

Putting Democracy in China on Hold

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China's transformation from the backward, autocratic economy of just three decades ago is probably the most spectacular and rapid in history. It is inevitable that this extraordinary economic development will have dramatic consequences for Chinese society and politics. Most important are the rise of the middle classes and the institutionalisation of social, economic, and ultimately political systems that reflect the greater standards of accountability, transparency, and rule of law needed for the successful operation of free markets. Many say that these developments serve as the drivers of political liberalisation and democratisation. This argument, that free-market reforms and rising prosperity will inevitably and imminently bring democracy to China, is a mainstay of Western engagement with the country.

Since the Tiananmen Square protests in 1989, China is now three times as rich, but seemingly further away from political reform than it was then. China is no longer seen as the last great authoritarian domino waiting to fall. It is now perceived more as a new and sustainable model for autocrats everywhere—from Asia to Africa and South America—to learn from.

This paper begins by examining the case for why many believe democratisation in China is imminent. But it goes on to argue that this confidence is premature, if not misplaced, and that the impetus for democracy has been lost over the past two decades.

A common mistake is to assume that while China's economy and society is rapidly changing, its authoritarian political institutions remain static. In fact, its institutions are rapidly adapting to a newer social and economic environment. Those too quick to proclaim democracy on the horizon in China have underestimated the determination, capacity, and resourcefulness of the regime in its efforts to remain in power.

Many who believe democracy is imminent also misunderstand the structure of the Chinese economy, which largely remains a state-dominated system rather than a free-market one. By strategically controlling economic resources and remaining the primary dispenser of economic opportunity and success in Chinese society, the Chinese Communist Party (CCP) is building institutions and supporters that seem to be entrenching the Party's monopoly on power. Indeed, in many ways, reforms and the country's economic growth have actually *enhanced* the CCP's ability to remain in power. Rather than being swept away by change, the CCP is in many ways its agent and beneficiary.

To be sure, we have no choice but to continue to engage with China in the hope that continued economic reforms and rising prosperity there will eventually lead to political reform. But we should reject the blind and deterministic logic that a rising China will inevitably become a democratic one. Even if we believe that authoritarian China is on the wrong side of history, so far it is doing a good job of defying it.

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Introduction

In October 2006, one of China's prominent intellectuals, Yu Keping, created a sensation when he published an article provocatively entitled 'Democracy is a Good Thing.'¹ Yu is not an obscure or irrelevant thinker—he is the head of a think tank that reports directly to the Chinese Communist Party (CCP) Central Committee, and he serves as an informal adviser to President Hu Jintao. The article was not published inconspicuously on some illegal blog—it was printed in a prominent journal that is closely linked to the CCP, and was reproduced in the officially sanctioned *Beijing Daily News*. In other words, Yu is a respected and well-connected insider.

Yu is upfront in his approval of democracy:

Among all the political systems that have been invented and implemented, democracy is the one with the least number of flaws. That is to say, relatively speaking, democracy is the best political system for mankind.

And his definition of 'democracy' does not merely serve the Party:

Under conditions of democratic rule, officials must be elected by the citizens and they must gain the endorsement and support of the majority of people; their powers will be curtailed by the citizens; they cannot do whatever they want; they have to sit down across from the people and negotiate.

The promise of democracy in China, as John L. Thornton points out, has been a one-hundred-year pledge. When the Qing dynasty collapsed in 1911, Sun Yat-sen, widely accepted as the father of modern China, claimed that there would be a temporary period of military rule lasting several years before the establishment of a constitutional republic. In 1940, Mao Zedong promised his followers a 'democratic dictatorship.' The economic reformer Deng Xiaoping, who led China out of the disaster of the Cultural Revolution, declared that democracy was a 'major condition for emancipating the mind.' More recently, Chinese president Hu has called democracy the 'common pursuit of mankind'² and has promised China a democracy with 'socialist characteristics.'

Just as using the rhetoric of 'democracy' has always mattered to Chinese leaders striving for legitimacy, the future of democracy in China is important to Western political leaders, who in the main believe that it is elusive but also inevitable.

Back in 1997, US president Bill Clinton made the case that economic liberalisation in China would undoubtedly 'increase the spirit of liberty over time ... just as inevitably as the Berlin Wall fell,' and brazenly told Chinese president Jiang Zemin at a press conference that 'you're on the wrong side of history.'³ Two years later, then presidential candidate and now US president, George W. Bush, declared in making the case for free trade with China that 'Economic freedom creates habits of liberty. And habits of liberty create expectations of democracy.'⁴ When the US Congress granted China permanent normal trading relations in 2000, an explicit assumption was that the market forces unleashed by trade and investment with China would in turn unleash the forces of economic and political liberalisation. President Bush reiterated the same logic in 2005, when he declared that 'a whiff of freedom in the marketplace (in China) will cause there to be more demand for democracy.'⁵

Across the Atlantic, former British prime minister Tony Blair similarly argued that because of economic changes, 'there is an unstoppable momentum' toward democracy in China.⁶ And more recently, in the first public speech delivered by former Australian prime minister John Howard after his 2007 electoral defeat, Howard told students at Harvard that China will 'at some time face some accounting with its ideology.' He continued:

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I hold the view it is impossible in this age of rapid communication for a nation to remain simultaneously economically liberal and politically authoritarian, without some inevitable clash occurring.⁷

Howard added that the Chinese obviously disagreed with this assessment. After all, Chinese premier Wen Jiabao famously told a newspaper in early 2007 that democracy in China might not happen for ‘another 100 years.’⁸ This is how long it might take for China to perfect the system of ‘socialist democracy.’ Leaders Clinton, Bush, Blair, Howard, and presumably Kevin Rudd, would hope for something to happen sooner. Economic and political engagement with the West was meant to hasten political change in China. Indeed, for many, giving Beijing the right to host the 2008 Olympic Games seemed as though it would give the impetus for democracy a firm push in that direction. But there is certainly no semblance of an agreed timetable for democracy between Beijing and the West.

The Democracy Wall movement of 1979, the student protests in 1986, the Tiananmen Square protests in 1989, and the China Democracy Party movement of 1997–1998 were all democratic movements in some form. Is China on the verge of a democratic breakthrough, or at least edging closer to one?

