



**Martin Hala**

## China through Zhuangzi's third eye

*Twenty years after Tiananmen, the country is both different and same*

Twenty years ago, the velvet revolutions swept communism from eastern Europe. On the other side of the globe, the Chinese government was cracking down on anyone who dared to speak out against the regime, with reprisals culminating in the Tiananmen Square Massacre on 4 June. In the twenty years since Tiananmen, writes Martin Hala, China has risen from the ashes by engaging the West economically and by manufacturing domestic, "patriotic" consent. But as the economic crisis deepens, writes Hala, these achievements might not be sufficient to make the "rising dragon" immune to history.

In the summer of 1989, I traveled from Prague to Warsaw at the invitation of a group of young Polish intellectuals who were bringing in unofficial, "citizen" observers from the more repressive communist countries to witness the first (semi-)free elections in the Soviet bloc. The tightly controlled, "normalized" Czechoslovakia still felt suffocating and I jumped at the chance for some fresh air. One of the enduring memories from that trip was the outrage and universal condemnation of the bloody crackdown half a planet away in Beijing. There were posters everywhere with photocopied covers of western magazines lambasting Deng Xiaoping and Li Peng as the "butchers of Beijing". There were vigils, lectures and debates, leaflets and booklets, T-shirts and badges. Having survived the 1981 army crackdown on Solidarnosc, the Poles felt natural empathy for the victims of what must have looked to them like a throwback to the time of their own democratic triumph.

And it wasn't just the victims of communism; the perpetrators apparently had empathies of their own. Upon return, my first job at the Comenius University in Bratislava was to interpret for an official delegation from the Chinese Ministry of Education. Time and again, Slovak ministry officials expressed their sympathies for what "had to be done" with those unruly students in Beijing. Some volunteered more personal comments: "You know, in the end we may have to do the same here." At that point, they would give me a probing look: "I hope you're translating accurately, young man." It seemed clear to all, no matter which side one took that historic year, that Tiananmen was the dark side of the same tide that brought communism to an end in much of the world.

When the tide of change finally hit home, the Czechoslovak authorities, as we know, didn't "do the same", though I am certain there was many a comrade whose first instinct was to call out the troops. The game had been over ever since the Russians made it clear that they wouldn't send the Red Army this time around. Unlike the Chinese, the crumbling eastern European regimes could hardly act alone.

Meanwhile, amidst the joy at the peaceful democratization of eastern Europe, the world watched in disbelief as the Chinese government launched reprisals against those who dared to speak out during the short-lived spring. People on the government blacklist who managed to escape were received as heroes in Hong Kong and the West. Chinese students and scholars at foreign universities bombarded their home country with faxed anti-government messages. Several political organizations were formed by Chinese exiles in Europe and the US in anticipation of imminent regime change. Representatives of the now largely forgotten, Paris-based Federation for a Democratic China<sup>1</sup> such as Chen Yizi, a former advisor to Zhao Ziyang, or Liu Binyan, the late doyen of Chinese journalism, had an open invitation to meet political leaders in western capitals.

As did the Dalai Lama. It may be recalled that His Holiness was awarded the Nobel Peace Prize in 1989 after mass protests against Chinese rule erupted earlier that year in Lhasa. Suppression of those protests was supervised by the then party secretary in Tibet, comrade Hu Jintao, who has meanwhile moved on to better and bigger things: it is widely believed that it was his iron fist in Lhasa that won him the party elders' favour after Tiananmen.

Twenty years on, the international perception of China has changed beyond recognition. The shadows of Tiananmen still linger, but the world has meanwhile grown captivated by a different image of China: that of the "rising dragon", a superpower in the making that is transforming itself and everything around in break-neck speed. Everything about China seems big and fast — its GDP growth, its trade surpluses and foreign reserves, its skyscrapers and its Olympic medal count.

Gone is the pariah status of twenty years ago. Beijing is wooed from all sides for its economic power and geo-political influence. Western politicians avoid the few surviving dissidents like plague, yet fall over one another to meet the very comrades once lambasted as "butchers". Some proclaim "strategic partnerships" with China that sadly tend to fall apart faster than you can say "boycott Carrefour". The Dalai Lama finds himself shunned by anybody of official rank, while President Hu Jintao, who in 1989 declared martial law in Lhasa, hobnobs with the world's political elites.

