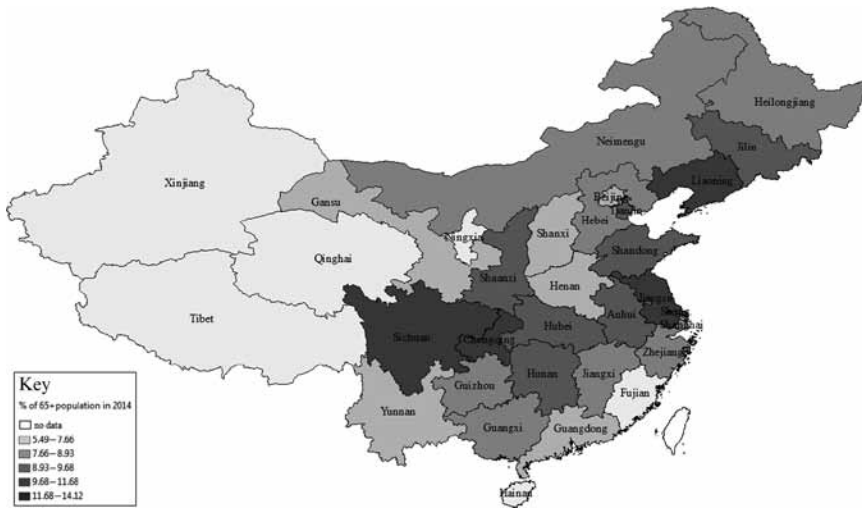


Figure 49.3 Population age 65 and over (percentages) by province, 2014

Source: data from NBS (2015)

inevitable consequence of this, especially in view of generally increasing longevity, is that at present many couples (two persons) will potentially be responsible for the care of four grandparents and one child. In the future, the single child, possibly unmarried, alone may well have to support and care for two parents and possibly four grandparents.

Following the provincial variations in population policies and also regional inequalities in development noted earlier, another visible demographic impact of the changes is in the uneven distribution of the older population in China. Figure 49.3 indicates several provinces with over 11 per cent of the population aged 65+ in 2014, whilst many, especially western provinces and some eastern seaboard provinces where younger migrants have moved for work, have fewer than 9 per cent. Provincial-level data probably do not reflect the local situations well and especially in some rural localities where there are yet more older persons after youngsters have moved away for work (as discussed below). Zeng and colleagues (2008) reported that the percentage of older people (aged above 65+) who were living in ‘empty-nest’ households without children were fewer than 3 per cent for both rural and urban areas; and the percentage of older people (aged above 65+) who were living in empty-nest households rose to 3 per cent in urban areas and fewer than 4 per cent in rural areas. They projected the percentage of older people (aged above 65+) who were living in empty-nest households would increase to 10 per cent and 14 per cent respectively for urban and rural areas. Perhaps more spectacular in emphasizing regional variations are the gradations of disposable incomes. As mentioned above, economic development also contributed to the reductions in China’s birth rate. The eastern seaboard



Figure 49.4 Per capita disposable income of households, 2014 (RMB)

Source: data from NBS (2015)

provinces in which economic activity and industrialization are most advanced have far higher incomes than central and especially western provinces (see Figure 49.4). These eastern seaboard provinces (for example: Jiangsu, Zhejiang, Shanghai) and municipalities (for example: Beijing and Tianjin) have higher disposable incomes and higher proportions of older people (aged above 65+); whilst western (Xinjiang, Tibet, Qinghai, and Gansu) and central provinces (Guizhou) have lower disposable incomes and a lower proportion of older people. It is also evident that Sichuan and Chongqing provinces in the central region have lower disposable incomes but high proportions of older people. This is because many youngsters have moved away for work, mainly to the eastern seaboard provinces, which gives them a higher proportion of older people relative to other provinces in China's central region.

Gender Imbalance and Potential Social Effects of 'Surplus' Males

A further unintended consequence of population policy over the past three and a half decades has been the emergence of serious gender imbalance, sometimes called the 'missing girls' or 'surplus males' (McCracken and Phillips, 2017). The reasons for the current gender imbalance lie in the combination of the traditional preference for sons and the context of a policy allowing only one child. Historically, male preference has a well-recognized custom in the East and gender selection (whether or not legal) is common in Japan, China, Thailand, India and elsewhere in Asia (Chan et al., 2002).

In China, especially in rural areas, many families have historically regarded it as a blessing to have many children and particularly sons. The more sons a couple had, the more support they could receive in their old age. Traditionally, daughters after marriage belonged to her husband and his family, so parents would not receive support from married daughters, who would also move away from their parental home to live with and to care for their husband's family. This was particularly important in the past due to the lack of any formal social security, so older parents relied on sons for financial support and daily care. Moreover, many felt obliged to bear a male as a family heir. Before pregnancy, couples sought all sorts of advice on timing of sexual relations, or even dietary consumption to improve the chance of conceiving of a male child (Chan et al., 2002). After pregnancy, although fetal gender determination is now banned in China, many pregnant women visit private clinics or even individuals (mostly without medical qualifications) to discover the sex of their unborn child, made easier by widespread availability of ultrasound scanning. A female fetus would often be aborted (Chen, 2013), and abandonment or even infanticide of females occurred. It was also common for couples to continue to have children in spite of legal sanctions until they had a son (Chan et al., 2002). Sanctions might be accepted or second births might have been hidden and unreported, with the result that children and parents would then be unable to obtain education or welfare for the undocumented child.

The combination of a strict family planning policy and Chinese traditional preferences for male children has therefore had an unintended consequence of seriously distorting the country's sex ratio after 1979 (Ebenstein, 2010). This was noticed quite early in the policy as male births have exceeded female births since 1982, when the sex ratio at birth (SRB) was 107.2, meaning 107.2 male infants were born per 100 female infants (Li, 2007). The SRB rose to 109.6 in 1987 (DPESTNBSC, 1988), and constantly increased nationally to 120.56 in 2008 after which a slight decline was noted in 2013 to 117.65 (DPESTNBSC, 2014). This is still much higher than the 'normal' birth ratio (usually stated as 105 males per 100 females). It has been estimated that the number of 'missing girls' among children aged 0–18 increased from 3.4 million to 9.2 million between 1990 and 2000 (Ebenstein, 2010). It has been predicted that the surplus of males over females aged 20–49 will reach 30 million in 2029 (Chan et al., 2002), producing an annual increase of 1.2 million excess males on the marriage market since 2000 (Li et al., 2006).

The gender imbalance is more marked in rural areas which often have higher SRBs than cities and towns. The 1982 rural SRB was 107.7 compared to 106.9 in cities and 107.7 in towns (Li, 2007), and in 2013, it was 119.64 in rural areas and 114.82 in cities and 115.79 in towns (DPESTNBSC, 2014). In addition, higher female infant mortality was found in rural areas than urban and town areas. The ratio of deaths of males compared to females aged under 1 year in rural areas was 0.89 compared to 0.85 in cities and towns in 2010 (NBS, 2011).



Figure 49.5 Provincial differences in sex ratios at birth (SRB), 2010

Note: a ratio greater than about 105 indicates higher than normal numbers of male births to female births.

Source: data from NBS (2011)

The potential and actual social effects of the substantial and sustained gender imbalance are manifold. An obvious issue is provision of financial and social security, by the current generation and in old-age support for the current generation's older parents and current generation themselves when they become older people. An equally serious issue is the lack of marriage partners for males, in a society in which marriage has been considered more or less universal. The gender imbalance is to be seen in all provinces and between urban and rural areas (Davin, 2007) (see Figure 49.5). However, the shortage of females is more serious in west China and some rural areas (Jin et al., 2010) due to greater son preference and poorer economic development in such areas. The imbalance could be exacerbated when girls from poor areas migrate for work or marriage to wealthier areas in the hope of achieving a better life for themselves or being able to help their families (Davin, 2007). Men in the poorer areas would be left with an even smaller choice of marriage partners.

Social consequences are thus profound. As a category, single men appear to have experienced negative consequences such as discrimination or loss of money due to marriage frauds, and their families and communities also suffer discrimination due to the single men in their family. The authorities and some researchers fear threats to public security through social breakdowns following such undesirable outcomes. These include more and more marriage fraud cases and single men participating in destructive activities such as gambling, mob violence, stealing and fighting, especially in rural areas (Jin et al., 2010).

Gender imbalances are also problematic in terms of care for older persons, especially the provision of family care for families who only have a daughter or a sole son. This is likely to be particularly disadvantageous for older parents in poor or rural areas where formal sources of support are fewer. As noted, daughters will generally leave home to live with and care for their husband's family after marriage. Combined with women's marriage migration to richer areas, older parents may well lose their only source of family care if their child is a daughter. Even in families with a single son, if he remains a bachelor perhaps through lack of potential marriage partners, his older parents may receive less family care than provided by a married son as they do not have a care resource from a daughter-in-law. Moreover, they will not have any grand-children either to continue the family name or as potential supporters. Indeed, intergenerational support for older parents from involuntary bachelors has been found to be poor, and life satisfaction lower for involuntary bachelors' parents in rural areas (Jin et al., 2012). In terms of the old-age support for involuntary bachelors themselves, they are likely to become the main group relying on governmental old-age relief (Jin et al., 2012). Moreover, emerging social trends such as divorce and remarriage can exacerbate the effects of gender imbalance on care. For example, older parents can lose the care of a daughter-in-law if their son divorces and the female will be expected to care for another family if she remarries.

Comparatively speaking, the potential social effects of the growing gender imbalance may be less serious in urban areas or richer provinces. On the one hand, urban areas or more prosperous provinces attract females looking for upward social mobility which may 'rebalance' the gender imbalance (Davin, 2007). In addition, health and social care facilities are often better developed in urban areas or richer provinces, where older people are also more likely to have social protection (such as a pension and medical insurance) which could overall reduce the demand for family care from a daughter-in-law. Even the current 'involuntary' bachelors themselves in such areas are also more likely to be covered by social security programs and have some financial resources so, therefore, they may be less likely to need other sources of care.

OTHER COSTS AND SOCIAL EFFECTS OF POPULATION AGING

Demographic aging has great socio-economic consequences for China, given its rapid onset and coinciding with unprecedented economic growth. In under four decades, China has grown to be, by 2016, the second (soon perhaps the first) largest global economy. Consequences have reverberated through society, though here the chapter can only focus on those related to demography and aging. Traditionally in China, the family was the main social support for older persons. This changed somewhat under early socialism when emphasis was shifted to the state (Phillips and Feng, 2015; Zeng, 1991). However, in recent

years, given the recognition of the huge numbers of older persons needing welfare and support, the importance of family and the tradition of filial piety have been again increasingly reasserted. This chapter provides an overview of issues identified to date and provides some forecasts of potential future developments.

Labor Supply and Costs

An important official concern associated with population aging is an emerging lack of younger persons to enter the workforce, which may seriously impact China's economic progress within the next decade or so. As noted earlier, this was an important consideration underpinning the formal amendment of the one-child to a national two-child policy in October 2015. Behind this are 'dependency ratios' which, although of limited real value, do help analysts to foresee how many older persons (and/or children aged under 15) will exist relative to the working age population (the age range of which is increasingly difficult to define globally). For example, some studies cite data that, by 2050, China will have as few as 1.6 workers for every retired person, a huge difference from the current 4.9:1 (Tiezzi, 2013). China of course is not alone in experiencing this phenomenon and many Western nations, and also Asian countries such as Japan and Korea, already have high old-age dependency ratios and anticipate further increases in them. Whatever the limitations of such ratios and statistics, they do nevertheless underlie many social challenges associated with population aging. Indeed, several recent and older reviews have looked at the social and family consequences of demographic changes and aging (Chow, 1999; Du and Phillips, 2004; Phillips and Feng, 2015; Poston and Gu, 1987; Zeng and George, 2002; Zeng and Wang, 2003). Several themes recur most of which have been touched on so far.

Pensions and Welfare for Older Persons

More recently, concerns are emerging that in the context of demographic aging, labor costs will increase as shortages of younger and appropriately skilled workers may occur. This will not only cause problems in the general economy but shortages of staff in the health, welfare and caring professions. Over recent years, concerns about aging have also initiated numerous reviews of pension schemes aimed at supporting the financial needs of older persons, and also serious scrutiny of retirement ages. At present, retirement ages for workers in the formal sector (excluding those working in agriculture and the informal sector, and many parts of the burgeoning private sector) are relatively low (55 for females and 60 for males), and especially for females in government and factory work (50 for females). One stated aim is to raise the retirement age for males and females to 65 by 2030, proposed in late October 2015 in the formulation of the Communist Party of China's (CPC) 13th Five-year Plan (2016–2020) (Xinhua News Agency, 2015).

Pension and welfare systems in China are becoming increasingly numerous and considerable complexity is emerging. Systems and schemes vary between the public, private and informal sectors and they especially vary among the provinces and between provincial and city governments. There is 'a maze of different regulations and standards' that serve as a barrier to labor mobility (Tiezzi, 2013). Given this complexity, it is therefore difficult to generalize, especially when differences between the more prosperous areas and the western inland areas and between urban and rural areas are considered. The government started a pilot project for a new Old Age Insurance for peasants, aiming to cover only 10 per cent of rural counties in 2009, but with the goal of covering all rural residents by 2020. Rural residents aged 60 and over receive the minor sum of 55 Yuan (US\$8.50) per month from the government in the pilot program. Although this new Old Age Insurance was combined into the Basic Pension Insurance for urban and rural residents and the monthly payment increased to 70 Yuan (US\$10.75) in 2014, this is still an extremely small amount given current high and increasing costs of living. In addition, the basic pension in rural areas is between 10 to 20 times lower than the level of pensions in urban areas (Wu, 2013).

Health Care and Social Security

The future of social security and health care needs of older people and their families are thus dominating much popular, official and academic debate. One clear line is that the need for carers will steadily increase but the availability of family carers has been decreasing steadily over the past few decades. The 4-2-1 family structure has an almost inevitable consequence of placing a heavy load on to a single child. Moreover, increasingly, daughters, the 'expected' carers, may be pursuing their own training, work and careers away from home and will not be physically available to take care of either children or elderly parents. One piece of evidence is the increase in private as well as state-run old-age homes or residential care centers for older persons. China Daily (2015) estimates there are now 5.5 million nursing home beds for older persons, though the take-up varies considerably with rural vacancy rates much higher than those in urban areas. Once it would have been thought shameful to place an elderly parent in the care of strangers; some older people now see it as almost a mark of economic success that their children can afford the fees for private homes and social networking can enable older parents to keep in contact with their children. Moreover, many of the increasing middle class in China do not want to feel a burden on their children, so a residential home may be preferable (China Daily, 2015; WHO, 2015; Yan, 2015).

Infrastructure and Social Support for Older Persons

As Du Peng reports for UNESCAP (2015), many of the demographic and social changes outlined above (such as smaller family size and weakening of traditional

family support for older persons) have fueled increased demand for long-term care (LTC) support at all levels, including society and government. UNESCAP's report emphasizes that care is more difficult for one-child families and family splits from migration have made the situation yet more complex. As many as 50 million older persons in 2010 were 'left behind' in rural areas and 100 million were termed 'empty nesters', living with a spouse only. These people in particular will often need either residential LTC or care in the community to compensate for the missing family support.

However, the supply of nursing homes or community day-care centers is too little for current and future demand and the range of long-term care services offered is too limited. Inadequate funding and capacity means that fewer than 40 per cent of nursing homes provide professional LTC services and specialized nursing homes for older persons with disabilities are not available in rural areas. This is compounded by a lack of coordination between major LTC sources, such as families, nursing homes, rehabilitation and community day-care centers, which tend to operate in a fragmented manner, impeding the effective development of long-term care (UNESCAP, 2015, p. 4). In an interesting development, the Ministry of Human Resources and Social Security of the PRC released a policy called 'Guidance of the pilot implementation of long-term care insurance system' in June 2016. This announced the start of a pilot long-term care insurance system in 15 cities in China, with the focus of this policy on providing care protection and economic compensation for insured people when they lose their ability to perform activities of daily living and fall sick due to old age (Ministry of Human Resources and Social Security of the People's Republic of China, 2016). Such insurance may eventually make it easier for disabled people to afford professional LTC services.

Even if the two-child policy from 2015 does have some effects in increasing family size again (though, as noted, opinions are very divided on its likely impacts), it will take several decades for children in two-child families to reach the age at which they can support parents. Therefore, we must assume the status quo in terms of family size and availability of carers for some time to come.

The *Healthy China 2030* Plan was announced by the Chinese government in August and formally adopted in October 2016 (CCP and State Council, 2016). It noted that future efforts should aim to improve healthy lifestyles, and that the government should play a leading part in the health of key groups including women, children, migrant groups and older persons. The development of health industries and health infrastructure including care for older persons are also emphasized.

The *Hukou* System

A further important issue on access to welfare, education and pensions concerns the *hukou* (household registration) system. This system effectively means people can only receive formal support in the place their *hukou* is registered and it has

been long identified as an impediment to movement for work and for fair access to public services. Criticism of this system of social control has been growing for well over a decade and, if the *hukou* system were to be abandoned or greatly modified, it could be beneficial for younger and older generations. However, complete abandonment of the system still seemed unlikely as of early 2018 and no concrete proposal for the abandonment of the *hukou* system was drafted into China's 13th Five-year Plan. The focus is instead on urbanization and China's New Urbanization Plan increased the urbanization rate to 55 per cent by the end of 12th Five-year Plan (2011–2015). Rather than complete abandonment of the *hukou* system, the government seems to prefer to emphasize its Urbanization Plan in the current planning period (Xinhua News Agency, 2015). If, as currently seems likely, the *hukou* system remains more or less intact, it could still force older generations to return to their place of household registration to access welfare and services. The alternative is for them to pay privately or extra for support in their current living place, which could be a considerable cost burden for themselves and their children. The New Urbanization Plan has encouraged the granting of urban status to some rural migrants, enabling them to access welfare and social security in urban areas (Li, 2014) and it is suggested that some 100 million people may become eligible for urban residence (Tiezzi, 2016). However, many rural people may not wish to give up rural land rights for the sake of an urban *hukou* (Phillips and Feng, 2015).

Finally, some commentators fear a breakdown in the 'intergenerational compact' (the implied agreement between the generations that they will support and/or provide resources for each other). At a basic level, it is asked whether younger generations will in future be willing to pay the taxes and other social deductions necessary to support older generations? This is uncertain. There was, for example, a social media outcry in 2015 when a company in Guangdong started to deduct a percentage of wages and remit the funds to workers' parents as a form of 'financial filial piety'. Furthermore, some ask whether competition for resources will develop between, say, caring for older persons and providing schooling and higher education for the young? Will filial piety survive the strain of geographical separation between elderly parents and working age children? (Phillips and Feng, 2015). Moreover, will older persons face social exclusion if filial piety weakens and 'the elderly' become regarded as a burden (Phillips and Cheng, 2012)?

CONCLUSION

In this chapter, we have introduced demographic aging in contemporary China, a legacy of population planning and the consequent probably-severe aging of the population in the future. We have also examined family structure changes, gender imbalance, the potential social effects of 'surplus' males and the costs and social effects of population aging. Both family and society will

face enormous challenges from population aging. On the one hand, the family's ability to support its older members has been weakened due to smaller size, fewer adult children and family separations for work; on the other hand, formal social support for older people remains underdeveloped, underfunded and unevenly distributed, and professional LTC services are limited but in high demand.

Demographic changes and especially population aging in the PRC will certainly have profound effects on China's future society and economy. The exact nature, directions and extent of these effects are predictable but somewhat uncertain. Some commentators and researchers regard the issues raised by demographic aging as major problems, even sufficient to derail prosperity and stability. However, this view is probably an unnecessarily pessimistic standpoint because, given sufficient resources and investment, and with goodwill and the forward planning that is now occurring, negative impacts can hopefully be minimized. There is ample evidence that individuals, families and authorities at all levels are well aware of the pressing need to address the challenges and the coming decade will be an extremely important one for the future of China's population. Future research could valuably focus on long-term care insurance for older people, especially on contribution rates and benefits, and whether it could be combined with medical insurance to provide effective, more comprehensive health care for the aging population. The development of long-term care insurance could help older people to better afford professional LTC services and ease the financial and emotional burdens on families relating to care for their older members.

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Social Welfare

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INTRODUCTION

Social welfare is a key component of the various measures the modern state is expected to deliver, whether that state is democratic or authoritarian. The specifics of what social welfare is, why it might be implemented in the first place, the general model or regime type, and what kind of programmes are put into practice as a consequence of policy decisions varies according to the country being examined. The People's Republic of China (China or PRC hereafter) is notable because its system of social welfare has experienced a developmental history which marks it out from the widely accepted models or regime types (Esping-Andersen, 1990). It is also of interest because, as with many things in China since 1978, the system of social welfare has undergone change, transforming the lives of every one of its billion plus citizens. A final reason that social welfare policy in China is significant is because of the highly experimental, and at times bottom-up, process which has fed into the development of a range of national policies and subsequent iterations. Social welfare in China therefore offers a fascinating lens through which to view reforms and the policy process of the country, while at the same time being of great importance in the lives of a significant proportion of the world's population.

Throughout this chapter the term social welfare will be used to refer to the range of policies and programmes which seek to provide social goods or guarantee particular standards of living to citizens of the PRC. This term however is not typically used in China; rather it is social security (*shehui*

baozhang). While the term social welfare will be used in this chapter, readers should understand that different terms, which might be used interchangeably, carry specific meaning in China and in the Chinese language.¹ For example social welfare (*shehui fuyi*) is used to refer to care for those deemed in need, education, and housing. The range of policy areas covered by a broadly conceived view of Chinese social welfare consists of two modes of provision. Social insurance (*shehui baoxian*) includes contributory pensions, health insurance, and unemployment protection. In contrast, social assistance (*shehui jiuji*) covers a range of non-contributory programmes which provide in-kind or cash benefits. These tend to be for those determined to be the most needy in Chinese society and provide much less when compared to insurance programmes.

This chapter will discuss both the insurance and assistance aspects of social welfare. In doing so it will serve as an introduction to some of the wide range of studies and arguments which have developed when seeking to understand social welfare in China and highlight that the Chinese system of social welfare is, perhaps unsurprisingly, very much a product of its political context and historical development. The chapter will also reflect that scholarship on social welfare in China has increasingly moved from describing developments to seeking to explain why certain policies were implemented, which is fundamental to understanding outcomes. To this end discussion will start with a brief analysis of China's social welfare regime before the People's Republic was established.

SOCIAL WELFARE BEFORE THE PRC

China's pre-revolutionary social welfare is typically defined by a tradition of family and community-based provision with the state as only a peripheral or last resort provider. While this might well have been the case in the years leading up to the late 1890s the picture becomes much more complicated afterwards and, for those interested in social welfare after 1949, a number of significant themes were established. In the years before this change however provision was a mish-mash of local endeavours, kin networks, and a system of state granaries. The poor, including vagrants, professional beggars, and off-season labourers, who were not supported by their family might be supported in kind by religious charitable halls (Chen, 2012, Rowe, 1990). In some urban centres, such as Beijing, the city provided soup kitchen services, supported by the state, to ensure that seasonal sojourners would not go hungry. A final mechanism, typically used when facing the aftermath of natural disasters, was the system of state granaries which stored grain that could be released onto the market in the event of shocks from flooding or drought (Solinger, 2015, Wong, 1982). By the turn of the 20th century this system of local provision and state granaries was coming

under increasing pressure from both an increase in demand and also a change of attitudes regarding the poor.

Historians, in a series of city studies, have documented the changes that occurred in late Qing- and Republican era attitudes to the poor (Chen, 2012, Lin, 2004, Lipkin, 2005, Lipkin, 2006, Stapleton, 2000). There are two notable developments. First, the kind of institutions used to address the question of the poor changed. Rather than using charitable halls or soup kitchens local officials in some cities, Beijing and Guangzhou for example, introduced poorhouses to both house and train the poor so that they would become contributors to China's development. This leads into the second major development, the linking of labour to support. Officials and intellectuals increasingly viewed the poor as two groups. One was deserving, who worked hard but were impoverished as a consequence of issues beyond their control. The other group was viewed as parasitic, idle, abhorred work, and were happy to leech off the charity of others. This group included vagrants and beggars but extended to scholars and members of the Manchu Banners (Chen, 2012). This link of labour to what kind of support someone was deserving of receiving has continued through to the reform period. This period was characterized by a set of new institutions and ideas that failed due to a weak state that lacked the capacity to implement policies and often made the situation for the poor worse (Chen, 2012, Dillon, 2015, Lipkin, 2005, Lipkin, 2006).

SOCIAL WELFARE DURING THE MAO ERA

The establishment of the PRC in 1949 up until around 1954 did not mark an absolute break with the past. Rather there was a degree of continuity until a markedly communist system established itself in the mid to late 1950s (Meisner, 1999). In terms of social welfare Chen, for example, argues that the CCP followed their Republican predecessors when dealing with vagrants and prostitutes (Chen, 2012).

As the 1950s progressed the PRC was economically and politically beginning to look more and more like a Marxist-Leninist state with its rural and urban economies collectively or state owned. This transition saw the emergence of elements which underpinned the system of social welfare all the way through to the reform era, despite some periods of dislocation such as during the Cultural Revolution. The first of these was the use of the *hukou*, established in the late 1950s, to divide China's population into rural agricultural and non-rural urban registrations. As Wallace argues, this meant the Chinese state could establish urban workplace-based welfare to maintain regime stability and exclude the rural population. This meant it was an affordable strategy (Wallace, 2014). It also allowed the state to control its population much more effectively. Where one is registered is still a key determinant of access to various social goods including education, health,

pensions, and social assistance. Second, this urban–rural division allowed for the emergence of two distinct systems of social welfare provision in urban and rural areas. In rural areas, the collective provided individuals with their social welfare needs. While services were basic, they were also effective for their cost and covered the majority of people (Dixon, 1981, Leung and Nann, 1995). In urban areas responsibility initially fell to both state owned enterprises (SOEs) and unions but ultimately became the sole responsibility of SOEs. They provided education, health, housing, pensions, and so on in what were effectively mini-welfare states (Cho, 2013). Two core concepts emerged during this period, the so-called iron rice bowl of cradle-to-grave provision and the collective principle of all eating from one pot (Gu, 1999, Lee, 2000). In both cases the ability to work determined entry and benefit from the system.² For those who could not or could no longer work there was a separate system of provision that was again divided along urban–rural lines. In both urban and rural cases individuals had to fall into one of three categories in order to qualify for support. The ‘three without’ (*sanwu*) were no labour ability, no guardian, and no caretaker, and covered those with disabilities, orphans, and the elderly who were without family to care for them (Wong, 1998, Zhong, 2005). In rural areas support came in the form of the five guarantees (*wubao*) which provided: food and fuel, housing, clothes, medical, and burial expenses (Leung and Nann, 1995, Xu and Zhang, 2012). These were provided by the collective, were subject to local conditions, and could vary in generosity. In urban areas ‘three without’ status meant that the state would provide a small amount of cash directly to the individual through the local civil affairs bureaucracy.

CURRENT TRAJECTORIES

General Themes and Features

Social welfare in China since the beginning of the reform and opening in 1978 has been dominated by the end of the principle of collective provision. With the exception of state personnel, a feature of the last four decades has been the state stepping back from its responsibility for providing social welfare. Arguably it has then had to take responsibility for the aftermath of these actions and this has seen a degree of re-engagement by the state. The fundamental principles underpinning the system during Mao’s tenure were, however, broken. This breaking of the collective nature of social welfare in China has seen the introduction of new systems to deliver services.

Despite this major change in direction there have been two significant continuities. The first of these is the maintenance of the urban–rural division through the *hukou* acting as a gatekeeper to services. The *hukou* still determines the kind of social welfare programmes individuals and households will be able

to access. The urban programmes are the more comprehensive and better supported (Gao, 2010, Liu et al., 2016, Wallace, 2014). A second continuity is that the ability to work is still a determinant of access. The more generous social insurance policies all rely on an individual working while participating in a scheme. In contrast those who cannot find work will find themselves relying on the less generous and up until the mid-2000s less comprehensive system of social assistance.

From 1978 social welfare policy has also been subject to the problem of 'unfunded mandates' (Frazier, 2004). It is common for changes in social welfare policy to put the onus on local government to implement the changes and to find the funding. One example is the case of pensions when initially enterprises and later local government were expected to shoulder the burden (Frazier, 2004, Peng, 2016, Xu and Zhang, 2012). Another example would be social assistance where the initial change to the minimum livelihood guarantee came with no central government financial support (Hammond, 2011, Hammond, 2013). These unfunded mandates are notable in that they create problems for local government which is unable to implement programmes as Beijing might have envisaged. This can lead to long periods where the programmes are deemed ineffective and the central government spends a lot of resources remedying the problem.

A final point is the chronology of developments after 1978. The processes surrounding changes in social welfare policy do not lend themselves to a straightforward chronology. Reforms started and finished within different policy areas during different periods of time. It is possible to develop a chronology in fairly broad terms. The 1980s were characterized primarily by the collapse in collective provision in the countryside and the introduction of more market oriented mechanisms for provision in certain areas such as medicine. Saich (2011: 297) notes this as a period of policy inattention. The early to mid-1990s were characterized by a growing crisis of provision in urban areas, especially for those working in the struggling state owned sector. By the late 1990s and into the early-2000s this crisis had become sufficient that reform of the SOEs was pushed through and a large number of experiments and new policies were implemented to ensure there was some semblance of continued provision. From 2003 onwards the focus turned to the countryside, which had largely been forgotten for the previous 20 years and a deep crisis in provision of basic medical care in particular had taken root. This corresponded with the rural focus of the leadership of Hu Jintao and Wen Jiabao. It has been suggested that under the leadership of Xi Jinping and Li Keqiang the focus has moved to a more comprehensive and inclusive social welfare system (Ngok, 2016). Even within such a simplified chronology there are policies that act as outliers and areas that underwent significant change when others were quiet. It is for this reason that the chapter now turns to a discussion of specific policy areas, starting with pensions.

Pensions

The pension system in China has proven one of the most difficult for the Chinese state to reform. In urban areas it has been deeply entangled with the nature of the pre-reform system of SOEs and the emerging private sector. In rural areas the challenge has been the lack of any effective provision until 2009. Hurst and O'Brein (2002) demonstrated, in their discussion of pensioner protests, the reforms had created a situation which the state could not deal with through coercion. Through a process of experimentation China has managed to establish a replacement model of pension provision although whether coverage will reach everyone and manage to deal with a rapidly aging population is open to question (Peng, 2016).

Traditionally pensions in urban areas had been the responsibility of trade unions but this was then transferred to an individual's work unit, typically an SOE, collective enterprise, or similar organization, with government workers provided a non-contributory pension through a separate system (Xu and Zhang, 2012). SOE resource requirements were initially guaranteed by the central government. The introduction of market oriented economic reforms, increasingly flexible labour practices, and the gradual severing of the ties between the state and enterprises meant that enterprise budgets went from being soft to hard. This created a twin headache for the state because in both the planned and private parts of the economy there was a lack of pension provision.

Early efforts at reform focused on trying to move the burden from enterprises to some form of social pooling and individual responsibilities starting in the mid-1980s (Peng, 2016, Xu and Zhang, 2012). A more concerted effort of creating a sustainable solution to the pension problem started in 1991 and was followed by further tweaks in 1995, 1997, 2000, and 2005 (Frazier, 2010, Xu and Zhang, 2012). By 2005 this established a system based on a basic pension supported by contributions into a social pool and individual accounts which would further supplement any payments (for a specific discussion on the breakdown of payments see Peng, 2016, Xu and Zhang, 2012).

In rural areas provision was more problematic. Previously reliant on the collective and families the elderly in China's countryside have found themselves largely relying on their family in old age. While some areas did experiment with local rural pensions, the problem was not addressed nationally until 2009 when the new rural pension system was introduced (Peng, 2016, Stepan and Lu, 2016, Xu and Zhang, 2012). Previously the Ministry of Civil Affairs had introduced a scheme in 1992 and despite good uptake this was largely abandoned in 1998 when responsibility for the scheme was passed to the Ministry of Labour and Social Security (now the Ministry of Human Resources and Social Security) (Xu and Zhang, 2012). Following recognition of the situation in the countryside and experiments at the local level in 2009 a new rural pension system (NRPS) was established operating in the same way as the urban system described above.

The goal for the rural programme was to achieve full enrolment by 2020, which trailed the 2014 goal of the urban equivalent introduced in 2012.

In 2014 the government decided to remove the division between the urban informal workers' pension scheme and the NRPS. Instead, full implementation for both urban and rural areas was to be achieved by the end of 2015 thereby unifying basic pension provision while maintaining the separate systems of the urban employee scheme and state personnel (Peng, 2016). There are however persistent problems with the current schemes not offering complete coverage, a lack of confidence due to previous scandals, and high contributions being a barrier to participation (Peng, 2016).

Healthcare

The collapse in health provision in China was perhaps the most dramatic outcome of policy changes in the 1980s and 1990s. China moved from being a relatively high performer in terms of preventative health and basic treatment in the 1970s to one where health policy was viewed as a cause of poverty and potential social instability by the 2000s (Duckett, 2009). Between 1993 and 2003 it is estimated that 70% of China's population did not have any health insurance (Liu et al., 2016: 203). In the countryside the situation was even more critical at the turn of the 21st century with 95% of the rural population having no access to 'any form of healthcare protection' (Wong, 2016: 87). During this period health provision was presented as an individual or family responsibility with the state taking a minimal role (Duckett, 2011).

The current system brings together three different schemes in an effort to establish a comprehensive system of health insurance accessible to all. These schemes are urban employee basic medical insurance (UEBMI) started in 1998, urban resident basic medical insurance established in 2007, and the new rural cooperative medical scheme (NRCMS) also introduced in 2003 (Wong, 2016). These schemes all emerged to plug perceived gaps in provision and reflected a slow transition in the way health provision was viewed (Duckett, 2011). The two urban schemes provide a mandatory programme for formal workers and a voluntary programme for informal workers, respectively; all rural residents are encouraged to enrol in the voluntary NRCMS (Wong, 2016). The voluntary nature of the NRCMS has been noted in particular for encouraging a new more 'responsive' form of governance in some areas studied (Klotzbücher et al., 2010). In 2009, as a consequence of the joint impact of Severe Acute Respiratory Syndrome (SARS) in 2003, the economic crisis in 2008–9, and China's economic reorientation – as well as growing dissatisfaction with how the established system was working – the market dominated provision of the 1980s and 1990s was replaced as the state fully committed to health as a matter of public welfare (Duckett, 2009). The state backed this commitment with substantial funding although this money did not necessarily directly feed into the social risk aspects of provision (Duckett, 2009, Gao and Meng, 2013).

By 2014, 96% of China's population was covered by at least one of three (UEBMI, URBMI, and NRCMS) schemes that had been supported by the state since 2009 (Wong, 2016: 90).

In spite of progress having been made in the last decade or so, China's health system still faces a number of challenges. As Duckett (2009) notes there are conflicts of interest which impact policy implementation. It is also notable that the three schemes provide different outcomes for those who access them and there is, therefore, still a degree of inequality in access (Liu et al., 2016) and a lack of integration (Wong, 2016) to healthcare in China. The lack of trust in the medical profession that decades of poor provision and poor practice has engendered will take many years to overcome (Duckett, 2009).

Unemployment

The case of unemployment insurance (UI) is unique in the context of reform era China because it is the only example where a new system had to be introduced to deal with a concept that had previously been alien under the planned economy. The structure of state owned and collective enterprises in cities and collective agriculture in rural areas meant that workers were soaked up by the system. While this contributed to the inefficient and bloated nature of the pre-reform economy it did mean that neither the state nor society had to deal with widespread unemployment – although there were waves or peaks in hidden youth unemployment (see Duckett and Hussain, 2008). From 1986, with the introduction of greater labour market flexibility in urban areas, unemployment did start to become a problem which the state had to address.

A particular problem in addressing the question of unemployment in China is the sensitive nature of the problem as well as the myriad categories which workers can find themselves assigned, making any real calculation of the problem challenging (Solinger, 2001). This is something that should be kept in mind in the brief outline of provisions that follows. Unemployment insurance was first introduced in 1986 although the scheme was limited to only certain urban state sector workers (Duckett and Hussain, 2008). By the late 1990s the lack of protection from unemployment was becoming a problem in both the state owned and rapidly growing private sector. In response the state passed Unemployment Insurance Rules in 1999 that required all urban workers to be enrolled into UI schemes. Under this scheme both employer and employees made contributions to the scheme, which could provide up to 24 months of payouts in the event of unemployment (Duckett and Hussain, 2008). As part of the three safety nets for urban workers (the others being the minimum wage and *dibao*, see below) UI was to be set in between in order to protect those not working but not so impoverished that they would require social assistance.

Between 1997 and 2001, the state also supported the provision of so-called *xiagang* workers (laid off workers who were not working for their enterprise

but were not completely severed so did not get counted as unemployed) with a basic living allowance (BLA) and re-employment service centres (RSC) (Hurst, 2009, Wong and Ngok, 2006). This operated separately from the UI system and was, for political reasons, a measure to soften the blow of significant changes to the state owned sector from 1998 to 2002 introduced by Premier Zhu Rongji (Hammond, 2010). Ultimately those on BLA were folded into the UI system if they found work or into social assistance if not (Duckett and Hussain, 2008, Hammond, 2010). The RSCs were closed down and widely recognized as having failed to provide the *xiagang* with much in the way of long-term employment (Duckett and Hussain, 2008, Wong and Ngok, 2006).

Unemployment insurance in China has been plagued by two problems. On the one hand the state has repeatedly demonstrated that it lacks the capacity to ensure that those workers who should be enrolled on UI schemes are. Employers are able to shirk their responsibility to their workers (Duckett and Hussain, 2008). Even with social insurance measures formalized in law it is widely accepted in China that UI coverage is lacking and regressive. As Liu et al. (2016: 205) demonstrate the UI system is highly regressive with only 65% of its revenues distributed to the jobless and only 23% of the unemployed receiving any help in 2010.

Social Assistance

As noted above the social assistance system in China operates separately from that of the broader social welfare system and is managed by the Ministry of Civil Affairs. The traditional system had two distinct characteristics; first, need was determined by whether or not an applicant fell into a particular category; second, provision in rural areas was rather than a cash transfer. The widely accepted motive behind changing the social assistance system in China, which initially only affected urban residents, was the emergence of the so-called 'new poor' (Tang, 2003). This group covered everyone outside of the traditional *sanwu* categories and included for example workers on low wages and the elderly who did not receive their pension payments from failing SOEs. The concern for those in government was that these new poor posed a threat to social instability (Hammond, 2011).

The established narrative recognizes Shanghai as the first city to implement a minimum livelihood guarantee system (MLG or *dibao*) in 1993 which went on to influence other cities and eventually national policy. The basic design of *dibao* is as a minimum income guarantee based on a locally defined minimum livelihood guarantee line. Applicants are households who have to show their income falls below a certain line and if successful receive a cash transfer to top up their income (Cho, 2013, Hammond, 2010).

From 1993 to 1996 the system spread somewhat sporadically across China's cities with the support of the Ministry of Civil Affairs (MCA) and interventions

from Premier Li Peng. In 1996 the system was earmarked for national implementation and in September 1997 the State Council formally announced this through a circular (State-Council, 1997). Regulations were published in 1999 which set a hard deadline for implementation of the end of the year which was achieved (State-Council, 1999). Between 2000 and 2002 the system grew as it was used as a means to break the welfare link between *xiagang* workers and their SOEs which facilitated the further reform of the state-owned sector Premier Zhu Rongji was pursuing (Hammond, 2011, 2013). From 2003 *dibao* has been used as the gate through which urban residents can access an increasing range of additional social assistance provisions including basic medical assistance, legal aid, and housing.

Although rural *dibao* programmes began to appear almost as soon as the urban incarnation emerged it was not until 2007 that national implementation of a rural *dibao* programme was established. Work to implement the rural system nationally began in 2003 and was facilitated by the change in focus which Hu Jintao and Wen Jiabao brought to government policy. The rural system is a copy of the urban programme except in two important aspects. First, household income is calculated annually rather than monthly. This is because rural incomes are seasonal and informal. Second, there is explicit provision for central funding of poorer regions (State-Council, 2007).

Officially the system is viewed as a success and as evidence of the Chinese state's commitment to the poorest in society. But has the programme been effective? If the goal of *dibao* was to ensure social stability during the reform of the state owned sector then arguably it has been a success (Hammond, 2015). If *dibao* was to lessen the effects of poverty while at the same time ensuring that those on the programme do not become dependent on welfare, then it has also been a success (Deng and Gustafsson, 2013, Gao, 2013 Ravallion and Chen, 2015). If the policy was to alleviate absolute poverty then it has been a 'moderate' success (Li et al., 2013c). However, if the policy was also to alleviate relative poverty then it has not been effective (Gao, 2013, Gustafsson and Deng, 2011). Based on the most recent analysis 'the minimum livelihood guarantee programs in urban and rural China have had only a moderate effect on absolute poverty, and they have not substantially reduced relative poverty or income inequality' (Li et al., 2013c, 9–12). Furthermore, if the policy was to support those in need and provide them with a degree of dignity and respect, then it has failed as both Solinger (2011) and Cho (2013) have shown in their studies.

Inequality

Conventionally inequality is measured by income, and with regards to China it has generally been viewed as geographically determined, with the coastal provinces being richer than those inland and in the northeast. Scholars have, over the previous two decades, produced a wealth of research which suggests

that the situation is more complicated. The China Household Income Project (CHIP) has provided extensive data for quantitative analysis over five survey periods of 1988, 1995, 2002, 2007, and 2012. The research published based on this data has helped provide a much more nuanced picture of poverty and inequality in China (Gustafsson et al., 2008a, Khan and Riskin, 2001, Li et al., 2013b, Riskin et al., 2001). Between 1995 and 2002 inequality remained stable but high, while the gap between rural and urban areas increased (Gustafsson et al., 2008b). Using the same datasets, Gao (2010) argues that China's social benefit system contributed to the problem of inequality. Gao shows that while the urban system is moderately progressive in redistributing resources to the poorest, in rural areas it is significantly regressive and means that overall the system is regressive (2010: 8, 12). Li and Walker (2016) argue that the misuse of *dibao* is a contributing factor. Between 2002 and 2007 the story changes. Inequality increased while poverty continued to fall; and while regional differences declined intra-regional inequality increased (Li et al., 2013a, 2013c, Li and Sicular, 2014). Both the rich and poor saw their income increase but for the rich this growth was much more extensive (Li and Sicular, 2014). There are two main reasons for this. First, some areas have experienced growth in high paying jobs reflecting changes in China's economy (Zhang, 2016). Second, the rich are benefitting from increased asset income and more generous social welfare provisions relative to the poorer in Chinese society (Li and Sicular, 2014). Both Zhang (2016) and Li and Sicular (2014) argue that, due to hidden assets and income, it is likely that the gap between the rich and the poor has been under reported.