I argue that it is not. Since 1989, China is now three times as rich, but seemingly further away from political reform than it was then. China is no longer seen as the last great Communist domino waiting to fall. It is now more like a new and sustainable model for autocrats everywhere—from Asia to Africa and South America—to learn from. Robert Kagan even calls this authoritarian challenge to liberal democracy the emerging historical struggle for the twenty-first century.⁹

This paper begins by examining the case for why many believe democratisation in China is imminent. But it goes on to argue that this confidence is premature, if not misplaced, and will look at why the impetus for democracy has been lost over the past two decades. It examines why pro-democracy elites from a decade ago are changing their minds in droves, and what form China’s alternative to Western-style democracy—‘democracy with socialist characteristics’—is taking.

The case for democracy: The transformative effects of free markets

Most advocates of democracy now understand that a country’s history and political culture plays an enormous role in whether democratisation occurs. It is increasingly recognised that transporting democracy from the outside, to countries without a deeply entrenched democratic culture, is more likely to fail than succeed. When looking at a country of China’s size and history, no one seriously believes that democracy can be imposed from without. Many point to a persisting ‘Confucianism’ in Chinese social philosophy, which emphasises the worth of the group over the individual, authority over personal liberty, and harmony and cooperation over disagreement and dissent. Although the influence of Confucianism in Chinese society is often oversimplified and overemphasised by Western analysts, there is nevertheless little solid, pre-existing ground for any Western-style democracy to take root. The future of the Chinese is in the hands of the Chinese and no one else. Therefore, if China has not had any significant modern experience with democracy, how can it come about from within?

Martin Wolf, the chief editor of London’s *Financial Times*, recently argued that free markets and economic globalisation go hand in hand with democracy. This was the case, according to Wolf, because ‘both are based on the same principles of individual freedom and optimism.’¹⁰

Wolf does not stand alone. On the contrary, he is supported by a longstanding and distinguished ‘economic liberal’ tradition that has argued persuasively that free markets have a strong correlation, if not a causal relationship, with democracy and political freedom.

In terms of the modern case for democracy in China, we can do much worse than begin with Henry Rowen. Back in 1996, Rowen published an article entitled ‘The Short

March: China's Road to Democracy.'¹¹ Over a decade later, this was followed by 'When Will the Chinese People Be Free?',¹² which updated and reinforced his earlier work.

Rowen's belief that China would be a democracy by 2015, or 2025 at the latest, rested on the following arguments and observations.

He pointed to a simple but powerful fact: all countries, except those that depended overwhelmingly on oil exports, that had attained a gross domestic product (GDP) per capita of at least US\$8,000¹³ per year stood no worse than 'partly free' in the ratings of political rights and civil liberties published annually by Freedom House. Since China's economy would hit that magic mark of US\$8,000 per capita around 2015, Rowen reasoned that it would be a good bet to assume that the same would happen to China.

Why? After all, using crude statistical correlations is likely to lead to dubious social science, and provides an even more uncertain foundation for policymaking. For example, in 2007, using the purchasing power parity (PPP) method of calculating GDP, China was thought to be a US\$10 trillion economy. But in November 2007, a joint effort between Chinese authorities and the World Bank made a more careful and accurate calculation of the dataset for goods and services in China, and found that its economy was actually a US\$6 trillion economy.¹⁴ Does this new measurement of a 40% smaller economy mean that the timing for democracy in China should also be delayed by a proportionate amount?

For Rowen, and for many who believe China will soon see democracy, the reasoning is based not on assumptions that GDP statistics are decisive, but on the *transformative effects* of installing freer and more open markets that are driving rising wealth levels. The magical US\$8,000 mark is only suggestive of *when* democracy might be imminent. It is not a causal argument in itself. Arguments put forward as to *how* and *why* democracy will most likely come about are much more important and useful.

There is no doubt that China is now a very different place to when it began its reforms in 1978. Before then, private enterprise was responsible for less than 1% of the country's output. There are now about thirty million private businesses in China, producing about 70% of national output. Before 1978, foreign direct investment (FDI) was unwelcome and viewed with suspicion, except for sporadic inflows of foreign capital from occasional allies such as the Soviet Union. China is now the world's largest recipient of FDI—around US\$90 billion over the past year and rising. It joined the World Trade Organisation (WTO) in late 2001, and its trade surplus is now responsible for about one-fifth of its GDP growth, which has averaged around 10% per year for almost thirty years. China's transformation from the backward, autarchic economy of just three decades ago is probably the most spectacular and rapid in history.

It is inevitable that this rapid economic development will have dramatic consequences for Chinese society and politics. Indeed, those optimistic about the prospects of democracy in China point to the consequences of its economic transformation, the result of adopting free-market principles. They say it is these principles that serve as the drivers of political liberalisation and democratisation. Most important are the rise of the middle classes and the institutionalisation of social, economic, and ultimately political systems that reflect the greater standards of accountability, transparency, and rule of law needed for the successful operation of free markets.

The rise of a middle class in China

Almost fifty years ago, Seymour Martin Lipset put forward an argument that citizens who were affluent and educated were more likely to reject the appeal of demagogues and by extension dictatorships.¹⁵ This was an early expression of what is now known as 'modernisation theory,' which focuses on the rise of a middle class.

This emphasis on the pivotal role of middle classes in the democratisation process found its precedents in the rise of the bourgeoisie in Western Europe. The bourgeoisie played a significant role in the uprooting of feudalism in England and the Netherlands in the late sixteenth and early seventeenth centuries. In the seventeenth and eighteenth

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centuries, it put its support behind principles of constitutionality and natural right, against the claims of divine rule. It also supported the principles behind private property rights and the right to trade. In the nineteenth century, the bourgeoisie pushed for political rights and civil liberties, in what was a precursor to modern-day liberalism.

The term 'bourgeois' eventually became a somewhat derogatory term (as did the term 'modernisation theory' which was seen as narrowly Eurocentric by many), and had connotations of being uncultured and materialistic. But the bourgeoisie evolved into the post-Industrial-Revolution 'middle classes' that played such an important role in demanding and sustaining democracy in Western Europe and the New World.