More striking still, the attitude of many common folk in China, the good old *lao bai xing*, have changed sharply over the past twenty years. There is, to be sure, a lot of discontent brewing just below the surface, and often above — China registers tens of thousands spontaneous protests every year against local-level corruption and abuse of power. But surprisingly large numbers of seemingly ordinary citizens are also ready to come out in support of the "Central Government", especially when issues of China's national pride and prestige are perceived to be at stake. Chinese students abroad no longer fax subversive messages back home; they are more likely to go on cyber-hunts for "anti-Chinese elements" and "traitors".

Clearly, a significant shift has occurred in China in the past twenty years. The communist regime not only refused to follow its Soviet-bloc cousins to the dustbin of history, but fashioned a powerful comeback. The China that looked so similar to eastern Europe in 1989 pupated for a while, then hatched a strange new hybrid, sometimes dubbed "the China model". No longer a pariah, it now flashes its own "soft power" at home and abroad. But when exactly, and how, did this transformation happen? And more importantly, can it last?

## Chimerica

In retrospect, the single most important element that has saved the nominally communist regime in China and brought it to the centre stage of today's world is globalization. China as a whole is one of the winners, if not the winner, of this overarching process of the last two decades, even though there may be many, indeed tens of millions of individual losers who feed the beast with their toil but get little or nothing in return. As a country, China has benefited immensely from globalization by employing its main structural advantage, the seemingly endless pool of cheap labour controlled tightly in an authoritarian system that doesn't allow independent labour unions or any such interference. Chinese labour is a bit like the Middle-Eastern oil — a source of immense wealth for those who can control it. Oil and labour fuel the engines of the world economy, but unlike oil, which follows the engines, labour actually attracts them. Thus much of the world's manufacturing base has been slowly moving to China's eastern shores, where it meets what it craves the most — cheap and plentiful labour streaming in from the underdeveloped inland provinces.

China's leap into globalization didn't happen overnight. It was, in fact, the result of a protracted struggle between Deng Xiaoping's pragmatism and the more orthodox communist beliefs of his comrades-in-arms. Opening China to the West's corrosive impact wasn't much to the revolutionaries' liking. Deng was of a generation that literally conquered China on horseback and who cared more about political power than the economy. Butcher or not, one had to admire Deng's vision and his will to force it down the throats of his fellow octogenarians.

For those veteran "immortals" (survivors of the Long March) that did care about the economy, there was the tricky issue of "exploitation". Employing cheap labour in export-oriented manufacturing was a classic example of the exploitation of labour's surplus value as defined by Marx. The PRC's one-time chairman (president) Liu Shaoqi, Deng's mentor and in Mao's eyes his fellow "capitalist roader", had been widely accused during the Cultural Revolution (1966–76) of having said that "Exploitation has its merits" (*Boxue you li*). It's not certain whether Liu really did say that, but Deng clearly subscribed to this view and managed to impress it upon others, overturning in the process one of the main tenets of communist orthodoxy.

It took a while, though, for him to prevail. Immediately after Tiananmen, the darkest forces of repression ruled unopposed. The economic experiments of the 1980s were largely abandoned, as were the occasionally lively debates on political reform. For three long years, the old guard was busy purging remaining liberals and hunting down participants of the 1989 protests. Predictably, the economy slumped. China's international prestige was at its lowest and domestic confidence in the Communist Party was in ruins. Much like at the end of the Cultural Revolution in the late 1970s, China faced a dead end. A new initiative was needed to break the stalemate.

The breakthrough came during Deng's celebrated "inspection journey to the south" in 1992, an event that owed more to the imperial tradition than to regular party channels. Rather as Mao got the Cultural Revolution going in 1966 with a few personal gestures, so all that Deng needed to do in 1992 was to praise the surviving economic experiments in Guangdong province with wisecracks like, "Slow growth is no socialism". Administrative barriers to private enterprise and foreign investment started falling quickly and China was soon back on track towards unfettered capitalism. After the trauma of Tiananmen, the new deal was much more clear-cut than in the 1980s: you can

do business to your heart's content, but don't touch politics. Get rich if you can, but no more Tiananmens.