While the impact of inequality in China appears significant, it is not necessarily a threat to social stability. Whyte (2012) and Whyte and Im (2014) argue that the threat posed by increasing inequality to the current regime is not as serious as many would assume. This is because the Chinese population views increased inequality in the context of developments and opportunities which were not available under the Maoist regime. This is for two reasons. First, while inequality has increased so have general standards of living and therefore millions of Chinese have been lifted out of poverty and there is a positive recognition of this achievement in spite of inequality. Second, there are increased opportunities for social mobility in China compared to before 1978 and despite increased inequality people can take advantage of the possibilities China's economy now provides (Whyte, 2012: 234). It is perhaps also worth noting that income is not the only source of inequality in China with research showing that education, type of enterprise, and geographical place of work can have a significant impact on participation in social insurance schemes (Chen and Gallagher, 2013). We should, therefore, consider inequality of access rather than inequality of outcome when seeking to understand what obstacles there are for China's poor, especially the inherent urban bias which still pervades China's social welfare system.

EXPLAINING URBAN BIAS

There is an inherent bias in the structure and provision of social welfare in China. Residents with urban status have experienced earlier and more concerted efforts at reform of social welfare, they have access to a more comprehensive set of programmes, and ultimately experience more generous provision. In contrast, rural residents were effectively left to fend for themselves from the 1980s to the early 2000s. In spite of recent developments, programmes in rural areas are still less comprehensive, and the provision lags behind that of urban areas. Rural to urban migrants find themselves in the unenviable position of being locked out of the more beneficial urban provisions while simultaneously being far from home and unable to access state or kin-based support. The *hukou* system is typically blamed for this divide or urban bias. This, however, only addresses one aspect of the problem because the *hukou* is the mechanism through which the bias is delivered rather than the source of the bias itself.

Wallace (2014) argues that the bias is the result of a conscious choice made by China's leadership in the early days of the People's Republic that enabled them to avoid the danger that uncontrolled urban growth has for authoritarian regimes. Rather than allowing China's cities, and in particular Beijing, to grow in an uncontrolled manner the *hukou* and a bias towards urban provision enabled China's leaders to maintain a degree of control which other regimes could not (Wallace, 2014). This does not explain the turn towards rural affairs since the Hu/Wen regime came to power where a number of policies ranging from beneficial tax changes through to new social welfare programmes have been implemented to support what has been recognized as a struggling and underdeveloped countryside. Wallace argues that because China's *hukou* short-circuited the 'deal with the devil' of economic development and urban instability, this has allowed the leadership to achieve a degree of development which means that a switch to rural areas does not threaten urban stability (Wallace, 2014).

There are two developments which suggest that the period of urban bias that has dominated China's social welfare provision and many other areas is coming to some sort of end. First, areas which can afford to do so have been experimenting with integrating some rural migrants into the urban system of provisions. For example Beijing now allows a rural migrant to access the city's social assistance programme if they are married to an urban resident which in effect makes an entire household eligible that would previously have been ineligible. Second, recent announcements in the 13th Five-Year plan suggest that rural impoverishment is still a key concern of China's leadership. Under these proposals 50 million of China's 70 million rural poor will be helped through a mixture of additional support for industry and employment, 10 million people will be relocated to urban areas (with jobs transferred to support them), and some 20 million moved onto the rural social assistance programme which will be boosted by 10% annual

increases to lift them out of poverty (China-Daily, 2016). It is therefore apparent that while it suited China to favour its cities for many years the leadership is now aware that a more equitable distribution of the benefits of reform is in order. Due to the complexities introduced by the *hukou* and the diversity of local arrangements when it comes to social welfare provision, this will take time.

WHAT KIND OF WELFARE REGIME?

With the system of social welfare in China having been subject to such extensive change across so many policy areas, one question that researchers have sporadically returned to is what kind of welfare regime does China have? The notion of welfare regimes was widely popularized in *The Three Worlds of Welfare Capitalism* (Esping-Andersen, 1990) which discussed the notion of welfare regime types from a primarily Western (European and North American) perspective. The concept and typology has been subject to criticism (Hong, 2008). Perhaps the most significant contribution has been the edited volume from Goodman et al. which focused on East Asia (Goodman et al., 1998). Within this volume the question of what sort of regime China was becoming was addressed with the broad conclusion that China was moving towards what could be identified as an East Asian regime – typified by residual social assistance provision, Bismarckian social insurance, and certain groups being favoured by state provisions (White, 1998). White noted, however, that China claims to be developing unique characteristics such as an aversion to social pooling and taxation to fund programmes; although these are features which can be found in other countries (White, 1998: 193–194).

Holliday discussed the idea of East Asian welfare regimes being a productivist type where welfare is subordinate to economic objectives (Holliday, 2000). While the discussion is not explicitly about China, it suggests a regime that fits with the drive for economic growth dominant in East Asia. London suggests that while China may be productivist, the underlying political character marks the welfare regime as fundamentally different from other Asian states (London, 2013). In her discussion of social assistance policy Solinger uses the idea of regime types (Solinger, 2015). Rather than defaulting to the established regime types Solinger establishes three ideal types rooted in historical patterns which can inform us regarding the objectives of social assistance in China (2015: 983). Solinger argues that social assistance in China is moving towards a new responsive regime type that favours politicians rather than the individual or the nation (2015: 994). Huang presents a similar argument that highlights the significance of the policy process. In this instance China's unique welfare regime is a consequence of both central government concern with social stability but it is also shaped by local discretion when it comes to implementation. This leads to the prioritizing of certain groups

above others but also a degree of local variation which might seem at odds with central priorities (Huang, 2013, 2014, 2015).

The discussion of regime types, while not as substantial a body of literature as that on policy, does help both China and social policy scholars to situate developments in China within a wider context. Along with a number of comparative studies this enables us to understand China's social welfare system as part of a bigger discussion of why and how social welfare systems develop the way they do (Besharov and Baehler, 2013, Dixon and Macarov, 1992, Solinger, 2009, Tsui, 1995, Wang and Murie, 2011).

EXPLAINING CHANGE IN CHINESE SOCIAL WELFARE POLICY

The bulk of scholarship on China's social welfare system has focused on detailing the latest developments as programmes have been introduced, developed, and are then assessed and adjusted. This is understandable as it is fundamental to understanding what types of provisions are available and to what extent they are reaching their intended recipients. However, as important to understanding social welfare in China is the question of why? Increasingly, scholarship on the social welfare system has moved beyond cataloguing the most recent developments and analysing their relative effectiveness towards trying to understand how and why particular policy developments have occurred. This is important because understanding why a policy developed in a particular way will contribute significantly to our understanding of how it works and even why some groups might be more favoured than others in terms of outcomes.

Unpacking the policy process in China is a challenging task and requires an understanding of various formal and informal institutions, the role and motivation of different actors, and the significance of ideology and values on particular decisions. Ngok (2016) notes what might be referred to as three key relationships that have to be understood beyond the detail of the formal structure of government. First, there is the fragmented nature of relations within the Chinese state as articulated in the fragmented authoritarianism model (Lampton, 1987, 2014, Lieberthal, 1992, Lieberthal and Oksenberg, 1988). Policymaking is based on the interactions of various organizations with competing objectives which are capable of cancelling each other out leading to consensus building and negotiation being key features of the policy process. The second relationship is that between the centre and the local (Ngok, 2016: 25). While this can be viewed as an extension of the challenge presented by China's fragmented authoritarianism it is notable for the significant impact it can have on social welfare policy where, typically, the centre makes the decisions but it is the local government which is responsible for implementation and often funding these decisions. Third is the relationship between state and society (Ngok, 2016: 26), which is a growing area of significance. As a number of scholars have noted, regarding both social

welfare and other areas, the role of societal as well as state actors can be significant when it comes to how social welfare policy is made in China, in particular so-called policy entrepreneurs (Hammond, 2013, Mertha, 2009, Zhu, 2008, Zhu and Xiao, 2015).

In addition to the formal structure of the state, the importance of institutions and structure has been noted as significant. For example in pensions Beland and Yu noted the importance of various institutional elements including feedback and vested interests which were significant in determining pension outcomes (Beland and Yu, 2004). Similarly Duckett notes the importance of the bureaucracy and institutional interests in health policy (Duckett, 2001). In social assistance Hammond (2011, 2013) has argued that while the role of actors has been underplayed it is also important to understand the constraints that institutional structures place on, for example, Ministers.

There are two final areas which need to be addressed when it comes to seeking to understand social welfare policymaking in China. These are both highlighted by Saich and are significant beyond textbook understandings of China (Saich, 2011). First, established ideology and values can help explain 'who gets what level of welfare support, and for how long' (2011: 299). Second, the structure and level of economic development will 'affect the kind of welfare devices that can be made' (Saich, 2011: 299). Changes in ideology were particularly important in determining the kind of health provisions the state has been willing to support (Duckett, 2011); in contrast appealing to established values was critical in the drive to provide a new form of social assistance during the 1990s (Hammond, 2013). It has been shown that the local level of economic development, as well as the aspirations of local government, can have a profound impact on the way social assistance is implemented (Solinger and Hu, 2012).

CONCLUSION

What of the future for social welfare in China and research on the various policies and programmes being developed and implemented? There are four areas worth paying particular attention to. First, Ngok (2016: 14) notes that in 2006 social policy was first mentioned in a top-level document and since 2013 it has become central to the Chinese government's agenda. This might herald a move away from dealing with social welfare as a series of individual policy problems and towards a more holistic approach to how the different strands of social welfare in China are understood and dealt with by the state. Rather than taking the traditional view of a social welfare system fragmented into two or three areas which are further fragmented by policy, the move towards social policy as a concept could engender more integrated policy development, cooperation across ministries, and ultimately lead to a more comprehensive and equitable system.

Second, and in contrast, the Chinese state has been actively pursuing the possibility of making greater use of societal actors, non-government organizations and social workers in particular, when delivering social welfare programmes (Fisher et al., 2011, Ma, 2016). While a greater role for society is not something new in Chinese social welfare when China's pre-1949 history is considered, the use of professionally trained or organized non-government actors does mark a significant change in PRC government approaches to welfare since 2000. It will be interesting to note how these policy experiments develop and whether they benefit recipients.

Third, the issue of *hukou* and access to social welfare provisions is beginning to change. In 2014, an announcement touted as a major change to the system, outlined an end to the distinction between rural and urban statuses (Goodburn, 2015). In Beijing the abolition of the distinction between rural and urban statuses occurred in September 2016 (Wang and Li, 2016). As noted above, Beijing has experimented with allowing rural migrants married to urban residents to become eligible for some benefits such as *dibao*. This movement away from the traditional rural/urban division will mean that *place* or local/non-local status will become one of the critical determinants of access to social welfare.

The fourth, and final, area to look for developments is the impact of automation within China's workforce. As China pushes more technologically advanced production methods and automation spreads this will, potentially, have a negative impact on millions of citizens' work prospects. Given the Chinese government's poverty alleviation efforts have, to date, been primarily focused on work and the ongoing process of consolidating the reform era welfare regime, radical changes in people's work prospects could be challenging for the state to handle. How China responds to automation will be critical to future social stability.

While the trend appears to be moving towards a more comprehensive, national system which seeks to provide for China's citizens more equitably it would be prudent to stress a degree of caution. Social welfare in China is a complex, constantly changing and evolving policy area that researchers are only just beginning to unravel in terms of its history, the impact of current policies, and what the future might hold.

Notes

- 1 Ngok, for example, has addressed the issue of different terminology (Ngok, 2016).
- 2 For an outline of what this meant in practical terms see Cho's description of provision under SOEs in the Hadong district of Harbin (2013: 34–35).

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China's Education System: Loved and Hated

Mette Halskov Hansen

INTRODUCTION

At the end of China's last dynasty, Qing (1644–1911), every second or third boy, and only a tiny minority of girls, was receiving basic training in reading and writing classical texts in one of the many Confucian private schools (Rawski 1979, 23; Thøgersen 2002, 22). A hundred years and many educational reforms later China stands out as the country hosting the world's largest state education system. By 2010, government policies and state investments had resulted in an educational system that guaranteed nine years of free universal education. On top of this, many parents were willing and able to invest in further education for their sons as well as daughters, mostly within the state education system. However, the Chinese people's desire for education (Kipnis 2011) has long been accompanied by severe criticism of the form and content of Chinese schooling. High officials send their own children to American Ivy League universities, and a growing number of affluent middle-class parents are willing and able to pay for their children's education in a range of different educational institutions mainly in Western Europe, the US, and Australia. The government itself deliberates on the basic dilemma of how to promote innovation and creativity in an exam-driven school system designed to socialize youth in the spirit of political compliance. And at the same time, social status, gender, and ethnicity continue to create deep discrepancies with regard to the quality of education and children's career options.

The education system has been subjected to extensive research within China, much of it quantitative in nature, aimed at developing policy recommendations. In contrast, the aim of this chapter is to show how especially anthropological and historical research of Chinese education can offer new insights not only into the practices of Chinese education but also into broader theoretical issues concerning Chinese politics and society.

In the Chinese school, children and youth from all levels of society follow more or less the same curriculum and use the same textbooks but, at the same time, students, parents, and teachers interact with each other and interpret their respective tasks in different ways. In such a context, participant observation in and outside schools (i.e. not merely during classes) combined with in-depth interviews (which are in themselves insufficient to understand daily practices), are especially useful research methodologies for exploring Chinese society through the lens of education. Therefore, in this article the academic field of 'Chinese education' is opened up to include, even focus on, research that approaches the Chinese education system as a case for understanding larger societal and political dynamics.

The Chinese people's well-known reverence for education has roots in the historical trajectory of esteemed Confucian education and civil service exams (Elman and Woodside 1994; Lee 2000). Confucian ideals of lifelong learning and dedicated study have undoubtedly helped to shape popular notions of the elevated status of education. However, culturalist explanations are vague and inadequate to account for how Chinese state education has evolved and been received by the population, what kind of knowledge it has sought to promote, and how it became the subject of intense debate at all levels of society and in the political system. While formal education has enjoyed high prestige throughout China's history and showed remarkable signs of continuity, changing economic realities and political priorities have continuously influenced its form and content, as well as people's practices and perceptions of it.

This article begins with an outline of the development of Chinese modern education with an emphasis on the period of the People's Republic of China (PRC) since 1949. It goes on to discuss in some detail three key issues regarding the examination system, the practices of disciplining and socialization, and the new option of studying abroad. Together these topics help to highlight the connection between the 'inner life' of the Chinese education system and the broader context of society and politics in the global education market. The article ends with some reflections on the way ahead for the Chinese education system and the research of it.

DEVELOPING MODERN STATE EDUCATION

Historical Context

To 'have culture' (*wenhua*) in China means to be educated or, more precisely, to have gained access to China's long cultural history through the study of

written texts (Thøgersen 2002, 3). In the Confucian private *sishu* schools that existed well into the 20th century, fortunate boys would spend a few years of their lives reciting a fixed set of Confucian classics and primers and practicing the writing of characters. Those who performed best, and whose family could afford to loose a man's labor, would continue to ever higher levels of state-controlled examinations in the distant hope of becoming part of the imperial bureaucracy.

The hierarchical structure of civil examinations was based on uniform Confucian ideology and dates back to the Sui dynasty (AD 581–618). After having found its final form during the Ming dynasty (1368–1644), it remained basically unchanged for 500 years until the period of intense modernization started with the fall of the last dynasty and the beginning of the Chinese Republic (1911–1949). Western powers had disrupted Chinese imperial political structures and society during the period of the Opium Wars especially (1840–1842 and 1856–1860), and Chinese reformers now argued for the need of a thorough transformation of education in order to better resist and compete with Western countries that were more technologically advanced than China (Pepper 1996). The traditional imperial examinations were abolished in 1905 and school subjects that were completely novel to the Chinese school system, such as modern vernacular, citizenry and geography were introduced.¹ So was the idea, borrowed from Germany and the US, that modern education should offer not only an academic but also a vocational (*zhiye*) track that would transmit useful technological knowledge and skills to the wider population (Schulte 2012). The modern Chinese education system as we know it today had started to take shape.

Between 1937 and 1948 China went through a turbulent period of Japanese occupation and civil war. This caused a set-back for the republican ambitions of universal modern education, and in response, traditional private Confucian schools began to mushroom again. When finally the Communist Party (CCP) with Mao Zedong as its paramount leader came to power in 1949, the new state faced the enormous task of developing a form of education that was commensurate with Party ideology and fit to develop the new PRC. As the ruling power ever since, the CCP has taken the education system on a very winding path, as we shall see.

Education During the Mao Years

From the establishment of the PRC until the beginning of the Cultural Revolution in 1966, the CPP's and government's ambitions were to achieve the true basic universal education that the Guomindang leadership of the Republic had never managed to implement. Elementary school was supposed to be for everyone – boys and girls² – secondary schools for a select cohort, and higher education for a limited number of specialists. In addition, a number of large-scale adult literacy campaigns were initiated.

The CCP already had some experience establishing their own schools in areas they had controlled during the height of the civil war and they had come to regard education as a very important weapon in the struggle for national survival (Thøgersen 2002, 127). After their victory in 1949, they looked to their ally, the Soviet Union, for a model of a new form of universal education. The demands for correct Communist moral and political teaching was emphasized but in general, as China scholar Stig Thøgersen (2002) notes, the tone during the first years of the PRC was pragmatic. China needed cadres, technicians, and skilled workers at all levels to get the economy running after years of war and unrest so the training of such personnel and teachers was given a very high priority (140).

Education also needed to be rebuilt and developed as a tool to secure the borders of the PRC. During the Long March (1934–1935), the Communist leaders had promised ethnic minorities living in the vast western border regions that they would receive formal recognition as ‘ethnic minorities’ (*shaoshu minzu*) and enjoy a high degree of political autonomy in specially designated regions if the CCP gained power. New cadre training for ethnic minorities was therefore set up after 1949, and schools teaching minority languages in addition to Chinese were established in areas inhabited by, for instance, Tibetans, Uighur, or Dai.³

Extensive transformation of a state’s education system tends to reflect the authorities’ more general political priorities. After the launching of the anti-right campaign in 1957 and the break with the Soviet Union, China entered a period of political radicalization that lasted until Mao’s death in 1976, and this caused great changes to the education system. The famine, atrocities, and endless personal tragedies that these policies caused are well documented (see e.g. Dikötter 2010, 2016). Also with regard to education, many things went very wrong in this period, although some were probably more positive than the dominant Chinese and Western narratives about this period tend to claim. First of all, secondary education came to a halt during the high tide of 1966–1969 of the Cultural Revolution (1966–1976). Initially, Red Guards were encouraged by Mao to rebel against their teachers and school authorities, but in 1969 when Mao realized that things were spinning out of control, millions of urban youth were sent out of the cities to live and work as peasants in the countryside. Class background rather than school performance decided an individual’s educational options, and throughout this period there was an intense emphasis on political orthodoxy in schools as in society in general.⁴ On the less acknowledged positive side, the Cultural Revolution saw a spectacular expansion of basic universal education that benefited, not least, disadvantaged girls and kids in rural areas (Thøgersen 2002, 166–67).

Another remarkable thing about the education system in the 1960s and 1970s was the extent to which it evolved in almost complete isolation from both the dominant Soviet-led socialist world and the capitalist countries that were slowly becoming interested in a higher degree of synchronization of their systems of education. China had student exchanges with foreign countries on a

small scale only, and increased integration of Chinese education into the global capitalist-dominated system came only after Mao's death in 1976 and the start of Deng Xiaoping's celebrated national 'reform and opening policy' (*gaige kaifang*) from 1979.

New Elite Schools and the General Expansion of Education

The majority of the Chinese population seemed greatly relieved when the radical Gang of Four was arrested in 1976 and the new leader Deng Xiaoping started to prepare a sharp turn in economic policies towards supporting private trade and individual ownership. In spite of some skepticism about the sudden negation of Mao's experiments with expansion of rural education, most people seem to have applauded the reintroduction of a centralized college entrance exam (*gaokao*) in 1977, the return to a more strictly regulated education, and the reestablishment of key point schools for the best students.

The now professor of anthropology Yunxiang Yan was able to sit successfully for the newly reinstated national entrance exam in 1978 after having received very little education during the Cultural Revolution. His personal story up to that landmark day epitomizes the fate of many urban youth during this period:

I was born in Beijing, China. In 1966, like some 200,000 other people nationwide I involuntarily became an impoverished villager when my family was expelled from the city to a remote village due to my father's political opinions. In the same year I was forced to drop out of primary school and to work as a shepherd, farmer, and seasonal manual laborer in rural China until 1978. As a young political outcast living and working in two villages during this 12-year period, I had more opportunities than many of my peers to experience the devastating economic hardships (including famine) and the brutal political oppression under radical Maoism. Regardless, I benefited a great deal from living at the very bottom rungs of society as I learned directly from everyday life what really matters to ordinary people. (Yan 2016)

When, in 1977, everybody, regardless of class, age, or gender, was again allowed to take the college entrance exam, nearly 5.7 million people signed up, though less than 5 per cent of them were eventually admitted to college.⁵ According to the Ministry of Education, the exam at the time was considerably easier than it is today. Potential students had lost years of academic training and therefore the standard of the exams could not be very high. Moreover, there were few places in universities and colleges available for the expectant youth. Compare these figures to the 2010s. It has been 40 years since the college entrance exam was revived, and every summer since there has been intense competition among high school graduates from all over the country to get into the country's universities and colleges. The exam is difficult, but the number of universities and colleges has expanded enormously due to the post-Mao government's explicit aim of strengthening both basic compulsory schooling (nine years) and the quality and quantity of universities and colleges. In 2014, more than nine million high school

graduates sat for the national college entrance exam and 74 per cent of them were admitted into an institution of higher learning.⁶ While they may not have made it into the college of their dreams, at least some kind of tertiary academic education was available for them.

Since the 1980s, the authorities have initiated a broad range of reforms in order to strengthen education and, at the same time, facilitate a gradual incorporation of China into the global market economy. It is, therefore, not surprising that they have sought also to adapt the education system to dominant global trends. To summarize, the government has consolidated schools locally throughout the country by moving the financial and academic responsibilities to higher levels in the administrative system. It has merged schools and made larger units, often making it necessary for students to board at schools. It has reinforced the division between vocational and mainstream education tracks, investing more in vocational training while simultaneously supporting the development of elite academic schools at all levels. Not least, it has opened up the possibilities for youth to study abroad.

During this period of globalization, the population has continued to consistently express a desire for education, undoubtedly strengthened by the one-child policy⁷ implemented from 1979 and only gradually reversed from 2015. Especially in urban areas, parents often project their hopes for the future onto their one child and its education (Bregnbæk 2016; Fong 2004). Even in rural areas where many families still consist of two or more children, parents have looked for creative ways of navigating a competitive education system (Kipnis 2011; Kong 2015; Murphy 2004). All over the country families have invested privately in tutors for their children, moved to areas where schools are considered to be better, used 'the back door' to get into schools, relied on boarding schools to provide better academic support for children, or saved money to send a child abroad. Chinese parents invest in education in the hope that it will secure a child's, and therefore the entire family's future, but also, and maybe even more so, because it has become the norm in Chinese society. It is what is expected of you as a parent.

In this atmosphere of what anthropologist Andrew Kipnis (2011) poignantly defined as educational desire, it is easy to overlook the inherent hierarchies and social gaps that are just as much a product of the modern system of education as is the successful universalization of basic schooling. Studies analyzing China's census data from 1990 and 2010 show a clear general progress in educational attainment in rural as well as urban areas, among both Han and ethnic minorities, and for males as well as females (e.g. Parkhouse and Rong 2016). By the 2010s, China had largely (though not completely in poorer rural areas and urban migrant communities) succeeded in achieving the nine years of compulsory free education that was the purpose of the Compulsory Education Law of 1986 (e.g. Hannum, Wang, and Adams 2010; Hansen 2012; Liu et al. 2009; Murphy 2004, 2014). Furthermore, about 85 per cent of a cohort of graduates from junior high

Table 51.1 Educational attainment for people (age 6 and over) by gender and education, 1996 and 2010

	1996			2010		
	Population(%)	Male(%)	Female(%)	Population(%)	Male(%)	Female(%)
<i>No schooling</i>	15	9.3	22.1	5.0	2.8	7.3
City				2.1	1.	3.2
Rural				7.2	4.1	10.5
<i>Completion of 6 years of schooling</i>	41.3	41.1	41.5	28.8	26.6	31.0
City				16.0	14.6	17.3
Rural				38.1	35.4	40.8
<i>Completion of 9 years of schooling</i>	31.5	36.0	26.8	41.7	44.1	39.3
City				36.1	36.8	35.4
Rural				45.0	48.8	40.0
<i>Completion of 12 years of schooling</i>	9.4	10.9	7.9	15.0	16.4	13.6
City				24.3	25.1	23.6
Rural				7.7	9.4	6.0
<i>Completion of 3 or more years of college</i>	2.2	2.8	1.6	9.5	10.2	8.9
City				21.5	22.5	20.4
Rural				2.1	2.3	1.8
<i>Completion of 8 or more years of schooling</i>	43.1	49.7	36.3	66.2	70.7	61.8
Men to women ratio		1.37			1.14	

Source: Table is from Parkhouse and Rong, 2016, 318. They derived the data from China's Sixth Census Survey conducted in 2010 and from the State Statistical Bureau's Yearbook of 1997 that was based on a 1 per cent sample of China's population.

school would now at some point in their lives enroll in a vocational, regular, or adult high school.

However, studies of official data also demonstrate how persistent the gap between the genders and the rural/urban areas is. Official figures of school enrollment in the poorest areas may in fact give a somewhat exaggerated optimistic view on actual school attendance, because children are sometimes registered as pupils without actually going to school (e.g. Hansen 1999, Wellens 2010, 87–8).

Yet, official figures leave no doubt that inequalities in education have been very difficult to combat in the post-Mao era. Illiteracy rates, for instance, have gone down considerably but the gender gap has increased – and this is the case in urban as well as rural areas. The gender gap ratio in illiteracy rates for the population as a whole was 2.45 in 1990 but up to 2.92 in 2010 (Parkhouse and Rong 2016, 319). Even more importantly, as seen from Table 51.1, official data demonstrate an increased inequality gap with regard to *both* educational attainment in rural versus urban areas *and* between the two genders – despite the general increase of educational attainment in all areas.

So far, most studies of educational hierarchies have focused on gender gaps and the persistent rural–urban divide that is still, in effect, a divide between poorer and richer areas, schools, and families. However, as anthropologist T. E. Woronov (2015) has recently shown, it also makes a world of a difference, career- as well as status-wise, whether one tests into a vocational or a regular (academic) high school; and, as several studies have shown, students from rural and low-income areas are still significantly under-represented in colleges (see, for instance, Yang et al. 2016).

In other words, education within the state school system means many different things in practice, and in the following section we shall therefore take a closer look at how the examination system constructs hierarchies of knowledge and consolidates class distinctions.

KNOWLEDGE AND EXAMS

Exams form an integrated part of educational systems all over the world, but in China formalized exams have an especially long historical trajectory. The imperial examinations constituted a premodern expression of an *ideal* of meritocracy. The selection of officials was supposed to be based on impersonal and objectified testing of an individual's ability to memorize and reproduce a fixed set of knowledge and skills. This, arguably, helped lay the ground for the culture of examination that shapes education in contemporary China. The practice of rote learning and emphasis on memorization has survived through all of the educational reforms of the past hundred years. During my fieldwork in a high school in a relatively affluent rural area between 2008 and 2012, I was struck by the similarities in educational methods with what I had found in much poorer ethnic minority areas in Yunnan about 15 years earlier (Hansen 1999, 2015). To be sure, the curriculum had undergone change, teachers were better trained, students in those two areas of Zhejiang and Yunnan came from very different cultural and economic backgrounds, and mobile phones and social media had created new means of communication for students and teachers in the 2000s. Nevertheless, the emphasis on rote learning, emulation of role models, and the expectation to reproduce predefined truths, all remained intact and continued to dominate pedagogical practices.

If, again, we approach education as a case to understand larger societal dynamics, it makes sense to argue, as sociologist Børge Bakken (2000) has done, that China's practice of examination is much more than an expression of a meritocratic ideal. It is one aspect of a broader form of governing by which students (and other citizens) are taught to emulate what Bakken calls exemplary models. Rather than emphasizing critical approaches to established knowledge, students in China learn to memorize, reproduce, and imitate models, such as an accomplished teacher, a patriotic piece of art, a well-written political statement, or a Communist youth hero from the 1960s like Lei Feng, for instance.⁸

The form and content of examinations and tests at all levels of education help to further consolidate the practice of memorization and rote learning within the classroom. This educational trajectory is often referred to in China as *yingshi jiaoyu* (应试教育), an exam-oriented and rote-learning form of schooling. Many teachers and educators, even the government itself, have criticized this practice. Since the 1990s, the authorities have, for instance, introduced reforms to promote a less exam-focused and more reflective form of education, the so-called *suzhi jiaoyu*⁹ (素质教育) – a term which implies concern both with the form and style of teaching and with the social and moral education of youth. The intention of 'quality-in-education', or *suzhi jiaoyu*, is to handle in a better way the inherent dilemma of an education system that is expected to simultaneously strengthen students' adherence to authority and encourage their ability to be reflective and innovative. In the meantime, the examination system – along with the government's dilemma – remain in place, because too much is at stake politically and socially.

In China where corruption is widespread, the examination system, in spite of all its acknowledged flaws, is still perceived as the most objective form of selecting students. As Kipnis (2011) writes, exams are often viewed in China as the only method that produces social hierarchies that the public deems legitimate (124). And exams in China do produce social hierarchies. In her groundbreaking study of China's vocational education, Woronov (2015) shows how the exam system intentionally divides youth at an early age into two social groups: those who will successfully pass the high school entrance exam after nine years of schooling, and those who instead continue into vocational training that destine them to become low-class citizens. Other studies have long pointed to the fact that vocational schools have a low status in the hierarchical system of education, and that the approximately 45 per cent of students who continue into vocational education tend to be considered as failures, lazy, sometimes even stupid and a bad influence on other students (Hansen and Woronov 2013; Kipnis 2011; Schulte 2012; Thøgersen 1990; Woronov 2012).

However, Woronov's analysis goes deeper to demonstrate how vocational schooling in China is partly an exercise in class formation. Students in vocational schools learn to endure boredom, tolerate authority, be flexible workers, and amuse themselves with limited resources. These skills, Woronov argues, are

relevant for the kinds of jobs they can expect to get after graduation, namely, low-paying urban service-sector jobs (Woronov 2015). Graduates of vocational schools will not become part of the newly minted urban middle class, but having graduated from vocational high school (sometimes college) they will also not be part of the traditional urban industrial working class.¹⁰

More research is needed to understand what it actually means to become part of the vocational education track in urban and rural areas, and what role the education system at large plays in the formation of class and social status in the Chinese socialist market economy. This also leads to the question, discussed in the following section, of how schools actually teach and socialize students to become good citizens in an authoritarian political system with a partial liberal capitalist economy.

SOCIALIZATION AND DISCIPLINE

How are students taught to become citizens and what can the study of education tell us regarding the status of the individual in contemporary China? The analysis of textbooks is undoubtedly one of the most important methodologies for understanding the official view on what kind of knowledge and which values should be promoted to the younger generation.¹¹ Curriculum in China is largely centralized and standardized, and in spite of the possibility of occasional local adaptations, a formal system of political control ensures that all textbooks remain in line with official guidelines.

Consequently, in the subjects considered most important for providing moral and political training there is no substantial difference between textbooks in an elite school in Shanghai or a rural school in Yunnan. Courses on morality, values, and politics are taught to all students at all levels in the compulsory Chinese education system. Together with language/literature and history, they constitute the most important subjects for disseminating the official view on patriotism, the role of the Communist Party, and the rights and responsibilities of the individual in the PRC (M. H. Hansen 2015, 69). Especially the textbooks *Thought and Values*, in junior secondary school (grades 6–9), and *Thought and Politics*, for high school (grades 10–12), are, as researcher of Asian education Edward Vickers (2009a) notes, most intimately associated with official ideology, and they, therefore, also serve as benchmarks for the broader school curriculum (55).

Vickers has formulated what kind of citizens the Communist government *hopes* to achieve through its education system in the era of global capitalism:

[E]ducational policymakers in China would like to be able to foster in Chinese pupils the kind of initiative, boldness and innovative spirit which they see as among the more positive outcomes of many Western education systems, while divorcing these attributes from the liberal-democratic ethos of the societies in which these systems have arisen. (Vickers 2009a, 65)

This ideal has prompted a number of 'quality' reforms intended to engage students more in their studies. Especially since the curriculum reform of 2007, new school textbooks were supposed to reflect students' own interests more. Thus, students at the high school level now read a variety of texts ranging from Confucian classics to the *Diary of Anne Frank* to a study of McDonald's restaurants in China. Not surprisingly, however, the continuous dilemma of the neo-socialist ideal¹² of combining capitalist economy and Leninist authoritarian governance is still directly reflected in textbooks

In my fieldwork in a Zhejiang rural high school, for instance, there were endless examples of how textbooks and teachers put forward more open-ended questions for students to discuss. But at the same time, they also made sure that the final 'correct answer' was always readily available in case discussions moved in the 'wrong' direction (M. H. Hansen 2013, 2015). Students were taught that they should reflect on and discuss certain issues, but always accept that a definite final morally and politically correct answer existed. Therefore, in high schools all over the country, history is taught as a series of facts that are rarely open to interpretation, basic Confucian texts of high moral value are memorized and recited, and the correct answer to any given question is practically always available in a textbook or teacher's manual.

A study of textbooks can reveal a lot about official discourse and values. However, other research methodologies are required to understand what is being taught in schools beyond the textbook, and, not least, what students actually *learn* in school about themselves as individual members of the societal collective. In my study of how and to what extent the rise of the individual¹³ in post-Mao China is reflected in the education system, I found, for instance, that rural high school boarding students tended to express a very high degree of personal responsibility for any failure or success in school (M. H. Hansen 2015). They were not pleased when school authorities attempted to co-opt their student council for disciplining fellow students, and they were frustrated about their low grades and uncertain futures. But they tended to blame themselves for this. They did not criticize their parents for not helping them enough. They would fiercely criticize the education system *in general* for a lot of things – boredom, exerting too much pressure, limiting their freedoms – but they did not blame their own school or their teachers as such for the situation. Most agreed that the education system, including the exams, had a form and content that was necessary in such a populous country still in the process of developing economically; and they learned in school that it was the individual's obligation to make the most of it and accept the burden of the responsibility for failing to succeed.

However, much the education system is criticized in China today for not sufficiently supporting the kind of innovation and creativity that continued economic growth and China's global ambitions require, the prospect of profound change is bleak. Firstly, because the neo-socialist state, regardless of the Chinese government's desire for a more innovative education system, needs to ensure loyalty to

one-party rule. Secondly, because most people continue to trust that the education system serves their family interests. At least in principle it provides a path to upward social mobility, and it offers to take care of children and govern their time within respected state institutions.¹⁴

There are important cracks in this system, though, and they are widening. If the prediction is correct that only relatively superficial changes to the exams and the form/content of education will be implemented under the current political regime, there is a growing risk that the Chinese education system will lose prestige nationally, especially among those who can afford other options. Certainly, a growing number of Chinese middle-class parents are now following on the heels of the political and financial elite by supporting their children's study abroad, some of the consequences of which will be discussed in the following section.

ALTERNATIVE PATHS

For parents who are skeptical towards the Chinese education system's established pedagogical approach, there are an increasing number of private schools available in urban areas. These include 'Chinese international schools' that are targeting Chinese nationals mainly, but also Rudolph Steiner and Montessori schools known for their alternative teaching methods developed in Europe. The most debated, and maybe also the most attractive alternative path, is study abroad. In 2015, a historically high number of 523,700 students left China to study abroad, adding significantly to the total number of approximately four million Chinese students who have studied in foreign countries since 1978 (ICEF Monitor 2016). Why are people choosing this alternative path when the Chinese education system in general enjoys high status? Vanessa Fong's (2011) comprehensive and long-term study of Chinese students abroad provides the following answer:

Chinese citizens in my study went abroad hoping to become part of the developed world by getting citizenship or permanent residency rights in a developed country, earning enough money from work abroad to start lucrative businesses in China, and/or earning developed world college degrees that could help them win prestigious high-paying jobs in China or a developed country. (Fong 2011, 95)

By 2010, as many as 20 per cent of Fong's 1,365 survey respondents from the city of Dalian had studied abroad (Fong 2011, 3). Fong shows that all students, regardless of socio-economic background, wanted to go abroad and that parents went a long way to finance their child's study abroad. Many rural students in my own studies shared this wish, but the vast majority of them regarded it as completely unrealistic, not only because of financial constraints but also because their family lacked the knowledge of how to act in the complex global system of educational migration. Only around 3 per cent of Chinese students abroad are funded

by the government and the norm is to rely on family finances or, more rarely, foreign scholarships. Therefore, in spite of the high number of Chinese students in foreign universities, it is important to keep in mind that only a very small minority of Chinese children have this opportunity. Figures are incomplete and often difficult to compare across countries, but according to the Unesco Institute for Statistics only 0.6 per cent of the entire tertiary age group in China in 2012 left to study abroad (referred in Hansen and Thøgersen 2015, 4).

Since 2013, the government has reported that 70–80 per cent of students who have studied abroad return to China to find work. This is a higher number of returning students than seen in previous years (ICEF Monitor 2016). We lack data to see if these returnees succeed in actually achieving what Fong in the quotation above reported to be their aim. Regardless, the widespread urge to study abroad suggests, at the least, that there is a strong *belief* in the potential of ‘foreign’ (*waiquo*) education, meaning, in effect, studies in so-called developed countries. This perceived benefit of studying abroad, however, is not merely grounded in a rational choice focusing on the opportunity for upward mobility. Studying abroad is just as much perceived as an option for gaining life changing experiences and for broadening an individual’s horizons (Fong 2011; A. S. Hansen 2015; Hansen and Thøgersen 2015).

Since an ever growing number of Chinese middle-class and elite children now study abroad in democratic states and later return home to work, one might expect to find more pressure for change of the Chinese education system. This is still an under-researched topic, but recent studies suggest that Chinese students abroad may indeed become more engaged in institutional reforms at home. Thøgersen’s (2015) in-depth study of Chinese students in a joint Chinese–Danish BA program for pre-school teachers has shown, for instance, how students strengthened their views on the need to reform Chinese education after having spent a year in a Danish college. These students had been critical of the Chinese schools’ focus on exams and discipline already at the high school level; and like so many other students and teachers in China they had cultivated a rather fixed idealized view of Western education being free, open, creative, and less demanding. Thøgersen shows how these students, during their one-year stay abroad, increasingly gave substance to their views on how Chinese education should be changed. They did not ask for systemic political change, and by no means did they become political dissidents. But they developed and expressed a strong – in effect political – wish that Chinese education to a larger extent incorporate values of what they saw as ‘freedom’, ‘individual rights’, ‘equality’, and ‘creativity’. They wanted freedom for children to play, respect for students’ right to privacy, more equality between teachers, students, and parents, and they wanted an education system that encouraged spontaneity and stimulated creativity.

These students’ criticism and suggestions for changes are to some extent in line with the official discourse on the need to make China a more innovative (*chuangxin*) society through reforms of the education system. However, students

seemed to focus on the individual's possibilities and options, while state discourse tends to promote innovation for the broader purpose of strengthening the nation.¹⁵ More research is needed to see how and to what extent returning students actually manage to put into practice some of these views and ideas when entering the educational labor market in China. The students themselves had a sober view of their own potential for making any substantial change (Thøgersen 2015, 121). Processes of individualization in China have indeed led to heightened expectations among students of personal choice and freedoms, and, therefore, the party-state might very well see the need for strengthening, rather than weakening, its attempts to secure their political loyalty and acceptance of authority through schools' disciplining practices.

In general, the path leading to studies abroad has been widened. It is now chosen by those who can afford it, and idealized by those who cannot. It will probably result in a modest introduction of alternative teaching methods and more individualized values in schools, especially in urban areas where returnees find jobs. This, however, will be on a small and localized scale only, and the shorter-term impact of choosing this alternative path is more likely on students' individual life experiences and their future careers.

CONCLUSION

In the past 20 years the Chinese government has emphasized the need to improve the quality of education at all levels, and it has done much to make compulsory education affordable and accessible to everybody, including children in poorer inland and border regions. Since the 2000s, more attention than ever has been paid to the education of rural children who have migrated to cities with their parents; scholarship programs have made it easier for students from poor families to accept offers of tertiary education in expensive cities if they pass the entrance exam. At the same time, social discrepancies are widening. Urban residents get into esteemed urban colleges with lower grades than rural residents, and ethnic minorities are increasingly deprived of the opportunity to study in their own language in state schools.¹⁶ Vocational education is highly praised in official discourse and encouraged by industry, but it is (and probably for good reasons) regarded by the general public as second class and a last resort. It remains to be seen if any political leaders or university teachers themselves will support their own children going to vocational school if academic alternatives are available. For those who can afford it and understand how to operate in a bureaucratic system, alternatives are often available. The global education market has opened up a wealth of opportunities, hierarchically ordered from prestigious US Ivy League universities to minor colleges throughout the Western world; and a growing number of families belonging to the upper section of the urban middle class are willing to invest in one (maybe in the near future also

two) children's education abroad. On the other hand, socio-economically disadvantaged students from rural areas, from urban migrant families, or from vocational schools tend to accept vocational college tracks as their alternative option, to drop out after secondary education, or, for those who can afford it and find it worthwhile, invest in private courses within China, in the hope of improving exam results.

In sum, basic education for all has been strengthened, but social hierarchies created by the educational system are likely to continue solidifying. There is hardly any doubt that the education system will be subjected to new experiments, maybe even reforms, in the coming years. The government's rhetoric, exemplified in its five-year plan from 2016, increasingly emphasizes China's need for a macro-economic transition towards more innovation. Such a transition is also widely regarded internationally as absolutely crucial for China in order to prevent it getting stuck in the 'middle-income-trap' (e.g. Shambaugh 2016, 43). Teachers and educationists at all levels of the system have long been critical of the inflexible forms of teaching and interaction in classrooms that are firmly entrenched because of the examination system. The education system is an obvious target for major reforms aiming to transform China away from production to a more innovation and knowledge-based economy.