More recently, East and Southeast Asia have provided the most compelling examples of modernisation theory at work, though what has occurred in these regions is perhaps better termed 'modernisation authoritarianism.' Economic development following reforms by authoritarian governments, and subsequent prosperity, has paved the way for the rise of democracies in countries such as Japan, South Korea, Taiwan, and perhaps even Malaysia, in very recent times. As these countries' middle classes grew in numbers, wealth, and education, economic and eventually political power shifted towards them and away from traditional elites.

Estimates of the size of China's rising middle class vary from 50 million to 200 million. Although this is still only between 5% and 10% of the population, it is still a considerable achievement. And China's middle class is in many ways beginning to resemble the middle class in entrenched democracies.

For example, members of China's middle class are becoming better educated. They are more likely to have political opinions, engage in debates about politics, current affairs, national policy, and so on, amongst themselves and even in public. The number of students in Chinese universities has increased from about one million a decade ago to over ten million today. The number of Chinese students studying overseas in universities is around 140,000 and rising. It is more difficult for them to be constrained or duped by the authorities. It was students that precipitated the 1989 Tiananmen Square protests, after all. One of the more comprehensive modern studies on this issue found that in recent East Asian history, there is a statistically significant correlation between literacy rates and education and more democratic political institutions.¹⁶ In other words, democracy is more likely to take root in increasingly educated populations.

The middle classes are also enthusiastic consumers of news and media. Importantly, there are an estimated 150 million internet users in China. The regime no longer has a monopoly over information and the 'truth.' Media outlets are not as independent and protected as they are in the West, but they are far freer and less inhibited than they have been previously. Also, rather than being proponents of socialist ideology, the middle classes are eager consumers of Western brands and material products, meaning that commerce, wealth, and social status matter more to them than ideology or being good Party supporters. By extension, the freedom to pursue wealth matters more to them than loyalty to any leader or political group.

Furthermore, these middle classes are increasingly socially mobile and independent. As China expert Dali Yang puts it, 'People can move around, change jobs, go to karaoke lounges, chase pop stars, and even undergo sex-change operations.'¹⁷

This is not just about wearing Hugo Boss or drinking coffee from Starbucks. Wealth and education can also mean greater emancipation. They can bring a concern and longing for respect and dignity, confidence in one's competence and judgment, and even a wariness of those wielding authority. The point is that these middle classes are making more and more decisions about how they want to live, and are increasingly becoming more diverse and independent in how and what they think. Samuel Huntington made the observation over fifteen years ago that almost every instance of democratisation in the latter part of the twentieth century, what he called the 'third wave,' was led by the urban middle classes.¹⁸ If the social mobility of these classes begins to significantly outpace existing political institutions, the latter will eventually have to reform or else face dangerous tensions.

In Taiwan and South Korea, for example, the driving forces for democracy were the middle-class intellectuals and the wealthy urban middle classes respectively.

So, the impetus for democracy in modern times has come from the economically and socially mobile middle classes. These are the people who would seem to have the most to gain from a democracy—from a greater say in who represents them, from limiting state power and subjecting the government to the rule of law, and from more rights of free speech and expression, and individual choice. Being mainly based in urban areas, they are also the best able to coordinate and make organised demands for political reform. Importantly, the middle classes also have the economic clout in modern transitional societies.

As these middle classes grow and acquire wealth that is not tied to the favour of traditional authoritarian political elites, why would we not expect them to demand greater freedoms, including a freer press and more civil liberties? And if so, why would they not eventually demand greater participation in civil society and the political process—even, one day, the right to vote?

The size of China's middle class

It is impossible to know the size of the 'middle class' in China, as it is largely a matter of definition. If we look at it in terms of income and those who live comfortably (by East Asian standards) in China, the middle class is around 150–200 million people. If we only consider those in urban areas who are well-educated, the number is most likely around fifty million people.¹⁹

Similarly, there is no comprehensive data on the composition of the Chinese middle class. The term 'middle-class' in China is often aspirational rather than analytical: those in China who consider themselves 'middle-class' are often those who see themselves as seeking wealth and status. But some analytical attempts have been made to present a picture of the emerging Chinese middle class, and one of the most recent and thorough has been by Li Chunling of the Chinese Academy of Social Sciences.²⁰

According to Li, there are five broad groups that make up China's economic elite. The first group consists of well over 100,000 people, originally managers of state-owned or collective enterprises, who became rich after their enterprises were privatised. The second consists of politically well-connected people who have been successful in business. While precision is not possible, their numbers swelled from the mid-1990s onwards, and they certainly number in their millions. The third group consists of middle- and senior-level managers of multinational corporations. These are the direct beneficiaries of foreign direct investment (FDI) funds entering China—currently at around US\$90 billion, which makes China the largest recipient of FDI in the world. Li estimates the size of this group at several hundred thousand. The fourth is made up of many professionals, specialists, and technical personnel who have done well from their expertise or have gone into business. Li does not estimate the numbers of these people, but notes that their ranks have increased rapidly. Finally, the fifth group consists of senior management within government ministries and large state-owned-enterprises (SOEs). The numbers of this group are small, but its members are powerful.

We can add to these China's tens of millions of shopkeepers, restaurateurs, hoteliers, retailers, property renovators, tourism operators, and so on. They are not the economic 'elites,' but they have relatively high levels of disposable income, live well, and are crafting out a comfortable life on the back of China's economic boom.

Free markets and political reform

The rise of an independent and mobile middle class is one factor favouring democratisation. Another is economic liberalisation, which gives rise to institutions and processes that are not compatible with comprehensive state control over people's lives and actions.

When reform began in 1979, Deng Xiaoping himself realised that a modern economy required clear, predictable rules governing economic transactions. Optimists about democratisation in China, such as Henry Rowen, note that the legal system in China now

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provides for judicial review of the acts of state agents, and compensation for damages from unlawful state actions. Modern principles of contractual law guide business transactions, defining rights, obligations, and damages. Over 250 major pieces of new legislation have been passed since 1978, most of these dealing with economic relations. Transactions, and therefore behaviour, are at least in principle increasingly guided by the rule of law rather than the whim of the regime.

The proliferation of the economic class of professionals, businesspeople, lawyers, tradespeople, shopkeepers, importers and exporters, shareholders, and so on, has also led to the proliferation of interest groups and professional associations. These now number over 200,000.²¹ Although these groups have to be approved by the authorities or be affiliated with official business enterprises that are subject to regulation by authorities, there is simply no way of comprehensively monitoring the activities of them all, and they cannot be disbanded, since the economic system requires them. They are not usually engaged in political activities directly, but interest groups and associations reflect their members' interests and serve as lobbying vehicles to demand rights and other privileges from the government. If nothing else, they become institutions that represent pluralistic interests in organised form.