The road was now clear for China to plunge head-on into the globalization that had been raging outside its doors since the end of the Cold War. To obtain entry, however, China needed to engage with the world, and this at a time when emotions still ran high after 1989. In the early 1990s, China was still viewed as a pariah regime that shot its own citizens. While it was easy enough to persuade the international business community that the new opportunities outweigh past "problems", there were formidable political obstacles to China's full re-engagement with the world.

Of all the bilateral relationships, China's relations with the United States are of such overriding importance that to a large extent they define the country's overall standing in the world. This is especially true of the economy. To take full advantage of globalization, China needed unrestricted access to US markets, as well as American technology and investment. In the mid-1990s, the two economies appeared highly complementary: China had cheap, disciplined labour, and America had just about everything else. Business understood this, but many politicians, still in shock after 1989, insisted on bringing into the equation non-business factors such as human rights and democracy. Full integration of the two economies, and of China's and the world's economy at large, would not be possible without some sort of political accommodation.

Such accommodation gradually emerged from the protracted "most favoured nation" (MFN) debates, and eventually from China's membership in World Trade Organization (WTO). Throughout the 1990s, China was awarded "most favoured nation" status on annual basis, an all too regular ritual breeding intense discussion in the US about China's human rights record. In essence, the MFN debates were an epitome of the differences between American business and political elites in their relationship towards China. It was a battle the politicians could not win — the stakes were just too high for business to give in. American business interests were so entangled with China that denying it the MFN was virtually unthinkable. It would have been the trade equivalent of an atomic bomb — the economic and political fallout would have been so grave that it practically foreclosed itself.

The whole debate is neatly summarized in the travails, and in the ultimate u-turn, of Bill Clinton in his first presidential term (1993–97). Clinton came into the office having given his opponent — the incumbent George Bush Sr. — a battering for "coddling the dictators in Beijing". For a year or two, he tried to use what he thought was the American trade leverage to change Beijing's behaviour, even explicitly linking future MFN status with advances in human rights in an executive order in 1993. China's human rights record, if anything, worsened in the following year. His bluff called, Clinton had little choice in 1994 but to renew the MFN anyway. To make the capitulation complete, he also "delinked" the MFN from progress in human rights, effectively doing a u-turn from one year to another. For the Chinese leadership, the symbolic lesson was clear: all they needed to do was stand their ground long enough for the Americans to lose their nerve. They never had to wait long. The Implications for the future of US—Chinese relations were immense, and ominous.

The "delinking" in 1994 was followed by deeper political rapprochement in Clinton's second term. Jiang Zemin visited the US in 1997, and Clinton

reciprocated the following year. The MFN was made permanent in 2000, and in late 2001 China joined the WTO. Political differences between the US and China of course remain, and in fact have deepened. Yet on occasions when the latent tension flares up into minor crises, it no longer impacts on their economic relations. Unobstructed by politics, the process of intensified economic integration accelerated until it finally reached the level of symbiosis that Moritz Schularick and Niall Ferguson have christened "Chimerica":

The most important thing to understand about the world economy over the past decade has been the relationship between China and America. If you think of it as one economy called Chimerica, that relationship accounts for around 13 percent of the world's land surface, a quarter of its population, about a third of its gross domestic product, and somewhere over half of the global economic growth of the past six years."<sup>2</sup>

The relationship is symbiotic, and uneven. China ("East Chimerica") does the manufacturing, often in production plants transplanted lock, stock and barrel from the West. Americans display insatiable appetite for the cheap products manufactured in China with low-cost labour, and develop a huge trade deficit. Given the shift of manufacturing towards the East, there is precious little America can offer in return, save for "intellectual goods" such as technology and entertainment — but why would China pay for something it can simply copy? China lends the money she collects for her manufactured goods back to America, not so much out of generosity, but so that America can consume even more goods *Made in China*, and keep the whole cycle going (and the debt accumulating).

The phenomenon of Chimerica, a sort of new economic world order of the past ten years or so, accounted for unprecedented global prosperity. Manufactured goods — everything from electronics to textiles — were cheap, inflation was low and credit easy. Both sides benefited handsomely; the US, and by extension much of the world, had its consumer paradise while China accumulated capital and kept its legions of labourers at work, thus finding a new source of legitimacy at home and abroad for one party rule. China's economic integration into the world helped it shake off the political stigma of 1989.