This leads to some major questions. Does the government dare to implement thorough educational reforms that encourage critical thinking, allow students to experiment with different ways to solve problems without a clear outcome in sight, and permit them to interact on a more equal basis with teachers and other authorities? Does it really want to? How would reforms away from rote learning and towards reflective analytical approaches influence students from working-class and rural backgrounds whose parents often do not have an education that allow them to support children's homework? Urban middle-class families are certainly not lowering their expectations for their children's education, and it came as an unpleasant surprise to the authorities when, in May 2016, parents in several larger cities demonstrated against plans to grant rural youth equal opportunity to urban youth when applying to urban colleges (Hernández 2016). The government is under continuous pressure to improve the educational opportunities for rural kids, but, at the same time, it cannot afford to ignore the expectations of a growing urban middle class.

This illustrates how the Chinese government is fighting several educational battles simultaneously. Reforming the education system is a social battle, and it is a political one. Children's access to education is not an issue that is taken lightly by Chinese parents, and when initiating educational reforms the government cannot avoid taking into account the potential social clashes of interests they may spark. Chinese society may be characterized by a collective cultural desire for education, but the deep cleavages of social class, ethnicity, and rural/urban residence are just as important for understanding people's practices of education and their social and economic investments in it. The political battle of education is

inherent in the current neo-socialist political system. Although there are some signs that a growing middle class is asking for a less authoritarian and more reflexive education, the call for innovation and creativity comes first of all from the government itself. The top-down ambition is for China to become a world-leading innovative knowledge economy with an education system that reflects and supports this vision but, very importantly, without compromising the CPP's monopoly on the truth. Is that possible? There are no existing models in the world to emulate, so how the government will manage this and how a socially divided population will respond remains to be seen and, not least, studied.

Notes

- 1 For in-depth studies of changing, early 20th-century views on education and resulting reforms see Bailey 1993; Bastid 1988. See Pinar 2014 for an edited volume of articles summarizing curricula developments in modern China.
- 2 Only in 1907 was female education officially sanctioned by the Qing dynasty, and education for girls continued to develop very slowly during the early years of the Republic (Bailey 2007). For studies on gender inequality in contemporary education see Hannum, Kong, and Zhang 2009; Hannum, Wang, and Adams 2010; Hannum, Zhang, and Wang 2013; Hansen 2001.
- 3 For studies of ethnic minority education see for instance Bass 1998; Hansen 1999; Leibold and Yangbin 2014; Postiglione 1999; Schoenhals 2001.
- 4 See also Unger 1982 for a study of education during the Cultural Revolution, based on interviews in Hong Kong with people who had fled China.
- 5 Figures are from the Sina.com education website that provides an overview of official college entrance exam statistics since 1977: <http://edu.sina.com.cn/gaokao/2015-06-18/1435473862.shtml> (accessed 20 May 2016).
- 6 <http://edu.sina.com.cn/gaokao/2015-06-18/1435473862.shtml> (accessed 20 May 2016).
- 7 Officially recognized ethnic minorities were always allowed to have two (sometimes three) children, and since the late 1990s it gradually became formally acceptable for parents with a rural registration to have two children if the first-born was a girl. Since late 2015, the policy has been gradually phased out.
- 8 See Vickers 2009b on the use of models when teaching 'thought and politics' and M. H. Hansen 2015, 88–94 on students' perception of Lei Feng as a modern model.
- 9 Much has been written about the discourse of 'quality' (*suzhi*) in China and within Chinese education but see especially Kipnis 2011 for an analysis of its meaning and importance in the practice of Chinese education. The term *suzhi jiaoyu* is hard to translate in a meaningful way, because it is used in a large variety of contexts, for instance to express how teaching and school books should pay more attention towards students' need to reflect and not merely reproduce facts, but also how youth (and the rest of the population for that matter) should adhere to certain moral and political standards in their everyday behaviour. *Suzhi*, or 'quality', education is therefore about much more than merely moving away from an exam-driven system of learning.
- 10 See also Hansen and Woronov 2013 for a comparison between vocational training in urban and rural areas.
- 11 For examples of analysis of textbooks see M. H. Hansen 2015, Chapter 2; Jones 2012; Vickers 2009b.
- 12 See Pieke 2009.
- 13 On the 'rise of the individual' and processes of individualization in China see Hansen and Svarverud 2010; Kleinman et al. 2011; Yan 2009, 2010.

- 14 See Bregnbæk 2016 about how Chinese elite students experience the pressure of being an only child who have successfully gained access to one of the top universities.
- 15 See Ross and Wang 2016 for a comparison between the discourses on educational innovation in the US and China.
- 16 There are a growing number of private schools and courses taught in some of the major minority languages, but the real opportunities for minority children to study in their native language in the formal state school system are declining. See for instance articles in Leibold and Yangbin 2014.

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Nightlife and Night-Time Economy in Urban China

James Farrer

QUESTIONS ABOUT URBAN NIGHTLIFE

When Japanese journalist Ueda Kenichi visited Shanghai in 1982 he described the city at night as an eerie ‘ghost town,’ its dark streets void of commercial nightlife, scarcely offering a place to have a drink. Eventually he discovered the bar at Shanghai’s Peace Hotel, with its jazz ensemble comprising aging survivors of the Maoist suppression of nightlife, who would go on to fame as the ‘Old Man Jazz Band.’ The bar was a ‘salvation’ for a drinker in need of foreign spirits, Ueda wrote, since these were unavailable elsewhere (Farrer and Field 2015, 91). By this time, there were other hotel bars and ‘music tea rooms’ in Shanghai, Guangzhou and Beijing, and public ballroom dances were being revived by Chinese youth in university and factory canteens, and other spaces around the country (Zeng 2009). However, beyond hotels catering to international guests, there was little in the way of commercial nightlife until the late 1980s. This bleak nightscape would scarcely be imaginable to Chinese youth today, growing up in cities where nocturnal leisure flourishes and the night-time economy generates billions of yuan in revenue.

This review outlines some of the contraversies and debates surrounding nightlife and nocturnal leisure in contemporary urban China. It will not take us back to the night-time leisure activities of the socialist period before the Reform and Opening Era beginning in 1978, nor except in passing, the flourishing urban night-time economies of the Republican Era or of the dynastic period before that. This review focuses on recent developments in nocturnal leisure, introducing

contemporary debates about the cultural meanings of nightlife, its social functions (including sexual interactions), social stratification and transnational influences.

The boundaries of what constitutes 'nightlife' are, of course, open to interpretation. When the Chinese term 'nightlife' (*ye shenghuo*) re-emerged in the 1980s, it could be used expansively to suggest all public nocturnal activities that were not 'work.' For example, a Chinese-language guidebook called *Nightlife in Shanghai* (*Shanghai ye shenghuo*) published in 1989 included theatres, billiard parlours, cinemas, restaurants, tea rooms, concerts, dance halls, public parks and even night schools under this category (Gu 1989a).

Farrer and Field, in a historical ethnography of Shanghai nightlife, develop a narrower sociological definition of nightlife, focusing on its key functions: as an action environment, or space of sociability among patrons themselves; as emotional communities emphasizing play, intoxication and excess; and as cosmopolitan contact zones or spaces of mingling among male and female patrons from different ethnic and national backgrounds. This definition focuses on spaces that provide for social mixing among larger groups of diverse strangers, such as bars, ballrooms or nightclubs, rather than fixed-seat establishments such as performance halls, restaurants, cinemas or private clubs such as karaoke parlours where interactions with strangers and people outside of one's in-group (other than service professionals) are not the norm (Farrer and Field 2015, 18).

The term 'night-time economy,' in contrast, more broadly encompasses the social and economic organization of urban leisure that occurs at night. The label also includes dance clubs and bars, but may include restaurants, theatres and other commercial activities engaged in after dark (Bianchini 1995). As described by Matthew Chew in his review of the night-time economy in the Chinese context, it is 'a subset of the cultural economy composed of bars, dance clubs, karaoke establishments, rave parties, live-music venues, and other nightlife forms (while not including the commercial sex industries)' (Chew 2009, 3). In his ethnography of Philadelphia's nightlife David Grazian includes restaurants as part of the sphere of urban entertainment that drives the urban nocturnal economy, one focused increasingly in tourism (Grazian 2008). We also may consider commercial sex transactions to be part of China's night-time economy, especially given its pervasiveness in some of China's nightlife subcultures (Fang 2009, Jeffreys 2006, Pan 2000, Zheng 2009).

An overview of the items listed on China's most popular online review site, Dazhong dianping, shows some of the diversity of what may now count as nightlife in three of China's major cities (Table 52.1). Restaurants are listed separately in Table 52.3, while illegal activities are not included in these listings. This table shows an enormous number and variety of leisure venues in urban China, though obviously not all the activities listed here are exclusively occurring at night.

Despite its imperfections, through this table we can see how places devoted to small-scale gatherings and personal consumption, such as bars, teahouses and

Table 52.1 Varieties of leisure venues in key cities

	<i>Beijing</i>	<i>Shanghai</i>	<i>Guangzhou</i>
Cinema	211	270	163
KTV	1,426	2,231	758
Massage/Foot-massage house	9,042	9,882	3,603
Bar/Club	1,522	2,522	1,589
Bathhouse/Sauna/SPA	2,537	3,063	1,411
Private cinema	98	205	75
Coffee shop	4,388	6,133	2,910
Tea house	2,295	2,545	1,318
Internet cafe	1,066	1,619	738
Board game	702	2,679	1,079
Snooker	1,449	874	457
Home-party house	252	556	79
Game center/Amusement park	1,262	1,563	804
War game	137	247	125
DIY workshop	725	1,206	352
Agritainment	3,898	1,539	516
Room escape game house	294	166	131

Source: www.dianping.com (accessed May 27, 2016)

coffee shops, and individual intimate pleasures, such as massage and sauna, now dominate the list. Otherwise a great number of spaces are devoted to games, from board games to war games, and edification and hobbies, such as DIY workshops.

These trends suggest that nightlife – or urban leisure more broadly – may be part of the process of the privatization of everyday life and the rise of individualism and hedonism associated with a consumer society in urban China (Davis 2000, Yan 2009). As will be discussed below, however, researchers such as Tiantian Zheng (2009), John Osburg (2013) and Matthew Chew (2009) have emphasized how some of the most popular forms of nocturnal leisure, especially karaoke hostess clubs and VIP dance clubs, are closely associated with business entertainment (*yingchou*) and the cultivation of illicit patron–client relationships with government officials (*guanxi* practice). We thus may ask if the growth of nightlife should be interpreted more as a sign of liberal individualism or rather as another face of flourishing patronage relations.

Part of this debate focuses on the expression of sexuality in nightlife. On the one hand, we can look at nightlife as the space for the advent of new, freer and more individualistic expressions of sexuality, ranging from some young women's liberating experiences of dance halls and discos in the 1990s to the formation of gay and lesbian community spaces in the 2000s (Farrer 2002, Farrer and Field 2015). At the same time, nightlife is also a space for the commodification of

sexuality, sexual stratification and sexual exploitation (Chew 2009, Osburg 2013, Zheng 2009). We should examine both sorts of claims.

Finally, nightlife spaces, especially but not limited to global cities such as Beijing and Shanghai, are contact zones, spaces of social interaction among Chinese and transnational migrants and tourists, and are visited partly for the thrill of such interactions with exotic, sexualized others, some of whom may become romantic partners (Farrer 2011). At the same time, it has been argued that urban nightscapes, rather than fostering interethnic mingling and cosmopolitanism, are generally characterized by segregation and interethnic strife, with little chance to develop meaningful new forms of social capital across these sexual, racial and class divides (Grazian 2009, May 2014). We can ask how the evidence from China supports these contrasting views.

THE CHANGING POLITICAL ECONOMY OF CHINESE NIGHTLIFE

Although flourishing since the late nineteenth century, the urban nightscape in European and American cities was long associated with disorder, crime, noise and sexual immorality, attracting thrill-seeking 'slummers' and also reformers wishing to regulate or abolish these nightlife activities (Chatterton 2002, Heap 2008). In recent decades, however, developing the night-time economy has come to be seen as a means of urban renewal, job creation, increasing tax revenue, improving night-time safety, promoting tourism, incubating creative industries and even fostering political activism (Bianchini 1995). In China too, nightlife was first seen as a source of disorder, foreign cultural pollution, crime, and even political unrest. However since about 2000, Chinese cities have joined their foreign counterparts in promoting nightlife as a strategy of urban development (Chew 2009, Zeng 2009).

After the beginnings of Opening and Reform Era in 1978, nightlife districts emerged in major cities such as Beijing, Shanghai and Guangzhou as places serving foreign travellers, diplomats and business investors. These small islands of global nightlife included bars in Sanlitun in Beijing and a few small bars along Wulumuqi South Road in Shanghai. As international hotels opened in the latter part of that decade nightlife streets adjacent to them expanded and began attracting local residents, ranging from sex workers to young urban adventurers. In the late 1990s, one of the largest nightlife districts in Shanghai was an unplanned and difficult to regulate stretch of bars along Maoming South Road that prompted large-scale police crackdowns in 2000 and in 2003. From the point of view of many ordinary urban residents and authorities, as well, these organic nightlife streets were spaces of vice, excess and cultural pollution. For many young clubbers, however, they were a landscape for fun and self-exploration (Bao et al. 2001, Farrer 2008, 2009).

A watershed event in the governance of urban nightlife was the opening in 2001 of the now world-famous Xintiandi complex in Shanghai, a century-old residential neighbourhood in Luwan district that was demolished, rebuilt and redeveloped by Hong Kong conglomerate Shui On Properties during the 1990s. It featured artistic lounge bars, late night restaurants and dance clubs. Many of the first customers were Shanghai-based expatriates, business travellers and tourists. Partly because of its popularity with elite foreign guests (and a relatively clean image), the growing urban middle class embraced Xintiandi as a symbol of the rise of Shanghai to the status of a world city, a modern development that celebrated – very selectively – elements of Shanghai’s cosmopolitan treaty port past. Redevelopments of buildings along Shanghai’s historic riverfront Bund, beginning with Three on the Bund in 2004, recreated the same nostalgic effect as Xintiandi with even more exclusive and expensive dining and nightlife spaces featuring captivating views of Shanghai’s pre-1949 west bank (*puxi*) and post-1990 east bank (*pudong*) skylines.

Xintiandi and the Bund developments became models for similar nightlife districts in other Chinese cities. In 2003 Hangzhou opened its own Xihu Tiandi on the scenic West Lake, and in 2004 Nanjing opened a nightlife district called Nanjing 1912, similarly playing up to urban nostalgia. The developers of Bund Three in Shanghai created another high-end complex in the Beijing Legation Quarter. As Guohua Zeng writes, government-sponsored bar streets emerged in several areas of Guangzhou during this same period, as nightlife became seen as a strategy of urban development (Zeng 2009). Many of these developments reinvented historic urban spaces as international dining and nightlife destinations. Their high profile locations and the prominent coverage they receive in official media distinguished these developments from earlier unplanned and ‘chaotic’ nightlife districts such as Maoming South Road in Shanghai. Through them, urban nightlife was ‘rehabilitated’ from its image as a nest of vice and bourgeois decadence to its new status as a representation of global city status (Farrer and Field 2015, 205–230).

Such strategies also expose unevenness and inequalities among China’s urban night-time economies. While central districts in global cities were able to promote high-end districts for foreign tourists and the rising middle classes, cities on the periphery (or peripheral areas in larger cities) engaged in riskier strategies of nightlife-led development focusing on sexual commerce. For example, Taiyuan in the relatively poor inland Shanxi province developed a large karaoke hostess club district with hundreds of venues serving regional tourists and businessmen. Beijing men went to the city because prices and tips for hostesses were considerably lower than in Beijing and other coastal cities, so much so that the city became known as Beijing’s ‘backyard pleasure garden’ (*houleyuan*) (Farrer 2008). However, nightlife overly dependent on commercial sex businesses remained vulnerable to official crackdowns on prostitution, which is illegal in China. A nationwide campaign against prostitution in 2014 closed down nightlife

Table 52.2 Total revenue of food and beverage sector in key cities by year

<i>Year</i>	<i>City</i>	<i>Business Revenue (Billion CNY)</i>
2014	Beijing	53.08
	Shanghai	58.93
	Guangzhou	25.46
2010	Beijing	39.47
	Shanghai	33.71
	Guangzhou	17.02
2005	Beijing	14.92
	Shanghai	16.95
	Guangzhou	7.88

Source: Shanghai, Beijing, Guangzhou Statistical Abstracts

districts in several cities, most prominently the huge commercial sex centre of Dongguan in Guangdong province, severely affecting its nightlife businesses.

As Matthew Chew writes, the nightlife industry may be one of the largest of the creative industries in China, yet it is very difficult to measure its size, growth and contribution to the larger economy. Off-book business practices and illegal transactions obscure its scope, especially if activities such as commercial sex are included (Chew 2009, 7). However, if we focus on its more legitimate and large-scale cousin, the restaurant industry, we can see how this sector has boomed in the past few years, with dining out also being one of the primary forms of nocturnal leisure in China, hence itself an important part of the night-time economy (see Table 52.2).

Restaurants may not be representative of other nightlife venues, nor is the food and beverage sector restricted to the night-time economy; however, these numbers give some idea of the explosive growth of leisure consumption in China over the last decade. In recent years, dramatic changes in the use of urban space may make the night-time economy more central to Chinese urban economies. With the growth of online shopping, retail sales are increasingly moving to the internet, while industrial activities are increasingly moving to the smaller cities and the rural hinterlands (such as industrial production). Urban shopping centres must increasingly rely upon food and beverage vendors to fill prime rental spaces. With such pressures, we can expect an even greater focus on developing the night-time economies of Chinese cities.

Nightlife as Class Culture

As Paul Cressey's pioneering sociological study of the taxi-dance halls in 1920s American cities makes clear, participation in urban nightlife was and continues

to be stratified by race, age, class and gender. Cressey's study showed that nightlife in American cities was not restricted to elites, and was a significant space of both entertainment and employment for working-class young people (Cressey 1932; see also Peiss 2011). Much of the sociological literature on nightlife published in the UK and the US has shown how nightlife served as an alternative space for marginalized classes of people such as working-class whites, blacks, Latinos and gays to interact, form common ties and identities and celebrate their differences (Buckland 2002, Malbon 1999, Thornton 1996).

In China, in contrast, nightlife has been written about largely as an activity of urban elites. Nightlife in China has tended to arrive along transnational pathways that have also brought in investment capital and created a new class of mobile elites (including foreigners, overseas Chinese and 'returnee' Chinese). Karaoke hostess clubs and exclusive private clubs cater to the rising male business elite (Osburg 2013). Even 'underground' clubs in cities such as Shanghai catered to crowds and tastes that were already considered upper class by local standards (Field 2008). In recent years, nightclubs have been widely associated with the advent of a culture of conspicuous consumption in which tens of thousands of yuan may be spent in one night of ostentatious drinking, such as the 'champagne trains' ordered by the profligate scions of the wealthy elite in 'VIP' clubs or 200 yuan 'bespoke' cocktails ordered by white collar gourmards in Shanghai's 'speakeasy' bars (Farrer and Field 2015, 113).

Such associations of nightlife with conspicuous consumption by nouveau riches obscure the fact that many of urban China's most enduring nightlife trends have had a decidedly more popular or working-class flavour. The most prominent of these is the culture of social dance (*jiaoyi wu*), which can be seen as a continuation of the recurrent popular dance crazes from the 1920s into the mid-1950s. Partnered social dance was banned in the Mao years, but re-emerged in public as part of the opening up of 1979. Already in the summer of 1980, in cities around the country young people began organizing dance parties, gathering in parks and other public spaces, practising partnered social dance or more free-form styles of group disco dancing. Widely perceived as hotbeds of crime, delinquency and possible dissidence, these public gatherings prompted a government backlash, culminating in a 1983 'strike hard' campaign that targeted dancing across the country, including even private home dances (Farrer and Field 2015, 49).

Despite these draconian measures, associated with the larger 'anti-spiritual pollution campaign,' dancing remained deeply popular, and it quickly revived. A 1983 survey conducted in Shanghai among factory workers aged 18–30 found that 81.4 per cent agreed that dancing was 'a healthy and beneficial leisure activity,' though only 10.7 per cent said they knew how to dance, and 31.8 per cent said they could dance 'a little.' By 1984 the political and cultural tide turned in favour of allowing social dance as a legitimate form of leisure. Dance halls reopened throughout the country. In February 1987 new national regulations governing commercial dance establishments put these new commercial dance

halls on a legal footing. By 1988, 260 licensed dance halls were spread throughout Shanghai. Most dance venues were simple multi-use spaces such as neighbourhood cultural centres. There were also larger-scale dance venues at public gymnasiums and free ‘senior citizen dances’ (*laonian wuhui*), centred in city parks. These attracted older urbanites nostalgic for the popular steps and tunes of the 1940s and early 1950s. But many dancers were novices. A how-to guide to Western dancing published in 1987 in Shanghai sold out of 300,000 copies in a few days (Farrer and Field 2015, 50–51).

In contrast to its bourgeois roots in the cabarets of the 1930s and 1940s, social dance re-emerged in the 1980s primarily as a working-class culture, or as a leisure activity aimed broadly at working urban youth. By the mid-1990s in Shanghai, ballroom dancing became regarded as a typical activity of the ‘salaried class’ (*gongxin jiecheng*), meaning people living on a state-owned enterprise salary. For a few yuan (or even less than one yuan) almost anyone could afford a two-hour dance session that included a cup of tea, a thermos of hot water for refills and a seat at a table near the dance floor. Social dance halls even into the late 1990s were not designed for conspicuous consumption. If anything, status within the dance hall was displayed through the deportment and bearing of the dancer, a claim to character (*renpin*) and personal quality (*suzhi*), rather than a showy display of wealth. ‘Civilization’ (*wenming*) on the dance floor remained the legitimating slogan of these Reform Era dance halls (Farrer and Field 2015, 53)

By 1995, Shanghai boasted over 1,500 registered dance halls, making this the most popular form of nightlife in the city. By then social dance was viewed as a hobby of middle-aged working people, no longer a symbol of youth chasing fashion. In a 1996 interview, one dance hall manager claimed: ‘Social dancing most closely fits the city’s character (*shiqing*). It has kind of a Shanghainese city person’s feel (*shimingan*).’ He also pointed out the social dance halls were much less expensive than discos and that they appealed to a much wider range of ages. At the same time, social dancing was not devoid of controversy, and it was sometimes associated with sexual permissiveness and extramarital liaisons among married working-class men and women (Farrer and Field 2015, 159–61, Wang 2015, 62).

In the late 1990s social dance halls went into rapid decline. By 2000 the number of ‘song and dance halls’ and ‘dance halls’ listed in Shanghai government statistics had plummeted to a total of 188, the last year for which statistics were reported for this category. Rising rents, competition from modern discos and clubs, their abandonment by fashionable youth and their reputation as a place for working-class men and women to kill time all played a role. With the dawn of a new millennium it seemed as if nearly a century of ballroom dancing in Shanghai would come to a close (Farrer and Field 2015, 55).

The salvation of nocturnal working-class dancing culture, however, has been the continuation and expansion of outdoor dances, often called ‘public space dances’ (*guangchangwu*). Public spaces had been utilized by dancers engaged in

partnered social dances since the early 1980s, and we can still see many practitioners of this type of partnered ballroom style of dancing in public urban spaces today. However, the form of dancing that has captured the most media attention is a version of group line dancing engaged in almost exclusively by middle-aged women. Several types of dance moves can be seen in today's *guangchang wu*. There are disco-like movements such as cross steps (*jiaochabu*), social dance movements such as three steps (*sanbucai*) and jitterbug, *yang'ge* movements such as ten crosses (*shizi bu*), and Tibetan, Uighur and Dai folk dances. Reportedly over 100 million, regularly participate in this activity, occupying street corners and parks in Chinese cities (Wang 2015, 4).

Ninety per cent of the participants are female, making this activity very different from the roughly equal mix of men and women in the indoor social dance venues. While partnered styles of dancing are referenced in their steps, especially among older women who once danced in social dance halls, this remains primarily group dancing (or occasionally dancing with female partners) (Wang 2015, 54). These 'dancing aunties' (*dama*) have garnered accolades from the state for promoting health and sociability, but they have also been criticized for occupying public spaces and loud music blasting out late into the evening. Although they do not attract the same sexual stigma of those participating in the mixed-sex social dances of the 1990s, the public square dancers also are seen as lacking in civilization and refinement by wealthier, younger and more educated urban residents (Wang 2015, 62).

In short, nightlife in the narrower sense of fashionable bars and clubs can indeed be understood as an upper-class phenomenon, and a means of expressing class distinctions. However, working-class people in urban China always have had their own versions of nightlife, including the commercial nightlife of the social dance hall that flourished through the 1990s. Public square dancing is the best-known example today, though it stretches conventional definitions of nightlife. It takes place outdoors, involves minimal expense and is focused on exercise rather than sexual intimacy (at least not overtly); however, it does show that dance remains an important form of working-class nocturnal leisure in China.

Social Rituals and Private Pleasures

Connected to the issue of class-based consumption is the question of self-expression through nightlife, in particular the nature of sexual expression. Beginning with Orville Schell's *Discos and Democracy* (1988) and including Farrer's *Opening Up* (2002), one school of thought has emphasized the rise of nightlife as a space for the democratization or individualization of Chinese society. Ethnographic research in youth dance clubs in Shanghai during the 1990s showed they provided youth a space in which they could act out sexual personas that were not gender-appropriate or morally appropriate in the everyday world of neighbourhood life. Young women could dress daringly and dance provocatively, despite

prevailing norms against premarital intercourse and the display of female sexual desire. These findings suggest that discos and dance halls were an important site in which new sexual cultures were reimagined and enacted in the Chinese sexual revolution of the 1990s (Farrer 2002). Even as economic inequalities increased in the 2000s, clubs remained spaces for sexual experimentation both for men and women, though differences in resources, especially between men and women but also among men of different class, ethnic and regional backgrounds, made the dance club an increasingly unequal field of play (Farrer and Field 2015). All in all, however, this line of research accords with Bianchini's characterizations of nightlife in the West as a space of 'personal development,' and a 'time of friendship, of love, of conversation, ... freer than the daytime from social constraints, conventions and persecutions' (Bianchini 1995, 124).

In contrast, another line of research emphasizes the instrumental social uses of nightlife, especially its importance for male bonding, in particular through sexualized rituals fostering patronage relations among businessmen and government officials (Chew 2009, Osburg 2013, Zheng 2009). This type of male-dominated sociability is associated with forms of nightlife in which sharing women's sexual companionship (often purchased) is the base of masculine bonding, or more directly, a form of sexual bribery of officials by businessmen (Jeffreys 2006). This view of Chinese nightlife echoes research on hostess clubs in Japan where women's sexual flattery lubricates social relations among Japanese businessmen (Allison 2009), or VIP clubs in the US in which female bodily capital becomes a symbolic currency circulated among men engaged in building their masculine social capital (Mears 2015).

The form of Chinese nightlife most closely associated with this type of nocturnal *guanxi* practice is the KTV hostess club.¹ Karaoke itself developed in Japan in the early 1970s, where it became popular in small 'snack bars' that often featured a female manager or younger hostesses who might sing in turn with the middle-aged male customers (Mitsui 1998). It spread to Taiwan in the late 1970s among businessmen who knew Japanese. Chinese songs became available by the end of the decade (Otake and Hosokawa 1998). Larger 'KTV' bars with private singing rooms (*baofang*) arose in Taiwan in the late 1980s. Many of these KTV bars also involved hostesses, which fostered prostitution. 'Karaoke boxes' came to Hong Kong directly from Japan later in the 1980s, and Taiwanese and Hong Kong entrepreneurs brought karaoke to China in the early 1980s, where it was initially very popular in restaurants (Otake and Hosokawa 1998). A 1989 introduction to Shanghai nightlife included the city's ten specialty karaoke bars under the category of 'music tea rooms' (*yinyuechazuo*), describing the Japanese invested 'Huanglou Karaoke Nightclub' as the most luxurious (Gu 1989b). The practice of hostesses accompanying customers in KTV private rooms also travelled to China from Hong Kong and Taiwan, partly following the circuits of Hong Kong and Taiwanese businessmen, providing a convenient and attractive front for large-scale prostitution operations, some employing hundreds of women.

Much of research on Chinese KTV hostess clubs has focused on the relations between hostesses and clients. Sociologist Pan Suiming estimates that one-third of the hundreds of thousands of KTV hostesses in China offer sexual intercourse for money (Pan et al. 2004). Anthropologist Zheng Tiantian worked as a hostess in Dalian clubs and describes how men used the space of the club to socialize with other men, while also developing attachments to particular hostesses (Zheng 2009). Hsiuhua Shen shows how club hostesses became central to the transnational lifestyles of Taiwanese men travelling between Taiwan and the Mainland with wives remaining in Taiwan, while hostesses provide companionship and pleasure to these men on the Mainland (Shen 2008). Whether we are focusing on the use of clubs to build social capital among men or the clubs as a space in which men express erotic desire and emotional attachment towards hostesses, these analyses point to the nightclubs as a space in which both affective and instrumental ties are primary. Unlike some analyses in the West that question the importance of nightlife as a space for creating social ties, there is little doubt that sexual and social capital are created and expressed through these Chinese nightlife practices.

On the other hand, we can also see trends in nightlife that might call into question this one-sided focus on 'strong' social ties created through nightlife sociability. The practices of dance clubbers tend to involve more diffuse and individualized forms of sexual expression rather than a search for partnered sexuality (Farrer 1999, Farrer and Field 2015). One relevant trend is the decline and transformation of KTV clubbing as a nightlife practice. In general, KTV clubs seem to be decreasing in number in all major Chinese cities. There seem to be three reasons for this decline: (1) increasing rents and wages, and hence declining profits; (2) decreasing interest in KTV among youth; (3) and, most widely discussed, an anti-corruption campaign that extends to rooting out sexual bribery and patronage of hostess clubs (Fei and Xuan 2015, Li 2014). KTV has clearly dropped in popularity among the youth born since the 1990s, as more types of leisure activities arise and popular music has become more diverse (Huang 2015). Even before the anti-corruption campaign began, there has been a long-term decline in the full-service KTV – from 14,100 to 9,845 nationwide in 2014.

Over the same period there was a rise in a new style of self-service (so-called *liangfanshi* or 'wholesale price') KTV from 4,600 to 10,651. These have no room service, no minimum charge, no service personnel, nor hostesses. Rather, self-service KTV has kiosks where you can buy drinks and snacks at prices close to those in a regular supermarket (Chinese Industry News 2015). It seems that the type of commercial KTV venues that still flourish now focus more on private mixed-sex sociability among patrons rather than conspicuous consumption and paid companionship with hostesses. Since the onset of the anti-corruption campaigns, there also has been a rise in private membership clubs in which officials and wealthy businessmen can dine (and sometimes sing karaoke) without attracting public attention.

The other types of nightlife venue most closely associated with commercial sex in China are massage parlours and bathhouses or spas. Public baths and saunas have long existed in Chinese cities. Some began offering opposite-sex massages (sometimes a cover for sexual services) as early as the 1980s, though this practice was declared illegal in many municipalities. By the late 1990s large Chinese cities hosted hundreds of bathhouses or saunas, many of which employed women masseuses who provided optional sexual services for men. Some saunas also specialized in sexual services for men by men (or provided spaces for male customers to have sex with one another). Saunas operating as brothels could be found all over China, with large red light districts usually located in suburban areas or less closely regulated second-tier cities (Pan 2000).

Hairdressers were also once common fronts for prostitution. In the 1980s most such establishments offered only massage and shampooing by young female hairdressers, but by the 1990s a large number began offering assisted masturbation or full sexual intercourse. In the early 2000s, there was almost no neighbourhood in Shanghai without one or more such 'red light' barbershops, though policing and gentrification had removed most from the central city area by 2015.

By the early 2010s the most common cover for street-front prostitution in Chinese cities were massage parlours. Like hairdressers, masseuses and masseurs offering sexual services worked within the larger economy of those offering non-sexual massage. Sexual massage, however, was generally a nocturnal business with later hours than standard therapeutic massage. Some shops were clearly advertised with pink lighting and masseuses in sexy attire visibly arrayed near the doorway. However, others were far less visible, appearing more or less the same as standard massage business, with sexual services often provided in violation of house rules. Clients based in Shanghai and Beijing, estimate that depending on the neighbourhood, between 10 and 40 per cent of urban massage parlours offered some form of sexual services, with most only offering masturbation, though a significant minority offered intercourse and other forms of sex.² A few massage parlours in Shanghai also provided sexual massages for women, performed by men (or, less often, other women).³

Whether we are describing the more common practice of non-sexual therapeutic massage, or the varied sexual services provided in massage parlours and saunas, most of these were consumed and experienced as private intimate experiences rather than group activities. One masseuse interviewed in Shanghai said that her business stayed open late because many clients came over from a famous nearby VIP-style nightclub late at night to receive a massage and escape from the forced drinking and sociability of this style of clubbing. It would thus be a mistake to associate commercial sex too closely with masculine sociability and male bonding rituals. Much of the culture of commercial sex, as with leisure more generally, was devoted to personal pleasures with little interaction (except with the service providers). Moreover, this type of private consumption of therapeutic pleasures (whether sexualized or not) seemed to be a growing trend in urban China,

especially the rise of therapeutic massage for women. In general, nightlife remains a social space, a space of interaction, but the urban nightscape also contains a growing number of commercial spaces within which people escape from sociability to indulge in a world of private intimate services. The larger trend towards individualized consumer experiences is evident in these nightlife practices.

GLOBALIZATION AND TRANSNATIONAL SOCIAL CAPITAL IN CHINESE NIGHTLIFE

One of the core characteristics of contemporary globalization is the transnational and regional mobility of people. Urban nightlife scenes in China are populated by non-local groups including expatriates, foreign tourists, domestic tourists and migrant workers. Most workers in Chinese nightlife, whether performers, waiters, prostitutes or hostesses are transregional Chinese migrants. Transnational entrepreneurs – including non-Chinese foreigners, but also ethnic Chinese from Taiwan, Singapore and Hong Kong – have been some of the founders of contemporary Chinese nightlife. Finally, nightlife venues, even in second- and third-tier Chinese cities, now regularly feature performers from around the world, including dancers and musicians hired to perform in clubs and bars (Farrer 2008).

As in other countries, the nocturnal economy has benefited from a rapid growth in both domestic and international business travel and tourism. From less than a million international visitors yearly in the 1980s, inbound tourists to China rose rapidly in the 1990s and 2000s, peaking at over 26 million arrivals yearly in 2007 (excluding Hong Kong, Taiwan and Macau residents). However due to such factors as the global financial crisis, rising yuan exchange rate and pollution and food safety scares in China, numbers of arrivals have remained flat since then. In their place, domestic tourists have increased by double-digit percentages in the same period and now dwarf international tourism both in terms of numbers and total revenue (China National Tourism Administration 2016). Both these trends – the earlier increase in international travellers and the recent increase in domestic travellers – help to explain both the growing demand for urban nightlife and also the increasing shift to domestic demand. Tourism also explains how cities far from the coastal region, such as some smaller towns in Yunnan, have become centres of nightlife focusing on both international and domestic tourists.

Qualitatively, urban nightlife scenes around the world have been recognized as ‘contact zones’ or spaces where people from different ethnicities, class and gender/sexual orientations interact. One of the key sociological questions about nightlife is the degree to which these different groups mingle or remain segregated, and their differential success in competing for social space within the nightscape (Heap 2008, May 2014). Clearly people do all of these things (mingling, segregating and competing), and the question for ethnographic studies is what sort of spaces facilitate interactions and what sorts of social outcomes are likely.

Possible types of transnational social ties created in nightlife might be characterized as bonding social capital (strong ties within an in-group), bridging social capital (weak ties among people from different groups) or linking social capital (ties cutting across social strata, e.g. patronage relations) (Grazian 2009, Pieterse 2003). Bonding social capital is often thought of as 'intra-ethnic,' and it is not surprising to find, for example, that expatriate bars catering to a particular nationality in Shanghai or Beijing are important spaces where such ties are formed and maintained. These include Japanese, Korean, German, Irish and other bars where patrons and managers are often foreigners. Similarly, most Chinese customers go to a KTV club to interact with people inside their own social group, fostering a type of bonding capital within a group of people with a shared background.

However, we also find deep bonds may be created 'interethnically' in nightlife subcultures in which shared interests in a type of music or sexual subculture creates close bonds. Nightlife gay communities and Shanghai's jazz community are two examples of spaces in which tight social networks include Chinese from many regions as well as foreigners active in these scenes (Farrer and Field 2015).

Bridging interactions across groups also happen very often in the space of the nightlife. Many of these involve sexual interactions and flirtations between members of different national and ethnic groups. Some bars in Shanghai, Beijing and other Chinese cities are known as ethnosexual contact zones within which foreigners and Chinese are known to pursue interethnic sexual liaisons. Of course, if a relationship is formed this may be the basis for a more serious romantic bond, and this may also become a form of bridging social capital.

Finally, linking social capital is often the goal of much nightlife socializing, including between businessmen hoping to create useful ties with powerful officials or other businessmen. This might also include relationships between young women and more powerful men. Ashley Mears argues that such sexual interactions in VIP clubs in the West are seldom productive of lasting social capital for the younger women involved (Mears 2015). However, in China, the situation may be different. Farrer and Field observed many cases in which young women parleyed nightlife encounters into transnational social and cultural capital (including language learning). John Osburg points out how some young women use hierarchical relationships with older richer married men for economic benefit. However, in Osburg's research, women seldom become the primary romantic or business partners of these men (Farrer and Field 2015, Osburg 2013).

Given the centrality of transnational cultural flows to Chinese nightlife, a question also arises as to how 'Chinese' or 'foreign' are the nightlife cultures in China. Most scholars of globalization agree that global cultural flows are neither bringing about global cultural homogenization nor an obliteration of local cultures. Processes of 'localization,' 'glocalization,' 'hybridization' or conscious 'domestication' involve a creative mixing and appropriation of cultural forms travelling across national boundaries with an admixture of local themes and practices (Pieterse 1993). If cultural hybridity is defined as a mixing of local and

Table 52.3 Types of cuisines available in major Chinese cities

	<i>Beijing</i>	<i>Shanghai</i>	<i>Guangzhou</i>
Total	172,663	179,506	134,443
Western	4,035	5,150	3,740
Southeast Asian	350	611	388
Japanese	1,803	3,485	1,813
Korean	2,106	1,984	1,021
Chinese	123,644	131,134	87,934
Hotpot	9,324	5,973	4,775
Grill/BBQ	6,842	4,586	1,898
Beijing	8,021	693	116
Jiangzhe/Shanghai	1,894	14,562	924
Cantonese	1,558	3,266	12,253
Sichuan	8,555	8,237	4,934
Seafood/Crab	2,560	3,734	1,784
Xiang (Hunan)	2,398	2,715	4,079
Halal	1,588	736	537
Vegetarian	204	250	213
Xinjiang	811	521	196
Northwest	1,266	422	247
Northeast	3,418	1,850	1,142
Yunnan	366	136	77
Guizhou	133	114	36
Shandong	430	142	48
Hubei	214	60	162
Taiwan	207	397	172
Jiangxi	148	162	126
Anhui	229	642	26
Shanxi	237	24	
Other Chinese	7,649	7,774	5,299
Snacks/Fast food	65,592	74,138	48,890
Buffet	1,270	903	592

Source: www.dianping.com (accessed May 27, 2016)

foreign elements, then most nightlife cultures, institutions, practices and products in contemporary China are hybrid. North American, European and Japanese influences are easily found.

While cultural nationalism is clearly a trend in China, nightlife is for many Chinese patrons a space in which an exotic, often 'foreign' culture may be consumed in a casual and non-committal fashion. Restaurants may be the best example. As in other settings, eating out has become the most common way in which Chinese may 'travel' virtually around the world while not leaving their own cities. We should also note that the cosmopolitanization of Chinese dining scenes is

by no means limited to foreign foods. Regional Chinese cuisines, including some that were once rare or unavailable, are now proliferating in all Chinese cities (see Table 52.3). Based on the variety of restaurants listed in Table 52.3 and also on the growth of food blogs, televised food programming, cooking schools and culinary tourism among urban Chinese, we could say that many urban Chinese have now embraced a Chinese style of culinary cosmopolitanism that focuses on sampling a vast array of regional Chinese tastes but extends to cooking styles from around the world. However, as in other globalizing regions, it would be a mistake to identify this practice of ‘eating the other’ with any type of deeper cosmopolitan commitments either to understanding foreign cultures or to contending with China’s own vast rural–urban and ethnic divisions (Flowers and Swan 2012). Eating in a Xinjiang restaurant will provide few insights into the social and political situation in Xinjiang. Nor does the huge popularity of Japanese food in Shanghai entail political reconciliation between Chinese and Japanese, or even indicate Japanese ‘soft power’ in China.

The urban nightscape of Chinese cities is indeed a contact zone – sexually, culinarily, musically and in other ways – and not an inconsequential one, especially in terms of marketing and representations of exotic differences. But it remains a space of extreme social inequalities. Indeed, nearly all restaurants employ servers who are rural–urban migrants, most of whom have little chance to become themselves members of the urban middle class. Sex workers are also usually rural-to-urban migrants and many work in abusive conditions exacerbated by the illegality of their work (Pan 2000, Zheng 2009). Nightlife is productive of social ties in some circumstances, including linking social capital between business and government; however, strong cross-cultural bonds are formed infrequently and usually only among people who share a subcultural or romantic passion.

CONCLUSION

This chapter points to several trends involving urban nocturnal leisure in China. One is the increasing diversification of nightlife choices. Dance and karaoke both seem to be on the decline, especially among youth, primarily because there are so many other things one can do. This diversification is evident in Tables 52.1 and 52.3 above. The other trend, also evident in Table 52.1, is the number of nightlife activities devoted to intimate pleasures, individualized consumption and small-group interactions. Though most scholars of Chinese nightlife have emphasized its importance as a space for building social capital and status competition, it seems that an increasing variety of nocturnal leisure activities are devoted to individualized and privatized enjoyment. This would include, for example, the huge popularity of massage, whether therapeutic or sexual. It seems plausible, therefore, that nightlife is one sphere in which the individualization

and privatization of Chinese society is evident, though not eliminating the social uses of nightlife, such as *guanxi* practice.

We also can see that Chinese nightscapes are increasingly globalized, in terms of the flows of images, ideas, people and technologies. It is difficult to say if a particular form of nightlife is more ‘Chinese’ or ‘foreign,’ but we can say that most are hybrid. In large cities such as Shanghai, nightlife is also an intercultural contact zone in which Chinese patrons may encounter foreigners either as patrons or paid performers, though deep ties are less likely to form. Finally, as other economic activities move to the internet or to production locations far from coastal cities, nightlife remains an important space of on-the-ground economic activity within large cities, and may play an even greater role in urban development plans in China’s increasingly post-industrial cities.

