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# CHINA ANALYSIS

## ONE OR TWO CHINESE MODELS?

### ABOUT

The Chinese have long been obsessed with strategic culture, power balances and geopolitical shifts. Academic institutions, think tanks, journals and web-based debate are growing in number and quality and give China's foreign policy breadth and depth.

China Analysis, which is published in both French and English, introduces European audiences to these debates inside China's expert and think-tank world and helps the European policy community understand how China's leadership thinks about domestic and foreign policy issues. While freedom of expression and information remain restricted in China's media, these published sources and debates provide an important way of understanding emerging trends within China.

Each issue of China Analysis focuses on a specific theme and draws mainly on Chinese mainland sources. However, it also monitors content in Chinese-language publications from Hong Kong and Taiwan, which occasionally include news and analysis that is not published in the mainland and reflects the diversity of Chinese thinking.

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### Introduction by François Godement

#### In search of the Chinese model: the Chongqing experiment

China has made a Faustian pact with globalisation: miraculous export growth in exchange for huge external dependence. But that pact may be unraveling. The crisis and recession in the West are finally impacting export volumes and prices. China's own inflation and bubbles are also creating social unrest in the coastal region – the heart of China's global powerhouse. The obvious solution – rebalancing the economy towards domestic growth and social equity – is not an easy one, because so much of China's domestic investment goes to massive infrastructure projects and real estate deals. They enhance GDP growth, but not consumer demand or social welfare.

It is against this background that a national debate about the "Chongqing experiment" has taken place. In 2007 the central government decided to boost this metropolis in central China. In came Bo Xilai, a flamboyant "red prince", who is now using his mandate in Chongqing as a platform that has gone beyond all expectations. He has used massive state subsidies to woo flagship foreign firms such as Apple, Foxconn and BASF; launched a giant social housing program that is also predicated on migrants turning in their native land for development by the city; fought the local mafia; and promoted a new version of the PRC's collective ethos. This new "model" has been trumpeted to the nation

and to visiting foreign dignitaries, accompanied with “red song” choirs from China’s revolutionary past.

As seven of the present nine-member Politburo Standing Committee members are about to be replaced, the Chongqing experiment is also becoming part of a controversial bid for a seat at the top table of Chinese politics. Both Zhou Yongkang, the security czar and a well-known hardliner, and Xi Jinping, another “red prince” who is expected to succeed Hu Jintao as number one in the new Politburo Standing Committee, have made a point of visiting and praising Chongqing. But Hu Jintao, who authorised the Chongqing experiment, and Li Keqiang, who is expected to succeed Wen Jiabao as number two, appear to be lending their authority to the promotion of another model: that of Guangdong, China’s thriving export capital. The Guangdong model is based on the idea of moving up the technology value chain, improving the rule of law and representation of the people by NGOs. It thus seems to converge with international expectations of a legal and market-based transition by rising China. Guangdong’s Party secretary – and, ironically, Bo Xilai’s predecessor in Chongqing – is also a candidate for one of the nine top jobs.

It is hard to predict how the growing debate will unfold. To some extent, it is stage-managed. Indeed, the authorities have already stamped out debates on most issues from the constitution to foreign policy. This leaves only two issues for discussion: the internationalisation of China’s currency and the Chongqing model. But the CCP has had controlled “line debates” in the past, before collective rule and a “black box” at the core emerged in the last decade. These “line debates” sometimes veered out of control and gave way to “line struggles”. This is one reason that liberals in China fear Bo Xilai: they see him as ambitious enough to ride any horse into power. Conservatives, on the other hand, are only too glad to follow Bo’s appeal for strong social and even populist policies, countering more liberal policies.

One thing, though, is certain. The Chongqing project is another Pudong – the dramatic renovation of Shanghai that was started in the late 1980s and was also defended by conservatives and state firms because it balanced Southern China’s special economic zones. Massive infrastructure projects and subsidies can be recouped in the long term if economic growth is there. Should international demand hold up, Chongqing can easily move its goods to Europe via new rail-shipping connections and perhaps in the near future via Central Asia and Russia. Wages are only half of what they are in coastal areas, and there are plenty of poor migrant workers to supply the labour market.