But the debt financing couldn't last forever. In Ferguson's words:

The more China was willing to lend to the United States, the more Americans were willing to borrow. Chimerica, in other words, was the underlying cause of the surge in bank lending, bond issuance and new derivative contracts that Planet Finance witnessed after 2000. It was the underlying cause of the hedge fund population explosion. It was the underlying reason why private equity partnerships were able to borrow money left, right and centre to finance leveraged buyouts. And Chimerica — or the Asian "savings glut", as Federal Reserve chairman Ben Bernanke called it — was the underlying reason why the US mortgage market was so awash with cash in 2006 that you could get a 100 per cent mortgage with no income, no job or assets.<sup>3</sup>

In essence, the rest of the world's savings had helped inflate a real estate bubble in the United States. As is nearly always the

case in asset bubbles, easy money was accompanied by lax lending standards and outright fraud. Euphoria eventually gave way to distress and then, in a familiar sequence, to panic. It began in the sub-prime market because it was there that defaults were most likely to happen, but it soon became clear that the entire US property market would be affected.<sup>4</sup>

Chimerica came to look like a chimera, after all. The interesting question is what will China and the US do now? Both are locked in a relationship that used to serve them well, but that has now become a burden. There's no easy way out for either of them. China has become America's biggest creditor, but still needs the US to keep buying its products so as to keep the economy going and its restless labourers occupied. That would mean lending even more money to the already insolvent partner. Clearly, some readjustment will be needed. Chinese leaders have already expressed their nervousness about the safety of their reserves amassed in US government bonds. Zhou Xiaochuan, governor of the People's Bank of China, even recently called for a new reserve currency to be formed to replace the troubled greenback.<sup>5</sup>

With its estimated two trillion dollar's worth of reserves, China seems in good position to try and change the rules of the game. It can use the windfall to stimulate domestic demand, shutting out the US consumer. In the process, it could also try to make its own society more equitable, eliminating a major source of domestic discontent. The problem is that China's one-party regime may prove even less adept in managing easy money than America, which — all the corporate and personal greed notwithstanding — still boasts an elaborate system of checks and balances. How do you throw two trillion dollars on the table in a system that is notoriously corrupt and non-transparent? In March 2009, the party's own senior cadres reportedly warned that corruption could derail the recently announced multi-billion economic stimulus package.<sup>6</sup>

### **The patriotic consensus (and its discontents)**

Economic integration of China into the world after 1992, whether you call it globalization or Chimerica, also had profound implications for domestic politics. It helped the Communist Party find new legitimacy for itself after the debacle of 1989, and it also thoroughly transformed Chinese society as a whole, giving rise to new classes and groups, as well as creating new fault lines for potential conflict. Above all, it gave Chinese society a new purpose, best expressed in the popular slogan "To get rich is glorious" (coined already in the 1980s). Another popular slogan of the time, "Some will get rich first", summarized the downside, but after decades of subsistence egalitarianism, the Chinese were ready to accept considerable degree of inequality in return for a chance to get ahead.

Part of the new deal after 1992 was unprecedented levels of personal freedom. For decades, much of personal life in China had been controlled by an extended hand of the regime called the "work unit" (*gongzuo danwei*), including private matters such as marriage and family. With the erosion of state enterprise, work units lost much of their grip, as did many other tentacles of the party-state, including the once omnipresent street committees, and even the party cells themselves. Ordinary people largely became free to live as they pleased, provided they didn't foolishly venture into politics, which remained the exclusive domain of the party. These new personal freedoms, combined with the opportunity to make money through private enterprise, opened a new

world of possibilities that to many must have seemed infinitely more interesting than politics.

The fruits of economic liberalization have been distributed selectively. In the one-party system, entry points are still controlled by apparatchiks, and your success in business very much depends on your political connections (the infamous *guanxi*). This has predictably led to massive corruption, a constant cause of public friction. More importantly still, the whole Chimerica model is predicated on cheap labour streaming from inland provinces to the big cities on China's eastern coastline, which serve as export manufacturing hubs. Until very recently, migrant labourers were constrained by the so-called *hukou* system of official residency that made their presence in the cities semi-legal, if not outright illegal. As a result, Chinese domestic migrants were often subject to the kind of exploitation normally associated with international migration. Their situation can be roughly compared to that of the undocumented Mexican migrant workers in the US south. The main difference is in scale — according to official Chinese statistics, there are about 130 million migrant workers toiling in the cities every day. Or there were, before the crisis of Chimerica sent some twenty million back to the villages.