Several topics briefly touched upon in this chapter call for further research. This could include greater attention to forms of nightlife that are not organized for elite businessmen, but also by working-class people, including street dances. There should be more research on commercial therapeutic practices such as massage, popular both with men and women. Often connected to massage parlours, commercial sex services for women have been rarely studied in Chinese contexts (Fang 2009). Finally, we should also examine how not only have foreign nightlife forms advanced into China, but also how Chinese nightlife practices are travelling into other regions, including neighbouring countries, and other regions such as Africa with a large Chinese business presence.

Notes

- 1 KTV is short for ‘karaoke-television’ and refers to the use of private rooms in large clubs, where popular music soundtracks minus the lyrics are played on televisions upon the request of the club patrons. This form of entertainment arose in Taiwan in the 1980s. The term ‘KTV’ actually derives from the ‘MTV’ (for movie television). MTVs were video-film houses that became popular in Taiwan in the 1980s.
- 2 Interviews with three regular male clients conducted in Spring 2016. One frequent male client emphasized that the distinction between sexual and non-sexual massage could be unclear in some establishments in which the genital areas might be massaged without leading to orgasm.
- 3 Personal communication with female patrons and masseurs. See also Matsume, ‘Ask Matsume’ 12 July 2006 posting at www.smartshanghai.com/askmatsume.php?post=63 [19 Oct. 2007].

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Family Life

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INTRODUCTION

Family is a fundamental structure shaping people's experiences within Chinese society. Confucianism dictates a highly structured family ruled by a set of ethics in which respect, obligation and reciprocity are central to harmonious relationships, although such harmony is often based upon a hierarchy of generation and gender (Stacey, 1983). In his classic sociological work, Fei defines the Chinese family as the most important social network, connecting the individual to what may be visualized as concentric circles of social relationships which 'can be extended to embrace countless numbers of people – in the past, present and future' (1992: 63). There have been profound changes in the Chinese family as a result of industrialization, urbanization, cultural ideals from the West and political campaigns by the Chinese Communist Party since 1949. Nevertheless, the family has remained a basic unit in Chinese society and attracted major research interest among social scientists. This chapter will start with a historical overview of Confucian family relations and their transformations in the twentieth century, followed by an urban–rural differentiated assessment of the impact of socio-economic development on Chinese families since 1949. Topics covered include family structure, intergenerational relations, gender relations, love, marriage and sexuality and the one-child policy.

CONFUCIAN FAMILIALISM

Throughout much of pre-modern history, Chinese rulers adopted Confucianism as the core principle for state governance. Family is the cornerstone of Confucianism: the relations between husband and wife, and between father and son, underpin other social relations; everybody should know and behave in accordance with their role. The idea of *nanzunübei* ('women are inferior to men') guided women's conduct in society, as exemplified by prescriptions such as the *sancong* ('Three Obediences'), which dictated that women were subject to the authority of their father when young, their husband when married and their son when widowed (see Min, 1997). In essence, Confucian familialism prescribed a patriarchal, patrilineal and patrilocal gender system in which women were located at the bottom of the hierarchy (Ebrey, 1993; Mann, 2001).

For the male patriarch, it was important to maintain the familial lineage where the living respected the ancestors and present elders, and continuity was maintained by producing male heirs. If the first wife failed to deliver a son, a concubine might be purchased in the hope she would bear a male heir: in many wealthy families, concubinage was a common part of family life (Mann, 2001). Within this system, marriage and sexuality existed to build future generations, with love and pleasure secondary (Barlow, 1991). While it was accepted that a man would have various sexual partners throughout his life, female fidelity was held up as one of the highest feminine virtues in Confucian codes. Widows who refused to remarry, even when pressurized by their parents or parents-in-law, were singled out for praise in accounts of exemplary women (Mann, 1987). Indeed, if a woman was raped, suicide was an accepted response for the maintenance of her virtue.

The subordination of women was considered essential to preserve social stability and civilization itself in pre-modern China (Watson and Ebrey, 1991). One way in which gendered norms of sexual control were structurally reinforced was the segregation of boys and girls from the middle years of childhood. While females were confined to the 'inside', domestic sphere, excluded from public life and denied access to education or employment, males were given free rein to explore and dominate the 'outside' world. As a result of this distinction, *nei ren* ('inside person') became the common term for a wife (Watson and Ebrey, 1991).

Some have argued that in reality the Confucian patriarchal arrangement was less negative than feminist historical interpretation might imply (Wolf, 1985; Watson and Ebrey, 1991; Mann, 2001). The husband gained sexual access to his wife and his patriline gained claims to her labour and children. The wife gained financial security through her claim to her husband's estate, and a place of honour in ancestral rites. A few women in the largest, wealthiest families achieved significant influence through management of household funds and control over female relatives and servants (Mann, 2001). More commonly, when a wife bore a son, her status in the family would rise, and when her son married, she would

gain power over her daughter-in-law. It is noted, however, that whatever powers women obtained in pre-modern China, these were not theirs by right but delegated to them by men and circumstance (Wolf, 1985). For example, while imperial legal codes granted a mother the same authority over her children as a father, she derived this entitlement through her capacity as a wife; and if their views conflicted, the father's will would prevail (Mann, 1987).

TRANSFORMATION IN THE TWENTIETH CENTURY

Chinese intellectuals of the early twentieth century began to question Confucianism and particularly the low status it assigned to women, promoting ideas such as free marriage and women's education as a route to modernization. In the Republican period, a new civil code increased gender equality in matters of family law (Kuo, 2012). However, social and political disorder meant actual benefits were limited to a privileged few (Barlow, 2004). The founders of the Chinese Communist Party (CCP) also tried to promote the liberation of women, outlawing female infanticide or abandonment, and the practice of foot-binding; more significant changes came with the 1950 Marriage Law, which did away with the Confucian obligation on women to show obedience to male relatives, ended the practices of concubinage, polygamy and child marriage, and allowed women to divorce their husbands.

The success of these reforms was mixed: while minor marriage and concubinage died out, rural families were reluctant to relinquish their involvement in young people's choice of a spouse, or to forgo expenditure on wedding rituals (Davis and Harrell, 1993). A paradoxical moral environment emerged in the years between 1950 and 1976 (Davis and Harrell, 1993) as the CCP banned ritual practices which had served as the moral focus for the extended Confucian family, while simultaneously eliminating private property and hence the economic motivation for some family loyalties. Better public health services increased life expectancy and reduced infant mortality, stimulating the need for familial support at both ends of the life-course. In many ways, the family network was strengthened despite economic and political reforms intended to demolish the patriarchal social structure.

In post-Mao China, the CCP has set out to reinstate the family at the centre of social life, just as economic reform has meant a declining role for the *danwei* (work unit) which to a large extent replaced the family in organizing everyday life during the Maoist era. Marriage and the family are seen once more as crucial institutions ensuring social stability and moral order (Palmer, 1995). Amendments to legislation in 1982 enshrined the duty of parents to care adequately both for their children, and for their elderly parents. At the same time, family law was employed to support government efforts to control population growth, with revisions to the Marriage Law in 1980 raising the legal age of marriage and obliging

married couples to practice family planning. However, as before, enforcement of the law has proved difficult, and in the 2000s concern has grown that the family is under threat from liberalized attitudes to sexuality and the weakening of inter-generational ties (Yan, 2003).

Family Structures

The pre-modern Chinese family was built upon a multi-generational ideal of extended household living (Lang, 1946; Cohen, 1976) though scholars have argued that in reality such a model was rare except in the households of a small wealthy elite (Wolf, 1985; Lee and Gjerde, 1986). Fei (1992) argued that the number of members was less important to the Chinese 'expanded family' than the principle of its generational structure, so that even the smallest household should be seen as part of a larger, patrilineal clan (*zu*). From his study of 1930s rural China, Fei (1992) described a dominant family structure based on lineal ties between fathers and sons, mothers-in-law and daughters-in-law, as opposed to the conjugal relationship between husbands and wives. As shown in Figure 53.1, the last century has witnessed a move from extended to smaller households such as stem or nuclear families (Whyte 2005; Zang, 2011).

A survey in Hebei Province survey showed 51.5 per cent of households were nuclear (including one-person families) in 1930, with 48.5 per cent three-generation and other extended families (Zeng, 1986). Zeng reports no national-level data on family type in the 1950s, but census observations on average family

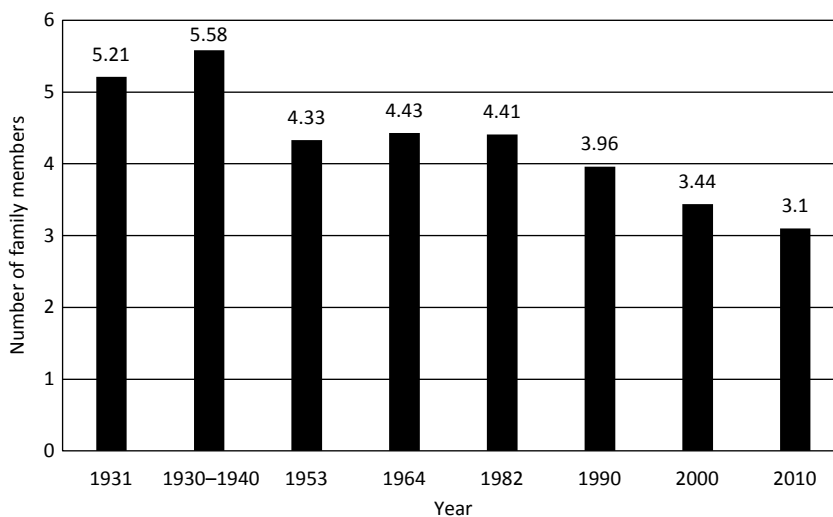


Figure 53.1 Average size of Chinese families, selected years, 1930–2010

Sources: 1931 data from sample survey of twenty-two provinces (Buck, 1937); 1930–40 data from sample survey of birth histories covering seven regions (Ma, 1984); 1953–2010 data from National Population Census, State Statistical Bureau, PRC.

size presented in Figure 53.1 give us some indication of the trend towards smaller households. Data from the 2010 national census (Wang, 2014) revealed a marked rise in the proportion of conjugal nuclear families and cross-generational families as well as a growing number of one-person households. The proportion of three-generation linear families was relatively stable. The one-child policy, discussed further below, has resulted not surprisingly in an increasing proportion of three-person households and also, with the decline in young married couples residing with parents, more and more 'empty-nest' households consisting of the two older parents of single children (Feng et al., 2014).

Such trends in household size and composition have not been uniform but vary according to local economic circumstances (Davis and Harrell, 1993; Zang, 2011). Wang (2014) found important differences between cities, where families were consistently downsizing in line with modernization, adherence to the one-child policy and the increasing trend for newly married couples to live independently of parents, and rural areas where the linear family was more likely to endure. This was in part because of rural–urban migration by younger adults, leading to demand for grandparent care of left-behind children, and in part because the increase in only sons resulted in fewer conflicts of interest within the rural family.

Intergenerational Relations

Political campaigns in the Mao era somewhat undercut the power and authority of family elders, but material necessity often required a strengthening of kinship ties (Davis and Harrell, 1993). In contemporary China, insufficient public welfare provision means families remain the main providers of finance and services, particularly in rural areas (Shang and Wu, 2011). Traditionally, the care of parents was primarily the concern of sons. Because of the patrilocal marriage practice in most parts of China, a daughter left home to take her place in her husband's household. Research in the 1990s showed that patrilocal co-residence persisted even in urban areas because of state control over access to housing as much as enduring gender norms (Davis, 1993; Logan et al., 1998). Based upon a study of family behaviour in seven cities Sheng, Yang and Xu (1995) found 40.76 per cent of couples lived with husbands' families and 7.03 per cent lived with wives' families. However, in recent years, scholars identified a shift away from patrilocal living arrangements in urban areas, where co-residence with a daughter had become acceptable for older parents (Zhan and Montgomery, 2003). The decline in intergenerational co-residence does not diminish the amount of support from adult children to their adult parents as non-co-resident children also provide regular emotional and practical care (Bian et al., 1998); this is confirmed by Whyte's (2005) Baoding study which also highlights the increasingly bilateral nature of intergenerational support with daughters as likely to care for their own parents as for their in-laws. Hu and Scott (2016) support this view,

arguing that values pertaining to filial piety remain traditional throughout Chinese society while attitudes towards patrilineal beliefs and the traditional gender division of labour have changed, finding least support among women of the Reform and Opening-up generation (born since 1978).

When residing together, daughters provide most care for their parents; however, this care is neither recognized nor compensated financially. Moreover, provision of the care has a detrimental impact on women's employment opportunities. Women's involvement in the labour force, along with changed living arrangements, has been a significant factor in the negotiation of care provision with the urban Chinese family, as it can no longer be taken for granted that mothers and daughters-in-law will be available to care for the very young and the old. Instead, Zhang (2004) identifies a time-varying process of relations between parents and adult children in urban China, with co-residence in the parents' middle life being child-centred and focused on their needs for housing, childcare and financial support as the young couple establish their careers. This pattern changes to a parent-centred one as parents age, and have greater need for personal care.

Lee and Xiao (1998) found that financial transfers from children to elderly parents were largely motivated by the parents' need, and the requirement to fill gaps in state welfare provision. Older people in poorer, rural areas are even more dependent on their adult children than their urban counterparts for the provision of basic material needs, including food and medical expenses (Li et al., 2012). Children in urban areas were able to give larger sums to their parents, having higher incomes. One study in urban China found that married daughters, especially those living with parents, provide more financial support than married sons. This significant gender difference is explained by urban daughters' relatively higher education and income (Xie and Zhu, 2009).

China has seen a large-scale migration of younger rural workers to the cities since the 1990s. In this context, where married men are more likely to migrate than married women, left-behind daughters have become an important source of emotional and instrumental support to their parents (Liu, 2014). Migration has led to a gendering of care roles, with sons paying expenses while daughters, if they live locally, provide day-to-day care. Cong and Silverstein (2012) show that the rural elderly experience improved emotional wellbeing if they receive assistance with household chores and personal care from their daughters-in-law, illustrating the psychological and affective rewards of conforming to socially prescribed familial roles. However, due to the persistence of gender discourse and patrilineal inheritance practice in rural communities, women's labour is not adequately recognized or compensated.

The process in which Chinese families negotiate their support for the older generation has created a new pattern of intergenerational relations (Ikels, 2006; Croll, 2008). The traditional value of filial piety characterized by a subordination of the young to the will and welfare of parents and grandparents has transformed

gradually into a pattern of care based on ‘mutual need, mutual gratitude and mutual support’ (Croll, 2008: 100). Holroyd (2003) identifies an important ideological shift in intergenerational relationships in Chinese cities, arguing that mutual support and care are increasingly grounded in affective interpersonal relationships rather than duty-centred family obligations: similarly, in her study of urban residents in Guangdong, Ikels (2006) found that older parents try to make themselves useful or less needy, anticipating their future reliance on the goodwill and filial loyalty of their children. From case studies in rural China, Liu (2014) found that older interviewees actively pursued strategies to ensure their own short- or long-term security and care; for example, they extended material and childcare support to their married daughters to weave a web of interdependence that would be reciprocated in their old age. Related to this, Stafford (2000) defines a ‘cycle of *yang* [nurture]’, a system of mutual obligations centring on parent–child relationships, which is characterized by the exchange of food and transfer of money, and is somewhat different from the idea of filial piety, since such relationships may extend to those not related by patrilineal descent who care for each other, such as foster-parents and foster-children, or older siblings who become the principle carers of their younger brothers and sisters. In Stafford’s analysis, a similar cycle of *laiwang* (mutual assistance between equals) operates between friends, neighbours and acquaintances, and fellow anthropologists Yan (1994) and Kipnis (1997) have drawn attention to the wider systems of gift-giving and social exchange (*guanxi*) in Chinese rural society, showing that caregiving and mutual support occur within a wider social network extending beyond the family itself.

LOVE, MARRIAGE AND SEXUALITY

Love and Marriage

Fei (1992) emphasizes that marriage in Chinese tradition was not a private relationship between spouses, but a social or public matter in which vertical relationships between father and son, and mother and daughter-in-law, take precedence. Since the 1950s, the Communist state has attempted, via legal regulations and political campaigns, to transform traditional marriage from an exchange of women between groups, controlled by senior generations, to a personal relationship between individuals (Croll, 1983). Free-choice marriage and family were promoted and established as the main site where sexual equality might be achieved. While the most striking elements of traditional marriage practice, such as concubinage, quickly faded (though concubinage has re-emerged in the new form of ‘second wives’, see Shen, 2008), in rural areas ‘arranged marriages’ were replaced by ‘encouraged marriages’ in which parents introduced

their children to partners they considered suitable (Davin, 1999). With recent economic reforms and rural–urban migration, younger generations have enjoyed more opportunities to find their own partner (Zang, 2011). In urban areas, parents might have relinquished absolute control but young people still place more weight on their family’s opinions than on their own (Zhang and Kline, 2009).

Liu et al. (2013) argue that poor and rural men find it increasingly difficult to find a suitable bride and are therefore cut off from a number of social and emotional advantages. The ratio of marriageable men to women is out of balance for several reasons: a smaller population overall is shrinking the pool of potential partners; the sex-selective abortion is changing the ratio of males to females; and women are emigrating to urban areas. Conversely, urban women who have achieved success in education and professional careers find themselves ‘left over’ (*sheng nu*) by potential husbands who prefer lower-status wives (Gaetano, 2014; To, 2015). The dissatisfaction which comes with remaining unmarried is significant: marriage remains a great source of intimacy and life satisfaction (Liu et al., 2013) and is still the social norm (Xu and Yan, 2014), with national survey findings showing that 80 per cent of people over forty in China have been married at least once (Xie et al., 2014).

Gender Roles within the Family

In line with socialist ideals, women in the PRC have been treated as equals to men in the workplace, and the collectivization of production in the 1950s and 1960s saw the mobilization of women’s labour outside the home. The movement of younger women in particular into paid employment resulted in the redistribution of some domestic duties to older women, typically their mothers-in-law (Johnson, 1983); it has taken longer for changes to occur in the gendered division of labour within the home. In a survey of Chinese university teachers, Zhang and Farley (1995) found women carried out a far larger share of housework and shopping than their husbands. In rural–urban migrant households, husbands take on a greater share of housework, and reach decisions on key family issues jointly with their wives (Zhang et al., 2013). However, the unequal sharing of domestic duties is not necessarily an issue of contention for urban Chinese wives, who often have mothers-in-law or domestic workers to carry out these chores, and for whom questions of power and control of money in the household have more bearing on their marital satisfaction (Chen and Lim, 2012). An interesting contrast between rural and urban families is found by Hu (2015) who shows that daughters of working mothers in rural households take on a disproportionate share of the housework, compared with their brothers, whereas in the cities, children whose mothers go out to work take on more chores regardless of gender.

While urban couples may practice gender equality with both husband and wife going out to work, there is no straightforward fit between behaviour and gender

ideology in relation to family life: Zhang (2015) confirms previous studies showing that working women experience lower marital satisfaction so long as they retain the traditional ideals of male breadwinner and female homemaker; women who took a more egalitarian view of gender roles were able to feel satisfied with both their work and family lives. Meanwhile Yu (2015) found that urban women firmly rejected the notion of staying at home while their husbands worked, on the grounds that such a division of labour would destabilize their marriages.

Political and economic reforms over the past thirty years have led paradoxically to a retreat from any gains in gender inequality within many rural households, as decollectivization has led to the withdrawal of women from the labour force to domestic work, regaining their pre-1949 status of 'inside people' (Nee, 1986). Law (2005) shows how the revival of folk religion in southern China has bolstered this process, with popular ritual practices encouraging women to conform to the traditional norms of subservience to their male kin, including performing rites for the protection of the home. While women who migrate from the countryside for work experience greater power and autonomy when they are away, this effect quickly evaporates when they return to their home communities and find their lives and choices shaped once more by patriarchal power relations (Zhang, 2013). Wu and Ye (2016) confirm that women left behind in villages when men out-migrate for work take on additional responsibilities including both family care and agricultural production, while enduring great strain in their marriages due to long separation. Gender traditions are reaffirmed while women are assigned to unpaid or low-paid work.

Childbearing

A significant, and well publicized example of state intervention into family life is the one-child policy. Introduced in 1979, the policy allowed urban couples to have only one child and rural couples to have two if their first child was a daughter: enforcement of the law was generally far stricter in urban areas. The purpose of the policy was to reduce China's hitherto drastic population growth, and therefore avert the creation of an unsustainable population and ensuing Malthusian crisis. Existing literature has documented the way in which this policy made women the objects of control, requiring them to endure procedures such as close examination, forced abortion and use of obstetric health services (see Croll et al., 1985; Doherty et al., 2001). Liu (2007) argued that women's bodies became a site where socialist patriarchy came into tension with traditional patriarchy: women became sandwiched between the state's regulation to have one child and the marital family's desire for more children.

One, unintended, positive consequence of the one-child policy has been the educational opportunities now enjoyed by urban girls because parents have invested all their resources in their only child regardless of its gender, where previously there had been a bias towards sons (Liu 2007). In urban China, singleton

children – representing the ‘only hope’ to fulfil their parents’ dreams and aspirations – find themselves under intense pressure to succeed in return for the huge emotional and financial investment made in them (Fong, 2004). Indeed, the new desire to raise a ‘better quality’ child through education, which is becoming increasingly expensive for parents because of marketization of the school system, may be nudging some rural parents towards choosing to have just one son or daughter (Zhang, 2007).

Using survey data, Tsui and Rich (2002) found no gender differences in education between single-girl and single-boy families in urban cities. However, these effects were not present among rural girls who usually have a male sibling and the preference to invest in boys continued. On the other hand, Zhang (2007) reports many younger parents in one Chinese village chose not to have a second child after a first-born daughter – although they would be permitted to do so – preferring to invest all their resources in the schooling of just one child. Using large-scale survey data on individuals born in China between 1979 and 1985, Lee (2012) confirms that parents are just as likely to invest in the education of an only daughter as of an only son, while gender inequality in regard to children’s schooling still exists in multiple-child households. Comparing urban and rural families, Lee (2012) shows that the one-child policy not only eliminated the gender gap in years of schooling (boys outdid girls) in urban areas, but actually created a reversed gender gap (girls outdid boys). In rural areas, the policy decreased the gender gap in years of schooling.

The birth of daughters as only children has contributed to the trend for daughters to care for their elderly parents (Liu, 2007). This is true both for the urban women in Liu’s (2007) study, and those whom Zhang (2009) interviewed in rural north China, who visited their natal families frequently after marriage, a practice that would have been unusual in earlier times. Fong (2002) shows the power of urban only daughters has increased within the natal family because of the opportunities they have for paid work, allowing them to show their filial support for their parents through financial contributions, and earn practical and emotional support in return.

While the one-child policy has undeniably had the most significant impact on childbearing in China since 1980, there are indications that the ending of the policy in 2015 will not lead to an immediate baby boom, since urban families in particular may be deterred by the high cost of housing and education (Hesketh et al., 2015). In addition, people are choosing to marry later, and marry less, which also results in the birth of fewer children (Retherford et al., 2005).

Divorce

Platte (1988) examined divorce trends and patterns in China from 1949 to the mid-1980s and found rates were kept relatively low compared to those of

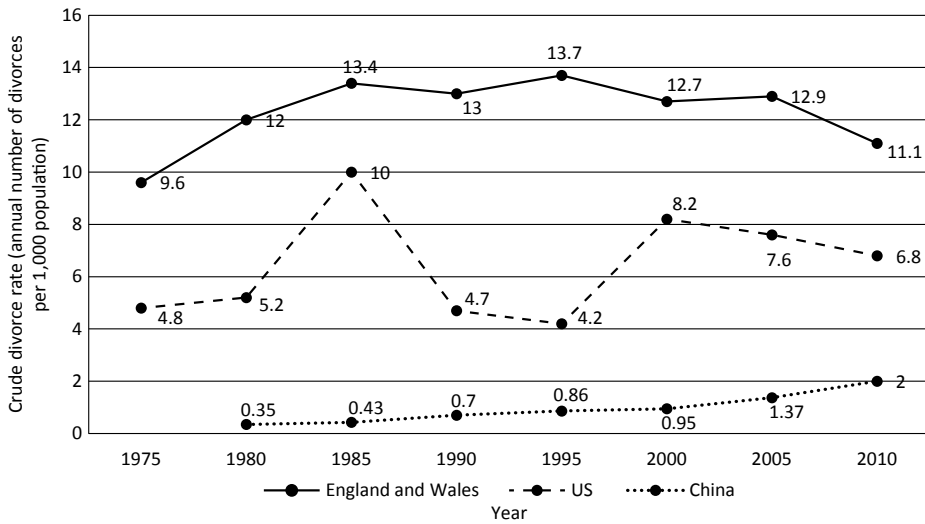


Figure 53.2 Divorce rate in three countries, 1975–2010

Sources: data of England & Wales, from ONS Statistics; data of US, from fastStat; data of China, from China Civil Affairs Statistical Yearbook 2012.

Western countries by legal procedures geared towards reconciliation rather than dissolution. Nationwide, the divorce rate was 0.03 per cent in 1979, 0.07 per cent in 1990 and 0.21 per cent in 2003 (Zang, 2011: 45) – see Figure 53.2. Many divorce cases were filed by women, often on grounds of incompatibility; however, divorce was often portrayed as disadvantageous to women (Honig and Hershatter, 1988). As a result of the implicit standard of female chastity, divorced women are often looked down upon, subject to stigma in natal family networks and in public domains such as the workplace (Liu, 2007).

Sex and Extramarital Relations

In terms of sexual relations, while journalistic reports tend to view the Mao regime as puritanical and characterize the following reform era as one of sexual revolution (Jeffreys, 2006), research findings question a simple dichotomy between the repression of the Maoist era and the apparent liberalization of the post-Mao period (Hershatter, 1996; Evans, 1997, 2000). As a result of the 1950 Marriage Law, the role of love became gradually more important in marriage (Pan, 1994), and with the introduction of the one-child policy in 1979, the traditional equation of sex with procreation was fundamentally undermined. With the aim to promote birth control, official literature highlighted the pleasurable aspects of marital sexual relations (Sigley, 1998).

Since the 1980s, Chinese society has become increasingly open about sex (Evans, 1995: 357). While previously sex education was forbidden in schools and open signs of public affection were considered unacceptable (1995: 357), this is changing (Rindfuss and Morgan, 1983). Younger Chinese women are taking greater control of their sexual lives (Yang and Xia, 2008). Though all areas of China seem to be caught up in these changes, Yan argues that urban areas are being affected at a more rapid pace, since urban Chinese youth have more freedom than their rural counterparts to separate sex from marriage (Yan, 2006). Rural Chinese society expects commitment from couples before courtship and certainly before sex (Yan, 2003: 71–72): only during the period of courtship is it acceptable for younger rural Chinese to express feelings of closeness and love to the beloved, alone or in front of family and friends (Yan, 2003: 72–73). Yang and Xia (2008) agree that in the countryside, social control of women's sexuality and the impact of family and peers living nearby could counteract any move towards increased sexual activity (particularly risky sexual practices) among the youth. Though there is no doubt change is occurring (Yan, 2003: 43), it remains slow, and while cohabitation before marriage has increased nationally from below 2 per cent in the 1980s to 32.6 per cent after 2000, this is usually a transitional phase for couples who will go on to marry (Xie et al., 2014) and in many parts of society cohabitation is still stigmatized (Xu and Yan, 2014).

Scholars suggest that urban Chinese have a more nuanced attitude towards sex and intimacy in a globalized world in which the market economy is as important as elsewhere (Farrer, 2002). Discussions of love and sex are much more open and common and a romanticized view of the process of falling in love and living 'happily ever after' has become problematized as younger urban Chinese see the difficulties of both living under the pressures of the market economy, and being expected to form and sustain a loving relationship (Farrer, 2002: 148–149). Dating is also more commonly accepted within large cities like Shanghai and dating programmes are appearing on television (Farrer, 2002: 150). Abstinence from pre-marital sex and the culture around virginity are less strongly adhered to by urban youth, though love may still be expected as part of a sexual encounter (Farrer, 2002: 257–258). However, with less parental intervention in decisions about partnerships, younger urban Chinese have growing freedom to experiment with intimate relationships (see Farrer, 2002).

While the heterosexual marital unit became normalized in terms of sexual relations, in official discourse this excluded and stigmatized other forms of relationship (Jeffreys, 2006). Evans (1997, 2000) discusses the significant gendered consequences of official discourse on sexuality. Despite the rhetoric of equality, women were still defined in 'scientific' terms as essentially different from and less sexual than men. In this monogamous picture, women were represented as the principal targets and agents of sexual morality and reason, so the double standard implicit in the Confucian principle of female chastity was recast in a

gender-specific identification of female responsibility for the maintenance of social and sexual order (Evans 1997, 2000).

The increasingly liberal public attitude to marriage has coincided with a more open discussion of sexual encounters outside marriage and since the 1990s, extramarital love has emerged as a common theme in public discourse. Through interviews with men and women in Shanghai, Farrer and Sun (2003) found that while extramarital affairs allow the expression of romance and exchange of sex untainted by economic factors, these affairs usually coexist with the fulfilment of family responsibility by the philandering spouses. Although participants saw sexual satisfaction as important, media accounts of extramarital affairs were gendered in ways that paralleled mate choice for marriage: women sought affairs with men of higher status, while men looked for young and beautiful partners (Hershatter, 2004).

Sexual and Gender Minorities

While there was no mention of LGBT issues in official publications of the Maoist years, homosexuality entered into both popular and official discourse in the reform era when it became closely associated with AIDS, crime, sickness and abnormality (Evans, 1997). The aversion to homosexuality is dissimilar to homophobia in the West. Homosexuality and lesbianism are not merely objects of moral outrage – they challenge the foundations of the Asian patriarchal family. To live as a gay man is to ‘renege on the paramount filial duty of continuing the family line and ensuring parents’ future status as ancestors; to live as a lesbian refuses women’s part in this project, brings shame on the family, and flies in the face of all tenets of feminine virtue’ (Jackson et al., 2008: 24). In the late Qing legal code from the mid-eighteenth century on, homosexuality was thrown together with other kinds of extramarital sex and considered undesirable because it did not lead to legitimate procreation within marriage (Dikötter, 1995). Aggravated by the assimilation of Western concepts of biological science in the earlier part of the twentieth century, homosexuality was further condemned as a form of sexual pathology (Hinsch, 1990).

In such a hostile environment, the lives of LGBT people are not easy. Although Chinese law makes no specific mention of homosexuality, narratives of LGBT people themselves show that they are subject to brutal treatment including public beatings by police (Evans, 1997), administrative detention and re-education as ‘hooligans’ (He and Jolly, 2002). In recent years, some Chinese researchers played important roles in exposing the discrimination and pleading for greater tolerance for LGBT people. Gay clubs, telephone support lines and other grassroots and activist organizations have been established in some of the larger cities (Kam, 2013; Engebretsen, 2014).

In the most recent literature, there is a significant shift in the analysis of LGBT relationships in the Chinese context, with the recognition that gay men

and lesbians are increasingly seeking to enter long-term, committed homosexual relationships and not merely extramarital affairs (Wei and Cai, 2012). Attention has been drawn to the practice of lesbians and gay men contracting legal marriages with each other – variously described as ‘co-operative’, ‘formality’ or ‘sham marriages’ – as a means to diffuse familial pressure on them to marry, while maintaining their real homosexual relationships in private. Such marriages are seen as evidence of love held by ‘*lala*’ (lesbian) daughters and gay sons for their parents, as well as being the only way to make possible their real, homosexual relationships. Liu (2013) finds that in classified advertisements for potential partners in such formality marriages, lesbians and gay men emphasize some traits consistent with traditional Chinese values such as filial piety, compatibility and traditional gender roles, suggesting an effort to conform to heteronormative roles and expectations while exploring ways to live as an LGBT person.

CONCLUSION

This chapter has charted some of the major shifts and transformations in the Chinese family over recent decades, some the result of CCP rule, and others in response to wider changes in the political, economic and cultural environment. We have set out particularly to demonstrate the divergent ways in which these elements have affected families in rural and urban China, revealed both in the differing pace of change and in the varying extent to which traditional hierarchies of gender and generation have been disrupted. Chinese families now look very different from those of 1949. And yet, in addressing each topic it should have become clear that the process of change is in no way unidirectional, with no clear-cut path from traditionalism to modernity. Across the country, households have grown smaller with the demise of intergenerational co-residence and the impact of the one-child policy, but children and parents maintain close ties and exchange material, financial and emotional support. The Confucian family ideology which undergirded relations between elders and the young, husbands and wives, has been shaken so that intergenerational relations are more often based on mutuality than on obedience, but the practical need for family care to compensate for inadequate social welfare ensures that filial piety is still expressed, albeit in a modified form. Sex and romantic love are being talked about, and experimented with in unprecedented ways, yet heterosexual marriage remains the socially ideal place for sexual relations, and indeed the expected norm for adult life. While CCP policy, and enhanced opportunities for work, education and physical mobility have given women the means to adopt new roles and enhance their social status, economic reforms since 1980 have led to a drawing back from these freedoms for rural women in particular.

In reviewing some of the recent literature on the family in China, it has been possible to assess the strengths and limitations of previous research. Existing

scholarship has tended to focus heavily upon the structures and functions of Chinese family relations. Meanwhile, insufficient attention has been paid to the emotional aspect of family relations that capture people's agency and individuality. Although Dos Santos (2006) points out that anthropologists have moved away from studies of the Chinese lineage and ritual practices related to kinship, to carry out research reflecting newer interests in relatedness, attachment and emotion in family life, their work is not widely taken up by scholars from other disciplines.

Predominantly, research has been concerned with relationships between adult children and their ageing parents, viewed through the Asian cultural trope of filial piety. Extensive studies have been conducted on the experience of growing older and the question of who provides care: undoubtedly this is an important social policy issue as well as a facet of family studies. In response to the recent rise in economic migration within China and overseas, studies focus upon how migration has impacted upon the familial support system, and on relationships between spouses, parents and children (Liu, 2017). Meanwhile, perhaps reflecting the cultural taboo on sex in China, far less research has been done on sexual relations.

Finally, much of the literature, as reflected in this overview, reports on one-off, isolated case studies, with notable exceptions including Zeng's (1986) national survey, studies drawing on the Chinese Family Panel Study (Xie et al., 2014) and analysis of the 2006 Family Module of the Chinese General Social Survey (Liu et al., 2013; Xu and Yan, 2014). There is a need for more larger-scale work, drawing regional comparisons from a country with widely divergent social, economic and ecological environments. Such research could examine how social and cultural variations might contribute to Chinese people doing family relationships differently.

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Health, Disease and Medical Care¹

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INTRODUCTION

Health, disease, and medical care are enormous topics, each worthy of their own book chapter. Indeed, each is oftentimes the subject of a distinct course in a university curriculum. We define these concepts below.

Long ago, the World Health Organization defined *health* as a state of complete physical, mental, and social well-being and not merely the absence of disease or infirmity. *Disease* is not so easily defined because societal definitions of what disease is have changed over time. This is due to (1) increasing expectations of health, (2) changes in diagnostic ability, and (3) a mixture of social and economic reasons. Osteoporosis, for example, transitioned from a natural part of the aging process to a pathology; madness changed from a criminal state to a medical condition. The definition of disease is also difficult due to the confusing overlap between disease and disability. Disease is some deviation from a biological norm, and encompasses etiology, pathology, and manifestation; it has been defined as a condition that prevents the body or mind from working normally. Disability is tied to the manifestation of disease, includes impediments to activities of daily living, and encompasses physical impairment, sensory impairment, cognitive impairment, intellectual impairment, mental illness, and various types of chronic disease. *Medical care*, finally, consists of the actions undertaken by trained and licensed professionals (including the institutions they work in) to maintain and restore health by means of prevention and treatment. The professionals include doctors, nurses, pharmacists, and other providers of healthcare services; the institutions encompass hospitals, community clinics, retail pharmacies, and nursing homes (among others).

In this chapter, we attempt to characterize the content and inter-relationship among health, disease, and medical care in the modern Chinese context. The chapter draws upon a comprehensive analysis of China's healthcare system and its ongoing reforms (Burns and Liu, 2017).

HEALTH AND HEALTH STATUS

WHO Framework

The World Bank and the WHO have developed an organizing framework to capture these categories and their antecedents (Hsiao, 2003). This framework is depicted in Figure 54.1. The left column in Figure 54.1 lists the background factors that determine health status, shape the patterns of disease and disability in the population, and provide the resources to treat the observed levels of disease and disability. Health status is roughly determined by four sets of factors: personal behaviors (50% influence), environment (20%), biology and genetics (20%), and the medical care system (10%) (McGinnis and Foege, 1993). Personal behaviors encompass lifestyle factors such as diet and nutrition, exercise, alcohol, and tobacco consumption. The environment encompasses housing, sanitation, public health interventions, pollution (air, water, soil), and work conditions. Genetics

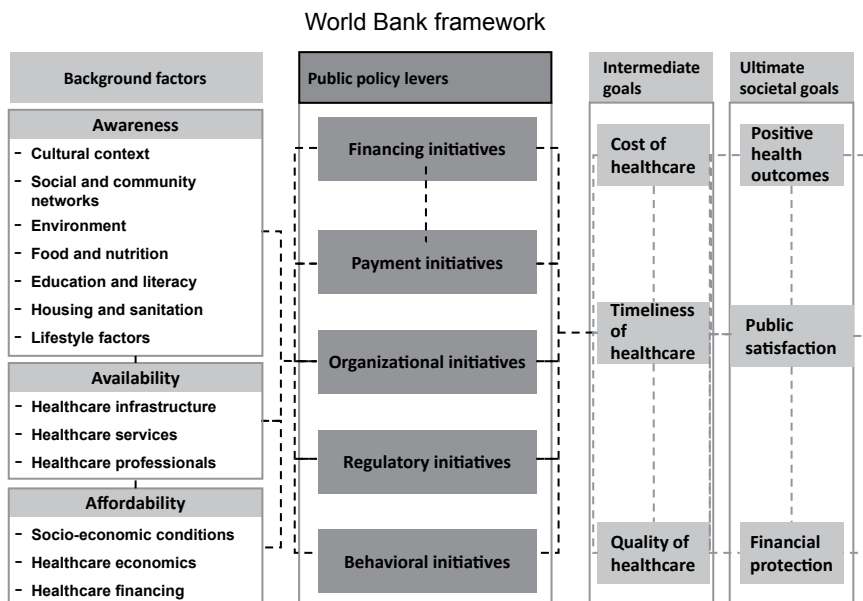


Figure 54.1 World Bank framework

Source: Hsiao (2003)

encompasses genetic predispositions, inherited conditions, and one's age and sex; many of these are rooted in the cultural context. The medical care system encompasses the infrastructure of healthcare facilities (e.g., hospitals, clinics), healthcare services (e.g., medical care, drugs, dental care), and professionals (e.g., hospitals, physicians, nurses, etc.); it also includes the population's access to this system via insurance and financing schemes.

Many of these background factors are relatively immutable in the short-term. To make improvements in their healthcare systems, countries utilize a series of policy levers (mostly in the public sector, but in some countries also in the private sector) to achieve intermediate and ultimate goals. These are depicted in the second column of Figure 54.1. Financing initiatives involve how to pool risk and provide insurance coverage to large segments of the population; payment initiatives involve how to pay the providers of healthcare services; organizational initiatives involve how to restructure the delivery of healthcare (e.g., hospital systems, referral patterns, tiered networks); regulatory initiatives involve methods to incentivize and control healthcare providers to produce the intermediate goals; and behavioral initiatives involve efforts to educate the population to take better care of themselves. These policy levers – the financing, payment, organizational, regulatory, and behavioral initiatives – are themselves conditioned by the country's economic, social, and cultural context.

Across all countries, these policy levers target three intermediate goals: improve the quality of healthcare, control the rising cost of that care, and improve people's timely access to that care. These three goals are embedded in the scorecards used by the WHO, The World Bank, and foundations to gauge the performance of national healthcare systems. The joint operation of all of these factors hopefully leads to the attainment of the ultimate goals of improved health status, protection from the financial risks of illness, and consumer satisfaction (Hsiao, 2003). Such a framework is helpful for understanding the broader societal and regulatory constraints within which a healthcare system operates.

We can apply a portion of Figure 54.1 to explicate some of the issues facing China's healthcare system today. Starting with the left-hand column, the cultural context includes the location of health as the responsibility of the individual, stemming from Confucianism. This has resulted in higher out-of-pocket payments and a lower depth of insurance coverage. The system is further shaped by environmental factors, such as the prevalence of infectious diseases which led governmental health policy following the Revolution to orient around 'vertical health programs' to deal with such diseases on an individual basis rather than develop a comprehensive public health approach. Environmental factors also include unclean water, air, and soil that impair the health status and life expectancy of the Chinese population (see breakout section – Environmental Safety Issues).

BREAKOUT: ENVIRONMENTAL SAFETY ISSUES

China faces challenges and problems with food supply (one key to nutrition), food safety, injuries and road safety, occupational safety, air quality and environmental health, and water quality. These are highlighted in the following subsections.

Food Supply

The production and consumption of food is a vast enterprise in China. There are an estimated 450,000 companies engaged in food production and processing, the majority of which are small firms (fewer than ten employees). It is also a major policy issue, given that the country has 20% or more of the global population but less than 10% of the arable land. Moreover, the available land is dwindling. More rural people are migrating to the cities to work, cities are swelling in population (and encroaching on adjacent farm lands), dietary habits are shifting rapidly (to animal products such as meat, milk, eggs), the country has shifted to more of a manufacturing base (and the appropriation of arable land for such purposes), and demand for food is rising due to population growth.

Food is core to the Chinese culture: 'to people food is heaven.' Food supply is thus core to social stability. There is a great emphasis on keeping food prices low as well to manage the growing income inequality in the population (e.g., between urban and rural residents). Unfortunately, this has created disincentives for farming in the rural regions. Countering these negative effects, rural agriculture has undergone mechanization to boost productivity and farmer incomes. As it has become more of a basic commodity good, food is now also another product fit for profiteering, with several notable scandals involving food manufacturers taking short-cuts (the 2008 episode of using melamine in milk formula).

Food Safety

Soil and water contamination pose risks for China's food supply. Research suggests that a tenth of the country's rice production might be contaminated by heavy metal cadmium, discharged by mines in industrial wastewater. Grain production can be contaminated by aflatoxins generated by fungi and spurred on by high temperatures, humidity, and insect damage. Other sources of contamination include (1) the introduction (and over use) of fertilizers, pesticides, insecticides, chemicals, and additives in food

production; and (2) the introduction of microbial and chemical contaminants and illegal preservatives and additives in food transportation, processing, and retailing.