This is somewhat mirrored by the emergence of a semi-independent civil bureaucracy. Gradual improvement in terms of the independence and professionalism of China's bureaucrats—at the most senior levels, anyhow—is inevitable as the country modernises, since bureaucracies must manage the complex systems that characterize the modern state. They can no longer simply serve as the leader's mouthpiece. The heads of China's main bureaucracies are by and large extremely educated, talented, and able civil servants—promoted on merit—who occasionally criticise government policy, albeit in the gentlest possible manner.

For example, the head of China's central bank, Zhou Xiaochun, recently angered senior Party officials by calling for much tighter monetary policy, and for an appreciation of the Yuan against the US dollar, to combat an overheating economy and inflation. The appreciation of China's currency, in particular, has remained a sensitive issue amongst the leadership. But the fact that Zhao was reappointed to his position for a further five years at the Eleventh National People's Congress in March suggests that China under President Hu Jintao is very different to China under Chairman Mao.

More generally, the mere existence of organised interest groups, which are inevitable in a modern, open economy, signifies the acknowledgement of diverse and discrete interests within Chinese economic society. Chinese leaders can no longer sell the message that the whole population is engaged in an ideological struggle under CCP leadership. This begins the process of negotiation and compromise, not only between interest groups, but potentially between these groups and the regime.

Although this is not 'democracy' in any sense, it is the beginning of a process where officials are asked to negotiate with economically powerful interest groups. For example, at the Eleventh National People's Congress, which concluded in March 2008, Chinese leaders made unusual efforts to brief the media on their economic plans and policies for the future. As compliant and uncritical a media as it was, it still showed that the leadership were keen to at least appear to be addressing the concerns of various citizens. Civil negotiation and compromise are learned political virtues, arising out of systems with pluralistic centres of power and interests. To paraphrase the words of former Czech President Václav Havel, much of democracy is about being able to have a conversation.

Among China's intellectual elites, one can see evidence of widespread debate emerging about China's political future. It is both genuine and profound. For example, in a recent article in the UK-based magazine *Prospect*, Mark Leonard tells us about the over fifty research centres of the Chinese Academy of Social Science, covering 260 disciplines with four thousand full-time researchers.²² As Leonard goes on to say, these thousands were not 'unbending ideologues in the back rooms of the Communist Party,' but a diverse group of 'intellectuals, think tankers and activists all engaged in intense debate about

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the future of their country.’ And they do not fall into a straight line when it comes to their research. Intense debates are taking place between the ‘new right’ and ‘new left,’ between ‘liberal internationalists’ and old-fashioned ‘conservatives’ (in the communist Chinese sense). The battle of ideas might be conducted behind relatively closed doors, but it is intense, broad ranging, and sincere.

The Chinese leadership is under no illusions. It readily accepts that the CCP cannot govern in the way it once did. Officials openly talk about ‘democracy,’ even though this has been an ongoing conversation over the last century and there is no agreement about what democracy might mean in a Chinese context. President Hu’s talk of ‘democracy’ with ‘socialist characteristics’ offers few clues. Cynics would merely say that ‘democracy’ means what the CCP tells us it means. Still, for many in the West, China is moving towards democratic governance. As Dali Yang puts it, the onus is on skeptics to prove that China will be the exception to the general rule, since studies of political regimes strongly show that development breeds democracy.²³ Another widely recognised China expert, Bruce Gilley, goes further: a democratic China is nearly at hand, and the question is not whether China will democratise, but whether the world is ready for a democratic China.²⁴

Democracy’s slow boat to China is getting slower

Even under Mao’s leadership, China’s intellectuals engaged in debates about what forms of ‘democracy’ were appropriate for China. In modern times, surveys of China’s middle and aspirational classes indicate that the majority of them believe that their lives have improved over the past decade and are optimistic that their lives will further improve over the next few years.²⁵ Chinese society is also much more prosperous, dynamic, fluid, complex, and diverse. Many argue that China’s authoritarian structure will soon come under enormous pressure, and the demand for genuine political freedom will grow—that the transformative effects of free markets will soon become irresistible. Are there significant portions of China’s middle classes pushing for more democratic reforms? For the moment, the answer is very clearly ‘no.’

In multiple surveys and studies conducted since the Tiananmen Square protests in 1989, by both international and local agencies, China’s educated, well-to-do classes see democracy (in terms of free and open elections to choose their rulers) as perhaps a desirable far-off goal, but give it only a small priority in the short to medium term.

For example, a 1995 collaborative research project conducted by American and Chinese researchers in Beijing suggested that ‘national peace and prosperity’ (56%) far outranked ‘individual freedom’ (6%) and ‘political democracy’ (5.8%) in terms of a list of national priorities.²⁶ In a series of polls conducted from 1995 to 1999, a clear majority expressed solid support for the political status quo. More than 90% of respondents also ranked ‘order’ a higher priority than ‘freedom.’²⁷ A decade of rapid development later, at a conference on democracy in China in 2004, one of the leading scholars on democratisation in China, Tianjian Shi, presented evidence showing that economic reforms and rising prosperity had not generated significant demand or momentum for democracy.²⁸ In fact, only a minority of respondents favoured multi-party elections to choose national leaders. More than half believed development was more important than democracy, while only 20% believed that democracy was more important. A more recent project from the US Congress backed East-West Center reported similar results, and concluded that Chinese citizens still had little interest in democracy promotion in China.²⁹ Numerous other studies back this up.³⁰ Even a 2008 study looking at the attitudes of private entrepreneurs reveals little enthusiasm for democracy promotion.³¹

To be sure, we should always view survey results with scepticism. They usually reveal sentiment rather than strong belief. Moreover, although surveys conducted since the Tiananmen Square protests in 1989 consistently suggest that democracy has not been high on the list of priorities for most of the middle classes, it should not really surprise us. For tens of millions of Chinese, standards of living have come a long way. For others,

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In many ways, reforms and the country's economic growth have actually enhanced the CCP's ability to remain in power.

as the twentieth-century German poet and playwright Bertolt Brecht once said, 'Grub first, then ethics.' Democracy and freedom is far more compelling with a full stomach and a roof over your head.