This means that China is investing into the next wave of export-led growth, effectively mobilising its inland assets. Those who think rising wage and housing costs, labour shortages and an ageing population will cap China’s growth may have to wait another 10-15 years. Chongqing also suggests that a strong state may manage to foster the

policies needed to avert social discontent: housing is about 20 percent of China’s GDP today and a hugely divisive issue between the haves and the have-nots.

Conversely, however, a slowdown in international demand could make all these investments a very risky proposition. If exports stay flat or fall, the competition between Chongqing and Guangdong won’t be a friendly win-win game, where Chongqing plays catch up while Guangdong moves ahead. Instead, there will be complaints about job displacement, lost subsidies and a temptation to play hardball with politics. As the world watches how China’s economy will react to the double dip in the advanced Western economies, the debate won’t just be an economic one. Rather, it will involve power politics and how best to preserve the CCP’s legitimacy in front of a strong headwind.

## 1. Chongqing and Guangdong: two conflicting models

by Yang Chan

Sources:

“A rational discussion of the ‘Guangdong Model’ and the ‘Chongqing Model’”, an account of a round table held by the Unirule Institute<sup>1</sup> on 30 July 2011 in Beijing, *China Elections and Governance*, 12 August 2011<sup>2</sup>.

Participants in the round table:

Mao Yushi, President, Unirule Institute, Beijing.

Xiao Bin, Professor and Vice President, Department of Public Affairs, Sun Yat-sen University, Guangzhou.

Yang Fan, Professor, Department of Commerce, China University of Political Science and Law, Beijing.

Zhang Musheng, Vice Secretary, The Chinese Tax Institute, Beijing.

Qiu Feng, Vice President of the Science Committee, Unirule Institute, Beijing.

Xiao Shu, Senior Analyst, *Nanfang Zhoumo* weekly newspaper, Guangzhou.

Li Weidong, Political Analyst, former Director of the monthly *China Reform*, Beijing.

Shi Xiaomin, Senior Economist and Vice President, China Society of Economic Reform, Beijing.

Zhang Shuguang, Researcher, Institute of Economics, Chinese Academy of Social Sciences; President of the Academic Committee, Unirule Institute, Beijing.

Xu Dianqing, Professor, National School of Development at Peking University.

Gao Quanxi, Professor, Faculty of Law at the Beijing University of Aeronautics and Astronautics.

Li Shengping, Political Analyst and former Director of the Beijing Institute for Research in Social and Technological Development.<sup>3</sup>

Cai Xia, Professor, Department of Teaching and Research on the Construction of the Party, Party School of the Central Committee of the CCP, Beijing.

Yang Ping, Director of the bimonthly *Beijing Cultural Review*.

Wang Zhanyang, Professor and Director, Research Department of Political Science, Institute of Socialist Studies, Beijing.

Zhou Hongling, President, Beijing “New Era” Institute for Research in Public Education.<sup>4</sup>

The autonomous municipality of Chongqing has since the end of 2007 been the focus of much attention in media and academic circles. With GDP growth rates averaging more than 15% a year, Chongqing’s growth has eclipsed that of coastal regions like the Shanghai region in the Yangzi River delta and the region of Guangzhou, Shenzhen, and Zhuhai in the Pearl River delta. At the start of 2011, academics Yang Fan, Su Wei, and Liu Shiwen published *The Chongqing Model*, a book defending the socialist approach of Bo Xilai, General Secretary of the Chongqing Municipal Committee of the CCP.<sup>5</sup> And at the same time, Wang Yang, General Secretary of the Guangdong Committee of the CCP, returned triumphantly to the media stage with his new plan to make “happiness” as well as economic growth a goal in Guangdong’s development plan. The press immediately seized on the competition between the “Guangdong Model” and the “Chongqing Model”. Chongqing is looking to old socialist ideas and populist claims in its push for rapid and balanced growth. Guangdong, on the other hand, promises bold economic reforms and uses a liberal political discourse to champion the development of the rule of law and the strengthening of civil society. Wang Zhanyang, professor at the Institute of Socialist Studies in Beijing, says Chongqing is trying to deal with the social problems arising from economic reforms in China without transforming the system, while Guangdong wants to completely overhaul the structure of relations between society, the market, and the state.