Poor sanitation and water pollution can also lead to food contamination, due to the need to use water in food processing and production. The country's infrastructure for water and sanitation needs greater development, particularly in rural areas where much of the food production takes place. Chemical pollution from the country's growing manufacturing base – again often located in rural areas and adjacent to farmland – is an additional hazard. Chemical contamination of soil and water can manifest itself in the food that is produced and consumed, leading to greater risks of cancer.

Safeguarding China's food supply has been the subject of several legislative acts over time. The 12th Five-Year Plan (2011-2015) called for a national plan for food safety regulatory systems that include national food safety standards. China has passed a new Food Safety Law that promulgates 187 new national standards covering dairy products, mycotoxins, pesticide, and animal medicine residues, food additives, and nutrition labeling.

Injuries and Road Safety

Deaths by injury represent the fourth highest rank among all causes for the population at large (796,000 in 2010) – a ranking that has been stable since 1985. China has nevertheless made remarkable progress here, as injury mortalities decreased 9.9% since 1990. However, most of these gains have occurred among drowning and poisoning victims; there has been a 90% rise in the number of mortalities resulting from road injuries (rising from 155,000 to 283,000). There has also been a 55% increase in disability-adjusted life years (DALYs) from road injuries. One major cause of such fatal injuries is road safety. Another is the low use of front seat belts, even though they are mandatory. A third problem is the lack of auto regulations such as child restraint, rear seat belts, and hands-free mobile usage. Injuries are the number one cause of death among the population below the age of 18. Injuries are also a major source of morbidity, with a large increase in injury incidence since 1998. Injuries now account for 3.5 million hospitalizations every year. The problem is particularly acute in urban areas, where China's rate exceeds that in other developed countries.

Occupational Safety

Occupational hazards – for example, factory and mine safety – constitute a major problem. This is due to the large number of small plants in China,

the number of urban migrant workers in high-risk occupations (and thus more workers exposed to hazardous work conditions), and the difficulties of regulatory enforcement. According to the Ministry of Health, the country has 16 million companies and factories with poisonous or hazardous operations, exposing some 200 million workers to occupational health problems. The government has established an Institute for Occupational Diseases, Hazards and Chemical Safety.

Air Quality and Environmental Health

China's economic development over the past decades has come at the expense of its environmental quality – what some label 'growth at all costs.' The negative environmental effects include the emission of chemical toxins by industrial plants and the burning of coal and biomass fuels on open indoor fires and stoves in both urban and rural homes. Roughly 60% of China's 264 million rural households use wood, while another 58 million use coal for cooking; such emissions place women and children at particular risk. These emissions have seriously eroded the quality of China's air, soil, and water. They are directly implicated in the cancer rates observed in China's population (see below). Researchers suggest that nearly 60% of cancer deaths in the country are due to modifiable environmental risk factors (carcinogenic chemicals, biological carcinogens, radiation levels), with 29% due to chronic infections and 23% due to tobacco. They may also be implicated in the rising infertility rates among Chinese couples.

In many of these cases, the problem is water pollution leading to high incidence of cancer. A survey of 40,000 chemical and petrochemical plants found that 23% of hazardous plants were located within five kilometers upstream of sources of drinking water. The Chinese government reportedly plans to spend \$850 billion to clean up the country's water; however, despite spending \$112 billion on similar efforts during 2005–2010, 43% of the water monitored is still hazardous to human health.

Air pollution in China is egalitarian in nature: it affects everyone, rich or poor. It is widespread across many of China's major cities: according to the WHO, 16 of the 20 most polluted cities in the world are in China. Short-term, air pollution inhibits physical activity. Long-term exposure to particulate matters (fine particles such as sulfate, nitrates, ammonia, sodium chloride, carbon) are linked to heart disease, stroke, cancer, respiratory infection, and chronic obstructive pulmonary disease (COPD).

These high levels of particulate matters have several sources: auto exhaust, the combustion of fossil fuels by power plants and other industries,

and complex interactions with other pollutants in the air. Higher temperatures and humidity levels foster more such chemical interactions; the absence of wind means they linger. The major role played by the temperature means the government lacks full control over pollution. The complex interaction with other pollutants suggests the need to coordinate the regulation of auto emissions with the emissions from power stations and manufacturers (e.g., steel mills).

The country's 12th Five-Year Plan (2011–2015) for environmental protection included the following four initiatives: total pollution control, environmental quality improvement, risk control, and balanced development. The plan sought to improve the quality level for 60% of China's major water systems and the air quality in 80% of the cities above the prefecture level. China's Ministry of Environmental Protection has an additional strategy to improve air quality in 13 of the most polluted areas by focusing on several contaminants simultaneously, as well as by increased transparency (results reported to the public).

Water Quality

An estimated 90% of China's rivers near its large cities are seriously polluted. Only half of 200 major rivers and less than a quarter of 28 major lakes/reservoirs have water suitable for drinking. Municipal sewage treatment facilities currently have the capacity to treat only 52% of urban city wastewater. The situation is worse in rural China: only 3% of villages have wastewater management systems, and less than 30% of the population can access modern sanitation.

China's drinking water has been at risk for contamination by both naturally occurring chemical impurities such as fluoride and arsenic, as well as human-generated impurities such as fertilizers, insecticides, industrial waste disposal (toxic metals), household wastewater disposal, and livestock breeding. In 2007, the World Bank estimated that 66,000 rural Chinese died due to water pollution every year.

Over the past 15-20 years, industrial water demand has fallen 30% while household water demand has doubled. This means that the sources of environmental pollution have decentralized from large industrial plants to 'non-point sources' that are less easily identifiable and targetable. The supply of water available to meet this growing demand is also threatened. China has less than a quarter of the global average water supply per capita. In addition to the problem of supply, there is also the issue of mal-distribution of water: 13% of the available domestic water supply (found in the Northern river basins) serves 44% of the populace and 65% of the cultivated land.

China's historical context both directs and constrains policy initiatives targeting healthcare. This includes the emphasis on public health pursued by Mao to eradicate infectious diseases; a dichotomous system that favors the urban population over the (poorer) rural population in terms of greater access to healthcare providers and more sophisticated medical technology; restricted access by China's migrant population to healthcare services; and the proletarianization of the medical profession under Mao.

As in the US, China is challenged to show progress on the three intermediate goals of quality, cost containment, and access. There are few national or provincial measures of the quality of care rendered by China's healthcare institutions and workforce, and a host of anecdotal reports regarding citizen outrage at the poor quality of care experienced. Like every Western country, China's healthcare costs continue to rise and increasingly so, far outstripping the growth of the country's economy. Various municipalities have experimented with new payment initiatives (e.g., diagnosis related groups or DRGs, capitation) with some promising results, but such efforts are scattered and difficult to scale up in the country. The central government has taken steps to improve the public's access to healthcare by means of a series of insurance reforms beginning in the late 1990s (covered below).

China has demonstrated progress on several measures of health outcomes, including its age-standardized death rate, infant mortality rate, the mortality rate of children under five years old, and life expectancy at birth (Liu, Yao, Du et al., 2015). Nevertheless, the Chinese public's satisfaction with their healthcare system has declined despite the insurance reforms; many low-income individuals with catastrophic conditions that are not covered by insurance may still remain vulnerable to medical bankruptcy.

Recursive Model of Health and Wealth

Figure 54.1 suggests a one-way causation that is likely inaccurate. Not only are the intermediate and ultimate ends of a healthcare system impacted by macroeconomic conditions, they can also determine them. There is growing evidence that societal health shapes societal wealth, as well as vice-versa. For example, poor health is positively associated with absence from work, job loss, higher out-of-pocket spending, debt levels, and loan defaults – all of which contribute to lower income. In addition, poor health among pregnant mothers and children is negatively associated with education and long-term cognitive development. Economists argue that a country's health status, incidence of illness, and likelihood of catastrophic illness heavily influence the country's labor force participation rates, labor productivity, savings and poverty rates, and healthcare demand and consumption. These latter forces influence, in turn, inflation rates, wage rates, exchange rates, and the country's fiscal health.

Figure 54.2 illustrates the dramatic changes underway in China's socioeconomic and epidemiologic characteristics using a different systems perspective. The logic of the left side of the figure is that changes in several pieces of a

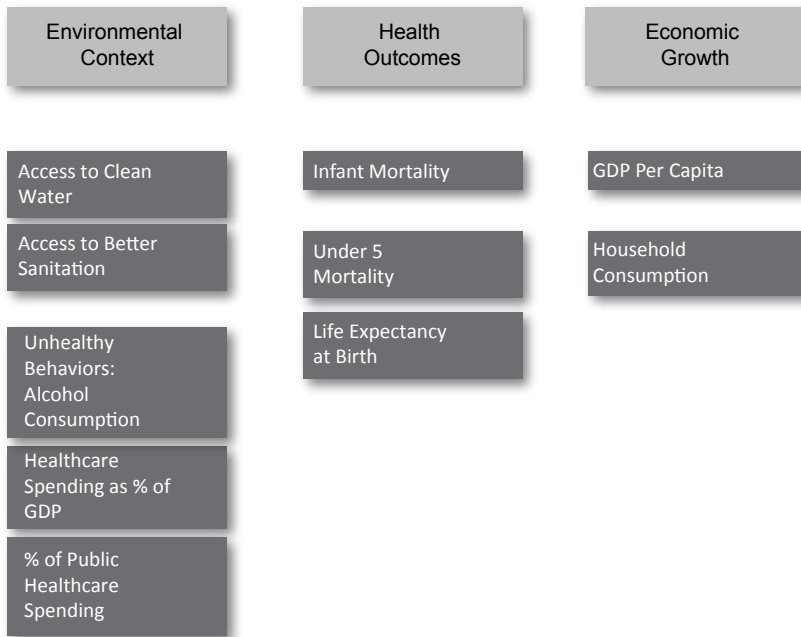


Figure 54.2 Dynamic model of transitions

Source: Liu et al., 2015

country's environmental context – such as public health, healthy lifestyles, and government spending on healthcare – can impact the health outcomes of the population. The logic of the right side of Figure 54.2 is that health outcomes promote economic growth. A healthier population translates into several societal benefits that promote growth, including: higher educational attainment, improved worker productivity, increased size of the labor pool, higher income, higher consumption and savings patterns, and higher foreign direct investment (Liu, Dow, Fu et al., 2008). These trends are explicated below.

Environmental Transitions

Environmental hazards

China is currently plagued by several environmental hazards and ranks fairly low among the members of the Asia-Pacific Economic Cooperation (APEC) on several measures. In 2012, China ranked 15th out of 17 countries on the percentage of the population with access to improved sanitation; China also ranked 14th out of 18 countries in terms of the percentage of its population with access to improved water. China has made enormous strides in the past two decades to clean up these particular elements in its environment. Between 2002 and 2012, China ranked second among APEC members in the percentage improvement in the population's access to improved sanitation and access to improved water.

Such improvements are important because they help to reduce the population's exposure to pathogens and waterborne diseases (e.g., diarrhea).

Lifestyle behaviors

According to a report issued by the World Health Organization (2009) on global health risks, the three top drivers of disease burden are three behaviors. They are undernourishment (underweight children), unsafe sex, and alcoholism. Alcohol consumption has become an enormous public health problem in China over the past decade. Between 2000 and 2010, China exhibited the highest increase in per capita alcohol consumption among APEC members. Much of this increase is attributed to the country's rapid economic growth and rise in average per capita incomes.

To combat tobacco-bred diseases, the government initiated anti-smoking campaigns along several fronts, including the 2006 implementation of the WHO Framework Convention on Tobacco Control and the 2007 effort, 'Towards a Smoke-Free China.' The observed 1% reduction in the prevalence of smoking among males suggests these programs exerted some positive effect. In addition, China has undertaken a series of vaccination programs (Hepatitis B shots for children in 1992) as well as screening programs for breast, cervical, and digestive tract cancers.

Healthcare spending

Healthcare spending per capita in China has historically been among the lowest among APEC members and globally. In 2012, China spent only \$322 per capita, ranking the country 14th out of 19 APEC members (with an average spend of \$2,012). Between 2002 and 2012, healthcare spending per capita in China increased by \$268, compared to the APEC average of \$1,146. Similarly, China's level of healthcare spending as a percentage of gross domestic product (GDP) ranked the country only 11th out of 19 APEC members (5.4% versus an average of 6.8%).

The story is slightly different, however, for the government's share of this healthcare spending. In 2012, China ranked 10th out of 19 APEC members with 56% of national health expenditures contributed by government direct financing plus the state subsidy to social medical insurance (compared to the APEC average of 60.1%). Between 2002 and 2012, largely due to the government-led health reforms, China exhibited the fastest increase in the government's share of spending, rising 20% versus the APEC average of 4%.

Health Outcome Transitions

Mortality rates

China has historically exhibited high rates of infant mortality per 1,000 live births and mortality for children under age five. In 2012, the country ranked 13th out of 19 APEC members on both measures. China's infant mortality rate was

12.1 and under-5 mortality rate was 14.0 (versus the APEC average of 11.9 and 14.6, respectively). However, China has made astonishing progress in reducing its mortality rates: between 2002 and 2012 the country ranked first among APEC members in the percentage improvement achieved on both measures. This progress is even more apparent over a longer time period from 1990 to 2012.

What explains these improvements? Falling infant mortality has resulted from government efforts to reduce famine and poverty, as well as to improve the living conditions of its population and increase public access to healthcare facilities. Falling rates of under-5 mortality have been impacted by reduced malnutrition, improved access to primary care, and improved access to medical treatment and technologies by children.

Life expectancy

In 2012, life expectancy in China was 75.2 years, compared to the APEC average of 76.4. This put China 12th out of 19 APEC members. Between 2002 and 2012, the country saw only modest gains in life expectancy; China ranked 11th out of 19 APEC members in terms of this improvement. And still China has set a higher target to increase one more year in life expectancy by 2020 in its 13th Five-Year Plan. Over a longer time period (1990–2012), China witnessed the greatest increase in life expectancy around the turn of the century, only to see improvement level off thereafter. The observed improvement in life expectancy has been attributed to government efforts to reduce poverty, increase access to health insurance coverage, and improve general socioeconomic conditions. Such improvement is reflected in the enormous gains China has made in terms of its ‘human development index’ (HDI), which encompasses education and income along with population longevity.

Systemic Effects Among Transitions

Researchers have utilized time series data to assess the strength of the causal linkages between the environmental, health outcome, and economic transitions depicted in Figure 54.2. The results show that environmental factors such as access to clean water and sanitation reduce mortality rates, which in turn leads to increases in GDP per capita. Conversely, unhealthy behaviors such as alcohol use reduce life expectancy that in turn reduces GDP per capita. Increased national spending on healthcare (as a percentage of GDP) leads to higher GDP per capita and higher household consumption. Finally, an increase in the government’s share of this spending reduces mortality rates, improves life expectancy, and increases household consumption.

Supplemental analyses further show that greater investments in infrastructure such as construction of hospital beds per 1,000 population lead to falling maternal mortality rates. The latter, in turn, are associated with higher GDP per capita

growth rates at the provincial level. This further suggests that public sector interventions to improve capacity can foster economic growth.

The researchers also reported a positive relationship between GDP per capita and healthcare spending per capita, replicating evidence found in other countries that healthcare is a luxury good: national spending on healthcare increases as a country increases in wealth. The relationship is reciprocal: higher spending on healthcare promotes economic growth. This latter relationship is quadratic, however: after reaching a certain point, rising spending on healthcare can negatively impact the economy. The study also found a positive relationship between increased household consumption and both economic and employment growth. The study authors surmise that (1) higher consumption leads to higher demand for products, which stimulates the economy, and (2) the spread of health insurance coverage spurs consumption and reduced savings.

Finally, as noted above, the researchers found that growth in China's per capita healthcare spending has consistently outstripped growth in the country's per capita GDP since 1996. The gap between the two lines means that healthcare spending accounts for an increasing share of the country's economic growth and a rising share of the expense in household budgets. Moreover, the growth in healthcare spending has continued to accelerate even as China's economic growth cools off. This means that healthcare will account for an even greater share of GDP going forward, which is widely perceived as a leading driving force for the growing service economy in China for years ahead. Lessons from the US show that such growth raises the visibility of healthcare spending and increases calls for healthcare cost containment measures to deal with it.

EPIDEMIOLOGICAL TRANSITION: THE RISE OF CHRONIC DISEASE

Due to China's ongoing, rapid socioeconomic and demographic transition, the country is witnessing an epidemic of chronic, non-communicable diseases (NCDs) that now account for a much greater burden of the disease burden. A 2008 survey by the Ministry of Health (MOH) found that 61% of the population who reported being ill during the prior two weeks also suffered from chronic disease; in 1998, only 39% reported chronic illness. This epidemic is part of the epidemiological transition from infectious to chronic disease.

The Chinese government began to focus on this transition in 1986, when it established its National Office for Cancer Prevention and Control and developed the first National Cancer Control Plan (1986–2000). The plan sought to reduce cancer incidence and mortality rates, improve survival and patient quality of life, and highlight the need for research on prevention and control. The MOH concluded that comprehensive strategies were required, culminating in 2003 in a second National Control Plan (2004–2010) as well as a Hepatitis B Prevention and Control Plan (2006–2010). In 1997, the government launched the Disease Prevention Project in collaboration with the World Bank. This project

inaugurated survey surveillance of behavioral risk factors and health promotion efforts to prevent and control NCDs.

China has developed the first medium-term and long-term national plan to control and prevent NCDs for the 2005–2015 period. The plan mandates an integrated and comprehensive approach that encompasses cancer (Goss et al., 2014). In 2009, the MOH initiated six public health programs to supplement the earlier efforts in Hepatitis B vaccinations and cancer screening. The country's 12th Five-Year Plan sought to address some issues relating to NCDs, in particular environmental protection, social services, social safety nets, and increased provision of health insurance.

Between 1990 and 2010, there was a 21% rise in disability-adjusted life years (DALYs). This reflects the decline in risks of communicable diseases among children and the rise in NCD risk among adults. These risks are associated with a rise in mental and behavioral disorders, musculoskeletal problems, and impairments due to diabetes and other chronic problems. The prevalence of NCD risk factors in the Chinese population over the age of 18 is striking. Key problems here include (1) the high level of salt intake, which is associated with hypertension; and (2) the high level of oil intake and low amount of fruit and vegetable consumption, which are associated with being overweight and having heart disease. Both have steadily increased in the Chinese population since 2000. Biological risk factors are also quite prevalent: 305 million people are overweight, 120 million are obese, 236 million are hypertensive, and 97 million are diabetic.

During the 1990–2010 time interval, there was an 18.7% increase in the percentage of deaths in China caused by NCDs: by 2010, NCDs accounted for 85% of all deaths, compared to 60% world-wide. NCD mortality rates are higher in China than in other G-20 countries. Such diseases cause huge economic loss: unless addressed by government reforms, NCDs such as cardiovascular disease, stroke, and diabetes may have cost China more than half a trillion US dollars over the past ten years. The World Bank estimated that the economic benefit of reducing cardiovascular deaths by 1% per year between 2010–2040 could generate an economic value equal to 68% of the country's GDP in 2010 (\$10.7 trillion, purchasing power parity). According to the 2003 National Health Service survey, cancer accounted for the highest economic costs among China's disease profile (7.23%). Total costs of cancer amounted to 86.85 billion RMB, with 28.45 billion RMB in direct costs and another 58.40 billion RMB in indirect costs.

Among those diagnosed (roughly 269 million), NCDs currently account for 68.6% of the overall disease burden in China. The number of cases of cardiovascular disease, chronic obstructive pulmonary disease or COPD, diabetes, and lung cancer among the Chinese population over 40 will double or triple over the next two decades – with most of the growth taking place in the next ten years. More than half of the country's disease burden will be caused by myocardial infarction (MI) and stroke; deaths from just these two conditions will grow by 80%. China's NCD problem will be exacerbated by societal aging, leading to a 40% rise in the disease burden due to NCDs by 2030, a decline in the workforce aged 15–64 years which will have to financially (and potentially physically)

support the chronically ill, and a fall in economic growth and productivity to financially support the needed care.

The rapid rise in NCDs in China has been occasioned by a host of societal transitions, including urbanization (currently 52.6% of the population, but with government policy accelerating the transition this is expected to rise 2.3% annually and account for 900 million, or 60% of the total population by 2030), rising incomes, population aging due to the one-child policy, growing life expectancy (especially in rural China, and with little of a social security system), environmental pollution, and unhealthy habits (eating, smoking, drinking, stress, etc.). To effectively combat these issues will require a concerted response on the part of multiple government ministries to promote awareness, reduce risks, promote access to primary care, and promote policies supporting the healthy aging of its populace.

CHINA'S HEALTHCARE SYSTEM AND REFORMS

Healthcare System

China's current healthcare system is depicted in Figure 54.3. The figure follows the value chain framework developed by one of the authors (Burns, 2012). The *payers* of healthcare (government, individuals, insurance schemes) on the left side of the figure reimburse the *providers* (hospitals, community health centers, retail pharmacies) in the center of the figure, which obtain products and technologies from the *producers* (pharmaceutical and medical device firms) on the right side of the figure. In the value chain, the money originates on the left and flows

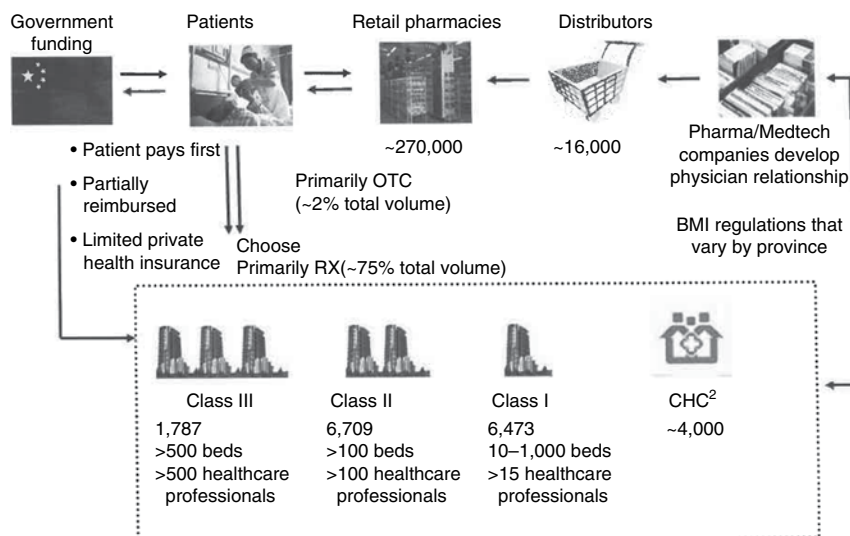


Figure 54.3 China's healthcare system

to players on the right; conversely, innovation typically begins on the right and flows to the providers to the left, usually with the assistance of distributors.

Currently China spends roughly 5–6% of its gross domestic product (GDP) on healthcare. A large percentage of healthcare expenditures (ranging from 35% to 60% over the last 15 years) are paid out-of-pocket by the population, whereas direct government financing (all levels) accounts for about 25–35%, and the remaining paid by the social medical insurance programs that have been increasingly developed as a result of the state reform. There is an emergent private insurance sector which plays little role in the primary insurance; however, it is expected to lead to the development of supplemental catastrophic insurance programs.

Unlike many well-developed health systems where hospitals focus on specialty care while physician offices deliver primary care, China's hospitals overwhelmingly dominate both inpatient and outpatient care of the delivery system. China's hospital sector (which totaled nearly 25,000 institutions by 2013) absorbed the lion's share (62.6%) of the country's total health expenditure (\$511.4 billion) in 2013. China hospitals operate under a 'technological imperative': more technology improves quality of care and attracts more physicians to use it and patients to receive it. This imperative received impetus after 1989 when the MOH categorized hospitals into three classes (I, II, III). The three classes reflected a hierarchical ranking according to administrative level (patient referral status: source versus destination), bed size, and technological capabilities. Class III hospitals are typically large hospitals (more than 500 beds) located in large cities and provide comprehensive (tertiary) services and advanced technologies; Class II hospitals are medium-sized hospitals (100–500 beds) in smaller cities at the county or district that provide secondary services; and Class I hospitals are smaller facilities (less than 100 beds) located in the townships.

The Chinese government has sought to strengthen the referral linkages between facilities with increasing levels of care (e.g., primary, secondary, tertiary). This is designed to encourage care-seeking by patients at the most appropriate level. However, the classification system is based on the presence of sophisticated technologies, which motivates lower-level hospitals to acquire medical devices and equipment to upgrade their ranking. This has led to a proliferation of expensive facilities, with quality problems of inappropriate overuse, and economic problems of rising utilization of expensive services and duplication. The smaller number of large Class III hospitals attract and treat a disproportionate share of hospitalized patients, as well as provide a large volume of outpatient services.

China also has a large community of physicians, trained according to both allopathic and traditional medicine standards. In 2011, China had 2.47 million physicians: 2.02 million medical practitioners (including 267,000 practitioners of Traditional Chinese Medicine (TCM)) and 446,000 assistant medical practitioners. An additional 917,000 village health workers previously known as bare-foot doctors supplemented this workforce. China's ratio of 1.9 physicians per 1,000 population is near the bottom of the distribution among Western countries,

according to 2011 data from the Organization for Economic Cooperation and Development, or OECD. This means a shortage of physicians and a lack of a system to deliver primary care.

Chinese physicians differ from their Western counterparts on several dimensions. First, many Chinese physicians practice both Chinese and Western medicines, and most were trained and practiced as specialists. Second, the medical population slightly outnumbers the nursing population, resulting in greater reliance on the former with fewer opportunities for substitution using the latter. Third, most Chinese physicians are already vertically integrated with and employed by specific hospitals. This not only inhibits physician mobility but also increases physician dependence on hospitals and tightens their joint incentive to over-utilize services to generate revenues.

Current Healthcare Reforms

Over the past decade, China has begun a series of healthcare reforms to address the many inefficiencies and distorted incentives embedded in the old Chinese health system, many of which also contributed to inadequate care for China's NCD patient population. The latest reform has five major components: insurance reform, pharmaceutical drug reform, public health reform, primary care reform, and public hospital reform. We describe these reforms and evaluate their effectiveness in improving the Chinese healthcare delivery and financing systems' capacity to handle NCDs.

Insurance coverage

Access to health insurance should increase utilization and decrease risk of catastrophic health expenditures. Insurance coverage is an important step in decreasing the financial and health burdens related to acute as well as NCD diseases. Over the past two decades, the Chinese government has implemented a series of health insurance reforms intended to achieve universal coverage by 2020. A national medical insurance scheme – the Urban Employee Basic Medical Insurance (UEBMI) – combined prior plans in 1998 to cover up to 70% of the health expenditures for roughly 100 million urban workers. The UEBMI marked a three-pronged effort by the central government to provide demand-side subsidies in the form of health insurance to make healthcare more accessible and affordable, to address inequities in the population, and improve the public's satisfaction with healthcare and the government.

In an effort to increase insurance coverage in rural areas, the government created the New Cooperative Medical Scheme (NCMS) in 2003. By 2010, the NCMS reached 2,716 counties and more than 800 million people. The NCMS is a voluntary, household-based health insurance system. Risk-pooling is performed at a county level and each county has significant leeway in designing benefit packages and reimbursement rates. Government investment in NCMS has increased

dramatically since implementation; per beneficiary contributions from the central and local government increased from 40 RMB in 2008 to 200 RMB in 2011, with greater subsidies going to poorer and Western counties. NCMS packages provide progressively lower reimbursement rates as patients enter higher-level hospitals, incentivizing patients to seek care at primary health centers and township hospitals.

Prior to the Chinese healthcare reforms, many urban residents not working in the formal sector had no access to government health insurance. This population included children, the retired, the unemployed, and workers in the informal sector. To reach this population, the government created Urban Resident Basic Medical Insurance (URBMI). URBMI was begun as a pilot project in 2007 and implemented nationwide in 2009. URBMI is structured similarly to NCMS; funds are pooled at the municipal level, and reimbursement rates and covered procedures vary by city. Initially, most municipalities did not cover outpatient procedures. Similar to NCMS, government investment in URBMI has increased since the program began. In 2011, URBMI was financed at an average of 170 RMB per enrollee, with estimates of average reimbursement rates ranging from 47% to 60%.

Chinese health insurance reforms have achieved enormous success in expanding insurance coverage, reaching more than 97% of the Chinese population by 2016. Expanded coverage has increased utilization of healthcare services, and likely contributed to rising national health spending. However, it is less clear if these programs have exerted a commensurate impact on the prevalence of NCDs, health status, and health outcomes.

Pharmaceutical drug coverage

Access to cheap and effective pharmaceuticals can lower both the risk factors for NCDs and the risk of catastrophic health events among NCD patients. An effective pharmaceutical distribution system should encourage rational prescribing of pharmaceuticals, while making these pharmaceuticals affordable to all patients. China's pre-reform pharmaceutical system accomplished neither of these goals. In the years after the open-market reforms, the government withdrew the majority of its support from public hospitals and clinics, while continuing to mandate below-market prices for many basic medical services. To make up for the loss in revenue, providers were allowed to charge up to 15% mark-ups on pharmaceuticals and high-tech procedures. Salaried physicians' income was also tightly tied to their financial performance; bonuses linked to physician revenues made up more than 50% of physicians' salaries in some settings. This system created a direct financial incentive for providers to over-supply expensive drugs and procedures and under-supply essential medical services.

In order to rationalize this system and control health costs, the government began a pharmaceutical drug reform in 2009 by creating an Essential Medication List (EML). The EML originally included 307 drugs: 205 Western pharmaceuticals and 102 Traditional Chinese Medicines (TCMs). This list has now been expanded

to 520 drugs. EML drugs are procured at the provincial level using a bidding process intended to be open and transparent. Provincial governments have the right to supplement the national EML with additional drugs for their provincial EMLs.

Concurrent with the creation of the EML, the government also began implementing the 'zero mark-up policy.' This policy mandated that (1) all community health centers (CHCs), township health centers (THCs), and village clinics stock all drugs on the EML; (2) drugs on the EML be prescribed before non-EML drugs; and (3) these drugs be sold with no mark-ups. The government has also strongly recommended that all health insurers reimburse EML drugs. Beginning in 2012, this policy was expanded to cover county hospitals. Additionally, to increase rational prescribing a healthcare reform committee has promulgated clinical guidelines for 18 common conditions.

The Chinese government has had reasonable success in rolling out the EML and zero mark-up policies. By early 2012, 99.8% of THCs and 58.1% of village clinics had adopted the zero mark-up policy and nearly all counties and municipalities had made EML drugs reimbursable. Preliminary studies have also suggested the policy has been successful in increasing EML drug use and decreasing prescription cost per visit at THCs. However, early analyses also found some negative unintended consequences of pharmaceutical reform (e.g., inclusion of drugs on provincial EML supplements that had no rational basis, inadequate access to drugs, decreased physician incomes).

Public health

Creating a sustainable public health system is a crucial component in China's fight against both infectious disease and NCDs. Public health workers can reduce the frequency of NCDs and improve the health of chronically ill patients through identifying those at risk, developing programs of chronic disease management, and educating the population on healthy lifestyle habits.

The Chinese government instituted a new policy to strengthen its public health system, with a special focus on NCD and chronic disease patients. In 2009, the government began paying primary care providers a small subsidy to provide public health services to all residents in their catchment area. In exchange for the subsidy, providers are expected to deliver extensive packages of public health services ranging from establishing health archives and chronic disease management to infectious disease control and immunization. This public health reform has the potential to greatly help patients with NCDs and residents at risk of NCD conditions.

However, the implementation of the public health reform has yielded mixed results. Early critics suggested that the government subsidy was insufficient to compensate village doctors and physicians for their greater workload. A quantitative review of the public health reform using government statistics found that the program was largely successful in increasing immunizations and child and maternal health, but had only limited effectiveness in increasing chronic disease management and care for the mentally ill.

Primary care

A well-functioning primary care system is essential to managing the health and financial risks of patients with NCDs. Primary care physicians are front-line health workers; they are responsible for diagnosing and managing chronic diseases, judging whether patients should seek more advanced care at higher-level hospitals, and working with at-risk patients on disease prevention.

Prior to the current reform, primary care in China faced three related challenges. First, in the years following the open-market reforms, many government-operated primary care centers closed, decreasing residents' access to primary care. Second, many primary care physicians were much less educated than their colleagues in secondary and tertiary hospitals. Less-educated doctors and health workers may not have the skills necessary to perform the complex tasks required for chronic disease management and treatment. Third, perhaps due to the problems posed by the first two challenges, many Chinese patients choose to seek primary care at secondary or tertiary hospitals.

To address these problems, the government implemented a three-part reform in 2009. First, the government made large investments in primary care infrastructure and human resources. Specifically, the government pledged to build or renovate 13,000 community healthcare facilities, to train more than 500,000 healthcare professionals at rural health centers, and institute programs incentivizing primary care physicians to practice in rural areas. Second, the reform aimed to change the financing model of primary care centers away from reliance on prescription and medical procedure revenues. The most popular way of enacting this reform is the 'separating revenue from expenditures' (SRE) policy. Under SRE, the primary care center passes on all revenues, including pharmaceutical prescribing and medical services revenues, to the healthcare financing bureau. In return, the center receives a global budget and the opportunity for performance-based bonuses, encouraging more patient-centric care. Third, the reform aims to provide primary care centers with an unofficial gatekeeping role; primary care centers will be patients' first contact with the medical system, after which the primary care physician should direct the patient to the most appropriate place to seek care.

These three reforms have had mixed success. The government's greatest accomplishments have been in increasing the number of care sites that patients can access. Between 2008 and 2011, the number of CHCs increased from 24,260 to 32,860, and the number of village clinics grew from 613,143 to 662,894, although the number of township health centers fell slightly. Whether or not patients utilized these sites rather than hospitals is a critical issue.

Most recently on August 19–20, 2016, the central government held a National Congress on Healthcare and Health. As a set of revised policy arrangements for the healthcare system reform, a central call was made to further prioritize the leading role of primary care on top of all other major policies for public hospitals, national health insurance, pharmaceutical care, and regulatory settings.

Public hospitals

Until recently, China's public hospital system had most of the shortcomings and few of the benefits of a centrally planned system. Hospitals in China operated in the midst of a great bureaucracy. Until March 2018 when the newly integrated National Health Commission is established, Chinese hospitals have long been accountable to more than eight different government agencies, each of which has conflicting interests and preferences. In many localities, the same department regulates the local health market and operates the local hospital, providing incentives to constrict healthcare supply and competition. Promotion of physicians is typically non-performance related, and almost entirely based on seniority. Public hospitals receive less than 10% of hospital revenues from government subsidies, but are required to adhere to government prices. These prices are set at below-market rates for many basic services, leading hospitals to induce demand in areas where they can earn a profit, mainly pharmaceuticals and high-tech medical procedures.

The government has attempted to address many of these problems in a public hospital reform. First, the government has begun to push for separating hospital regulation and hospital management. Second, the government has attempted to give hospitals more autonomy in hiring, promotion, and capital acquisition decisions, including the institution of performance-based promotions and the loosening of physician practice restrictions. Third, in order to better align patient and provider incentives, the government has encouraged hospitals to move away from a fee-for-service model and towards a disease-based or capitation system. One study estimated that 30–50% of hospital admissions are unnecessary; another study found that unnecessary care constitutes 20–30% of Chinese health spending. Finally, the government hopes to stimulate increased private sector investment in hospitals and thereby foster greater competition.

There are few systematic evaluations of the overall effects of public hospital separation reforms. One study found that enacting separation reform had a positive impact on healthcare supply in two of three pilot cities, but did not investigate changes in managerial practice or quality of care. Other studies have examined the effects of the changes in physician and provider payment schemes. By 2011, more than one-third of tertiary hospitals had adopted case-based payments, and many local governments had begun experimenting with different types of physician payment schemes, including a province-wide pilot project in Guangxi. A recent World Bank report cites several case studies where the adoption of a physician payment reform has led to a drop in expenditures and irrational prescriptions, but these results have again not been rigorously tested.

CONCLUSION

China is faced with an enormous task: to improve the health of its population, to address the disease profile of its population, and to expand the medical care

system for health insurance and delivery. As noted at the beginning, health insurance and delivery play an important but relatively minor role in preventing disease and promoting health. To accomplish this tripartite aim, the Chinese government will need to not only continue to invest in its healthcare reform but also coordinate the actions of ministries involved in health with other ministries that shape policies affecting the manufacturing sector, the environment, food supply, occupational safety, and social security. Health and health care are thus the products of systemic forces across the economy and society.

Going forward, researchers should continue to study the progress and effects of the various 2009 healthcare reforms. Given the discussion above, researchers will need to be sensitive to the public health and environmental issues that can moderate their impact. That is, researchers must not only consider the effects of reform but also the social and environmental determinants of health that may impact cost, quality, and access outcomes. In this manner, research may more accurately assess the prospects of healthcare reforms given the ecological context in which they are undertaken. In a similar vein, researchers will need to carefully consider the administrative and political context that can shape the degree to which these reforms are carried out. As research has uncovered in the West, strategy (health reform) without commensurate execution and implementation may be merely wishful thinking.

Note

- 1 This chapter draws heavily upon a comprehensive analysis of China's healthcare system and reform that has been recently published (Burns and Liu, 2017). The authors wish to thank Professor Bian Yanjie for his helpful comments in preparing this chapter.

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Media Since 1949: Changes and Continuities

Jian Xu and Wanning Sun

INTRODUCTION

As an integral aspect of Chinese politics, society and economy, Chinese media both embody and reflect the profound political and social transformation which China has witnessed from the establishment of the People's Republic of China (PRC) to the present. Taking a historical approach and through the prism of media professionals, technologies, and institution of journalistic production, this chapter aims to chart both the changes and continuities in the relationship between Chinese media and Chinese politics over the past six decades. In other words, focusing on the changing role and function of the Chinese state in shaping the direction and substance of media and political communication, we sketch China's media transformation in three historical stages, namely the socialist era (1949–1978); economic reform era (1979–2003) and post-reform authoritarian era (2003–present). The three periods are divided by two turning points. China's economic reform and opening-up started in 1978. The year 2003 marks the completion of the first phase of economic reform as well as the rise of online public discussion.

Such periodization as we have adopted here has two objectives. First, we aim to highlight the key moments in China's political, economic and social formations as well as the major ways in which the media constitutes these formations in each of these eras. Second, we want to bring into sharper relief the overlap and interconnection between these eras. We argue that a constellation of forces, including the Party-state, market, technologies and society have contributed to the transformation of China's media and communications in the last few decades. We further demonstrate that to understand how the Chinese media has evolved

entails, therefore, a careful investigation into the competition, negotiation, interaction and mutual adaptation among these forces.

While our periodization is along the line of political and social change, our discussion will make it clear that each era also parallels the emergence and development of particular media and communication technologies. For instance, the socialist era was predominantly associated with print media and radio broadcasting; television featured prominently in the era of economic reform and a post-reform authoritarian regime coincides with the gradual entrenchment of digital media. We demonstrate the dramatic changes and transformation in the traditional media as a consequence of the arrival of the new media. But more importantly, our discussion cautions against a simplistic and linear relationship between the 'old' (traditional media such as press, radio and television) and 'new' (digital and online media and communication technologies).

Finally, our attempt in establishing and delineating the connection between these various eras is motivated by a desire to understand the distinct formation and trajectory of China's journey towards modernity. We demonstrate that changes and continuities in China's media sector offer the most compelling evidence of the specific ways in which China and the Chinese people have created, experienced and engaged with various stages of the modernization process.

THE SOCIALIST ERA (1949–1978)

The PRC was established in 1949. As a newly established Communist nation-state, China followed the Soviet model to pursue socialist modernization in nearly all aspects of society, including industry, education, government administration, urban planning, media and so on (Bernstein and Li, 2010). The Chinese media strictly followed a 'commandist system associated with Communist ideology' (Pan, 2000: 73), which was derived from the Soviet model and guided by 'Soviet Communist theory', which required the state to have absolute power to control all media in order to serve the working classes and their interests (Siebert, Peterson and Schramm, 1956). In this model, mass media function as 'a major manufacturer and distributor of ideology and culture' (Cengiz, 2015: 259) and work for the Communist Party's persuasion, propaganda, education and mobilization (Siebert, Peterson and Schramm, 1956). The legacies of the Soviet media model and its guiding theory cast a long shadow on the PRC's media development and media work, especially before the economic reform in the late 1970s.

Built out of the Soviet model, Chinese media under Mao's leadership were run and managed by the Chinese Communist Party (CCP). They were the Party's 'throat and tongue' and worked as the CCP's ideological apparatus for mass persuasion, political mobilization, national integration and propaganda (Chu, 1978; Liu, 1971; Yu, 1964). Though the new regime initially allowed a small number of commercial newspapers and radio stations in a few major urban cities to continue,

they quickly disappeared due to the Party's subsequent socialist transformation (Zhao, Y. 1998). By 1953, the Chinese government accomplished the socialist transformation of private ownership and established a highly centralized planned economy. Accordingly, all media became state-owned and a fully government-subsidized socialist media system was set up.

With the CCP's flagship, *People's Daily*, occupying the commanding height, official newspapers of Party committees at all levels formed a nation-wide Party newspaper network. Xinhua, the official press agency of the PRC established in 1931, together with the China News Service, founded in 1952, constituted China's national press agency network (Huang, 2009). In the broadcasting sector, centered around China National Radio Station established in 1949, the government set up a network of 'people's radio' stations (Zhao, Y. 1998). China's first TV station, Beijing Television, the predecessor of China Central Television (CCTV), started broadcasting in 1958. Subsequently, some provincial TV stations were established. In administration, newspaper offices, radio and TV stations were directly led by central and provincial Party committees and propaganda departments. In practice, they had to follow the 'Party principle' (*dangxing yuanze*) to work. The principle required media to accept the Party's guiding ideology as its own, propagate the Party's programs, policies and directives, and accept the Party's leadership and adhere to the Party's organizational principles and press policies (Zhao, Y. 1998). In terms of media content, political information dominated nearly all media channels, supplemented with limited edutainment to promote the effectiveness of propaganda. Media workers were highly subservient to the Party's commands and charged with two core responsibilities: educating the masses and resisting the forces of imperialism (Keane and Sun, 2013).

In the initial stage of the era, Chinese media experienced a relatively liberal period of development. Remaining non-Communist political parties (widely known as 'democratic parties') and social organizations were allowed to run their newspapers and express opinions, such as the *Guangming Daily* established in June 1949 by the Chinese Democratic League (Zhao, Y. 1998). Especially during the Hundred Flowers Campaign starting in 1956, when the CCP encouraged the 'democratic parties', intellectuals and citizens to openly express their opinions of the CCP, media had a brief period of liberalization and functioned as a platform for public expression, discussion and debate. However, the Anti-Rights Campaign in 1957 against those who criticized the CCP ended the emerging trend of pluralization and liberalization of media.