Indeed, many of those optimistic about democracy coming to China would say that these survey results precisely indicate how democracy will eventually arrive in China. China's middle classes need to become richer, larger, and more entrenched, and once they do the desire for democracy will gradually take root. It should be wholly expected that many of these middle classes currently prefer economic development to democracy. Indeed, the fact that respondents choose 'economic development' as their priority could actually give many of us cause for optimism. Despite its remarkable progress, China is still a developing country. The yearly average income per person of around \$4,000 is still only one tenth that of the US. The desire for democracy is still unformed, say optimists, and must be allowed time to grow. We need to go beyond the mere expressions of fickle sentiment that surveys express if we are to make the opposite argument—as I do—that democracy in China is further away than it was two decades ago despite rising prosperity.

Adapting to change: Building institutions to entrench CCP rule

The belief that China's rising middle class will eventually demand democracy depends on the argument that authoritarian political systems and institutions will fail to meet this middle class's changing needs, expectations, and wants.

The argument optimists put forwards is that the market's transformative effects have been unleashed, and democratisation will inevitably result. They say that China's leaders are flailing about in a modern adaptation of a classical Greek tragedy: they are determined to preserve the political status quo, but have unwittingly let loose the irresistible agents of change that will sweep them and the old system away.

Is the leadership in China really just fighting a losing battle?

There is strong evidence it is not. A common mistake is to assume that while China's society and economy is rapidly changing, its authoritarian political institutions remain static. Those too quick to proclaim democracy on the horizon in China have underestimated the determination, capacity, and resourcefulness of the regime in its efforts to remain in power. As Minxin Pei points out, few authoritarian rulers throughout history have voluntarily chosen to cede power simply because their societies have grown wealthier and their people better-educated.³² The regime has understood better than we have in the West the 'dangers' of free-market reform, and has adapted much better than most in the West expected. Many optimists also misunderstand the structure of the Chinese economy, which largely remains a state-dominated system rather than a free-market one. By strategically controlling economic resources and remaining the primary dispenser of economic opportunity and success in Chinese society, the CCP is building institutions that seem to be entrenching the Party's monopoly on power. Indeed, in many ways, reforms and the country's economic growth have actually *enhanced* the CCP's ability to remain in power. Rather than being swept away by change, the CCP is in many ways its agent and chief beneficiary.

Controlling resources and the levers of economic power

Authoritarian regimes become irrelevant at their peril. To preserve its economic relevance, the Chinese regime has gone to extensive efforts to maintain control of the major levers of economic power. This control is the heart of an economic structure that *entrenches* the role and position of Party members in Chinese economy and society. Around a dozen key segments of the economy—including banking, construction, infrastructure, media, and telecommunications—are dominated by state-owned-enterprises (SOEs). Thirty-four out of thirty-five of the largest listed companies on the Shanghai Stock Exchange are majority owned by the state. Despite the significant free-market reforms implemented over the past thirty years, including China's ascension to the World Trade Organization (WTO), China remains a state-dominated economy. In terms of assets, employment, national output, and control of the most important sectors, the state's role in the Chinese economy

is still far more profound, extensive, and entrenched than at any time in countries that have recently democratised, such as Taiwan and South Korea.

For example, China's banks hold around 90% of its financial assets. The banking sector is dominated by China's big four state-owned banks, which control around 70% of the sector, while smaller state-owned banks control around 10%. Even though a couple of these large state-owned banks have been listed, the government retains majority ownership in all of them, and only about one-third of their stock was made available to be traded. Maintaining control over the banking system, notwithstanding China's WTO obligations to liberalise the sector, is a crucial part of the regime's continued economic relevance and dominance.

Bank loans make up around three-quarters of all business investment activity in China (foreign direct investment makes up around 18%, and the stock market around 7%).³³ In turn, over 70% of all bank loans go to SOEs, much of it at discounted rates, even though SOEs produce less than 30% of the country's output. In 2005, a wide-ranging joint study by the OECD and China's National Bureau of Statistics found that over 90% of private domestic businesses had extreme difficulty in accessing bank credit.³⁴ Despite common characterisations of China as a free-market economy, the state still owns around 60% of all fixed assets in the country.

Control over the bulk of the country's financial assets and capital has been a component of the government's strategy to remain in power. State-owned banks extend around half of all loans to SOEs on a 'policy' rather than 'commercial' basis.³⁵ The 1994 Commercial Banking Law explicitly allows this. SOEs often receive loans despite their poor performance. Subsequently, employees of SOEs, numbering around seventy to eighty million, continue to offer strong support to the regime.

SOEs are also at the centre of the CCP's extensive patronage system, which helps keep it in power. According to extensive research done by Minxin Pei, the CCP appoints four in every five SOE managers and chief executives, and 56% of all enterprise managers. In the over 6,200 large and medium-sized SOEs classified as 'restructured' in 2001, Party committee members in the pre-restructured firms became the post-restructuring board of directors in 70% of cases.³⁶ Indeed, about 8% of the Party's seventy million card-carrying members, and almost 16% of urban CCP members, held executive positions in SOEs in 2003.³⁷ Another study showed that 85–90% of the senior positions in the state-dominated sectors of finance, foreign trade, land development, heavy engineering, and securities were filled by the children and other relatives of high-ranking Party officials.³⁸ It should then come as no surprise that since 1989, an increasing percentage of SOE workers have chosen to become CCP members.³⁹

Co-opting China's emerging middle class

The CCP has conducted a tireless and largely successful campaign to co-opt, and in many respects *create*, the rising educated and economic classes. Rapid economic growth can offer authoritarian regimes more tools and resources with which to entrench their power. This has been done in a number of ways.

Businesspeople

Because the regime remains the dominant player in China's 'free-market' economy, businesspeople increasingly see themselves as partners of the state.