The opposition between Chongqing and Guangdong has been discussed in a series of seminars and round tables. The discussion organised at the end of July 2011 by the Unirule Institute is known as the debate of the Fragrant Hills, in reference to the location where it was held on the outskirts of Beijing. The round table brought together leading academics and researchers to consider regional economic and political development. Most of the participants opposed the use of the term “model”, since it suggests an autonomy of choice in local policy that is not valid in the centralised Chinese context. They preferred less categorical expressions such as “sample”, “experiment”, or “trial”.

Xiao Bin, Li Weidong, and Zhang Shuguang, among others, noted that since Guangdong and Chongqing are at different stages of development, they cannot be directly compared. Xiao Bin says that the Guangdong Model, or more accurately, the Pearl River Model, has evolved since the start of its economic reforms. Local authorities in Guangdong are encouraging private enterprise and the development of small and medium-sized businesses, resulting in growth based on building exports. The region’s developed market economy and successful adaptation to globalisation has brought it two decades of prodigious growth. Yang Ping says Chongqing is 20 years behind Guangdong because of the debate but was unable to attend.

<sup>5</sup> Yang Fan, Su Wei, & Liu Shiwen, *Chongqing Model*, (China Economic Publishing House, 2011). Su is a professor and Liu a senior lecturer at the Party School of the Chongqing Municipal Committee of the CCP.

<sup>1</sup> The Unirule Institute is an economics think tank based in Beijing, founded in 1993 by a group of influential economists including Mao Yushi, Zhang Shuguang, Sheng Hong, and Fan Gang.

<sup>2</sup> <http://www.chinaelections.org/newsinfo.asp?newsid=212499>

<sup>3</sup> The activities of this institute have gradually ceased since June 1989.

<sup>4</sup> Cui Zhiyuan, Professor at Tsinghua University, a close associate of the Secretary of the CCP in Chongqing, Bo Xilai, was invited to participate in

its less advantageous inland location. Its economic take-off began just ten years ago with the “development of the West” project (西部大开发, *xībù dà kāifā*) launched by the central government of the PRC in 2000.

Because of their different backgrounds, Guangdong and Chongqing have different economic and social problems. Understanding the regions’ different backgrounds is essential to understanding the differences between their two economic models, as reflected in particular in Wang Yang and Bo Xilai’s opposing ideas on the proper priorities of local government. The two leaders differ on whether government should work to make or to share the “cake”, that is, whether it should promote the creation or the distribution of wealth.<sup>6</sup>

#### *Guangdong: working towards happiness*

Xiao Bin says that Guangdong’s growth is heading for a phase of change that, although unavoidable, will be very difficult. A period of 30 years of accelerated development has had serious consequences for the region, bringing with it environmental pollution, labour disputes, violations of the rights of migrant workers, and the collusion of power and capital. Xiao says the region’s worst problems are linked to deepening social fractures: urban-rural disparities, local imbalances, and a wealth gap between individual workers. Li Weidong says Guangdong is a microcosm of Chinese society, with the same problems as the nation as a whole of rising inequality and social conflict between local and migrant populations. Guangdong has 36.67 million migrant workers, mostly from the country’s inland rural areas.<sup>7</sup> Many of them settled around the Pearl River delta about 20 years ago. Chronic stagnation and repeated late payment of wages has led in recent years to riots among migrant workers in the towns of Zeng Cheng and Hui Zhou.