If migrant workers are the losers of this system, the winners are the members of the urban middle class. They have access to social services such as (mostly) free education and medical care that are largely absent in the countryside, and benefit from infrastructural investments that have transformed select cities into world-class metropolises. They typically enter the new globalized ("chimeric") economy at mid-levels or above, leaving the toil at assembly lines to the uneducated, undocumented migrants. Already in late 1978, when China first embarked on market reforms, urban disposable incomes were 2.6 times higher than rural net income; by 2006 this ratio had risen to 3.3. Justin Yifu Lin, chief economist at the World Bank, calls this one of the biggest income gaps in the world.<sup>7</sup> Measured by the standard Gini coefficient, China leapt from 40.7 in 1993 to 47.3 in 2004, "a level more typical of Latin America" (the higher the figure, the greater social inequality). Lin considers the yawning gap between rich and poor a direct consequence of the Chinese economic model.<sup>8</sup>

In absolute numbers, China's middle class is estimated to stand anywhere between 25 and 150 million, depending on the methodology and criteria consulted. The size of the underclass is less disputed: according to the World Bank, in 2005 there were 204 million people in China living on less than 1.25 US dollar a day.<sup>9</sup> If we add the 130 million migrant workers who are above poverty line but significantly below the middle class levels, it represents a considerable pool of social discontent. Most of these "losers" live in the countryside, or between the countryside and the cities. The "winners" from among the emerging middle class are almost all city-dwellers.

In traditional sociology, the urban middle class is considered the most important force for democratization in transitional societies. In China, however, that may not quite be the case. Numerous sociologists, including Chinese ones, point to the fact that Chinese middle class seems to exhibit many particular characteristics, one of them being relative consensus with one-party rule. Scholars of democratic transitions such as Daron Acemoglu and James A. Robinson now agree that sharp economic inequality makes ruling groups, including the emerging middle class, resistant to a democratization that might jeopardize the social and economic privileges they enjoy in an undemocratic system.<sup>10</sup>

In fact, much of the urban middle class appears to have been co-opted into the system from which they benefit so handsomely. They have become the government's main ally in manufacturing the new patriotic consensus that rationalizes one-party rule, and provides the ideological basis for consent with the authoritarian system. According to this new middle-class nationalist narrative, which has replaced traditional communist ideology, China needs the Communist Party's uncontested and unchallenged rule to protect it against plots by a hostile West seeking to contain China and block her economic and geopolitical ascendancy by whatever means available. Criticism of China's human rights record is just one such evil ploy to derail China's progress. So is the promotion of democracy, which would only threaten China's unity and make her weaker, an easy prey for western "hegemonism".

It is not clear how many people really subscribe to this simplistic worldview. Public discourse is heavily manipulated through censorship and active agenda-setting, which the authorities choose to call "public opinion guidance" (*yulun daoxiang*). In the seemingly more open debate on the Internet, many among the cacophony of voices tend to support this "patriotic consensus", but one needs to keep in mind that postings on the Chinese Internet may not always be what they seem. The party-state employs legions of so-called "Internet commentators", popularly known as the "Fifty-cent Party" or *Wu mao dang* because of the wage they are believed to collect per post, who are paid to sway online discussions in a desired way. With the Great Firewall filtering out politically incorrect posts, or the Internet police and cooperating ISPs doing so manually, all that remains is the *Wu mao dang*, which tends to give a distorted view of what the real balance of opinion might be.