In the next two decades, Chinese politics were shaped by intra-Party struggle and class struggle. Media were manipulated by the CCP to propagandize and mobilize a series of CCP-led political campaigns, such as the Anti-Rightist Movement (1957–1959), the Great Leap Forward (1958–1961) and the Cultural Revolution (1966–1976). Journalism had to strictly adhere to the 'Party principle' and serve the Party's political needs. For example, the CCP used media to fabricate a large amount of false news to exaggerate production figures in

agriculture and industry to promote the Great Leap Forward, while concealing the Great Famine that caused the death of millions of Chinese in the same period (Zhang, 2011).

In this period, wired radio was arguably the most effective mass media for nation-building, political mobilization and material production, as press circulation and people's literacy were low, especially in the vast rural area. As a carrier of modernity and public facility, wired radio loudspeakers were compulsorily installed in squares, factories, schools, villages and individual families. They were switched on and off mandatorily to air mostly political news programs broadcast by China National Radio Station and local radio stations. This collective and compulsory way of listening to the radio became a political ritual for Mao-era citizens. From 1958 to 1977, the number of wired radio loudspeakers increased from three million to 110 million (Xu, 2014). Listening to radio had created a 'nationalized synchronicity', through which, the voices of the Party-state 'coercively entered the private life of people' and 'a space of national integration' was constructed in the air (Xu, 2014: 105). The radio listeners were objects of propaganda and constructed entities. In Mao Zedong's words, they were 'blank sheets of paper' on which 'the most beautiful characters could be written' (Mao, 1971: 500). They were turned into masses with revolutionary fervor in the CCP-initiated political campaigns or obedient socialist citizens in everyday life. It was not until China's economic reform in 1978 that active and critical audiences started to emerge.

THE ECONOMIC REFORM ERA (1978–2003)

The 3rd Plenary Session of the 11th CPC Central Committee held in 1978 initiated China's economic reform and open up era. The key task of the CCP had been shifted from 'class struggle' in the Cultural Revolution to economic development and the construction of socialist modernization in the post-Mao era. In the media sector, China has experienced an unprecedented media boom. Radio and television stations, limited to central and provincial levels in the Mao era, started to expand to the municipal and county levels, following the pattern of 'four-level development and management' (Sun and Gorfinkel, 2016). The instrumental role of media as a tool for 'class struggle' declined. Instead, the economic and cultural functions of the media were promoted to satisfy ordinary people's everyday information needs and boost economic growth (Lewis, Martin and Sun, 2012). The 'rules of news', such as its 'truthfulness', 'objectivity', 'brevity' and 'liveliness', became increasingly valued in journalistic work, which led not only to the rise of the professionalization of Chinese journalists but also a diversity of news reporting (Zhao, Y. 1998: 34).

In 1978, the Ministry of Finance approved *People's Daily* and other seven media outlets to engage with experiments which aim to transform media into a 'public institution with enterprise-style management' (*shiye danwei qiye guanli*). The

method was soon adopted nationally and media's day-to-day operation became less controlled by the Party and the government (Chen, 1999). In the meantime, the government began to withdraw direct subsidies from media organizations and open the market for media advertising. Advertising gradually became an important source of income for Chinese media (Zhao, Y. 1998). In the initial stage of economic reforms, many, both inside and outside China, expected them either to go hand in hand with or to herald the arrival of political reform. In this light, the roles of media, particularly their function vis-à-vis the political objectives of the Party, became controversial questions which directly impacted on the prospects of the Party's political reform. This is precisely what the heated debate on the function of media in the mid-1980s in China's press circles was about. The notions that 'news should be different from propaganda' and 'media should have multiple functions beyond merely serving politics' resonated among journalists, challenging the instrumentalism of Chinese media as the Party's propaganda tool (Meng, 2000). In the late 1980s, some chief editors of national newspapers openly expressed a desire for greater editorial independence and autonomy to pursue press freedom (Zhao, Y. 1998). Particularly under the short leadership of Zhao Ziyang from 1987 to 1989, the CCP's control over media was rarely draconian. Media's roles in 'supervision by public opinion' (*yulun jiandu*), informing the people and facilitating public discussion on important issues were affirmed, forming an emerging discourse on the democratization of Chinese media (Zhao, Y. 1998). In the meantime, alternative periodicals (*minjian kanwu*) run by poets, university students, social activists and public intellectuals flourished, which radically criticized current social problems and advocated for political reforms (Wen, 2009). The democratization discourse presented in both the state and alternative media constituted one of the most important forces that drove the 1989 pro-democracy movement.

In the 1989 student movement, hundreds of journalists joined the protesters and many state media presented sympathetic coverage of the student demonstrations (Edwards, 2001). Chinese students and intellectuals also made use of foreign short-wave radio broadcasts, especially Voice of America, to follow the comments on the movement from international societies (Zhao and Hackett, 2005). The domestic and foreign media, together with alternative media, such as posters, leaflets and underground periodicals, played the most important role in legitimizing, mobilizing and spreading the movement.

With the crackdown on the pro-democracy movement in 1989, the Chinese government soon adjusted its reform direction and set up a new reform model – 'economic reform without political reform' (Zheng and Lye, 2005). In the media sector, the Party re-imposed tight political control on media in case it went out of control again. The emerging trend of media democratization since the mid-1980s was nipped in the bud. Media reform re-shifted its focus to media commercialization, aligning with the new reform model. Especially after Deng Xiaoping's inspection tour of south China in early 1992, the CCP abandoned its ideological orthodoxy and adopted a pragmatic approach to economic growth, and rapid

commercialization for market profit became a trend of Chinese media. The government intended to reinvigorate the media industry as part of boosting China's economic growth by bringing in market competition in the media sector, but in the meantime ensure not to lose ideological control and leadership over the commercialized media.

Since then, increasingly fierce market competition has forced media to better serve the needs of audiences, and thereby enhanced its role as an information and entertainment provider, and sometimes government watchdog (He, 1998). This led to the proliferation of media outlets, such as the dramatic rise of metropolitan newspapers (tabloids) and evening newspapers that cater to the interests and tastes of ordinary readers in the late 1990s, as well as the diversification of media content to cover business, health, sports, environment, culture, entertainment, international affairs and civic news. The number of newspapers, TV and radio stations increased from 382, 38 and 114 respectively in 1980 to about 2,000, 3,000 and 1,200 in the mid-1990s (Li and Lin, 1999). However, the rapid commercialization of the media sector had weakened the Party-state's control of media content and caused the fragmentation and decentralization of the media structure (Zhao, 2000a).

To keep media commercialization within the orbit of the Party-state, the Party adjusted its policies and management to re-centralize and rationalize media structure to retain its effective control. The State Press and Publications Administration tightened the issuing of licenses in the mid-1990s and completely stopped issuing new licenses in 1995 (Zhao, 2000a). Moreover, the government started to create media conglomerates to achieve the integration of political control and profit maximization (Zhang, 2011). In January 1996, China's first media conglomerate, Guangzhou Daily Press Group, was established. The government's concern about the potential competition from transnational media conglomerates in the West after China's entry into the World Trade Organization (WTO) in 2001 also accelerated the process of conglomeration (Zhang, 2011). By 2003, the conglomeration of Chinese media was basically completed. Sixty-nine media groups were approved and established, including 38 press groups, 13 TV and radio groups, one periodical group, nine publishing groups, five circulation groups and three film groups (Wang, 2004). However, in contrast to media conglomeration in the West, China's media conglomeration seldom resulted from market competition, but rather from administrative orders. It was a 'hallmark for China's bureaucratic-authoritarian state capitalism at work', causing Chinese media to be popularly referred to as 'Chinese Party Publicity Inc.' (Lee, He and Huang, 2006).

China's media reform, mainly through the state-guided marketization and conglomeration, has resulted in the formation of China's current 'dual-track' media system. On the one hand, the market mechanism is harnessed to stimulate the development of the media industry; on the other hand, the Party still controls and censors media and decides the assignment of their top personnel. Hence, Chinese media are caught between what Yuezhi Zhao (1998) calls the 'Party line' and the 'bottom line'. The media reform has not only restructured China's media

landscape and re-established the nature of media system, but also rejuvenated journalistic practices, cultivated new types of journalists, innovated the CCP's propaganda work and generated fragmented audiences.

Investigative journalism was one of the most significant developments of Chinese journalism during the 1990s (de Burgh, 2003; Tong, 2011; Zhao, 2000b). The market competition in the media industry required media to produce a new genre of journalism that is different from the Party journalism to attract advertisers and subscribers. Investigative journalism, which often exposes scandalous news and social problems, had great market value. The other reason for the rise of investigative journalism was the Party's political need to 'reassert control over an unruly and dysfunctional bureaucracy' caused by the rapid economic reform (Zhao, 2000b: 580). Investigative journalism was therefore welcomed by the CCP, because it could monitor local governments, promote public trust in leadership and create a positive environment for further reform.

In 1994, CCTV launched its daily investigative program *Focus (Jiaodian fangtan)*, which featured hard-hitting reports on corruption and government wrongdoings. The next year, *Southern Weekend* of the Guangzhou-based Southern Daily Group became the first print media to embark on investigative reporting. The show and the newspaper soon proved to be highly successful in the marketplace, and inspired a nation-wide tide of investigative reporting programs, columns and media (Tong and Sparks, 2009). However, China's heavily controlled media system means that the supervisory function of Chinese investigative journalism is precarious and limited. It only focuses on 'specific issues', deals with 'concrete problems', and is therefore 'practical-minded' (Zhao, 2000b: 579). Metaphorically speaking, it hunts down 'flies, not tigers'. It works at the behest of the Party as a watchdog 'on the Party's leashes' (Zhao, 2000b). Nevertheless, the 'supervision by public opinion' that investigative journalism advocates and performs has gone deeply into the minds of journalists, government officials and the public. The supervisory power of investigative journalism had successfully set the agenda for and pushed the government to solve a wide range of controversial issues, such as judicial injustice, public health, environmental crises and corruption of Party officials (Tong, 2011).

Media reform has also created new types of Chinese journalists. The stereotype that sees Chinese journalists as the 'mouthpiece' of the CCP is incapable of explaining the changes in the professional role of Chinese journalists in the reform era, as media workers are required to pursue professionalism, market profit while accomplishing the Party-assigned propaganda work, which is inherently contradictory and hard to balance. Jonathan Hassid (2011) classifies contemporary Chinese journalists into four types. They are the 'Communist professionals', 'American-style professionals', 'workday journalists' and 'advocate professionals'. The first type refers to those who follow the 'Party principles' to work, which constitutes the majority of Chinese journalists. The other three types have emerged since 1978. The 'American-style professionals' are dedicated to independent, objective and accurate reporting and follow the Western codes of ethics in journalistic practices.

The 'workday journalists' are those who work for money and lack a commitment to public service. They are unethical and corrupt and sometimes violate regulations and laws. The 'advocate professionals' are those liberal-minded and contentious journalists who speak for the marginalized social groups through investigative reporting or advocacy. They are likely to make political mistakes and get punished for their bold speech. The emergence of new types of journalists has demonstrated the changing notions and practices of journalism within a controlled and propagandistic tradition of Chinese media under rampant commercialization.

In the economic reform era, television replaced radio as the most popular electronic mass media. The CCP started to proactively use television for nation-building and propaganda by staging Chinese-style media events (Sun, 2014). Different from media events in the West, where organizers, media producers and audiences are 'three contractual partners' (Dayan and Katz, 1992), Chinese-style media events are authoritarian in nature because the media producer, CCTV, is required by the event organizer, the CCP, to promote its propaganda work (Xu, 2016). The annual Spring Festival Gala run by CCTV since 1983 is a widely studied case in point (Sun, 2007; Zhao, B. 1998). The carefully designed entertainment show that broadcasts live on the eve of Chinese New Year to Chinese people at home and abroad 'delivers strong messages of patriotism and national unity' and 'demonstrates the ingenuity of the Chinese state in reinventing ways of indoctrinating and educating the nation' (Sun, 2007: 191). Besides ritual celebrations, contests and commemorations are also ideal occasions to produce televised national events, such as the live broadcast of the Chinese Women's Volleyball Team's finals with Japan in the 1981 Volleyball Women's World Cup and China's 50th National Daily Military Parade in 1999.

China's rapid economic growth has also given rise to consumerism and generated consumer citizens. With the increase in social stratification, the passive mass audiences in the Mao era began fragmenting into many subcultures or potential publics (Donald and Keane, 2002). Their growing individuality enabled them to become critical audiences who could select their favorite media commodities and criticize those they dislike. The circulation of press, audience rating and advertising revenue, have become new standards to measure the success of media in market competition. The controlling power of media content production is no longer absolutely dominated by the Party-state, but has started to shift to the hands of entrepreneurs and market forces to cater to the tastes of active audiences (Donald and Keane, 2002).

THE POST-REFORM AUTHORITARIAN ERA (2003–PRESENT)

In 2003, the 3rd Plenary Session of the 16th CCP Central Committee adopted the 'Decision of the CCP Central Committee on Several Issues in Perfecting the Socialist Market Economy'. The decision indicated that China had completed

the first phase of economic reform and was now shifting focus to solving problems caused by it, as well as deepening economic restructuring. Therefore, Chinese academia widely uses the year of 2003 as the start of China's 'post-reform' era (Bai and Wu, 2012). In this era, the rise of the Internet, and its profound social and political impacts, have arguably been the most prominent characteristics of Chinese media, society and politics.

The Development of China's Internet and Social Media

In 1987, the first e-mail, titled 'Crossing the Great Wall to Join the World', was sent from a Chinese address, marking the beginning of China's Internet history. In 1994, China realized a full-function linkage to the Internet and officially came online. With only about 10,000 Internet users in 1994, China's online population dramatically increased to 710 million by June 2016 (China Internet Network Information Center (CNNIC), 2016). The initial purposes for the Party-state to develop the Internet were to strengthen China's military power and boost economic growth (Zheng, 2007). However, the unexpected rapid development of the Internet has also transformed the life-styles and political engagement of ordinary Chinese, the governance of the Party-state, traditional journalistic practices, as well as the state–society relations.

From 1995 to 2009, Bulletin Board System (BBS) and weblogs (blogs) constituted the most important platforms for online public communication. The BBS forums, such as 'Tianya Community' (*Tianya shequ*) and 'Strong Nation Forum' (*Qiangguo luntan*), consisting of hundreds of discussion boards and millions of threads and posts, opened up virtual communities for ordinary people to share and affirm information and opinion on a wide range of topics when mainstream media were tightly controlled (Yang, 2003). Weblogs emerged in China in 2002. Mainly based on specialized blogging sites, such as Bokee, Blogchina, and China's three major commercial portals, Sina, Sohu and NetEase, user-generated blogs provided an individual but public space for Chinese people to represent themselves, establish networks, show personalities and form identities. The number of bloggers in China skyrocketed from 510,000 in 2002 to 221 million in 2009 (White Paper on China's Blogs, 2010). However, the number of active users of BBS sites and blogs dramatically declined with the arrival of China's social media era.

In August 2009, Sina Corporation launched its microblogging service – Sina Weibo, akin to a hybrid of Twitter and Facebook. Due to the blocking of Western popular social media sites in mainland China, China's home-grown and state-approved social media are growing fast. Following Sina Weibo, Tencent, NetEase and Sohu soon started running their own Weibo service. Technologically, Weibo integrates the elements of BBS, blogs, instant-messaging systems and audiovisual sites, making it a real multifunctional media platform. By June 2013, China's Weibo users had reached 330 million, the highest since its emergence (CNNIC, 2013). Though still tightly controlled and censored as BBS, blogs and other news websites, the technological advantages of Weibo and its large

numbers of subscribers have helped netizens to ‘publicize and express their discontent’ and posed ‘a new challenge to the state regime of information control’ (Sullivan, 2013).

In January 2011, Tencent released its Weixin service, known in English as WeChat, a counterpart of LINE and WhatsApp. It provides hold-to-talk voice messaging, text messaging, photo and video sharing, online payment, games and many other services. The number of monthly active Weixin users in China and overseas had climbed to 762 million in the first quarter of 2016 (Statista.com, 2016), making it unquestionably the most popular social media in China. Compared with Weibo, which is more like a ‘public forum’ where users can follow anyone, repost and comment on posts, Weixin is a semi-private platform where users are only visible to a circle of accepted friends. It is more effective for small group communication, but could not replace the role of Weibo in public discussion and mobilization, especially in public events.

The emergence and popularity of new online platforms does not mean the previous platforms have perished. Internet users usually travel across multiple platforms and make cross-platform information flow possible. The above-mentioned platforms, together with Baidu (the most popular search engine), Youku and Tudou (the most popular audio-visual sites), Taobao and JD.com (the most popular B2B sites), QQ (the most popular instant messaging software before Weixin) and many other specialized websites, provide a rough picture of China’s Internet landscape for ordinary people’s everyday entertainment, information needs, online shopping, social networking, self-expression and political engagement. Everyday digital media practices have formed a culture of circulation through netizens’ consumption-cum-production and caused long-term political impact as they ‘influenced the way people think about politics, culture and society’ (Yu, 2007: 424).

However, the everyday online practices of Chinese people are not free but tightly controlled. The Chinese government has long censored mass media to avoid media’s potential subversion of its authority (B. Xu, 2015). In the Internet age, the government has developed a wide variety of regulations, laws and methods to censor the Internet. The Internet censorship can be mainly divided into two types. The first type is that the government uses the ‘Great Firewall of China’ to filter IP (Internet Protocol Address) and DNS (Domain Name Server) of websites to prevent Chinese residents from accessing some foreign websites, such as Facebook, YouTube and Twitter (Bamman, O’Connor and Smith, 2012). The second type is that the government allows access but polices content of domestic websites. This includes the search blocking of ever-changing politically sensitive keywords and deleting posts and comments that contain such keywords, such as Falun Gong, Tibetan independence (*zangdu*) and democracy movement (*minyun*) (Bamman, O’Connor and Smith, 2012). The second type of censorship is mainly carried out through Internet service providers’ self-censorship. Any Internet service provider that refuses to censor its content in accordance with Chinese law is unlikely to survive in China’s Internet market.

Political Impacts of the Internet and Social Media

China's Internet and social media have attracted extensive scholarly attention, especially to the political effects of the development of the digital technologies. The current research on China's Internet, as Guobin Yang (2014) states, has been largely explored within the 'dichotomous analytical categories' of the state vs. citizens, and authoritarianism vs. democracy. Thus, the rapidly growing body of literature mainly falls into two camps. One is enthusiastic about the empowering aspects of new media technologies to facilitate the formation of civil society and promote China's democratization (Tai, 2007; Yang, 2009; Yu, 2009). The other emphasizes authorities' regulations and censorship of the Internet as well as the government's adaptive uses of digital technologies in authoritarian governance (Han, 2015; MacKinnon, 2011; Schlæger and Jiang, 2014). Researchers of the first camp are usually techno-optimists and cautiously affirm the liberalizing and democratizing effects of the Internet. Researchers of the second camp are usually techno-pessimists and contend that the potential of online collective actions to democratize China is limited due to the regime's effective management of and active adaptation to the technological developments.

The discussion of online political engagement of ordinary Chinese and digital democracy in China has picked up since 2003. In 2003, online public opinion for the first time in Chinese history demonstrated the power to push the government to respond to and solve public crisis and controversial social issues, such as in the SARS epidemic¹ and the case of Sun Zhigang.² Therefore, Chinese media have dubbed 2003 'the year of online public opinion' (*wangluo yulun nian*). Since then, a year has seldom passed without 'Internet studies' (*wangluo shijian*) which have been widely studied by Chinese Internet scholars. Scholars mainly focus on the analysis of different modes of online activism and their political impacts by examining heterogeneous Internet events on environmental issues, official corruption, rights-defense issues and social unrests (Qiu and Chan, 2011). The activist practices of Chinese netizens are essentially constituted by *e'gao* and *weiguan*.

E'gao is a Chinese term for online spoofing practice, which could be a clever wordplay or skillful multimedia manipulation of texts, audio and visual materials. It often uses techniques such as punning, pastiche, burlesque, lip-synching and remixing of digital footage to poke fun at mainstream culture, value and power (Yu and Xu, 2016). It is argued that *e'gao* is an alternative means for ordinary Chinese to articulate political critique and intervene in social realities through digitized humor, satire and parody (Meng, 2011; Voci, 2010). These rhetorical expressions could tactically avoid using sensitive keywords to circumvent Internet censorship. They are effective means to publicly express and display subversive emotions that resonate among participants in the Internet events.

Weiguan, literally translated as 'circle watch' or 'surrounding gaze' in English, refers to crowd gatherings around public spectacles and in public venues. The term has been popularly used as a cultural metaphor to illustrate the phenomenon

of virtual crowd gathering in China's cyberspace to discuss public outcry and popular sentiment around offline controversial social issues. It is a popular form of 'mediated mobilization' (Lievrouw, 2011) that usually results in high volumes of online traffic by attracting millions of netizens' reading, sharing, reposting, commenting and discussing on the online forums and social media sites. Through *weiguan*, public emotion and sentiment are highly mobilized and tend to form networked power and group pressure to promote the transparency and resolution of controversial events (J. Xu, 2015). *Weiguan* is essential in online petitions, virtual sit-ins, cyber-vigilantism and has become a synonym of networked collective actions. In China, where people's freedom of association and assembly for political purpose is restricted, *weiguan* has enabled ordinary Chinese to engage in social and political issues in a relatively safe way by using affordable new media technologies. It constitutes the most important component of China's 'new citizen activism' (Yang, 2009) in the digital age.

Some of the existing scholarship on online activism sees activist uses of the Internet as proof of its role as an alternative space to express views, network and participate in public issues, empowering marginalized social groups, such as migrant workers (Qiu, 2009; Wallis, 2013) and civil rights defendants (Teng, 2012) and giving rise to a fledgling civil society against China's oppressive authoritarian regime. Other scholars, however, point out China's online activism is almost exclusively practiced in 'radical communicative actions conducted in words and images' (Yang, 2008: 129) and only focuses on the resolution of specific controversial issues with little offline actions (Zheng and Wu, 2005). It is more likely to be episodic, spontaneous and lacking in formal organization (Yang, 2006). Besides, the government's rigorous control and censorship on the Internet also explain why large-scale Internet-facilitated collective actions with clear political pursuits, such as the Arab uprisings and the Occupy Movement in the early 2010s, in which social media successfully facilitated pro-democracy protests in Arab countries and a transnational social movement against social and economic inequality, would be unlikely to occur in the Chinese context.

Researchers who focus on government control mainly study how governments at different levels use 'hard' and 'soft' tactics to manage the Internet and social media. Marolt (2011) argues that online postings that 'either criticize China's Party-state and its policies directly or advocate collective political action' are likely to be censored. However, King, Pan and Roberts (2013) analyze the content of millions of social media posts on nearly 14,000 social media services in China and find that critical posts against the state, its leaders and policies are not more likely to be censored. Instead, the posts that spur collective activities are the ones that tend to be censored. MacKinnon (2009) explores how Chinese Internet companies censor user-generated content in the blogosphere. Her research reveals that domestic censorship varies from company to company. The choices and actions of private individuals and companies significantly impact the dynamics between freedom and control in the Chinese blogosphere.

Besides the notorious censorship, the government also applies relatively softer tactics to control online activism. With the rise of Internet events, the Propaganda Department of the Central Committee of the CCP established the Bureau of Public Opinion in 2004 to collect, analyze and report public sentiments to enable the CCP to respond to issues of public concern in a timely fashion (Brady, 2008). Subsequently, propaganda departments of local governments also set up offices of public opinion to monitor local public sentiments. The state media, *People's Daily* and Xinhua, also established their public opinion monitoring centers to provide public opinion reports to governmental organizations and industries (Hu, 2017). In addition, governments at different levels also employ a large number of online commentators, popularly dubbed as the 'Fifty-Cent Party' (*wumao dang*), to post comments favorable towards the government to sway public opinion, particularly when the government has to defend their credibility on controversial social issues (Han, 2015).

Moreover, the government actively adapts to new media platforms for effective governance. As soon as Weibo became a popular platform for netizens to air their discontent and form online public sentiment (Sullivan, 2013), central and local governments started to run their official Weibo accounts to interact with the public and improve their social management and political legitimacy (Schlæger and Jiang, 2014). By December 2013, a total of 183,232 Weibo accounts had been opened by governmental agencies on China's four major Weibo service providers (Sina, Tencent, People.cn and Xinhuanet). The number of Weibo accounts opened by the CCP and governmental cadres had reached 75,505 (Xinhuanet, 2014). With the popularity of WeChat, more and more governmental organizations have set up their WeChat public accounts to regularly send messages to their subscribers. The purpose of the Party and government in occupying popular social media platforms is clearly seen in President Xi Jinping's speech at the Cybersecurity and Informatization Work Conference in April 2016. He stated:

[W]herever the masses are, there our leading cadres must go as well. All levels' Party and government bodies, as well as leading cadres, must learn how to march the mass line through the network, regularly go online to look around, understand what the masses think and want, collect good ideas and good suggestions, and vigorously respond to netizens' concerns, relieve their doubts and dispel their worries. (China Copyright and Media, 2016)

The deliberative uses of social media embody the CCP's adaptability and resilience in governance in the digital era. Scholars in political sciences consider these uses as integral to 'responsive authoritarianism' (Stockmann, 2015), 'authoritarian deliberation' (He and Warren, 2011) or 'authoritarianism 2.0' (Mertha, 2009), all of which compete with the liberating and democratizing effects of the new media.

As discussed above, the 'empowerment hypothesis' and 'repression hypothesis' have dominated studies of China's Internet. Some scholars critique the dichotomy as problematic and advocate a shift of focus from democratization vs. control to the relational dynamics between the Party-state, the Internet and civil society (Meng,

2010; Yang, 2009; Yuan, 2015). Meng (2010) proposes to use the sociological term 'mediation' to study the mediating power of the Internet at three interrelated levels, namely the institutional, the symbolic and the individual, to overcome the limitation of the democratization approach. Yuan (2015: 222) suggests studying the 'structuration process of new political-networked communication and new forms of political association' to unpack the dynamics between the changing social structures and cultural agency enabled by new media communication in the Chinese society. Yang (2009) uses 'multi-interactionism' as an analytical approach to study the interactions and mutual adaptations of multiple parties involved in online activism, such as the state power, culture, market and transnationalism.

The rise of the Internet has generated new forms of digitized political communication, transformed state-society relations and brought about innovative journalistic practices. Yu (2011) studies how j-bloggers (journalist bloggers) experimented amateur journalism beyond their work in the mainstream news media. She argues that blogging enables journalists to watch, poke and mock their professional work in a relatively independent space, facilitating the audiences to understand their struggles, emotions and beliefs behind the news stories. Some scholars investigate why and how Chinese journalists embrace new media in their everyday journalistic practices. They argue that the Internet and social media could help journalists improve their commercial competitiveness, present new channels for fighting censorship and expand the boundaries of permissible reporting (Hassid and Repnikova, 2016). Moreover, the rise of the digital media technologies has enabled ordinary people to generate self-styled reporting and become 'citizen journalists' or 'grassroots journalists'. They can engage in on-the-ground reporting with mobile and digital cameras and disseminate it online, especially in times of crisis or regarding controversial social issues, when the crisis reporting or investigation of the mainstream media are constrained (Xin, 2010).

The advent of new communication technologies has also brought forth challenges and opportunities for traditional media worldwide (Garrison, 1996). In China, convergence between traditional and new media has become the main trend of media development. Facing market challenges and audience segmentation in the new media era, traditional media at both central and local levels are expanding their communication channels to the Internet and mobile media and adopting open publishing and broadcasting features to innovate traditional media practices. For example, CCTV launched China's first national Internet TV – China Network Television (CNTV.cn) in December 2009. The site offers web broadcasting of all programs from CCTV's 20 channels and also provides online community network and video-on-demand services (Chen, 2009). *People's Daily* launched a free mobile app in June 2014 that allows the readers to read the entire newspaper content and give feedback and comments (*People's Daily*, 2014).

Media convergence has already become a national strategy. In August 2014, the Central Leading Group for Deepening Reform headed by President Xi Jinping issued the 'Guiding Opinions concerning Promoting the Converged Development

of Traditional Media and New Media'. The official drive for converged development is to build novel communication patterns through new communication technologies and channels in response to China's deepening media reform and transformation. This national media strategy indicates that the government 'is determined to play the next "offensive gambit" of reform, starting with the strategic structure of the media, occupying the public opinion battlefield and grasping the initiative in a new media structure' (China Copyright and Media, 2014).

This converging development parallels Chinese media's global expansion. Since the 2008 Beijing Olympics, the Chinese government put the 'going global' policy on top of the government's agenda and increased investment in the state media to boost their global influence and promote the nation's soft power (Hu and Ji, 2012; Sun, 2014). CCTV now broadcasts six international channels in five languages and claims a total global audience of 125 million. Xinhua News Agency launched its English-language TV service, CNC World, which broadcasts English news programs 24 hours a day, in 2010. As Xinhua President Li Congjun said at CNC's launch ceremony, 'CNC will present an international vision with a China perspective. It will broadcast news reports in a timely way and objectively and be a new source of information for global audiences' (Xinhuanet, 2010).

China's state-led 'media going global' initiative, either viewed as 'external publicity work' (Nye, 2011) or 'public diplomacy through communication' (Wang, 2011), has significantly pushed the internationalization of Chinese media. Though the effectiveness of the initiative is still hard to evaluate at present, it cannot be denied that the government has realized that how to tell Chinese stories to win the minds and hearts of foreign publics and promote China's international image and soft power through media has become a matter of paramount importance.

CONCLUSION

The chapter examines the development of Chinese media with a historical approach and aims to demonstrate the continuities and changes of Chinese media in different historical periods. We argue that the evolution of Chinese media has not been a linear progression, but has been full of detours and digressions. To understand the evolution of Chinese media in any given historical moment, we should not focus on one particular aspect – be it political, technological or economical. Instead, we should consider how the forces compete, negotiate and interact to cause the change of direction in media development.

In all critical moments, the Party-state has played a decisive role. As demonstrated in a series of state-orchestrated reforms, such as media commercialization, conglomeration and globalization, the Party's control over media has not been weakened; instead, it has been enhanced with adaptability and innovation to manage the increasingly complex Chinese media system. Authoritarian

control with precarious relaxation and contraction constitutes the most outstanding continuity of Chinese media since 1949. Besides, the Party-state has always actively sought to identify new and innovative ways of engaging new media and communication technologies of the time – be it press, radio, television and digital media – in propaganda work and political mobilization. There is no reason to expect the future of Chinese media, at least in the near future, to be more liberalized and democratized.

We also caution against a technologically deterministic view in understanding the relationship between traditional and new media in China. It is important to go beyond either an ‘empowerment hypothesis’ or ‘repression hypotheses’ to critically analyze the strategies, interplays and consequences of mediated political communication of both the state and non-state actors. The highly mediated interplay between the Party-state and society has become normalized in China’s digital age. The Internet is used as a ‘microphone’ by ordinary people to express discontent, criticize the authority and defend citizen rights. In the meantime, it is also a ‘safety valve’ for the Party-state to capture public opinion and respond to the public concerns. ‘To solve online issues through online channels’ has become a new principle for governments at all levels in dealing with crises and emergencies. We need to consider both the democratic and authoritarian uses of the new media technologies.

Notes

- 1 The Severe Acute Respiratory Syndrome (SARS) spread rapidly in China after November 2002. Initially, the government covered up the public health crisis and restricted media reporting. The information blackout soon provoked an online outcry, which effectively pressed the government to release real SARS information in April 2003 and later establish regulations and laws regarding crisis management. The SARS crisis is widely seen as a turning point of China’s crisis communication (see Xu, 2016; Yu, 2009).
- 2 Migrant worker Sun Zhigang died at a detention center in Guangzhou in 2003 as a result of physical abuse by police. He had been detained under China’s custody and repatriation system just because he could not provide his temporary residence permit during a routine check. His death received massive attention on the Internet. The strong public sentiment online pressed the government to punish the people responsible for Sun’s death and abolish the custody and repatriation system (see Zhao, 2008).

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PART X

Future Directions for Contemporary China Studies



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The Future(s) of China Studies¹

Sarah Mellors and Jeffrey Wasserstrom

INTRODUCTION

The field of China studies has exploded in the last three decades, transforming from an erudite area of inquiry with relatively few players into a dynamic global conversation. In this chapter, we use our expertise in twentieth-century Chinese social and cultural history to forecast changes in this field. Since each of us does research that tends to be historically grounded and hence backward looking, trying to foretell the future does not come naturally to us. Nonetheless, based on past academic trends, we offer some cautious predictions about where China studies – especially as it is practiced outside of the Chinese mainland, where the field often has its own distinctive features – could be heading, both as an interdisciplinary endeavor and as something pursued within standard disciplines. We posit that broad parallels can be drawn between how *China studies has and has not changed* since the opening of the People’s Republic to international researchers in the late 1970s and how it likely *will and will not change* in the decades to come.

Future work on China, we suggest, will fall into the following three categories: work that is characterized by continuity with past and current trends, work that is novel, and work that appears to be novel but is in some ways a throwback or rebooting of an earlier trend that seemed to have run its course. The first category involves scholarship on China that will break new ground by extending patterns already discernible now. The second will involve scholars doing things that depart markedly from anything that has been done to

date (and thus is truly innovative). The third – what could be called apparent novelty – will involve work that seems more ground-breaking than it actually is, since when examined closely it can be seen to represent a revival of a formerly popular academic trend that went out of fashion. If a scholar went to sleep in 1980 and awoke now, she would think some things about the field had stayed constant and some had undergone dramatic shifts. She would eventually discover, though, that some apparent continuities were actually revivals of academic trends that had gone out of fashion and then been revived. We think it quite likely that a scholar going to sleep now would have a broadly similar experience awakening 20 years hence and trying to make sense of the altered academic landscape.

WHAT'S NEW AND NOT-SO-NEW IN CHINA STUDIES

One continuous trend in recent decades, which is not unique to Chinese studies by any means, is greater intellectual democratization and diminished elitism when it comes to the individuals and texts deemed worthy of serious study. The result has been a proliferation of scholarship that engages with women as well as men, with popular as well as high culture works, with borderlands as opposed to just centrally located areas, and with non-Han as well as Han populations.

This democratizing trend, first apparent in shifts from studies of elite groups to work on farmers and workers as well as the rise of first women's studies and then gender studies, has recently led sinologists to pay more attention to still other issues, including ethnicity and race. Decades ago, if ethnicity and race were brought into the picture in studies of China, the tendency was to do so in a relatively simplistic manner, thinking of a *Hua-Yi* paradigm (the 'Chinese' versus 'barbarians'), which posited that the Chinese distinguished themselves from outsiders more in cultural than in racial terms. In other words, outsiders who acclimated to Confucian culture were accepted into Chinese society. Since the publication of Frank Dikötter's seminal work on race in China (Dikötter, 1992), which challenged the *Hua-Yi* formulation, scholars in a number of fields have examined how changing conceptions of ethnic and racial differences have shaped political, economic, and social formations in China. Some scholars have sought to historicize the relationship between Africans, African-Americans, and the Chinese (Wyatt, 2009; Frazier, 2014). The movement of large numbers of economic migrants from Africa to China and China to Africa has also given this topic greater contemporary relevance (Lan, 2017). Similarly, the role of racial nationalism in territorial expansion and policies toward and repression of ethnic minorities have kept these issues in the public eye (Mullaney, 2011; Yang, 2017; Carrico, 2017). We do not anticipate interest in race and ethnicity in China waning anytime soon.

Moves toward expansiveness and inclusion have also been felt in other aspects of China studies. Consider the evolving standard for who qualifies as a valid subject to place at the center of a study. We are only beginning to see generational democratization take place, with specialized study of children (Cockain, 2011; Clark, 2012; Bai, 2005; Hsiung, 2005; Naftali, 2016; Wang, Leslie K., 2016) and the elderly (Cook and Powell, 2007; Chen and Powell, 2012). Academic writing on LGBTQ communities and themes is also picking up steam in the field of China studies. Since Bret Hinsch's pioneering work on the evolution of male homosexual culture in China (Hinsch, 1990), increasing attention has been paid to queer life and culture (Lavin et al., 2017; Chiang, 2012; Kang, 2009; Chiang and Heinrich, 2013; Engebretsen, 2013; Engebretsen et al., 2015; Liu, 2015; Kam, 2013; Pecic, 2016; Ho, 2010; Vitiello, 2011; Zheng, 2015; Lim, 2006). Similarly, disability studies is gaining more traction in the field of China studies, as several studies of children with learning disabilities and physical handicaps have been published (Lu and Inamori, 1996; Korhman, 2005; McCabe, 2007; McCabe and McCabe, 2013; Shang and Fisher, 2014; Wang and Michaels, 2009). These topics have received much more attention in other geographically defined fields, such as American studies, but are starting to make their mark in China studies. In addition to further work on previously ignored groups of people, we anticipate more moves to bring non-human subjects – such as animals (Chang, 2016; Huot, 2015; Lee, 2014, 2018), plants (Kilpatrick, 2007, 2014), and perhaps someday even minerals – toward the center of analysis.

In a similar move away from elitism, scholars have started taking seriously texts that were once not deemed worthy of study, due partly to their creation by or appeal to non-elite groups. Continuing this trend, future work may probe more deeply into popular culture, offering a fuller sense of the anxieties, concerns, and leisure activities of various sectors of society. For instance, while scholars of late Qing and Republican China have done important work on genre fiction, little attention has been paid to current bestsellers, including non-fiction publications such as self-help guides. Much the same way, cinematic studies of China have often narrowly focused on films produced by either celebrated figures, such as Chen Kaige and Zhang Yimou, or on edgy independent directors, a category that once included those two, of course (Chow, 1995; Chow, 2007; Pickowicz and Zhang, 2006; Zhang, 2010; Xu, 2007; Lu, 2007). A continuing of democratizing trends leads us to expect more work in the future on movies with mass appeal. There is room, in other words, for the trend from 'high' to 'low' texts, already underway, to continue further. Where things are headed in this regard is foreshadowed by recent work on such previously understudied topics as laughter (Rea, 2015) and political humor (Pickowicz, 2013). Genres, such as animation (Macdonald, 2015; Wu, 2017; Johnson et al., 2015; Du, 2018), science fiction, and video games (<https://u.osu.edu/mclc/2016/04/01/gaming-east-asia/>; Pulos and Lee, 2016) are just beginning to be studied and likely will get more sustained focus going forward.

NEW DIRECTIONS

Whereas the democratizing trend is a long term one that we expect to continue, the future is likely to see some moves that are impossible to imagine, but also some novelties of the recent past taking on the status of solidly entrenched trends. Four of these, which over time may come to be seen as deeply rooted long-term trends rather than comparative novelties, are particularly worth keeping in mind when pondering the possible shape of China studies in the decades to come.

First, scholars have lately been placing an increased emphasis on urban experiences (Wu and Gaubatz, 2012; Ren, 2013). This reflects in part the fact that China has for the first time in its history become a place where more people live in cities than in villages. One could see this as a continuity, as work has been done on Chinese cities before (Skinner and Baker, 1977; Rowe, 1984), but we place it in the novelty category as never before have social scientists interested in China's present tended to see urban experience as so typical a part of Chinese life.

Second, work on the 1830s through the 1940s has shifted from examining this period nearly exclusively through the lens of rebellion and revolution to approaching it instead, or as well, as a period marked by nearly continuous war. This is most obvious in the rise of works on the Taiping Upheaval. Newer monographs on this period notably include terms such as 'civil war' in their titles, rather than 'rebellion,' 'revolutionary movement,' and so on (Platt, 2012; Meyer-Fong, 2013). There has also been an upsurge of interest in the role of China in global wars: World War I (Xu, 2005; Arnander and Wood, 2016), World War II (Mitter, 2013; van de Ven, et al., 2015), and the Cold War (Zhai, 2000; Chen, 2001; Tudda, 2012; Luthi, 2008; Friedman, 2015; Shen, 2012; Jersild, 2014; Brazinsky, 2017). In the past, China was often assumed to be a marginal player in such wars and therefore its experience was given little scholarly treatment. However, new studies are revealing that the Chinese perspective is in fact critical to fully understanding these conflicts.

Third, in step with other geographically defined fields, scholarship on environmental degradation in China and its consequences is proliferating. There have been occasional studies of environmental themes throughout the past decades (Marks, 1998; Shapiro, 2001; Schoppa, 2002) but only in the past 15 years or so has work on this topic become mainstream. Scholars have already written about shifting Chinese attitudes toward the environment (Elvin, 2004; Weller, 2006; Marks, 2011; Tilt, 2009), environment and empire in historical perspective (Bello, 2016; Wu, 2015), contemporary environmental activism (Mertha, 2008; Geall, 2013; Zhang and Barr, 2013; Economy, 2004; Shapiro, 2012), dams and water usage (Tilt, 2014; Pietz, 2015), and environmental journalism (de Burgh and Zeng, 2012). Other new directions in China studies involve examining topics

like war and urbanization through an environmental lens, as in studies of war and the environment (Muscolino, 2016) and cities and pollution (Kahn and Zheng, 2016a; Kahn and Zheng, eds., 2016b).

Fourth, studies of China are becoming increasingly entangled with research on developments in the rest of the world. This can be attributed to both China's growing presence in Africa, Southeast Asia, and Central Asia and a move toward transnationalism within academia. In 2013, President Xi Jinping launched his 'One Belt, One Road' (also called 'Belt and Road') initiative seeking to establish economic land routes connecting China to the Arab World and Europe via Central Asia. The project is also called the New Silk Road initiative as it ostensibly seeks to recreate the ancient Silk Road. This ambitious project has brought much attention to the role of Chinese investment and expansion in the region (Miller, 2017; Rolland, 2017; Larcon, 2017; Lim et al., 2016; Wang, Yiwei, 2016; Sharma and Kundu, eds., 2016; Nyiri et al., 2016). A complement to the land route – plans to build a Maritime Silk Road through contested waters – has also been the subject of scholarship in various fields, including political science, international relations, economics, and journalism (Blanchard, 2018; French, 2017). Along similar lines, China's investment in infrastructure projects in Asia, Africa, and Latin America, its hunt for critical natural resources and new markets for its products, and its cultural 'soft power' have come to the fore in studies of China (Economy and Levi, 2014; Brautigam, 2010; Kachiga, 2013; Shinn and Eisenman, 2012; Raine, 2009; Alden, 2007; deLisle and Goldstein, 2017; French, 2014; Shambaugh, 2013; Sharma and Kundu, 2016; Xu, 2016; Ellis, 2009; Gallagher and Porzecanski, 2010; Wang, 2017). Looking forward, it seems likely that this, like the other three novelties of the era just mentioned, will become the continuities of the next era.