Several of the commentators say that the Guangdong government has modified its economic policies significantly in the face of the province’s prosperous but unbalanced development. At the beginning of his term, Wang Yang was liberal on economic issues, pushing for the “acceleration of the renewal and modernisation of the industrial sector” and suggesting it was time to “open the cage and change birds” (腾笼换鸟, *ténglóng huànniǎo*).<sup>8</sup> Guangdong’s

6 Wen Jiabao suggested in 2010 that the “cake” of social wealth should be enlarged through development, but also needed to be better distributed among the people. This has given rise to a debate as to whether existing wealth should be redistributed to encourage the population to create more wealth, or whether government should focus first on creating a bigger “cake”, leaving equitable distribution until later.

7 According to the sixth national census in 2010, the migrant population of Guangdong increased seventy-fold in 30 years. By the end of 2010, migrants made up a third of the population of the province. In some towns, such as Shenzhen and Dongguan, the number of migrants is much greater than the number of the local population.

8 The image refers to that of the cage and the bird used in 1982 by the father of China’s planned economy, Chen Yun, to describe the relationship between the state and the market. The cage had to be big enough for the bird to fly, but the door had to remain closed. The Guangdong model recasts this image in a much more liberal way.

capacity for independent innovation was to be strengthened and economic growth was to be built on both external and internal demand. The construction of a modern industrial system was to be accelerated and development coordinated between urban and rural areas. Wang was more interested in the quality of the “cake” than in its size. One of Wang’s signature measures was increasing the minimum wage by 18.6% in January 2011,<sup>9</sup> following an increase of 21.1% in 2010. This was intended to give workers a greater share of profits as well as to encourage labour-intensive businesses to improve their technology and competitiveness. If successful, this measure could benefit businesses enormously in the long term, but in the short term it could make things difficult for them. Li Weidong doubts Guangdong’s ability to reform the labour-intensive industries that have employed most of the region’s migrants for the past two decades. But he suggests that if these industries can collaborate more with the new high value added industries, such as high tech companies, its industrial modernisation plan could work well.

Qiu Feng says Wang Yang’s views on social questions have also changed over time. Along with the problems of integrating migrant workers, Guangdong must find ways to deal with its emerging industrial middle class and its new middle class of civil servants and white-collar workers. These workers from new, modern industries are well organised and are increasingly putting pressure on the local authorities. Qiu says the current system lacks institutional channels for civic participation in local government. To solve this problem, at the eighth plenary meeting of the 10<sup>th</sup> Guangdong Provincial Committee of the CCP in January 2011, the local authorities laid out a five-year plan to strengthen the rule of law in government.<sup>10</sup> This meeting was also the first time that Wang Yang officially introduced as an objective of the twelfth provincial five-year plan the concept of “happiness” (幸福广东, *xìngfú Guǎngdōng*). Xiao Shu says this represents real progress in strengthening the social system (社会建设, *shèhuì jiànshè*), starting with social reconstruction from the bottom up (社会底盘, *shèhuì dǐpán*). The drive towards happiness involves the creation of an open civil society and the establishment of platforms for citizens to monitor and react to local policies, in particular, via the internet (网络问政、公民问政, *wǎnglù wènzhèng, gōngmín wènzhèng*).

In an interview in *China Newsweek*, Wang Yang said that economic modernisation (*ténglóng huànniǎo*) and social policy (*xìngfú Guǎngdōng*) in Guangdong are interdependent.<sup>11</sup> Economic modernisation involves making the cake of wealth, while social policy governs its sharing; the cake cannot be shared if it has not been made,

9 This measure came into force on 1st March 2011.

10 “Guangdong five-year plan concerning the setting up of government by the rule of law (2011-2015)” (“法治广东建设五年规划 (2011-2015年”, *fǎzhì guǎngdōng jiànshè wǔnián guīhuà* (2011-2015 nián)), 7 January 2011.