It is nevertheless evident that a lot of people do accept the narrative of "Communist Party defending China against her enemies", and are ready to support the government with public demonstrations against "anti-Chinese elements". Sometimes these turn violent, as was the case during the pre-Olympic torch relay. The ugliest scenes occurred not in the West, but when the "sacred flame" passed through Seoul, where up to ten thousand Chinese migrants, including many exchange students, outnumbered and harassed local Korean protesters.<sup>11</sup>

Most visible and vocal among these self-styled "patriots" are the so-called "angry youth" or *Fenqing*, a distinct group of urban middle-class youth typically under twenty years old. The *Fenqing* are full of rage at the perceived slights China receives from the West, and they are ready to vent this on the Internet, or through direct action such as boycotting (or more precisely, picketing) Carrefour or other more or less randomly selected western companies. Older Chinese commentators including the authors Yu Hua and Ma Jian have compared their rants to the fanaticism of the Red Guard at the beginning of the Cultural Revolution.<sup>12</sup>

As teenagers, the *Fenqing* remember neither Tiananmen nor the lively debates of the 1980s. They are a product of the post-1992 urban boom and the ideological manipulation of "guided public opinion". They are also the first generation of single children born under the one-child policy introduced in the 1980s. These overindulged "little emperors" are generally reported to have a heightened sense of self-importance and entitlement. According to one Chinese commentator, they are "self-centred, narrow-minded and incapable of accepting criticism."<sup>13</sup> Their own limited life experience of consumption and privilege in the booming cities squares up well with the official narrative of China rising under the wise leadership of the Party, despite western attempts

to contain it.

Of course, their parents and grandparents generations have a somewhat different memory of the party. There seems to have evolved a generation gap in China's perception of itself and the world. There is also a clear divide between the cities and the countryside, which roughly mirrors the divide between the winners and losers of the Chinese model of development. Rural China typically falls below the radar of international media; most information coming out of China reports the attitudes of urban Chinese. Anecdotal evidence suggests far lower levels of ideological conformity in the countryside. Among other things, one striking phenomenon seems to be the steep, though largely invisible rise of unofficial Christian churches, which some Chinese researchers, and *The Economist*, call "the fastest-growing non-governmental organization in China".<sup>14</sup> And it's not just Christianity; other religions are reported to be thriving among the disillusioned too, including — surprisingly, given official as well as public animosity towards the Dalai Lama — Vajrayana Buddhism.

In the fog of official censorship and "guided" public opinion that amplifies conformity and conceals dissent, it is difficult to delineate the contours of ideological polarization in China. Clearly, the government has managed to enlist the somewhat fanatical (and therefore unpredictable) support from some of the groups that benefited from the "Chimerica" model, foremost among them the *Fenqing*. The opposing camp of liberal opinion is more difficult to gauge given the censorship, but it never disappears altogether. If nothing else, it is kept alive in the attacks from its enemies, whom we can trust to keep track of their liberal opponents' relative strength.

The *China Digital Times* recently featured a few interesting Internet postings trying to define the difference between "Left" and "Right" in Chinese cyberspace. In China's context, the Left and the Right have to be understood differently from general usage in the West. The "Left" means conservatives supporting one-party rule, while the "Right" would denominate liberals opposing it and calling for "universal values" such as democracy and human rights. This will sound familiar to people who had lived in the former Soviet bloc. In the "leftist" Internet forum Tiexue, one participant described the dichotomy in China's cyberspace in these words:

The leftist camp is essentially the nationalistic camp [...] The rightist camp is actually the individualistic camp. All rightists would stress that individual interests take precedence over national interests.<sup>15</sup>

A more telling description of the entrenched camps comes in the latest Chinese nationalist manifesto, a new bestseller called *Unhappy China: The Great Time, Grand Vision and Our Challenges* (2009). This is in effect a sequel to the original *Fenqing* proclamation, *China Can Say No* (1996), which itself came on the heels of the very first "angry book", called *Looking at China Through a Third Eye*, published in 1994. The 2009 and 1996 books are collective efforts, with at least one writer (Song Qing) co-authoring both. *China Can Say No* was published at the time of the MFN debates and reflects, among other things, "anger" at the supposed attempts to "contain" China through the linkage of its human rights record to its trade status. *Unhappy China* refers in its title to last year's pre-Olympic protests and the West's supposedly biased response to the Tibetan uprising in March. Interestingly, it also laments the "defeatist spirit" in China after the *Sanlu* contaminated milk scandal, and aspires to defend the

patriotic *Fenqing* against attacks "from the so called elites who have a say in society".<sup>16</sup> Despite the book's basically conformist message, its authors seem to believe they are fighting a heroic uphill battle against a dominant, elite discourse that is distinctly "anti-patriotic". This "elite", "rightist" opinion may not survive censorship in official media and on the Internet, but its "patriotic", "leftist" opponents are painfully aware that this hidden, hushed-up undercurrent lurks between the lines, resilient and influential.