For example, one of the most recent and comprehensive studies done on the relationship between the Party and China's private sector entrepreneurs found that private entrepreneurs, especially those in the most privatised and prosperous regions, do not seek autonomy but rather choose to become closer to state organs and officials.⁴⁰

According to the author, Bruce Dickson, they do so because to be 'outside the system' is to be powerless. Being close to the Party places them in a much better position to pursue their interests and maximise their insider's leverage. As evidence of this, 40% of private entrepreneurs in Dickson's survey were already Party members, and more than

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25% of the rest had been targeted by the CCP as potential members and wanted to join. Reinforcing the symbiotic relationship between the Party and private business, nearly 70% of those surveyed were members of at least one CCP-created business association. Joining the Party or one of the Party's associations offered members easier access to loans, official favour, and protection from 'external' competition and adverse regulation.⁴¹

Therefore, talk of an independent business class ignores the reality that in China, businesses need the help of party officials to initiate and maintain their enterprises. Local party officials determine who gets access to resources, land, and markets. Without the support of party leaders, many businesses cannot survive. This observation is backed up by the fact that businesspeople are the fastest-growing group of applicants for CCP membership over the past decade. An investigation found that a third of the CCP's new members come from China's rising middle and economic classes.⁴²

We can also point to overwhelming circumstantial evidence suggesting collusion between business and the regime. In a recent study done by the regime's own researchers at the State Council of the Academy of Social Sciences, and the Party's Central University, of the 3,320 Chinese citizens with a personal wealth of 100 million yuan (US\$14 million) or above, 2,932 of them were the children of high-level Party officials.⁴³ There are now around 320,000 people in China who are worth at least five million yuan (US\$700,000). The vast majority of these are card-carrying CCP members.

Intellectuals

The CCP has gone out of its way to co-opt the educated and the influential. Since the Tiananmen Square protests in 1989, the leadership has chosen to 'sponsor' rather than crack down on the intelligentsia. Ideological indoctrination has a limited capacity to seduce, especially now that the CCP itself is hardly the party it was under Mao. The main technique is now financial, and the main benefit of an association with the party is the prospect of career advancement.

Minxin Pei has done a great deal of work to describe the measures the Party has undertaken.⁴⁴ For example, it went to great lengths from the 1990s onwards to co-opt the next generation of college students. Party officials recruited gifted candidates into university committees. These committees were given the power to design curriculum, promote and dismiss academics, and decide budgets; and all universities were to have at least one or two such cadres. Moreover, outstanding students were chosen to be 'mentored' to become permanent Party officials in universities, and were afforded full academic rank. They were to receive substantial housing benefits, pay, and subsidies in line with senior academic peers.

It is important to remember that university campuses were the hotbeds of pro-democracy sentiment prior to 1989, when an estimated 150,000 students precipitated countrywide protests by marching in Tiananmen Square. 'Democracy' was seen by these students as the cure for corruption and a recipe for a more just society.⁴⁵ Since then, political elites have welcomed students and given them incentives to support the Party. Students now are much more committed to the political status quo. From 1990 to 2001, the proportion of university students who joined the Party increased tenfold, from 0.8% to 8%. In 2000, almost 30% of graduate students were also Party members. Bear in mind that around a third of all students in 2001 applied to join the Party.⁴⁶ More broadly, the so-called 'me generation'—the sons and daughters of the rising middle classes and elites—readily consume Western brands and live Western lifestyles, but are different to their counterparts from a generation ago in that they remain largely uninterested in political reform. When pressed for an opinion, many are critical of those students who instigated the Tiananmen Square protests in 1989.⁴⁷

Additionally, the regime has instituted a system of professional honours, perks, and awards granted to scholars and professionals. Party officials choose the recipients. Such scholars and professionals receive research grants or a stipend, or look forward to significantly advanced prospects for promotion. By 2004, about 145,000 professionals—

8% of senior professionals—were receiving special government stipends. Because success and recognition requires the Party's support, if not largesse, one of China's leading 'liberal' scholars, Liu Junning, observes that most of China's intellectuals will choose status and power over freedom of thought. They strive to excel in their field to become senior officials, bureaucrats, or Party-recognised experts.⁴⁸ Those that stubbornly retain their intellectual independence are generally doomed to irrelevance, since they are denied official postings. For those that enter into the state-sponsored mainstream, as Pei notes, being on the 'inside' means that professionals need to play by the rules set by the Party: insiders who defy the Party risk losing everything.⁴⁹

The effectiveness of the leadership's strategy to get intellectuals on side, and control and manage debate rather than suppress it, is also seen in the way freedom of thought is selectively channelled. For example, take the four thousand or so researchers working in the Chinese Academy of Social Sciences. There are many thousands more working in dozens of other think tanks sanctioned or tolerated by the government. Rather than exhibiting the common authoritarian preference for making enemies of intellectuals, the government has done the opposite in modern China. Intellectuals in these government-approved organisations now gain recognition, kudos, awards, and a comfortable living from the state, for debating on possible directions for the Chinese society, economy, and state.

But these intellectuals are almost always engaged in what are fundamentally problem-solving debates, whose nature leaves the idea of one-party rule unchallenged. For example, there are calls by intellectuals to diversify and broaden the CCP, experiment with intra-Party 'democracy,' or address the problem of corruption by officials, serve to improve the effectiveness of governance by the CCP and to improve the the Party's legitimacy. Calls by Party officials and intellectuals for 'permanent experimentation' are largely about means, not ends. Certain topics are still off-limits: granting independence to Taiwan, Tibet, or Xinjiang, and most certainly the elimination of one-party rule in China. Even Yu Keping, who I quoted at the beginning of the paper, calls for a more responsive intra-Party democracy, and stops short of calling for multi-party democracy in China as the ultimate end. The unchanging condition for debate is that any reform or experiment must not threaten the CCP's monopoly on power. When intellectuals break this condition, they are without exception either cautioned, removed from their position, or arrested.

Journalists and media

Most journalists are members of the Party; those who act independently of it are few. China has harsh laws and procedures for journalists who overstep the line, but bringing them on side has been far more effective for the regime. As Suzanne Ogden puts it in her study *Inklings of Democracy in China*, journalists tend to serve as the Party's watchdogs, and advocate state objectives. Freelance journalists will not get their stories published (and therefore will not be paid) if they write on forbidden topics.⁵⁰ Also, media outlets are still subsidiaries of Party organs. Through a combination of intimidation and inducements, journalists have become 'one of the most readily and easily co-opted intellectual groups' in China.⁵¹

For journalists and other media commentators who choose to remain genuinely 'independent', as one foreign media entrepreneur working inside China puts it, the tools used by authorities are still the old-fashioned ones: surveillance, arrest and imprisonment.⁵² Resources put into surveillance and controlling distribution is particularly striking. As the same author points out for us, no printed works can go to press without an official bar code. Unsurprisingly, the issuing of bar codes is controlled by the regime. All live television and cable shows must be approved beforehand by authorities, and there must be a mechanism available for ceasing performances midstream.⁵³ The government employs over thirty thousand people to monitor Internet traffic and officials employ the full range of technical tools to censor undesirable content online: blocking, redirecting, filtering, and even attacking specific sites to bring them down.