WHAT WAS ONCE MAINSTREAM IS NEW AGAIN

In the final section of this chapter, let us consider things that seem novel but actually mark revivals. Here, one thing that stands out is the current concern with early schools of Chinese thought. Due to the Communist Party's recent efforts to link itself to Confucius, an intense interest in Confucianism has emerged, not just among people working in philosophy, for whom it has never stopped being important, but also in other fields, such as politics (Qing et al., 2013; Yan, 2011; Bell, 2015). Fifty years ago, it was common for high profile figures in political science such as Lucian Pye (1968) and Richard Solomon (1972) to discuss 'Confucian' tendencies in 'Chinese political culture.' Work by Daniel A. Bell and others, which may seem to mark a new point of departure as it breaks from a time in between the 1970s and early 2000s when discussions of contemporary politics and Confucianism were rarely entwined, is in some sense work that resonates, albeit with a twist, with work of an earlier period.

Changes in the Communist Party's policies toward religion have also brought renewed interest to this topic. Henrietta Harrison (2013) and Ian Johnson (2017), for example, have written about China's religious revival for specialist and popular audiences, respectively. Of note, scholars like Harrison are employing new methodologies, such as micro-history (Harrison, 2013; Carter, 2010), to investigate spirituality at the individual or local level. As for Christianity, past studies of Christianity in China focused on missionaries and the tensions between Christian values and Chinese culture (Gernet, 1985). Contemporary scholars, however, are more concerned with the localization of religion and syncretism of different religious strands (Bays, 2012; Goossaert and Palmer, 2011).

Another example of rebooting with a shift in emphasis and methods involves the period lasting from 1895 to 1915, which once drew considerable attention from social historians and political historians, as well as intellectual historians and is now, after a period of relative neglect, becoming the focus of a lot of work on feminist thought, the press, and fiction. In past decades, scholars working on this period focused mainly on a small number of key actors, such as Yan Fu, Liang Qichao, and Sun Yat-sen, in the socio-political milieu of the 1911 Revolution. New studies, in contrast, are highlighting the period's rich cultural, commercial, and intellectual life through close readings of things such as women's magazines, novels, short stories, and poetry (Huters, 2005; Judge, 2015; Wang, 2004; Wang and Wei, 2006).

The history of science and technology is also experiencing a revival. Yet, these scholars are focusing on issues far removed from those that engaged Joseph Needham (1954) in his pursuit of why modern science first developed in Europe rather than in China. Instead, historians are examining questions like the intersecting and diverging development of computing (Mullaney, 2017) and the Internet in a comparative global framework.

As with studies of science and technology in general, there has also been a renewed interest in the history of medicine. Early scholars of medicine in China either looked at Traditional Chinese Medicine (TCM) in China or Western medicine in China, stressing the antagonistic relationship between the two. These influential scholars were mainly concerned with positioning medicine in China within a framework of 'modernity' and 'tradition' (Croizier, 1968; Levenson, 1958). In returning to these topics in the 1980s and 1990s with a deeper appreciation for non-Western medicine, scholars sought to better understand the key principles and diverse practices of TCM (Unschuld, 1985; Unschuld, 1986; Sivin, 1987; Farquhar, 1994). More recently, scholars of medicine have examined gendered medical practices (Leung and Furth, 2011; Wu, 2010; Zhang, 2015) and the modernization and synthesis of Western and Chinese medicine (Schied, 2002; Rogaski, 2004; Chen, 2003; Lei, 2014; Andrews, 2014; Bullock and Andrews, 2014), among other topics (Farquhar and Zhang, 2012; Hu, 2013). This attentiveness to medicine in China is likely to endure.

CONCLUSION

In our efforts to make cautious predictions about future trends in China studies, we have identified a number of directions in which the field can grow. In terms of continuing trends, we anticipate further moves toward inclusion and democratization. This will involve attention to new populations, categories of analysis, and sources. As for novel developments, we predict that the future will bring more studies of China and its diaspora in the transnational context, as well as examinations of environmental themes from multiple disciplinary perspectives. Based on research topics that have moved in and out of fashion in the past, the recent return of interest in ancient Chinese political thought, religion, and the history of science and medicine will likely be matched by other kinds of rebooting of topics that were once mainstream and then saw their stars dim.

On a final note, recent years have witnessed closer engagement and collaboration between scholars based in the West and those in China. Many Chinese scholars today, like the generation that rose to prominence during the Republican era, were educated abroad but returned to the People's Republic for their academic careers or took up posts outside of China. These worldly Chinese sinologists have much to teach their international counterparts. We can imagine two quite different scenarios, depending on whether the very long-term salutatory trend toward increasing connection between academic worlds continues, or the deeply worrisome recent revival of concern on the part of the Chinese Communist Party with policing and limiting the flow of ideas associated with many topics in China studies prevails. If the former takes place, collaboration between scholars of China inside and outside of the country will continue to grow. This diverse community of scholars no doubt will make pioneering contributions to China studies, some along the lines that we discussed and some we have yet to consider. If the latter scenario ends up the dominant one, then the distance between work done on the Chinese mainland and elsewhere will grow – a kind of return to a very old situation that would be very unfortunate for those on both sides of the divide.

Note

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The Future of China's Past

Kristin Stapleton

INTRODUCTION

The discipline of history has been deeply affected by the post-Mao opening of the PRC to the outside world. Academic exchange with PRC scholars and access to historical materials in Chinese archives have made it possible for historians outside China to conduct research on topics that would be impossible to study without such contact and access. PRC historians, freed from the Mao-era requirement to interpret all history in terms of class struggle, have explored and developed alternative interpretive frameworks, sometimes in cooperation with scholars from other parts of the world.

Nevertheless, as in most parts of the world, history's importance for national identity makes interpretation of the past politically sensitive. Within China, this is particularly the case for topics that touch on the legitimacy of Communist rule and territorial integrity. There clearly are still limits on what can be printed on such topics, and history is expected to play a central role in patriotic education (Callahan 2010: chapter 2). Scholarship on Chinese history published in English outside of China, on the other hand, is sometimes seen by Chinese commentators as infused with a 'Cold War' mentality hostile to the PRC. The 'New Qing History' school has been condemned by some Chinese scholars for representing the Qing dynasty (1644–1911) as an expansionist, multinational, empire comparable in many ways to Russian, Ottoman, and Mughal empires, an interpretation that challenges PRC arguments that border regions have been integral parts of Chinese territory throughout history.¹

China's growing wealth and global influence have stimulated worldwide interest in Chinese history. As a result, scholars have new opportunities to reach audiences outside of academia through popular histories, museum work, and even film and on-line media. This trend toward the popularization of Chinese history is likely to become even more striking in the future. At the same time, Chinese history will continue to be integrated more fully into comparative and world history studies.

This chapter begins with a brief overview of the development of the field of modern Chinese history over the past few decades, highlighting some of the characteristics of the discipline that distinguish it from other social sciences. Next it explores several established and emerging subfields, grouped under the broad categories of intellectual/cultural history, gender/identity history, urban/business history, and transnational/world history. A section on the work of historians as popularizers of historical knowledge precedes the conclusion, which presents some thoughts about the future of the discipline as it begins to engage with the post-Mao period.

MODERN CHINESE HISTORY: CHARACTERISTICS OF THE DISCIPLINE

Variety is one hallmark of the discipline of history. Historians of the discipline itself often make reference to key founding figures, such as the nineteenth-century German scholar Leopold von Ranke, and trace theoretical and methodological debates that have continued for decades.² But, while certain themes and approaches may emerge as popular at times, they never dominate. Practicing historians around the world draw on a very wide range of historiographical traditions and engage in a multitude of scholarly conversations. These conversations often center on broad themes, questions of periodization, and particular details, rather than on issues of theory and methods as is more common in other social sciences. An exception to this general observation is the history field in China during the Maoist era, when scholars were required to develop historical theory and practice within the framework of Marxist dialectics. The gradual removal of that restriction in the 1980s resulted in an intense interest within China in earlier research by Chinese historians whose work had been suppressed in the Mao years, as well as in the work of non-Chinese scholars of Chinese history.³

Over the past few decades, the study of modern Chinese history has gradually become more globalized. As a discipline, however, history has some characteristics that work to keep its practitioners firmly anchored in their own local, national, or regional scholarly networks. Outside of China and a few China studies centers in other parts of the world, most historians of China carry out their research as individual scholars, rather than in the collaborative groups that often coalesce for other types of social science research. The primary tools of their trade – archives

and books – are increasingly available on-line, allowing them to work in relative isolation. Perhaps more importantly, in China and elsewhere, history studies have long been associated with national identity. History was understood and patronized as essential to defining the polity and legitimating its leadership and organization, and historians helped shape national myths that contributed to political cohesion.⁴ Few professional historians these days see themselves as servants of the state; nevertheless, many do take seriously their role in citizenship education. Thus, the great majority of professional historians engage more fully in local and national discussions about history education than they do in international scholarly conversations. Time limitations may prevent them from reading widely in multiple languages. Most non-Chinese scholars of Chinese history are more familiar with primary sources in Chinese than in Chinese-language scholarship, although both types of material have become widely available via databases and print publications.⁵

Scholars and officials in the PRC, aware that English is the scholarly lingua franca of much of the world, have committed resources to making Chinese scholarship better known in that language. In 2006 *Frontiers of History in China* was founded as a China-based English-language journal, followed in 2007 by the *Journal of Modern Chinese History*. Both journals shine a spotlight on the work of scholars in China, although they accept submissions from anywhere in the world. Also serving as a bridge between scholarly worlds inside and outside of China are the many Chinese academics trained at universities outside of the PRC. Some of them enjoy joint appointments at Chinese and non-Chinese institutions and thus contribute to transnational scholarly networks.

Nevertheless, national perspectives still have a great impact on historical work, particularly on politically sensitive topics such as the dynamics of warfare and international relations in the mid-twentieth-century and the history of the Maoist era in China. Emblematic of this are several projects to bring historians of China, Japan, and Korea together to share their perspectives on the WWII-era history of East Asia. Most of the historians who participated in these efforts seem to have valued the experience; their joint efforts to produce less nationalistic history, however, have not had a wide impact in their home countries. As one of the editors of a recent volume on East Asian history textbook controversies points out, in addition to bitter memories, unresolved territorial issues (particularly disputes over islands) heighten the stakes of historical interpretations of recent history in China, Japan, and Korea (Pingel 2012: 9).⁶

Non-Asian historians are certainly not immune to the biases of national or regional perspectives. One of the aims of the growing fields of transnational and world history, discussed below, has been to ‘provincialize’ the historical experience and historical thinking of western Europe and the US – to resist the dominance of Eurocentric historical frameworks, in part by showing the limitations of political and social theory developed in the context of nineteenth-century western Europe. Postcolonial theory challenges central concepts that underlie much

of contemporary social science theory, arguing that the hegemony of these concepts has closed off alternative ways of understanding the world (Chakravarty 2000). The influence of postcolonial theory and its criticism of the conceptual tools of the social sciences is growing in Chinese history studies. It can be seen in a greater attention to issues of translation, as in Lydia Liu's analysis of how British translations of certain Chinese terms into English led the outside world (and eventually Chinese revolutionaries, as well) to characterize the Qing as exotic, despotic, and backward, thus helping to justify their aggression toward it (Liu 2004: chapter 2).⁷ On a more recent historical subject, Chris Bramall's *In Praise of Maoist Economic Planning*, more influenced by development economics than postcolonial theory, nevertheless makes a similar point about bias in the creation of knowledge about China. Through a close examination of economic data from Sichuan province between the 1930s and the 1980s, it challenges the common assumption that state planning led to the PRC's economic crises of the late 1950s and early 1960s, arguing that ideological rejection of the Communist movement in the wake of the collapse of the USSR blinds historians to the real causes of the Great Leap Forward famine, which are much more complicated and include China's need to defend itself against outside aggression (Bramall 1993).

Lydia Liu is a scholar of comparative literature, not a historian by training. The influence that her work has had among historians points to the discipline's openness to stimulating work in other fields, including literature, art history, anthropology, sociology, political science, and economics. Among contemporary historians who work on modern China, Prasenjit Duara is well known within and outside China for his work that pushes the boundaries of conventional history writing. In *Rescuing History from the Nation*, Duara argues that dominant styles of professional history, developed in the context of nation-building, adopt a linear narrative that serves to 'occlude, repress, appropriate and, sometimes, negotiate with other modes of depicting the past and, thus, the present and future' (Duara 1996: 5). Duara advocates the practice of 'bifurcated history' – exploration of the past that combines the sort of analysis of documents familiar to all professional historians with analysis of why particular historical stories resonate in different ways at different times to different people and how particular historical narratives are established as standard. In a more recent study, Duara makes the case that, for a world in environmental crisis, Asian history offers resources that have been overlooked or repressed in the era of history-writing for the nation. In what amounts to a manifesto to historians and other concerned citizens of the world, he urges that more attention be paid to

traditions in Asia that have been consonant with global imperatives in the Anthropocene – when humans have begun to significantly affect nature and the environment – not only by revealing different attitudes and ideals regarding nature (and other subjugated entities) but also by showing us different methods and techniques of self-formation that can link the personal to the social, natural and universal to counter the consumerism and nationalism of our times' (Duara 2015: 10)

Duara's work constitutes an ambitious attempt to link the discipline of history to moral philosophy and to infuse history practitioners with a sense of mission to save the world. Whether he will succeed in pushing the discipline to transform itself remains to be seen – as with other social science disciplines, history is strongly shaped by more local concerns, including institutional constraints that determine the nature of acceptable scholarship and set standards for publishing productivity that may discourage innovative scholarship.⁸

Despite the constraints, however, modern Chinese history is thriving, in all of its diversity. Below, we examine four broad subfields that are particularly lively at present.⁹

INTELLECTUAL AND CULTURAL HISTORY

In the words of Lynn Hunt, one of its pioneers in the field of European history, cultural history as an approach 'drew attention to language, symbols, and ritual, and gave priority to interpretation of meaning, over causal explanation.' It also 'emphasized the local and micro-historical' (Hunt 2014: 8). Hunt uses the past tense in these quotes because she sees the discipline as turning away from cultural history because of its inability to find a way to connect to broader narratives. There are few signs, however, of a decline of interest in this approach in the modern China field. As a center of industry, publishing, and cinema, Shanghai is a particularly popular locus for the work of cultural and literary historians of modern China. A recent example is Qiliang He's study of the 1917 funeral procession of the wealthy late-Qing official Sheng Xuanhuai. He makes use of newspaper reports, archival material, and memoirs to detail the negotiations that resulted in the particular procession route and to analyze the motivations of those who participated, including more than a million spectators. He argues that such public spectacles created a shared experience that bound diverse immigrant communities together as city people (Qiliang He 2016).

Cultural history has also embraced the study of the formation of collective memory, an emphasis that also seems likely to continue and even become more prominent, particularly if it becomes more possible in China to do research on the traumatic events of the 1950s and 1960s. Memory studies take many forms, but one common approach is to analyze the commemoration of historical events and how that is contested or changes over time. For example, in a study of local memories of a devastating 1931 flood in Wuhan, Chris Courtney has argued that popular religious conceptions of nature held their own against the attempts of authorities to propagate a materialist, scientific understanding of the event (Courtney 2015). Also adopting the methods of cultural history and memory studies, Denise Y. Ho and Jie Li chronicle and analyze the transformation of the home of Liu Wencai over the sixty years of the PRC from a 'landlord museum' where memories of the bitterness of life before 1949 were shared

with school children to a tourist site that celebrates and commodifies local culture (Ho and Li 2016).

In the fields of US and European history, intellectual history, with its tendency to focus on 'the great thinkers' of particular ages, has declined in popularity relative to cultural history among professional historians. That is not the case in the field of modern Chinese history. Hundreds of books and articles have been published over the past few decades on such twentieth-century intellectuals as Liang Qichao, Hu Shi, Lu Xun, and Liang Shuming. One major reason for this is the end of the Mao-era ban on the writings of such men. Several generations of Chinese scholars are rediscovering the work of Chinese intellectuals of the early twentieth century, who also grappled with questions of China's relationship to the wider world. The historian Ying-shih Yü, who spent much of his career in the US before moving to Taiwan after his retirement in 2001, has served as an influential guide to the intellectual history of twentieth-century China for Sinophone readers. His popularity among history enthusiasts in the PRC and his frequent and public criticism of the Chinese Communist Party have combined to make him arguably the most famous historian of China worldwide.¹⁰

Several important themes have emerged in the study of modern Chinese intellectual history. There has long been interest in how intellectuals translated Western concepts, including Marxism, for use in a Chinese context. This area of study has been influenced by postcolonial theory, as can be seen in Tani Barlow's work on discourse on women's rights in twentieth-century China. Focusing on how the category of 'women' has been understood, Barlow argues that progressive feminism developed originally in an atmosphere of 'colonial modernity' and stressed eugenics: the significance of 'women' was in their capacity to reproduce. 'Marxist feminism' displaced the May Fourth variety, downplaying gender distinctions in favor of a common revolutionary identity. 'Market feminism' and 'poststructuralist feminism' have shaped the concept of woman in the post-Mao years, in Barlow's analysis (Barlow 2004). The work of Wang Hui, likewise, explores the history of various conceptualizations of 'China' and 'modernity' in the context of twentieth-century history (Wang Hui 2011).

The resiliency of Chinese intellectual traditions and their viability as resources for the future is another topic of interest among historians. Duara's recent work, discussed above, as well as that of Ying-shih Yü, can be seen as part of this strand of historiography. Some historians have made use of a concept developed by Eric Hobsbawm and Terence Ranger and known as 'the invention of tradition' (Hobsbawm and Ranger 1983). Studies in this vein explore how intellectuals, politicians, and others selectively identify events, ideas, and practices from the historical record and claim them as traditions, magnifying their significance in order to consolidate a communal identity. An example is Barbara Mittler's analysis of the complicated history of music in twentieth-century China, which examines post-1949 debates on the 'true nature' of Chinese music (Mittler 1997).

Research that explores the relationship between intellectuals and the state often combines intellectual history with political and social history to shed light on the changing status of intellectuals. Sigrid Schmalzer's *The People's Peking Man* examines how science was popularized and made part of ideological campaigns by political parties in the twentieth century. In analyzing the production of knowledge about the origins and nature of humanity during the Mao years, she shows how important scientists were in helping the Party introduce materialism as a belief system, but, at the same time, how vulnerable they were to class struggle (Schmalzer 2009).

A social network theory approach to understanding the history of ideas is developing, but primarily in the field of pre-modern Chinese history at this point. Historians influenced by social network theory typically work to compile large datasets of information on the friends, acquaintances, and movements of prominent people and then use statistical methods to analyze the extent and nature of the social circles within which ideas circulated. Historians of twentieth-century China are just beginning to explore this approach, but impressive use of it has been made in the context of Song dynastic history (960–1127 CE) (De Weerd 2016).

IDENTITY HISTORY: GENDER, SEXUALITY, ETHNICITY

Mention has already been made of Tani Barlow's analysis of different Chinese conceptions of 'women.' The history of gender and sexuality intersects with intellectual history, cultural history, and social history, and the popularity of this area of research in past decades has led to the creation of journals and other institutions to support research and the formation of a community of scholars. The subfield of the history of ethnicity has also emerged. Scholars working in all of these fields engage with anthropological theory around questions of identity.

A leading historian of gender, Gail Hershatter, has compiled a thorough review of the literature in women's history divided into the categories of 'marriage, family, sexuality, and gender difference,' 'labor,' and 'national modernity.' In a stimulating 'afterword,' Hershatter argues that gender studies can be seen as a method of challenging and complicating older established historical narratives:

How might attention to gender trouble our stories of political development, e.g., the rise of Communism? Or our stories of economic success, e.g., the market reforms? At the same time, how might attention to China trouble stories of gender that were crafted originally to explain European or North American events, or those of colonized South and Southeast Asia? Just as intriguing, how might critical attention to earlier stories about Chinese gender – the May Fourth story, for instance – alert us to the political and ideological work that these stories performed in the making of a Chinese nation-state? If we were to go back and challenge those stories of the oppressed, silent, footbound, uneducated Chinese woman suddenly bursting forth in a frenzy of subject-making and visibility, what other parts of the big national narrative might come unstuck? (Hershatter 2007: 108)

This same approach, she notes, can be used with the category of 'peasant' – a group of people that appears only en masse and in stereotypical roles in much scholarly writing. Her latest book in fact explores the lives of rural women in the early years of the PRC. In conjunction with archival research, it makes use of the techniques of oral history to map out women's conceptions of the revolutionary changes they experienced in comparison to the state's understanding of their role in the building of socialism. Housework, women's responsibility, was devalued by national and local officials in favor of agricultural and industrial labor, with the result that women were called on to do both and to bear more children for the nation, as well (Hershatter 2011).

Oral history and memoirs will continue to be produced and drawn on by historians for the Maoist and post-Mao periods. China-born women working in academia outside of China contributed to an interesting volume of memoirs of the Maoist era that highlights, among other phenomena, the feeling of liberation that many urban girls felt when initially summoned to the ranks of the revolution at the beginning of the Cultural Revolution in 1966 (Zhong et al. 2001). Among the short memoirs in *Some of Us*, there is one by a leading practitioner of Chinese women's history, Wang Zheng, which draws an intimate and theoretically well-informed picture of family life, etiquette, and revolutionary ideology in 1950s Shanghai (Wang Zheng 2001).

Masculinity studies intersected with Chinese history in a 2000 special issue of the *American Historical Review* introduced by historian Susan Mann (Mann 2000). Interest in this subfield among historians has extended to sexuality studies, although most works focus on pre-twentieth-century eras (Wu 2004). On the first half of the twentieth century, the analysis in Wenqing Kang's study of male same-sex relations explores how the subject was addressed in literature, sexuality, journalism, and the theatrical world (Kang 2009).

Historians of the Qing dynasty have been at the forefront of research on ethnicity in Chinese history. The nature of Manchu and Banner identity has been explored by Pamela Crossley and Mark Elliott, among others (Crossley 2000; Elliott 2001). Frank Dikötter and Thomas Mullaney have brought the subject into the realm of twentieth-century history (Mullaney 2010; Dikötter 2015). Mullaney was one of the editors of a path-breaking and influential volume on the history of the concept of 'Han Chinese' as an ethnic identifier (Mullaney et al. 2012). Despite forays into the subject by historians, ethnicity studies are still largely the preserve of anthropologists, whose work is discussed in other chapters of this Handbook.

URBAN AND BUSINESS HISTORY

Since the beginning of the reform era in 1978, the spectacular rise of industry and international commerce in China has led to rapid urbanization. Accompanying

these phenomena has been intense interest in Chinese urban and business history. Work in urban history has been stimulated by theories about the role of cities in the rise of representational democracy in the context of early modern Europe and also by theories about regional economies and disparities within China (Liu and Stapleton 2006). Interest in how Communist policy drove a wedge between urban and rural areas since the 1950s guides some recent work, including that of Jeremy Brown, who studied the connections between Tianjin and its hinterland in the 1950s and later, showing the significant impact of the Great Leap Forward on urban and rural identities and politics (Brown 2014). Such work provides a richer context for the analysis of the household registration (*hukou*) system offered by political scientists, such as Fei-ling Wang, and geographers, such as Kam Wing Chan (Chan 1994; Fei ling Wang 2005).

The recognition that Chinese cities are undergoing radical physical change has led to attempts to map and evaluate the changes. The art historian Wu Hung, a native of Beijing, wrote a highly personal account of the transformation of the center of that city during the 1950s and 1960s, connecting his memories of the city to the tragic crackdown on protests there in 1989 (Wu 2005). Shao Qin explored the attempts of several residents of Shanghai to resist eviction from their residences in the midst of the city's rapid skyscraper-ization (Shao 2013). Her study highlighted the powerlessness of urban people in the face of a Chinese version of the 'urban growth machine' (Logan and Molotch 2007; Hsing 2010). Michael Meyer's *The Last Days of Old Beijing* chronicles the impact on ordinary Beijing residents of that city's recent transformations (Meyer 2010). The politics of historic preservation and urban planning promises to attract the attention of increasing numbers of historians in future.

Economic history has always had a small but important place within the field of modern Chinese history. The most well-known representatives of the field, such as Dwight Perkins and Thomas Rawski, have had long, distinguished careers. For a guide to scholarship on China's economic history see Chapter 3 in this Handbook. A recent study by Morris L. Bian emphasizes continuity in the transformation of Chinese economic institutions from the 1920s to the present (Bian 2015). Business history, which tends to focus on economic institutions and politics, has flourished as a subfield of modern Chinese history in the decades since the opening of the PRC to the world economy in the reform era. Pioneers include Sherman Cochran, who has studied business networks and families. His most recent book, co-authored with Andrew Hsieh, draws on the personal correspondence of one of the most prominent business families of pre-1949 China to analyze how generational and gender dynamics, as well as warfare and uncertainty, shaped one Chinese business enterprise (Cochran and Hsieh 2013). The accessibility of business records from pre-1949 likewise has made possible Brett Sheehan's study of the Song family businesses in north China, in which he reveals the history of a utopian capitalist plan for China that disappeared with the Communist victory (Sheehan 2015).

TRANSNATIONAL AND WORLD HISTORY

In 1984 the historian Paul Cohen published *Discovering History in China*, a review of English-language scholarship on Chinese history. One of the major turning points he identified in the field was a turning away from the 'impact–response' paradigm made famous by John King Fairbank – a paradigm that posited that the relative continuity of Chinese life had been fundamentally challenged by Western imperialist contact and Western ideas. Replacing it was a paradigm of China-centered history, 'that strives to understand what is happening in that history in terms that are as free as possible of imported criteria of significance' (Cohen 1984: 196). Cohen pointed out that much of the early China-centered historical scholarship he discussed focused on local history and non-elite actors, but he noted that the China-centered approach could accommodate many subjects. The rise of world and transnational history has begun to raise questions, however, about the nature of center and periphery in the context of such phenomena as migrations and social movements. These emerging subfields promise to supplement the China-centered approach that now dominates the field with approaches that incorporate China within broader frameworks of analysis that may have multiple centers.

World history as a subfield of history is not new, but has grown rapidly in the US in part as a consequence of the ethnic diversification of the American population and calls for reform in history curricula to reflect this growing diversity (Dunn 2000). World history sometimes makes use of comparative methods. The historian of China who is most well known in the world history field, Kenneth Pomeranz, famously compared the economy of the highly commercialized Jiangnan region of China with that of the most developed parts of western Europe in the eighteenth century, concluding that they were similar in many respects. The 'Great Divergence' of the nineteenth century was the result, he argued, not of deep-seated cultural differences but of western Europeans' access to the wealth of the New World and to easily exploitable mineral resources (Pomeranz 2000). The book's arguments have been debated extensively, leading many Europeanists to take a new interest in Chinese history. Historian Tonio Andrade also challenges understandings of European world dominance, in his case by focusing on the uneven dynamics of innovation in warfare: the Great Qing Peace in the eighteenth century led to a decline in military preparedness that affected China's relations with the outside world for decades beginning with its defeat in the Opium War of 1839–1842 (Andrade 2016).

China's military weakness in the early and mid-twentieth century does not mean that events in China had little impact globally. Rana Mitter's narrative history of WWII in Asia argues powerfully for the significance of China's resistance to the advance of Japanese forces in the 1930s, as well as for the lasting effects of the war experience within China in later decades (Mitter 2013).

Zhihua Shen and Danhui Li analyze Sino-Soviet relations to show the key role of Mao Zedong in the launching of the Korean War and the growth of tensions within the Soviet bloc (Shen and Li 2011). Shen and Li are among a group of global scholars committed to a project to explore the Cold War as international history.¹¹ China's global influence during the Cold War is also a theme in a new collection of essays on the circulation of the 'Little Red Book' of Chairman Mao quotations around the world in the 1960s and 1970s (Cook 2014).

Studies of Chinese migrants around the world raise questions about the nature of Chinese identity and contribute to the theory on diasporic networks (McKeown 2001; Kuhn 2009). Recently migration to China by Southeast Asians and Africans has been the topic of anthropological research, and it is likely that historians will also begin to explore such movements of people into and within China more fully. Migration studies are central to transnational history, which aims to decenter national narratives by exploring communities that cross borders dividing nation-states (Iriye 2013). Another subfield that has emerged in the context of transnational and world history is environmental history (Marks 2012). To some degree, almost all historians working on modern Chinese history today find themselves thinking transnationally, even while they may strive for what Cohen called China-centered history.

POPULAR AND PUBLIC HISTORY

More than other social scientists, historians tend to want to communicate to the broader public. The narrative form that much history adopts has been linked to the literary genre of the novel, a form that gained popularity with the rise of public education and the development of a middle class. Biography is a type of historical writing that has wide appeal, and many historians have adopted it as a useful vehicle within which to convey their historical understanding and arguments. Jonathan Spence, for example, introduced many Anglophone readers to Chinese history via his biographies of the Kangxi emperor, the Taiping King Hong Xiuquan, and Mao Zedong, among others (Spence 1974, 1996, 2006). Biographies of more obscure figures can also be very effective history: Joseph Esherick narrated the history of twentieth-century China through the generations of his wife's family (Esherick 2011). Based on a detailed diary among other sources, Henrietta Harrison's compelling account of a rural scholar forced to adjust to the fall of imperial China and economic insecurity in the republic offers an excellent introduction to rural life and cultural change in north China in the first half of the twentieth century (Harrison 2005). As with the best narrative history, one could easily imagine a film version being produced.

In addition to biographies, another form of history writing that can have a broad appeal focuses on striking events: revolutions, wars, coups, etc. Rana Mitter's popular (and scholarly) history of WWII in China has already been mentioned.

Another example is Stephen Platt's history of the Taiping War of the mid-nineteenth century, which points out its connections to the smaller-scale civil war that raged in the US at the same time (Platt 2012). The category of 'microhistory' has been used to refer to projects that explore less world-shattering events that nevertheless can be quite revealing of significant historical phenomena. Like biographies, microhistories are appealing to a wide range of readers. Philip Kuhn's *Soulstealers: The Chinese Sorcery Scare of 1768*, a dramatic account of queue-cutting and an emperor's fear of treason, did not become as popular as Jonathan Spence's work among the Anglophone reading public, but its Chinese translation was a hit in China (Kuhn 1990; Kong 1999).

Major events in the history of the PRC are clearly well suited to popular history. The Great Leap Forward famine has been the topic of numerous books that range across a spectrum from popular to academic (Dikötter 2010; Yang 2012; Zhou 2013). Fewer historians have tackled the Cultural Revolution; as yet the literature on that period of Chinese history is dominated by memoirs, in addition to analyses by political scientists. New works are beginning to appear, however (Wu 2014).

The market for popular books on Chinese history is of course much larger in China than elsewhere, and the work of historians is drawn on by filmmakers and TV producers to feed a very healthy appetite for historical drama in China. In the Anglophone world, several novelists have drawn on historical research to create fiction that has shaped views on Chinese history perhaps more widely than the writings of historians, most notably, Amy Tan's and Lisa See's emotional narratives of women's lives in Chinese history (Tan 1989; See 2005). Likewise, memoirs and popular history written by people with no formal training in the discipline of history compete with the works of professional historians to interpret the past (Chang 1991, 2013). Professional historians have mixed feelings about this phenomenon. On one hand, they tend to be grateful when popular writers are able to stimulate interest in Chinese history. On the other hand, they often disagree with the historical interpretations that are circulated in popular culture. This dilemma is by no means limited to the field of Chinese history. Professional historians in all fields debate the problem. Some, like the distinguished European historian Natalie Zemon Davis, have encouraged academic historians to take their scholarly work into the realm of popular history by participating in film projects and diversifying their approach to writing (Snowman 2002).

A few Anglophone professional historians of modern China, like Spence, have devoted themselves to writing narrative history for broad audiences. Others have sought out other forms of writing through which to reach beyond the academy. An example is Jeffrey Wasserstrom's *China in the 21st Century: What Everyone Needs to Know*, a historically informed guidebook to contemporary China (Wasserstrom 2013). As China's influence around the world continues to grow, historians will undoubtedly intensify their efforts to explain to those outside the

discipline how contemporary China has been shaped by history and how its history has shaped the world.

CONCLUSION

As is clear from the discussion above, the history of the PRC has begun to attract a significant number of historians. Several of them have worked to create 'The PRC History Group' in service to the community of scholars interested in post-1949 Chinese history. The website they manage, prchistory.org, provides a platform for discussions of archives and restrictions on using them, as well as conferences and new publications in the field. One striking emphasis of the scholars associated with the PRC History Group is social history: a focus on how ordinary people across China experienced the various campaigns and policy shifts that marked the Mao years (Brown and Johnson 2015). A contributor to the website, historian Michael Schoenhals, has built up an amazing collection of miscellaneous primary source materials from the Mao period (often purchased in flea markets), some of which he used for his monograph on surveillance and spying as a routine part of Chinese life in that era (Schoenhals 2013). On behalf of the PRC History Group Schoenhals produces a regular series called 'Document of the Month.' The documents in this series, which are presented as images accompanied by English-language translation, illustrate the wide range of sources available for studying everyday life in Mao's China. They include self-criticisms, reports from study teams, depositions from interrogations, personal letters, and diary entries. The PRC History Group's website also serves as an archive for Chinese-language electronic journals that feature memoirs and articles on the Cultural Revolution, such as *Remembrance* (记忆 *Jiyi*), *Yesterday* (昨天 *Zuotian*), and *Past Events* (往事 *Wangshi*).

Historians tend to pride themselves on recognizing the complexity of the past and challenging simple verdicts on it. As the Maoist years are assessed, historians will have many opportunities to 'complicate' narratives. Frank Dikötter's powerful, damning trilogy on Maoist-era Chinese history (Dikötter 2010, 2013, 2016) has met with a flurry of reviews and publicity, helping to sharpen debates about the costs of Maoist-era developments and who should be held responsible for them. Mao's own role, of course, is hotly debated. Was he as bad or worse than Stalin? Than Pol Pot in Cambodia? Such scholarly disputation will shape future textbooks on Chinese history outside of China. Critical discussion of PRC history is also possible in China, but what can be published about it – particularly in textbooks – is more limited. Dikötter's books are banned, and objectionable passages of less confrontational histories are edited before publication in Chinese versions for PRC distribution.¹² Prominent historians such as Shen Zihua and Zhang Jishun can publish detailed histories of relatively sensitive topics such as Sino-Soviet relations (Shen 2003) and Shanghai's socialist transformation in the

1950s (Zhang 2015), but works by professional historians that openly question the historical interpretations reached in the Communist Party's 1981 'Resolution on Some Questions Concerning the History of the Party since the Founding of the PRC' or that criticize Mao or Deng directly are unlikely to be published. As historian Suzanne Weigelin-Schwiedrzik points out (2006), in addition to works by professional historians, PRC citizens now have access to many non-official sources of historical interpretation on the Maoist era, including memoirs and on-line essays. There is no doubt, however, that the PRC government has been making greater efforts in recent years to police historical discourse in print and on-line. In addition, fears that Chinese archives will become less accessible to foreign historians are growing. Archives relating to foreign affairs are particularly likely to be denied to foreign researchers.¹³

Relatively few historians have as yet ventured into the post-Mao years as a primary research focus. That frontier will be opened over the next few decades. We can expect that the hallmarks of historical research on other periods of modern China will also characterize research on the reform era. Compared with other social science research, historical research tends to value both the rich context of everyday life and broader frameworks of socio-economic, political, and cultural change. Its research methods and approaches are eclectic and borrow theoretical insights from many other disciplines. Many historians seek to influence history education, rather than to have a direct impact in other areas of state policy. Historians who do engage in policy debates are most likely to do so by challenging simplistic interpretations of history that are appealed to in policy debates – for example, when someone makes the argument that contemporary Chinese leaders are equivalent to emperors of past dynasties. Historian Geoff Wade has devoted a considerable part of his career to dispelling myths that the Ming-era admiral Zheng He (1371–1433) presided over peaceful friendship tours of Southeast Asia and the Indian Ocean world (Wade 2004). His work on this topic is a challenge to PRC government's attempts to use Zheng He as a symbol of an alleged Chinese cultural preference for harmony over warfare, a message it hopes will ease Southeast Asian fears of an expansionist China.

In addition to subjecting nationalist myths to scrutiny, historians often find themselves pointing out the limits of history as a guide to the future. Knowledge of these limits, though, is impossible without deep engagement with historical sources and interpretations. Historians of modern China also believe that the discipline offers an important corrective to historical understanding that takes the American and western European experience as normative.

Notes

- 1 The New Qing History debate is analyzed in Guo Wu 2016.
- 2 Within American academia, one highly regarded historiographical study along these lines is Novick 1988. For a global perspective on the development of history studies, see Iggers et al., 2008. This book has appeared in Chinese translation (Yigeersi et al., 2011).

- 3 For reflections on history studies in the Mao era and the 1980s, see Unger 1993 and Weigelin-Schwiedrzik 2006. Even during the Maoist era there was some room for theoretical debate within the historical disciplines; on the waxing and waning of Russian influence on Chinese historiography in the 1950s and 1960s, see Q. Edward Wang 2000.
- 4 On national mythmaking in post-WWII Japan and China, see Yinan He 2007.
- 5 For Anglophone scholars, the go-to reference guide to historical materials related to China is Wilkinson 2015. Similar works exist in Chinese, Japanese, and Korean (and some are listed in Wilkinson's chapter 76). Information on on-line sources for China studies is available via the Council on East Asian Libraries of the Association for Asian Studies (www.eastasianlib.org/ccm/CS_index.shtml). Chinese academic scholarship is available via China National Knowledge Infrastructure (CNKI) databases. See www.global.cnki.net/kns50/single_index.aspx.
- 6 For brief accounts of attempts to achieve reconciliation in regard to twentieth-century history within East Asia, see Kondo 2012 and Zheng Wang 2009.
- 7 The journal *positions: asia critique* has promoted work that engages in postcolonial theory since its founding in 1993.
- 8 The American Historical Association (AHA) issued a statement in 2012 in response to calls from outside the discipline for the establishment of standards of scholarly productivity. The statement's defensive tone conveys a sense of some of the institutional constraints on US-based historians. At www.historians.org/Documents/AHA%20Letters/Statement%20on%20Productivity%20March%202012.pdf, the 'crisis in scholarly publishing' is a frequent topic for discussion in AHA publications. See, for example, the forum on 'History as a Book Discipline' in the AHA periodical *Perspectives on History* 53, no. 4 (April 2015): 19–27.
- 9 The sections below highlight English-language scholarship. For a survey of recent trends in Chinese-language historical scholarship, see Weigelin-Schwiedrzik 2011. *The Bulletin of the Modern History Institute of Academia Sinica* (www.mh.sinica.edu.tw/bulletins.aspx) is the most useful source for learning about historical work on modern China produced in Taiwan.
- 10 On Ying-shih Yu's career, see '2014 Tang Prize in Sinology,' www.tang-prize.org/ENG/Publish.aspx?CNID=300.
- 11 The major centers for Cold War international history are at the Woodrow Wilson Center in Washington DC (www.wilsoncenter.org/program/cold-war-international-history-project) and at East China Normal University (www.coldwarchina.org/en/default.aspx).
- 12 Ezra Vogel, author of a laudatory biography of Deng Xiaoping, was quoted by the *Guardian* newspaper as saying he agreed to censorship of the book for the PRC edition because it was 'better to have 90% of the book available there than zero.' At www.theguardian.com/books/2013/oct/22/author-chinese-censorship-den-xiaoping-biography.
- 13 The Dissertation Reviews website frequently posts updates on archival access. See, for example, this October 2015 report from the Jilin Provincial Archives by University of California, Berkeley, PhD candidate Larissa Pitts: <http://dissertationreviews.org/archives/12484>.

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China and the Challenges of Comparison

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INTRODUCTION

This chapter reflects upon the benefits and challenges of comparison in contemporary China Studies. Scholars of contemporary China, consciously or not, frequently engage in comparison. Most often they do so without making explicit the region, country, or sometimes the ideal type being used as a measure against their analysis of China. How would the field of contemporary China Studies benefit from a greater effort by scholars to draw comparisons between what they study about China and seemingly related phenomena outside of China? When handled carefully, comparisons can help identify traits that make China distinctive, and conversely, comparisons can aid in the discovery of traits that China shares (surprisingly in some cases) with other regions. In an introductory chapter of a 2011 edited volume, Scott Kennedy called on China specialists in political science to ‘overcome our middle kingdom complex’ and engage in systematic cross-country comparisons.¹ This chapter continues that discussion by examining how and whether comparison can be productive in the broader field of contemporary China Studies.

If I might begin a chapter on comparisons by way of a comparison, consider the example of one work that many still hold up as one of the most insightful studies of American society and culture: *Democracy in America*, published in 1835 by Alexis de Tocqueville.² His observations about the young republic were based on the visits that he made to the United States during the first decades of the 19th century. One source of Tocqueville’s ability to identify the distinctive traits of American society and institutions lay in the explicit (and often implicit) comparisons that he drew with his home country of France. His most

important and enduring observations about American democracy stemmed from placing it in a comparative framework with 19th-century France, another post-revolutionary democratic republic. Tocqueville contrasted the decentralized governance and civic engagement that he observed in America with the centralized bureaucracy and lack of voluntary associations in France. Both had experienced anti-monarchical revolutions in recent decades, but as republics they had quite different forms of governance. Tocqueville's study was not set up as a focused discussion of America and France; the latter country was simply his frame of reference for understanding America. The point is, without some comparative baseline, Tocqueville might not have noticed these features of American democracy, and his most insightful descriptions of American culture may not have emerged. As such, one of the most celebrated works in the field of 'American studies' is comparative at its core.³ Tocqueville's *Democracy in America* is certainly the exception that proves the rule – American studies as a field does not make external comparisons with other regions, even if it does engage in extensive temporal comparisons of America over time. In China studies, also defined by a nation-state that constitutes the field, scholars are understandably reluctant to make systematic comparisons with other countries or regions. But many of the questions they raise about contemporary China come from their observations or impressions of the world outside of China – from transitional economies, regime transitions, capitalist development, and urbanization processes, among much else. As will be addressed in the section that follows, such 'hidden comparisons' can obfuscate as often as they can illuminate.