Arguably the most articulated expression of this liberal undercurrent, or counter-current, was formulated in the "Charter 08", released (though not exactly published) by a diverse group of Chinese citizens in December 2008. The Chinese Charter refers directly to the Czechoslovak "Charter 77", which again brings us back to eastern Europe. Charter 77 is widely believed to have contributed to the eventual democratic changes in Czechoslovakia, if not in all of eastern Europe, in 1989. There have been lively discussions on Chinese Internet about the significance and potential of Charter 08, as well as about perceived similarities and differences between pre-1989 Czechoslovakia and eastern Europe on one side, and present-day China on the other.<sup>17</sup> There have been arguments and counter-arguments, some more, some less informed. All I can add is a quotation from the ancient Chinese philosopher Zhuangzi: "If you look at things from the point of difference, they seem diverse; from the point of semblance, they look alike."

From the point of difference, China is light years away from eastern Europe before 1989. It has managed to escape communism's reverse domino effect by redefining itself, embracing the market and positioning itself as one of the main players in the globalized economy. It has managed to manipulate domestic public opinion and co-opt segments of the society that benefited from China's entry into globalization. Much of Chinese society today is far freer than eastern Europe under communism, insofar as people can travel, accumulate wealth and enjoy an everyday lifestyle not so different from the West. China's economic and political rise lent it new self-confidence, and generated global ambitions totally foreign to eastern Europeans then and now.

But then there is the point of semblance. Politically, China remains a one-party dictatorship not unlike the eastern Europe of yesteryear. The regime has worked to boost its legitimacy, yet it remains skin-deep. The very fact that there emerged a petition like Charter 08, inspired by the dissident movement in eastern Europe, and that it attracted thousands of signatures and engendered spirited discussions on the Internet and elsewhere, seems to suggest that there persist some fundamentals that China never managed to transcend in her post-1992 transformation.

### **Cracks at the top, chasm at the bottom**

And it may get worse. The global economic crisis threatens the "chimeric" economic model that had helped Chinese communism survive into the post-communist era. To quote one recent summary:

In essence, the reason the Chinese economy had become so vulnerable to the economic crisis of 2008 was because of its excessive dependence on investment and export demand. Investment had been accounting for over 40 percent of China's GDP since 2005, and the export surplus had ballooned to a remarkable 8 percent of GDP in 2007. Correspondingly, China's household consumption was a historically

unprecedented low of 35 percent of GDP in 2007 (compared to 70 percent of GDP in the United States). This unbalanced economic structure underlies China's vulnerability to a downturn. Export dependency, obviously, makes China dependent on consumers in the United States and Europe whose purchasing power is declining sharply."<sup>18</sup>

For better or worse, China will need to readjust its current economic model. That could actually be beneficial to correct some of the existing imbalances, but it will destabilize the status quo. The privileged will become less so, and the balance of power and political allegiances may shift. Will China be able to absorb the change and redefine herself once again without political upheaval? Recently, two prominent China watchers give a similar answer: Beijing will survive the crisis, but the unity of its leadership will be severely tested. Minxin Pei argued in *Foreign Affairs* that the regime can survive even a serious economic downturn because of its formidable security apparatus and repressive power. However, social tensions resulting from the crisis could tempt opportunists within the leadership to try and jockey for power by courting popular support with populist slogans addressing some of the grievances:

Rising social discontent may not be enough to force the party out of power, but it might be sufficient to tempt some members of the elite to exploit the situation to their own political advantage. Such political entrepreneurs could use populist appeals to weaken their rivals and, in the process, open up divisions within the party's seemingly unified upper ranks.<sup>19</sup>

In *Foreign Policy*, Cheng Li concludes that the leadership already is divided between "populists" (the *tuanpai*, or Komsomol clique of apparatchiks around Hu Jintao) and "elitists" (the well-connected business leaders and "princelings" associated with former President Jiang Zemin). However Cheng argues that despite their differences, these two cliques form a "team of rivals" that share a common interest in protecting the regime. Their rivalry might actually be useful to the system's capacity for adaptation, especially since their competition is no longer a zero-sum game, but rather a consensus-building exercise. Nevertheless, he, too, sees a potential for conflict:

China's new game of elite politics may fail. What will happen, for instance, if economic conditions continue to worsen? Factionalism at the top might grow out of control, perhaps even leading to deadlock or outright feuding. Different outlooks over many issues — including how to redistribute resources, establish a public healthcare system, reform the financial sector, achieve energy security, maintain political order, and handle domestic ethnic tensions — are already so contentious that the leadership might find it increasingly difficult to build the kind of consensus necessary to govern effectively.<sup>20</sup>

This is, of course, sheer speculation. Yet the basic constellation — a one-party regime wielding enough repressive power to suppress potential unrest, but only if the leadership remains united — is not that far removed from the situation in 1989, in eastern Europe, or in China. Tiananmen would not have happened without the rift between Zhao Ziyang and the hardliners, and the Berlin Wall would not have fallen without Gorbachev shaking up the Soviet regime. After twenty years of change, the fundamentals remain the same. In a one-party

system, a small crack at the top can open up the chasm at the bottom. Behind the façade of self-confidence, harmony and stability, the ghost of 1989 still haunts a regime that was hoping to erase and transcend it.

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- <sup>1</sup> See: <http://www.fdc64.de/>
- <sup>2</sup> Niall Ferguson, "What 'Chimerica' Hath Wrought", *The American Interest*, Jan–Feb 2009 <http://www.the-american-interest.com/ai2/article.cfm?Id=533&Mid=23>
- <sup>3</sup> Niall Ferguson, "The Ascent Of Money", serialized in the *South China Morning Post*, 18 Nov 2008.
- <sup>4</sup> Niall Ferguson, "What 'Chimerica' Hath Wrought", *The American Interest*, Jan–Feb 2009.
- <sup>5</sup> "China calls for new reserve currency", *Financial Times*, 23 March 2009.
- <sup>6</sup> *Xinhua*, 10 March 2009; *WSJ*, 11 March 2009.
- <sup>7</sup> *International Herald Tribune*, 22 July 2008.
- <sup>8</sup> Measuring inequality is a contested field. Some alternative models suggest that China is actually becoming less unequal (c.f. Joshua Keating, "The difference is in the details", *Foreign Policy*, March–April 2009). Whatever the reality, the public perception in China is that it inequality is rising fast.
- <sup>9</sup> World Bank via *International Herald Tribune*, 22 July 2008.
- <sup>10</sup> Daron Acemoglu and James A. Robinson, *Economic Origins of Dictatorship and Democracy*, cited in Edward Friedman, "China: A threat to or threatened by democracy?", in: *Dissent*, Winter 2009.
- <sup>11</sup> Kim Tae-jong, "Anti-Chinese sentiment looms after torch relay", *Korea Times*, 28 April 2008.
- <sup>12</sup> *The Guardian*, 13 June 2008, <http://www.guardian.co.uk/commentisfree/2008/jun/13/china>
- <sup>13</sup> Yang Xiaosheng quoted in CNN, 4 October 2004, [http://money.cnn.com/magazines/fortune/fortune\\_archive/2004/10/04/8186784/index.htm](http://money.cnn.com/magazines/fortune/fortune_archive/2004/10/04/8186784/index.htm)
- <sup>14</sup> *The Economist*, 2 October 2008.
- <sup>15</sup> "'Left' and 'Right' in Chinese cyber-politics", *China Digital Times*, 23 March 2009, <http://chinadigitaltimes.net/2009/03/left-and-right-in-chinese-cyber-politics/>
- <sup>16</sup> "Nationalism rages in new Chinese book", *Zhongnaha Blog*, 12 March 2009, <http://www.zhongnanhaiblog.com/web>
- <sup>17</sup> For an informed summary of these discussions, see Rebecca MacKinnon, "What does Charter 08 mean? Too soon to tell...", <http://rconversation.blogs.com/rconversation/2009/01/what-does-charter-08-mean-too-soon-to-tell.html>
- <sup>18</sup> Barry Naughton, "The scramble to maintain growth", *China Leadership Monitor*, 27/2009.
- <sup>19</sup> Minxin Pei, "Will the Chinese Communist Party survive the crisis?", *Foreign Affairs*, 12 March 2009.
- <sup>20</sup> "China's Team of Rivals", *Foreign Policy*, March/April 2009.

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