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Government continues to control and dispense a dominant share of the most valued economic, professional, and intellectual opportunities.

More generally, all domestic businesses interacting with and reaching large numbers of citizens—media, telecommunications, distribution, transportation, and so on—are required by law to be owned by the government or selected domestic Chinese companies easily controlled by the government. For foreign media enterprises, even global media barons like Rupert Murdoch are forced to play by CCP rules, in terms of agreeing to censor undesirable content or to include pro-government material. So are powerful brands such as Yahoo! and Google operating in China, who were forced to adopt the government's censorship and anti-privacy policies. Businesses do sometimes push the envelope in terms of acting independently of CCP regulations, but they do so at great risk to their executives' careers and to the prospect of continued access to the Chinese market. Usually, it is easier and more profitable to play by the rules.

Civil servants

Even though the professionalism of civil servants in China has made great progress over the past two decades, most remain loyal to the one-party system. As a recent report reveals, public servants are offered disproportionately higher and higher salaries each year. They are frequently offered exclusive access to modern residential properties at hugely discounted or subsidised prices. Sales of cars to these middle-class public servants have increased by about 40% year-on-year since 2000. Many of them now have a standard of living that they could not have imagined two decades ago. Why would they seek to upset the political apple cart?⁵⁴

The resilience of authoritarian China

Many in the West believed that economic liberalisation and decentralisation in China would lead to the growth of a middle class whose economic power allowed it a degree of independence from the regime. Instead, the government continues to control and dispense a dominant share of the most valued economic, professional, and intellectual opportunities. Moreover, given the decentralisation of power and functions that occurred in the 1980s and 1990s, much more power lies in the hands of lower-level officials than it ever did. For example, local officials receive about 75% of the country's tax revenues, with the central government receiving only 25%. Likewise, local authorities initiate or oversee around 70% of government spending. Local officials and managers, not central ones, make the majority of lending decisions by state-owned banks. This actually makes it harder, not easier, to displace the power of state officials since such power is much more dispersed and entrenched throughout society. Those who receive access to the economic, professional and career opportunities offered by local state officials in large part constitute the contented middle classes emerging in China today. In this way, the middle classes are largely co-opted rather than independent.

The changes in CCP membership over almost thirty years tell us a great deal about how the Party itself is adapting. In 1978, workers and peasants accounted for over two-thirds of the CCP's thirty-seven million members. In 2005, workers and peasants accounted for only 29% of seventy million members, while 23% were professionals and 30% were college students.⁵⁵ A study published in 2008 reported that 34% of private entrepreneurs are now members of the CCP,⁵⁶ up from 19% in 2000. The Party is not just moving as China moves, it is taking a lead in defining and representing the new China through its membership.

That the middle classes—from the private and public sectors alike—have little appetite for democratic reform is easily explained: they have much to gain from the current political status quo and potentially much to lose should it change.

Eva Bellin observes that state-led development breeds a dependence on the state in capital and labour, and tends to exacerbate inequality.⁵⁷ Within one generation, China has gone from being the most equal to the least equal society in Asia. Its Gini coefficient (a measurement of income inequality) is now 0.47, up from 0.16 in the 1970s.⁵⁸ There are between fifty million and two hundred million middle-class people (depending on what

definition you use), but around one billion people who have missed out on the benefits of economic liberalisation. Much of China's progress actually occurred from the late 1970s to the mid-1980s. Going by the World Bank's definition of poverty, 80% of people emerging from it in China did so up to the mid-1980s. Since then, of China's one billion poor, about four hundred million have seen their disposable incomes stagnate or decline.⁵⁹

Any political change towards democratisation would invariably see a redistribution of income, rights, and rewards away from China's 'privileged' classes. It could even lead to a change in trajectory away from China's hybrid free-market system—from which the middle class has benefited—towards a more socialist one involving widespread redistribution. In this scenario, as long as the authoritarian setup can continue to deliver them rising prosperity (no matter how unbalanced), why would the middle classes want political reforms that could lead to their own dispossession? As Huntington observed about the 'third wave' of democratisation, democracy premised on some measure of majority rule, is difficult to achieve when there is a large, impoverished majority and a small, powerful minority. China's authoritarian leaders have ensured that the middle classes' future is tied to the Party's.

The strategy to co-opt the country's elites was born of a lesson learned from China's own recent history and that of other nations. In the 1980s, the CCP remained relatively hostile to entrepreneurs, intellectuals, and other 'bourgeois' elites. These groups were among those calling for democracy leading up to the Tiananmen Square protests. The Soviet regime disenfranchised its economic, social, and intellectual elites, and suffered accordingly: these elites became the adversaries of the Soviet Union before and during its collapse. In contrast, the Tiananmen Square protests did not bring down the CCP, but gave the regime another chance. The experiences of the Soviet Union and Eastern Europe taught the CCP that in order to remain in power during periods of rapid change, authoritarian regimes needed to welcome new and existing elites rather than oppose them. The CCP has learnt this lesson well, developed institutions and structures to help it hold on to power, and adapted.

What is democracy with 'socialist characteristics'?