There are several good reasons for why scholars of contemporary China have generally tended to avoid engaging in the systematic comparisons of the sort commonly found among scholars in Latin American studies or European studies. (Although at one time, the field of East Asian studies occasionally put scholars of Japan and China into comparative conversation, and a few scholars are bona fide specialists on both countries.⁴) First and perhaps foremost, China scholars who are not native speakers have invested years of language training in order to acquire competencies in reading Chinese-language research materials, conducting interviews, and so forth. Second, as the research climate in China over the past three decades has made it relatively easier to conduct long-term field research, the opportunities to engage in extensive research have multiplied. Simply 'getting China right' is a daunting task, made all the more complex by the rapid changes that have taken place and by the vast internal variation found within China. In fact, it is often the practice among scholars of contemporary China to use cities, counties, or regions as their comparative unit of analysis, and developing an explanation or concept based on the variations and similarities among these units has proved to be a rewarding comparative research strategy. And yet despite these constraints and the understandable caution about making external comparisons, other country-specific researchers often engage in comparative work within a region or across regions. It is not so unusual for a specialist on some aspect of

politics or society in Mexico or Brazil to take on the task of drawing comparisons with related concepts or phenomena in other Latin American cases. And it is fairly common for a scholar whose work centers on, for example, the welfare state in France, to engage in systematic comparisons with other European cases.⁵

This chapter examines the rationales and potential benefits of China scholars placing their work on China in a comparative context. It begins by noting different forms of comparison, and then discusses several recent examples by China scholars who have produced work that includes substantive comparisons. It concludes with a discussion of the benefits and limits of comparison as a means for a greater understanding of China.

CHINA STUDIES AND 'HIDDEN COMPARISONS'

To the extent that contemporary China Studies constitutes a field of inquiry, it is a field defined by a place and a time. The founders of China Studies, such as John King Fairbank and early generations of Sinologists stressed the national, indeed civilizational distinctiveness of Chinese society and culture that made China, past and present, utterly incomparable with other societies and polities. At best, these China scholars would accept historical comparisons, those that examined the ways in which earlier periods of Chinese history offered clues, concepts, or analytical frameworks for examining contemporary China. But even a figure as influential and Sinocentric as Fairbank, in explaining China to American audiences, arguably engaged in a kind of comparison, by emphasizing just how distinctive China's traditions and political culture were from the liberal political traditions in America and the West. To compare is not necessarily to assume similarities; it is also to identify and specify the particular differences between or among the objects being compared.

As the broad scope of this *Handbook* amply demonstrates, the field of contemporary China Studies has produced numerous insights, largely in the absence of any explicit comparative cases. But as many of these chapters reveal, an implicit comparative framework often creeps into the assumptions and analysis, whether the authors acknowledge it or not. Take for example the discussion of urbanization (not only among the Handbook chapters but in the broader literature). In virtually all studies of urbanization, the comparative baseline is with the experience of cities in the West, in the 19th and 20th centuries. Concepts such as planning, gentrification, sub-urbanization, neo-liberalism, and civil society predominate in the literature on contemporary urban China. This is because most students of urban China draw upon, and usually were trained in, the concepts and theories developed by leading urban theorists such as Saskia Sassen, Richard Florida, and others who drew their empirical observations from the experience of the West, or from a set of cities (e.g., Tokyo) that they presumed to be homogenized by global connections.⁶

One finds scholars of contemporary China engaging in implicit or invisible comparisons most prominently perhaps in the study of politics and regime transitions. Particularly in the 1990s and in the early 2000s, a large share of the political analysis and commentary predicted or assumed that the liberalization of the economy would lead to insurmountable pressures for political reforms, if not the demise of the Chinese Communist Party (CCP). While few actually predicted the democratization of China, the idea that economic opening and rising prosperity would lead to political liberalization was based on recent historical examples from East Asia, and on broader references to capitalist development in the West. In a related vein, the assumption that civil society and a public sphere would produce new forms of citizenship and pressures for democracy came from comparisons with the regime transitions in 1989–90 in eastern Europe, where civil society organizations seemed to have played a prominent role. Such implicit comparisons were based less on a specific investigation of these other cases and more on the general premise that regime transitions would take place as a rising middle class and a capitalist economy created demands for democratic institutions, to protect property rights and the fruits of prosperity. A careful reading of comparative cases may have led to more cautious assertions about the direction of Chinese politics.

Thus, to some extent, one reason to take comparison seriously is because scholars of contemporary China already engage in what might be called ‘hidden comparisons,’ those that go unspoken but are found whenever a concept is deployed or a certain set of assumptions are made based on the more or less closely observed experiences of other countries. Scholars of contemporary China make such hidden comparisons any time they borrow concepts such as civil society, urbanization, the developmental state, social movements, or civil, political, and social rights – all of which imply a comparison with countries and historical moments that are closely associated with one of these concepts. What is often being deployed is not a cross-country comparison but a comparison of China with an imagined, ideal type: ‘pre-revolutionary France,’ ‘the East Asian developmental state,’ ‘the 1980s Soviet Union,’ or ‘the crony-capitalist political economy.’

However, just because scholars of contemporary China make comparisons, unwittingly or not, it does not necessarily follow that making more explicit, extended comparisons with other countries at particular periods (present or past) would advance our understanding of China. One response to the problem of ‘hidden comparisons’ is to tack the other way: assert that only indigenous concepts drawn from Chinese experience and practice can best illuminate China. There is much to be said for analyzing contemporary China with concepts drawn from the rich array of Chinese legal, political, social, military, religious, and other texts. But even if one bases claims about contemporary China on a close analysis of Chinese concepts, it strengthens the argument to show that the ‘Chinese concept’ (*guanxi*, for example) is not really operative in the same way outside of China. For scholars of contemporary China who assert the distinctiveness of China, invoking a ‘China model,’ or a Chinese form of state capitalism, their claims

would have stronger validity after a closer examination of other countries to identify precisely where and how the China case varies from the state capitalism practiced in Russia or another seemingly comparable instance of state capitalism.

The case for comparison also arises from the extensive transnational connections and global linkages that constitute contemporary Chinese society, economics, politics, among much else. Global influences and flows introduce a host of 'exogenous' factors to the exercise of comparison. Comparisons involving China with other country cases thus entail some assessment of how the outcomes of interest, such as the adoption of a specific public policy or the emergence of new social norms, are influenced by transnational forces or connections.

Another reason for those in the field of contemporary China studies to examine comparisons more carefully is because PRC leaders and policymakers often do so themselves. Indeed, one could chronicle the tendencies of PRC leaders since 1949 as an exercise, often hotly debated among PRC elites, over the distinctiveness or comparability of China's developmental trajectory. The Mao era witnessed debates over China's comparability with the Soviet Union and the suitability of adopting its model of industrialization and rural collectivization. It was a debate that Mao eventually brought to a close in favor of placing China in a 'Third World' camp as leader of rural transformation and mass mobilization. Deng Xiaoping and the proponents of the Four Modernizations looked closely, and with great admiration, at the record of Japan and the East Asian Tigers (including most notably Hong Kong and Taiwan) in achieving rapid growth through exports, technology upgrading, and participation in global production networks. Once again, the act of 'peer selection' by China's leaders was closely wrapped up in their development strategy. Of course, it's impossible to distinguish whether policy preferences came before peer selection, or vice-versa, but it's clear that leaders sought to learn from foreign 'models' that they deemed successful. At the same time, PRC leaders asserted China's distinctiveness, most famously in Deng's formulation of 'socialism with Chinese characteristics' – the assertion that China had followed neither orthodox socialism nor capitalism.

Deng's successors Jiang Zemin and Hu Jintao rarely pinned China to any particular peer group in terms of economic policy, but they clearly drew important lessons from the cases of post-socialist transition in the Soviet Union and eastern Europe: for the CCP to avoid the fate of its Communist Party counterparts, it was essential to deepen controls over security forces and media, educational institutions, etc. Gradual reform was preferred over shock therapy. The primacy of social stability and political controls has been assiduously followed and intensified under Xi Jinping. With China's rise to global prominence, the current leadership seems to have asserted a form of exceptionalism in which there are not really any comparable cases from which China can learn. If anything, the exceptionalist claims invoked by the current leadership invite the scrutiny of scholars, and those interested in the policy implications of their scholarship, to discover possible areas where China is in fact not exceptional but comparable.

If scholarly inquiry is to some extent always comparative, how can scholars in the field of contemporary China Studies make more carefully informed comparisons, even if the end result may be to illuminate areas of Chinese distinctiveness?⁷

VARIETIES OF COMPARISON

For social science disciplines such as sociology and political science, cross-country comparisons imply an analytical, methodological practice known as the 'small-n comparative method.' In contrast to quantitative comparative methods that usually deploy sets of numbers attached to a large number of countries, the small-n comparative method uses a discrete set of countries, sometimes paired comparisons of two, at other times several cases. The point of the small-n comparative method is, as in quantitative analysis, to identify co-variation between some hypothesized set of causes and a specific effect or outcome.

Scholars who compare small numbers of countries in such a way often adopt an approach known as a 'most different' design. That is, if a set of countries differs dramatically in terms of history, culture, or geography, but they nonetheless share some similar phenomenon, such as inequality or high levels of corruption, then the thinking goes that one can eliminate history, culture, geography, and other potential causes since these vary so widely, yet the factor to be explained (e.g., inequality, corruption) still exists across all of the cases. The researcher then looks for something that the countries have in common that explains their similar levels of inequality or corruption. Such a comparison of small numbers of cases is not meant to generate broad theories that explain corruption or inequality across the globe, but the comparison does allow a scholar to rule out causes that might be regarded as 'conventional wisdom' and to propose new causes based on what emerges from the analysis. Conversely, in a 'most similar' comparison, the researcher examines cases that share numerous attributes, yet differ in one particular outcome of interest (e.g., democratic transition). The objective is to identify the feature or trait that is absent in the otherwise similar cases but appears in all cases in which the outcome of interest occurred.

Examples of the small-n comparative method reveal some of its problems. Barrington Moore's investigation of 'lord and peasant in the making of the modern world' (the subtitle of the book) illuminated three 'pathways' to modernity that involved bourgeois revolutions in Britain, France, and the United States; a top-down revolution in Japan; peasant revolution in China, and an absence of revolution (and postponed modernization) in India. Theda Skocpol, using the same approach of examining pre-conditions across a set of country cases, developed an explanation for why social revolutions occurred in France, Russia, and China, but did not in other cases. These and related works in comparative historical sociology involving China as a case were aimed at producing concise causal explanations of historical events that would apply across all the cases under review.⁸

Notably, these and other ventures in comparative historical analysis that involved China as a case were rightly met with skepticism by China scholars. Not only did they usually fail in their discussion of the Chinese case to ‘get it right,’ they operated on a overly mechanical view of ‘big structures, large processes, and huge comparisons’ in which values or nominal categories were attached to highly heterogenous units (countries) to explain outcomes (e.g., revolutions) that were arbitrarily defined through a set of common traits when in fact they may be separate phenomena altogether (e.g., state collapse vs. social revolution).⁹ In addition, small-n comparative analysis assumes that the cases being examined are independent of one another, i.e., not influenced by the outcomes occurring in other units, or by some global event such as financial crisis or climate change. These are bold assumptions indeed.

Perhaps understandably, China scholars have been reluctant to engage in the small-n comparative method by putting China in comparison with other country cases. How can one simply attach a value (numeric, ordinal, or categorical) for some concept such as ‘state capacity’ or ‘commercialization of agriculture’ to a country with as much internal variation as China, even if one isolates the measure to a particular time period? Rather than engaging in such macro-historical accounts that require oversimplifying the complexities of China, many China scholars have compared sub-national units such as cities, counties, or provinces (as discussed below). In these efforts, scholars have shown how, despite the unitary governance structures that exist on paper (e.g., no federalism or formal autonomy of local government), different outcomes prevail depending on factors ranging from institutional legacies and social capital, among much else. And as these comparative forays often point out, the population of Chinese provinces being compared is larger than that of most nation-states.

However, scholars of contemporary China can – and some have – taken what they have discovered about China’s internal variation in a particular dimension and compared it with a similar internal variation in other country cases.¹⁰ In the process, one can identify the causes of why, for example, some industries successfully lobby for preferential policies. The next analytical step is to see whether the same explanation seems to hold among a comparable set of countries. The immediate challenge is to identify what are – and are not – comparable country cases. This entails no small amount of careful reading, conversations with other country specialists, and at the end of the day, reasoned judgments over what makes a case comparable with China. No amount of justification will convince some China specialists that Brazil or Japan or Russia or India can ever be comparable, in an analytic sense, with China. Moreover, some country specialists will insist that the comparative claims one makes must be based on extended periods of research in ‘their’ country and not simply on existing established (and potentially dated) scholarship – a move that likely entails language training in the *lingua franca* of that country case, not to mention extended fieldwork and other research.

However, a scholar in contemporary China Studies can make a successful argument – and an illuminating comparison – by showing how a similar phenomenon, such as business lobbying, occurs in another polity, and how that phenomenon resembles and differs from the familiar case of China. If the same cause – for example, the number of firms and cohesiveness of the business sector – leads to successful lobbying outcomes in both China and the other case, for example Brazil, then one has established that despite their vastly different political institutions, ‘regime type’ is less of a factor in the lobbying process than one might assume. If on the other hand, the comparative exercise leads one to the finding that what causes lobbying success in China is not the same as what leads to successful lobbying in Brazil, one has established, tentatively at least, some distinctiveness in how lobbying operates in China. With more extensive comparative examination involving a handful of cases rather than a paired comparison, the causal account found with an investigation of China can be shown as distinctive (or similar, as the case may be).¹¹

It is important to stress that comparison does not have to be geared toward identifying causation. As noted above, comparison is essential if one is going to assert something about China’s distinctiveness. It is also essential in the development of new concepts, categories, or classifications. The widely circulated concept of the ‘East Asian Developmental State’ originated in the single case study by Chalmers Johnson, of Japan’s Ministry of International Trade and Industry during the 1970s and 1980s.¹² Such empirically rooted concept formation would not have been possible unless Japan scholars and experts in other areas of East Asia had tested the concept to see whether the rapid growth of South Korea, Taiwan, and Singapore could be attributed to the forms of coordination and industrial policy enacted by their respective bureaucracies. In the field of contemporary China Studies, a few examples can be found in which research on China led to concepts that could be ‘exported’ for analyzing similar phenomena in other countries.¹³ The concept of ‘rightful resistance,’ an important contribution to the study of contentious collective action and social movements, was drawn from the fieldwork in rural China by Kevin O’Brien and Lianjiang Li.¹⁴ Andrew Walder’s ‘Communist neo-traditionalism’ is another good example of how concepts drawn from the study of China have generated broader value in the study of other countries.¹⁵ The concept of ‘authoritarian resilience’ coined by Andrew Nathan in 2003 came just as many China political scientists pursued the sources of durability and adaptability of the CCP regime.¹⁶ While China scholars were not the first to notice the resilience of some authoritarian regimes after the ‘third wave’ of democratization seemed to have crested in the late 1990s, the concept of durable authoritarianism put China scholars into productive conversations with their colleagues who worked on comparable cases of authoritarian regime durability.

For China scholars whose research is interpretive in character – and therefore avoids the realm of ‘variables’ and causation – there are also some rewards in making comparisons. An ethnographer who is engaged in ‘thick description’ of

the world and worldviews of unemployed workers in Chinese rust-belt cities, for example, is first and foremost trying to illuminate the practices, habits, and thinking that the scholar finds in the communities that constitute the field site. But just as the political economist above who investigated Chinese lobbying practices and later found some analytical payoffs in reading closely the literature on lobbying in Brazil, the ethnographer of the rust-belt could take some of the concepts and meanings that make up the world of the laid-off worker in China and see whether any comparable meanings and perspectives may also inhabit the worldviews of laid-off workers in other countries (post-socialist, late capitalist, or whatever categorization is most carefully justified). Ching Kwan Lee's *Against the Law* included a closing chapter that did just this, providing concise comparative discussions of worldviews and patterns of resistance among workers in economic regions similar to China's rust-belt and export-processing areas.¹⁷ Even if the result is to show that the China case is indeed *sui generis* – or simply that the findings are limited to the particular region where the ethnography was conducted – the claims of uniqueness are made much stronger through the exercise in comparison. As with causation-oriented approaches, it is usually not practical to conduct a separate ethnography in the comparable country case; the claims can be made through collaboration with another ethnographer or in an article-length treatment that subjects the findings from China to some form of comparative treatment.

COMPARISONS WITH CHINA, BY CHINA SCHOLARS

The questions that China scholars ask are often derived from the category in which they have implicitly placed China: Communist, post-Communist, East Asian, BRICS, Global Powers, among others. The discussion that follows takes stock of efforts by China scholars who have made the comparative turn and how their efforts have advanced our understandings of China.¹⁸ Interestingly, while comparative scholars often include discussions of China when addressing questions such as change in Communist systems, or East Asian developmental states, it is rare for China specialists themselves to engage in a comparative study involving more than passing research on for example, the Soviet Union, or on Japan. With a few exceptions, China scholars did not take the lead in the enterprise in the 1960s and 1970s known as 'comparative Communist studies.'¹⁹ In later decades China scholars have published edited volumes focused on particular institutions such as the socialist workplace in China and other planned economies.²⁰

Two other popular modes of paired comparison examine the trajectory of economic development. The 1960s and 1970s saw numerous studies that analyzed the respective post-independence, post-revolutionary developmental trajectories of China and India. But China scholars themselves were cautious about making extended comparisons of the two.²¹ Another popular form of paired comparison

was the China and Japan comparison, based largely on their divergent 19th-century experiences – and 20th-century economic performance. Japan's modernization and China's stagnation took up a great deal of scholarly attention, most prominently in the work of Marion Levy and Frances Moulder.²² The success of China's reforms and the seeming similarities with neighboring East Asian economies led naturally to efforts at comparing them as 'developmental states,' but as with Communist studies, it was more common for specialists on the East Asian economies, rather than on China, to lead these efforts in comparison.²³

Perhaps the most widely influential comparative study came from the 'California school' of China scholars whose work in global economic history sought to explain the 'great divergence' in growth patterns between China and western Europe during 17th and 18th centuries.²⁴ These comparative works, especially Kenneth Pomeranz's, stress the global connections among the cases, and avoid treating them as distinct units autonomous from and independent of one another (and whose economic performance is explicable solely by domestic factors).

After the regime transitions of 1989–91 in central and eastern Europe and the Soviet Union, comparisons inevitably arose as many wondered how the conditions then present in China (both during and after the events of 1989) resembled or departed from those found prior to the 'collapse of communism' in 1989–91.²⁵ Post-socialism clearly denoted two domains. In the realm of economic planning that had been in place to restrict or even prohibit market forces, China had clearly moved into a post-socialist phase, if not early capitalist. But in the realm of political institutions, the coercive and other means through which a Leninist Party exercised a monopoly on power remained firmly in place in China. Many analysts concluded that the political institutions would have to give way under a post-socialist Chinese economy. The comparative transitions framework perhaps produced the most illuminating comparisons with another case that had retained its Leninist institutions, namely Vietnam.²⁶

Another area of fruitful 'external' comparison has been that involving the PRC with post-1947 Taiwan, including Taiwan after democratization in the 1990s. Bruce Dickson examined the ways in which the Nationalist Party on Taiwan adapted to a rapidly changing Taiwan society and pursued a course of political opening and democratization, placing CCP strategies (to adapt to or repress opposition forces) in comparison.²⁷ At the municipal level, grassroots governance and social networks are the focus of Benjamin Read's comparative study of Beijing and Taipei.²⁸ Other China scholars have used the PRC-Taiwan comparison to examine environmental movements,²⁹ popular protest,³⁰ and political attitudes.³¹ In these and other studies, scholars have shown precisely when and how the presence of democratic institutions in Taiwan makes a difference, and when their impact is more muted.

In the 21st century, especially by the second decade, the dominant tendency among China scholars, political scientists in particular, is to place the PRC and its party and state institutions in a category of resilient authoritarian regimes that

strategically engage social forces, selectively repress potential opponents, and carefully manage commercial and social media. These studies commonly contain portions of or a full chapter placing the findings in the body of literature on authoritarian resilience in other countries. A few edited volumes also address China in a comparative perspective.³² In a study based on extensive research across three cases including the PRC, Daniel Lynch took on the assumption that China would follow an East Asian path toward democratization of the sort found in Taiwan and South Korea.³³ His study showed how some polities seem to have been socialized to global norms of liberal democracy and others not – with the PRC among the latter, and Taiwan and Thailand among the former.

The coining of the acronym BRIC, and later BRICS (Brazil, Russia, India, China, and South Africa) spawned extended reports from financial institutions, think-tanks, and intergovernmental organizations on the prospects for this grouping of countries, by virtue of size and influence, to impact the global political economy. The category however has not been used in any sustained academic research. More common have been some efforts by country specialists to engage in paired comparisons between China and India, China and Russia, and to some extent China and Brazil. Recent work comparing China and India has produced insights that arguably would not have been possible had the analysis been limited only to a study of one of the cases. Min Ye compared the diasporas of China and India and the variation in their effects on the domestic political economy.³⁴ Article-length comparisons include Kellee Tsai's study of how overseas networks of Indian and Chinese traders and entrepreneurs have influenced their respective local political economies in three pairs of provinces, cities, and districts in China and India.³⁵ Several recent comparisons between India and China include a study of variation in government regulation under liberalization policies,³⁶ social media as an anti-corruption tactic,³⁷ and renewable energy policy.³⁸

In the 21st-century post-Communist setting, the Russian case has attracted a few China scholars to draw comparisons between the ways that the two authoritarian regimes engage in management and repression of particular social forces. One such study is the examination of how the two regimes handle the challenge of popular religion and religious organizations.³⁹ Yan Sun extended her book-length study of corruption in 1990s China to make comparisons with the Russian case in a 1999 article.⁴⁰ The Brazil and China comparison has drawn few if any sustained comparisons involving China scholars, with one exception being a co-authored recent book on contentious politics.⁴¹

Scholars of labor studies and labor politics in China have been consistently interested in making comparisons. Dorothy Solinger's *States' Gains, Labor's Losses* makes insightful comparisons among globalization-induced labor retrenchment in China, Mexico, and France.⁴² In putting together three seemingly disparate cases, she shows how in China, in the absence of labor unions, labor protests induced responses from the state, whereas in Mexico and France the strong labor confederations exerted a constraining influence on protest and

yielded limited government responses. Comparison also features in a different way in the scholarship of Elizabeth Perry, whose books on Chinese labor each contain theoretically informed comparative discussions. From such comparisons, we gain insights into how a comparable grouping, such as citizen militias in America, France, or Iran, or artisans in western Europe, differed from or closely resembled the cases under close study in China (primarily in Shanghai).⁴³ The historian Steven Smith, a Russia specialist who acquired China Studies expertise in his mid-career, authored a study on workers and labor protest in Shanghai and St. Petersburg.⁴⁴ Calvin Chen and a collaborator compared union organization in post-Soviet Russia and China.⁴⁵ A number of edited volumes on Chinese labor also contain comparative discussions by individual chapter authors.⁴⁶

In the realm of comparative foreign policy studies, one also finds examples of how ‘the middle kingdom complex’ is being addressed with claims that contextualize and detail decisions and actions undertaken by PRC leaders. Thomas Christensen showed how both China and the United States engaged in assertive foreign policy behavior by viewing the other as ‘useful adversaries’ to stoke domestic political support during the Cold War.⁴⁷ Andrew Mertha’s study of the China–Cambodia partnership in the 1970s offers crucial comparative insights into PRC-sponsored development and engineering projects (comparisons within Cambodia in the 1970s) with relevance for how such projects might fare as China becomes a major aid donor and development player globally.⁴⁸ Andrew Kennedy profiled the cognitive orientations of Mao and Nehru toward global and regional affairs to explain the differences in Chinese and Indian foreign policy decision-making.⁴⁹ The comparison between strategic behavior of China and India, in relation to the United States, is the focus of George Gilboy and Eric Heginbotham’s 2012 book.⁵⁰

Despite all of the above examples of China Studies scholars making comparative moves, they remain the exception. For some scholars, the only valid way to compare China with another country requires an equal commitment for both cases to language training, fieldwork, and the difficult compilation of original research materials from interviews, archives, surveys, and so forth. For obvious reasons, this form of comparison poses serious obstacles to most of those who have spent their scholarly careers focused on China Studies. It is a rare but not impossible form of comparison.⁵¹ But as the several examples of comparative research above have shown, original research in a second or third country case is not the *sine qua non* for China scholars to produce insightful comparative work. Most, but not all, of the preceding examples used a mix of English-language materials (translated primary sources, newspapers, secondary sources) and statistical compendia to develop their discussion of comparative cases.

One strategy around the barriers to comparison can be to develop collaborations between a China specialist and a specialist of other countries. This has been successful in several co-edited books and co-authored articles by China specialists with colleagues who work on other countries.⁵² It is less common to find co-authorships in book-length comparative treatments.

Another barrier to comparison is the prevalent assumption that one is comparing the nation-state of China with other nation-states. This dominance of nation-states as the comparative unit of analysis has a long history and, for better or worse, is probably here to stay. However, as the work noted above by Steven Smith, Kellee Tsai, and Ben Read has shown, the project of making China comparisons need not be done at the scale of the nation-state. Cities, sectors, regions, and social movements, with comparable attributes can be productively compared. Advocates of comparing sub-national units within China or elsewhere emphasize the benefits of developing explanations or theories based on a kind of controlled comparison of the sort one finds in the small-*n* comparative method. In this exercise, a discrete set of administrative or geographical units (villages, cities, counties, provinces) within China are compared with the goal of explaining variation in some outcome of interest. The common elements that the sub-national units share (political institutions, for example) are presumed to be 'control variables' that one can apply in isolating the set of factors that seems to account for why some units displayed a particular outcome (poverty reduction, for example) while others did not.⁵³ This and other forms of within-China comparison have proved a staple for many scholars. There is no reason why a finding from a within-China comparison could not be examined at least tentatively outside of China. For example, are the factors that seemed to cause poverty reduction in a within-China comparison also found in a more or less comparable county-level unit somewhere outside of China, and did they have a similar effect on poverty reduction?

Another form of sub-national comparison is to take a city or province in China and structure comparisons with what seem to be similar cities or provinces elsewhere. In an illuminating discussion on the prospects for using the Shanghai example to draw broader theories in urban studies, Jeffrey Wasserstrom proposed the framework for considering Shanghai among a set of 'reglobalizing post-socialist' cities, and he suggested Budapest among others as possible examples in which fruitful comparisons could be made.⁵⁴ Indeed, the field of urban studies is replete with cross-city comparisons, usually with city or country specialists collaborating to analyze a phenomenon or pattern found among their respective cities of expertise.⁵⁵ In urban studies, the audience of scholars who comprise the field may be more accepting of comparative research designed to develop theories to advance their fields.⁵⁶ The methodology and assumptions about the comparative enterprise are more relaxed than in causality-driven approaches in which the researcher is trying to control for some variables and isolating explanatory variables. By contrast, a comparative urban scholar might explain similarities and differences in some phenomenon such as governance, land requisition, or public health, without seeking to develop national-level political explanations applied to the countries within which the cities are located. Among the claims of 'global cities' theorists is that cities such as New York, London, and Tokyo have more in common with each other than they do with other cities in their respective countries.⁵⁷

Making causal claims through the comparative method is equally hazardous when using sub-national units of comparison. The units under examination (two cities in China and India, for example) are embedded in different national institutions, connected with different national political economies, and possess dissimilar histories, among much else. But they remain comparable administrative and geographic units, namely cities. They face some of the same urban challenges in terms of public health, housing, transportation, public safety, and so forth. The point of the comparison should be less about developing a universal or even mid-level explanation. One cannot really draw a generalizable claim from a study of a small number of cities, nor is such a study likely to offer natural 'control variables' that would lead to a discovery of an 'explanatory variable' that explains public health outcomes across all the municipal cases. Nonetheless, a comparison involving one or more cities in China with cities in other countries can produce the very useful results of showing particular 'causal pathways' or sets of proposed explanations that led to differences (or similarities) in public health outcomes. Such a research design can contribute to broader understandings about when and how particular political institutions at the national level (competitive political parties and elections, for example) do or do not make a difference when it comes to questions of municipal governance.

CONCLUSION

Scholars of contemporary China should be mindful of the need to assess China 'on its own terms,' and the case can be made for scholars of contemporary China to be trained more deeply in Chinese history, philosophy, and literature. Moreover, the field of contemporary China studies, by its very scope, will never be comparative in the way that academic fields defined by regions (Middle East, central Asia, Latin America, Europe) are set up to draw intra-regional comparisons. However, as this chapter has argued, the study of a single case is inherently comparative. The concepts and theories that China scholars deploy in their research are very often drawn from the scholarship carried out in studies of other world regions at specific historical periods. China scholars also draw liberally from ideal types based roughly on non-Chinese historical cases. The comparative turn called for in this chapter invites scholars of contemporary China to make more explicit that which remains implicit. Spending the time to examine and discuss carefully a comparable case to China can lead the China scholar to reach a stronger position on which to ground the findings and observations drawn from research on China.

Contemporary China is influenced by and connected with a world of nation-states, global capital flows, and much else. To the extent that such flows create certain forms of convergence in institutions, practices, technology, and much else, the case for viewing China as comparable (rather than exceptional) remains strong. How does the Chinese society and economy resemble that of other capitalist

countries, or differ from them? Is the rural–urban divide that has long been the basis of economic and social inequality in China a distinct pattern of inequality, or are there examples elsewhere of such geographic-driven inequality? Is China’s foreign policymaking process comparable to that of other ‘rising powers,’ and if so how is it similar and different? How are Beijing’s relations with various communities that populate China’s periphery – Hong Kong, Tibet, Xinjiang, and Taiwan – comparable to those of other large states, or even empires? All of these important questions suggest a comparative research endeavor that might have real-world consequences in helping to illuminate possible solutions to reduce inequality, to lessen the chances of conflict, and so forth. Leaders of the PRC themselves engage in comparisons to serve political agendas. Even if they assert (rather strongly) a position of Chinese exceptionalism, it is up to scholars of contemporary China to test this claim through the process of carefully drawn comparisons.

Notes

- 1 Scott Kennedy, ‘Overcoming Our Middle Kingdom Complex: Finding China’s Place in Comparative Politics,’ in Scott Kennedy, ed., *Beyond the Middle Kingdom: Comparative Perspectives on China’s Capitalist Transformation* (Stanford, CA: Stanford University Press, 2011): 3–21.
- 2 Alexis de Tocqueville, *Democracy in America*, trans. Arthur Goldhammer (New York: Library of America, 2004).
- 3 There may be something to be said for the perspectives that can be gleaned by a foreign scholar who approaches the study of a non-native land without taking for granted some of the assumptions, habits, and practices whose significance can be overlooked by those raised within the society.
- 4 See those listed in note 22; Chalmers Johnson would also be included in this group.
- 5 The subfield in political science known as comparative politics is, as its name suggests, motivated by building concepts and theories through comparisons, and many China specialists in political science locate their work within this subfield. Comparative politics (largely the study of domestic politics) has broader and more inclusive standards for field-based or region-specific research than does, ironically, the field of American politics, which has traditionally relied on the analysis of large datasets of voting records or surveys to build what are purported to be universal theories of human political behavior.
- 6 Saskia Sassen, *The Global City: New York, London, Tokyo* (Princeton, NJ: Princeton University Press, 2001); Richard Florida, *Cities and the Creative Class* (New York: Routledge, 2005). Also see calls from urbanists such as Jennifer Robinson and Ananya Roy to examine non-western urban forms. Jennifer Robinson, ‘Cities in a World of Cities: the Comparative Gesture,’ *International Journal of Urban and Regional Research* 35 (2011): 1–23. Ananya Roy, ‘Slumdog Cities: Rethinking Subaltern Urbanism,’ *International Journal of Urban and Regional Research* 35 (2011): 223–238.
- 7 In the concise (by necessity) review that follows, I have limited the scope to works by scholars who are primarily China specialists and have disciplinary training in social sciences or history (largely the scope of this Handbook). I have not included comparative literature or the arts, or comparative religious studies, though all of these deserve a similar review essay of their own. Nor have I included the large number of articles one can find in specialized journals, usually co-authored, that engage technical, professional, or public policy questions through a comparison of, for example, vaccination rates and public health outcomes, financial markets, or personnel management practices. These comparisons may entail data and observations drawn from China or some unit of analysis within China, but they are usually addressed to technical audiences and readers, and not engaged with the broader field of China Studies.

- 8 Barrington Moore, *Social Origins of Dictatorship and Democracy: Lord and Peasant in the Making of the Modern World* (Boston: Beacon Press, 1966); Theda Skocpol, *States and Social Revolutions: A Comparative Analysis of France, Russia and China* (New York: Cambridge University Press, 1979).
- 9 Charles Tilly, *Big Structures, Large Processes, Huge Comparisons* (New York: Russell Sage Foundation, 1984).
- 10 Most notably, this was the project undertaken by the seven China scholars, myself included, who contributed chapters in Kennedy, ed., *Beyond the Middle Kingdom*. My chapter is Mark W. Frazier, 'Welfare Policy Pathways among Large Uneven Developers,' Kennedy, ed., *Beyond the Middle Kingdom* (Stanford, CA: Stanford University Press, 2011): 89–109.
- 11 One interesting point to note is that the China scholars who have engaged in this form of comparison have done so generally in article-length treatments or chapters in edited volumes. A substantive research project within China possibly leads to a later comparative exercise, sometimes with a colleague specializing in the other country.
- 12 Chalmers Johnson, *MITI and the Japanese Miracle: The Growth of Industrial Policy: 1925–1975* (Stanford, CA: Stanford University Press, 1982).
- 13 Elizabeth J. Perry, 'Trends in the Study of Chinese Politics: State–Society Relations,' *The China Quarterly* 139 (1994): 704–713.
- 14 Kevin J. O'Brien and Lianjiang Li, *Rightful Resistance in Rural China* (New York: Cambridge University Press, 2006).
- 15 Andrew G. Walder, *Communist Neo-traditionalism: Work and Authority in Chinese Industry* (Berkeley, CA: University of California Press, 1988). Neo-traditionalism was the label first applied by Kenneth Jowitt to a particular stage that Communist Party regimes passed through, but Walder developed the concept from his study of the Chinese factory under the Maoist era, and suggested its utility in understanding the industrial workplace in other Communist regimes.
- 16 Andrew J. Nathan, 'Authoritarian Resilience,' *Journal of Democracy* 14.1 (2003): 6–17.
- 17 Ching Kwan Lee, *Against the Law: Labor Protests in China's Rustbelt and Sunbelt* (University of California Press, 2007).
- 18 For reasons of space but also because they rarely put China scholarship into comparative discussion, this review does not include the numerous edited volumes in which one or more China scholars contribute chapters on China, alongside chapters authored by other country specialists on a shared theme, industry, policy, etc.
- 19 China scholars contributed chapters to edited volumes addressing comparative Communism but rarely engaged in direct comparisons between China and the USSR for example, based on extensive research on the latter case. See Donald W. Treadgold, ed., *Soviet and Chinese Communism: Similarities and Differences* (Seattle: University of Washington Press, 1967). An exception is Thomas P. Bernstein, 'Leadership and Mass Mobilization in the Soviet and Chinese Collectivization Campaigns of 1929–30 and 1955–56: A Comparison,' *The China Quarterly* 31 (1967): 1–47.
- 20 Xiaobo Lü and Elizabeth Perry, eds., *Danwei: The Changing Chinese Workplace in Historical and Comparative Perspective* (Armonk, NY: M.E. Sharpe, 1997).
- 21 Well after this period of initial comparisons, largely by development economists, two China scholars co-edited a volume on the political economies of China and India. See Edward Friedman and Bruce Gilley, eds., *Asia's Giants* (New York: Palgrave Macmillan, 2005).
- 22 Marion J. Levy, 'Contrasting Factors in the Modernization of China and Japan,' *Economic Development and Cultural Change* (1954): 161–197; Frances V. Moulder, *Japan, China, and the Modern World Economy: Toward a Reinterpretation of East Asian Development ca. 1600 to ca. 1918* (New York: Cambridge University Press, 1979). See also Gilbert Rozman, *Urban Networks in Ch'ing China and Tokugawa Japan* (Princeton, NJ: Princeton University Press, 2015).
- 23 Exceptions to this generalization are Gordon White, ed., *Developmental States in East Asia* (London: Macmillan Press, 1988); Jonathan Unger and Anita Chan, 'Corporatism in China: A Developmental State in an East Asian Context,' in Barrett L. McCormick and Jonathan Unger, eds., *China After Socialism: In the Footsteps of Eastern Europe or East Asia?* (Armonk, NY: M.E. Sharpe, 1996):

- 95–129; Gordon White, 'Social Security Reforms in China: Towards an East Asian Model?', in Roger Goodman, Huck-Ju Kwon, Gordon White, eds., *The East Asian Welfare Model: Welfare Orientalism and the State* (New York: Routledge, 1998): 175–198.
- 24 R. Bin Wong, *China Transformed: Historical Change and the Limits of European Experience* (Ithaca, NY: Cornell University Press, 1997); Kenneth Pomeranz, *The Great Divergence: China, Europe, and the Making of the Modern World Economy* (Princeton, NJ: Princeton University Press, 2000).
 - 25 Minxin Pei, *From Reform to Revolution: The Demise of Communism in China and the Soviet Union* (Cambridge, MA: Harvard University Press, 2009); Yanqi Tong, *Transitions from State Socialism: Economic and Political Change in Hungary and China* (Lanham, MD: Rowman & Littlefield, 1997).
 - 26 In an exception from the practice of most edited volumes, the contributors to an edited volume on China and Vietnam undertook direct comparisons between the two cases. See Anita Chan, Benedict J. Tria Kerkvliet, and Jonathan Unger, eds., *Transforming Asian Socialism: China and Vietnam Compared* (Lanham, MD: Rowman & Littlefield, 1999). The Vietnam comparison also has made for interesting studies on inequality. See for example, Edmund Malesky, Regina Abrami, and Yu Zheng, 'Institutions and Inequality in Single-Party Regimes: A Comparative Analysis of Vietnam and China,' *Comparative Politics* 43.4 (2011): 409–427.
 - 27 Bruce Dickson, *Democratization in China and Taiwan: The Adaptability of Leninist Parties* (Oxford: Clarendon Press, 1997).
 - 28 Benjamin L. Read, *Roots of the State: Neighborhood Organization and Social Networks in Beijing and Taipei* (Stanford, CA: Stanford University Press, 2012).
 - 29 Yanqi Tong, 'Environmental Movements in Transitional Societies: A Comparative Study of Taiwan and China,' *Comparative Politics* 37.2 (2005): 167–188.
 - 30 Teresa Wright, *The Perils of Protest: State Repression and Student Activism in China and Taiwan* (Honolulu: University of Hawaii Press, 2001).
 - 31 Tianjian Shi, 'Cultural Values and Political Trust: A Comparison of the People's Republic of China and Taiwan,' *Comparative Politics* 33:4 (2001): 401–419.
 - 32 Martin K. Dimitrov, ed., *Why Communism Did Not Collapse: Understanding Authoritarian Regime Resilience in Asia and Europe* (New York: Cambridge University Press, 2013).
 - 33 Daniel C. Lynch, *Rising China and Asian Democratization: Socialization to 'Global Culture' in the Political Transformations of Thailand, China, and Taiwan* (Stanford, CA: Stanford University Press, 2006).
 - 34 Min Ye, *Diasporas and Foreign Direct Investment in China and India* (New York: Cambridge University Press, 2014); also on FDI, see Yu Zheng, 'Institutions, Labor Mobility, and Foreign Direct Investment in China and India,' *Studies in Comparative International Development* 51.2 (2016): 147–168.
 - 35 Kellee S. Tsai, 'Cosmopolitan Capitalism: Local State–Society Relations in China and India,' *Journal of Asian Studies* 75.2 (2016): 335–361.
 - 36 Roselyn Hsueh, 'China and India in the Age of Globalization: Sectoral Variation in Postliberalization Reregulation,' *Comparative Political Studies* 45.1 (2012): 32–61.
 - 37 Yuen Yuen Ang, 'Authoritarian Restraints on Online Activism Revisited: Why "I-Paid-A-Bribe" Worked in India but Failed in China,' *Comparative Politics* 47.1 (2014): 21–40.
 - 38 Joanna I. Lewis, 'Technology Acquisition and Innovation in the Developing World: Wind Turbine Development in China and India,' *Studies in Comparative International Development* 42.3–4 (2007): 208–232.
 - 39 Karrie J. Koessel, *Religion and Authoritarianism: Cooperation, Conflict, and the Consequences* (New York: Cambridge University Press, 2014).
 - 40 Yan Sun, 'Reform, State, and Corruption: Is Corruption Less Destructive in China than in Russia?' *Comparative Politics* 32.1 (1999): 1–20.
 - 41 December Green and Laura Luehrmann, *Contentious Politics in Brazil and China: Beyond Regime* (Boulder, CO: Westview Press, 2016).
 - 42 Dorothy J. Solinger, *States' Gains, Labor's Losses: China, France, and Mexico Choose Global Liaisons, 1980–2000* (Ithaca, NY: Cornell University Press, 2009).

- 43 Elizabeth J. Perry, *Shanghai on Strike: The Politics of Chinese Labor* (Stanford, CA: Stanford University Press, 1993); Elizabeth J. Perry, *Patrolling the Revolution: Worker Militias, Citizenship, and the Modern Chinese State* (Lanham, MD: Rowman & Littlefield, 2006).
- 44 S.A. Smith, *Revolution and the People in Russia and China: A Comparative History* (Cambridge: Cambridge University Press, 2008).
- 45 Calvin Chen and Rudra Sil, 'Communist Legacies, Postcommunist Transformations, and the Fate of Organized Labor in Russia and China,' *Studies in Comparative International Development* 41.2 (2006): 62–87.
- 46 See for example, Anita Chan, ed., *Chinese Workers in Comparative Perspective* (Ithaca, NY: Cornell University Press, 2015).
- 47 Thomas J. Christensen, *Useful Adversaries: Grand Strategy, Domestic Mobilization, and Sino-American Conflict, 1947–1958* (Princeton, NJ: Princeton University Press, 1996).
- 48 Andrew Mertha, *Brothers in Arms: Chinese Aid to the Khmer Rouge, 1975–1979* (Ithaca, NY: Cornell University Press, 2014).
- 49 Andrew Kennedy, *The International Ambitions of Mao and Nehru: National Efficacy Beliefs and the Making of Foreign Policy* (New York: Cambridge University Press, 2011). Though not trained as a China specialist, Manjari Miller conducted a comparison of Chinese and Indian foreign policy, with insights into the ways that imperialist legacies heavily influenced their foreign policy orientations and decision-making. Manjari Miller, *Wronged by Empire: Post-imperial Ideology and Foreign Policy in India and China* (Stanford, CA: Stanford University Press, 2013).
- 50 George J. Gilboy and Eric Heginbotham, *Chinese and Indian Strategic Behavior: Growing Power and Alarm* (New York: Cambridge University Press, 2012).
- 51 An important recent example is William Hurst's examination of legal institutions in China and Indonesia, with research compiled from fieldwork in both countries. William Hurst, *Ruling before the Law: The Politics of Legal Regimes in China and Indonesia* (New York: Cambridge University Press, 2018).
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