The regime decided to experiment with democracy by allowing elections at the 'village' level—the lowest of China's six tiers of government. However, allowing direct election of village chiefs in some 700,000 villages some twenty years ago did not signify a commitment to democracy in the regime's eyes. It was meant to be a 'problem-solving' tactical measure to improve order and governance at the lowest levels following the dismantling of communes at the beginning of the reform period. As Suzanne Ogden concluded in her study of village elections, China's leaders seem to have decided that greater village autonomy would further the party-state's interests, as village-level officials could no longer provide the order and leadership required. Facing a collapsing village-level administrative system, the regime decided to institutionalise village elections, since spontaneously organised elections in some villages in the early 1980s appeared to improve governance.⁶⁰

Some analysts see these institutionalised elections as creating habits and expectations of democracy. They could also provide a fertile training ground for the Chinese people if democracy is eventually instituted at higher tiers of government. However, the regime has ensured that voting at this level is more about solving practical problems of ground-level administration than about institutionalising a new political ethos. Political parties apart from the CCP are still banned. Elections are closely 'supervised,' and there is widespread intimidation of candidates by local Party officials. Village chiefs still have to 'share' power with the village Party leader. Indeed, though they have created habits of voting, allowing elections at the village level has actually improved many villagers' perception of the central leadership without the Party giving up any meaningful political power.

The central leadership is clearly aware of the positive and legitimising rhetoric of 'democracy.' Speeches by China's leaders frequently mention 'democracy' as a goal. But they refer not so much to building a democratic 'system' as to building a responsive Party.

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Examining China's economic structure and activity shows the state remains in control of a significant portion of China's resources and still dominates all of the country's most important sectors. As a result, it remains the principal dispenser of economic, social, and professional opportunities. The Chinese system is best characterised as 'state corporatism,' 'socialist corporatism,' or 'China Inc.' as some have termed it.

Therefore, as argued, this places the regime in a powerful position to *co-opt*, or at least *placate*, influential groups that emerge. Intra-party diversity is all about strategic survival and tactical adaptation. Influential groups will receive incentives to work with and within the one-party system, rather than against it, as Chinese society develops. Becoming a broader church means that the Party will evolve and change even as it successfully co-opts newly emergent groups, but it also means that the country's one-party structure has significantly improved its capacity to manage change in China's economy and society, to remain in power. Bear in mind that this does not mean China's authoritarian structure is dealing well with many of the challenges rapid growth and modernisation poses. Elsewhere, I have argued that it is not, and that the regime faces severe problems it may not be able or willing to solve.⁶¹ But short of severe and dramatic shocks to the Chinese economy that would rob the government of its capacity to keep its side of the bargain by bringing greater prosperity to the middle classes, the prospect of one-party rule in China in the foreseeable future remains strong.

Also, we should be careful *not* to treat the CCP's understanding of 'democracy' as if it were an effective de facto democracy (one that gives voice to different groups within a one-party system) even if it is not one in terms of political procedure. Co-opting influential groups within Chinese society is designed to align the interests of these potentially influential groups with those of the CCP—not the other way around—and to silence any opposition in the process. For example, welcoming entrepreneurs as members of the CCP was not done to offer a voice for *independent* entrepreneurs within the authoritarian system. It was designed to ensure that entrepreneurs—tied to the Party so as to receive favours—became advocates of the political status quo and hence mouthpieces for the CCP. The CCP is not attempting to simply accommodate those who are socially and economically mobile. It is attempting to *create* and *shape* them, and to welcome these creations as its strongest supporters.

People appointed as officials and members of the Party might continually change, but the Party's power and privilege does not. As an article in one of China's more liberal journals puts it:

When the party is granted superior status, only those aspects of democracy that are beneficial to the party will be preserved. Other aspects of democracy ... will be discarded. In such a case, democracy is relegated to being an ornament that can be toyed with by the party.⁶²

'Experiments' to produce more effective and responsive leaders from within the Party are one thing. The power of citizens to *remove* corrupt or ineffective leaders, strip them of their privileges, and call them to account is another—something one-party, authoritarian systems tend to have trouble with. 'Democracy with socialist characteristics' remains tied to the CCP's overriding goal of remaining in power. What might be called China's hybrid system of 'socialist' or 'crony' capitalism has so far prevented the transformation of society that well-functioning and genuinely open markets might achieve.

It may be that a significant shock to the Chinese economy might lead to a chain of events ending in greater political reform and freedom. However, one could just as well argue that turmoil would further entrench the Party as the dominant dispenser of the most valued economic and personal opportunities. It is not my purpose to speculate on this 'turmoil' scenario. The argument made in this paper is that developments over two decades have moved China further away from democracy, not closer to it, despite the country's economic growth.

Conclusion

Fifty years ago, Samuel Huntington laid the intellectual groundwork for the development strategy of 'authoritarian transition,' where existing authoritarian systems could initially provide political order, the rule of law, and other conditions for successful economic development.⁶³ Given the decades of suffering and chaos China has endured, particularly during the disastrous Great Leap Forward of the 1950s and the Cultural Revolution of the 1960s, the emphasis on an orderly transition is understandable. As Deng once put it, China achieved so little in the past because it tried to do too much.

In their survey of authoritarian rulers since 1945, Guillermo O'Donnell and Philippe Schmitter observed that modern dictatorships' Achilles heel was that they needed to justify themselves in political terms as transitory powers overseeing a transition that would lead to a far-off goal—for example, 'social peace' or 'economic development.' These dictatorships are forced to promise 'democracy' once these goals are achieved.⁶⁴ This was certainly the basis for the 'new authoritarianism' put forward by the Chinese regime to justify its hold on power after the Tiananmen Square protests of 1989. The authors then distinguished between 'hard-liners' and 'soft-liners.' Hard-liners believe that authoritarian rule is both possible and desirable; soft-liners recognise that some form of genuine democracy is increasingly necessary for responsive and legitimate governance.

There are certainly both hard- and soft-liners within the CCP. But we have to face up to the prospect that many developments in China since the beginnings of reforms in 1978—and especially the developments since 1989—have actually *enhanced* the CCP's ability to remain in power. Particularly, those in the rising classes who want influence and power can only achieve it through the Party, guaranteeing their loyalty to it for the time being. In this sense, institutions are being built to keep the CCP in power rather than to serve as the future platform for democratisation. Yu Keping's call for genuine democracy, which I quoted at the beginning of this paper, ends with the plausible exhortation that China must still do democracy its own way and not 'import an overseas political model.' But doing democracy one's own way is not the same as not doing it at all.

Besides having much to gain, we have no choice but to continue to engage with China in the hope that continued economic reforms and rising prosperity there will eventually lead to political reform. But we should reject the blind and deterministic logic that a rising China will inevitably become a democratic one. Even if Bill Clinton is right that the CCP is on the wrong side of history, so far it is doing a good job of defying it.

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