11 Gu Lijun & Suo Youwei, “Wang Yang, Secretary of the Guangdong Provincial Committee of the CCP: the flowers of happiness must bloom”, *China Newsweek*, 11 March 2011

and the only reason for making the cake is to share it. But on 10 July 2011 at the first session of the ninth plenary meeting of the Provincial Committee of the party, Wang expressed a slightly different view. He said that although sharing the cake was important, the main task of the party should still be making it (“分蛋糕不是重点工作，做蛋糕是重点”，*Fēn dànɡāo bùshì zhōngdiǎn gōngzuò, zuò dànɡāo shì zhōngdiǎn*). This position was criticised for prioritising efficiency over equity. Wang Zhanyang says Guangdong’s focus on the making of the cake was an act of “political correctness” (政治正确, *zhèngzhì zhèngquè*), since Guangdong must follow the policies of central government even if they are ill-advised. But the idea that creating wealth should be the government’s only priority is unacceptable, since the inequities caused by the current distribution of income have become intolerable. Gao Quanxi says rules for wealth creation need to be established. This would enable economic disputes to be addressed through an independent legal system and so help to maintain sustainable growth based in law.

*Chongqing: creating common prosperity without changing the system*

Yang Ping says that the social tensions seen in Guangdong are only just beginning to emerge in Chongqing. Chongqing’s market economy system is less advanced than Guangdong’s, so it has yet to face many traditional development problems. For years, market mechanisms were virtually paralysed by the control of the market held by the mafia and corrupt officials. Yang Fan, Zhang Musheng, and Cai Xia note that a large part of Chongqing’s population still lives in poverty. Zhang Musheng says Chongqing has suffered from the construction of the Three Gorges Dam, which got under way in 1997. The municipality absorbed a huge number of migrants from the poorest and least-developed mountain regions of the neighbouring province of Sichuan. The arrival of these low-income migrants widened the already large gap in living standards between the town of Chongqing and the surrounding rural areas that make up 90% of the municipality’s territory. At the time, 80% of the rural population were recorded as “peasants” and lived below the poverty line. The situation was slightly better in the town, but it had a significant number of unemployed people laid off from troubled state enterprises.

To combat this lag in development, Bo Xilai along with Chongqing’s mayor, Huang Qifan, have succeeded in driving economic and social reform<sup>12</sup>. Yang Fan says Chongqing’s development strategy is in line with the approach laid down by President Hu Jintao in the 3.14 plan that came out of the two assemblies of the 17<sup>th</sup> Congress in March 2007. So, Bo Xilai, who became leader of the Chongqing Municipal Party at the end of 2007, was not the plan’s originator, but through his strong leadership, he has accelerated its implementation. Yang says the Chongqing Model is the

12 Huang Qifan, who arrived in Chongqing in October 2001 and has been mayor since January 2010, was one of the leading figures in the Pudong economic development project from 1990 to 1994.

synthesis of a series of new political, economic, social, and cultural measures. The traditional models of coastal regions like Guangdong are geared towards assembly and exports; the two poles of the supply chain, sources of inputs and markets for finished products, are situated outside the country (两头在外, *liǎngtóu zàiwài*). Chongqing’s model for growth, on the other hand, is based on local production of spare parts, upstream of assembly. The markets for these parts are also, for the most part, overseas (一头在外, 一头在内, *yītóu zàiwài, yītóu zàinèi*).

Qiu Feng believes there is nothing particularly new about Chongqing’s growth plan. He sees it as analogous to the development of Pudong in Shanghai in the 1990s. Local growth is being stimulated by combining foreign capital with local labour, and the government is working to attract private enterprise and foreign investment through favourable fiscal policies in the special development zones. Yang says that development like Chongqing’s, built on

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trying to catch up with other markets in a short space of time, often requires considerable government intervention in the economy, since if it is left unchecked, the market will not be able to function normally.

Wei Libing says in *Nanfang Zhoumo* that local government involvement is proving critical at this early stage of Chongqing’s development.<sup>13</sup> With the help of preferential policies from Beijing, the municipality constructed infrastructure and reformed state enterprises by leveraging the land resources of the state to get financing from the banks. Then, it latched on to the trend towards accelerating heavy industry and industrialisation in inland China, enabling Chongqing to enjoy a period of rising investment and high growth. Wei summarises this path to development in the metaphor, “build the nest to attract the phoenix” (筑巢引凤, *zhùcháo yǐnfēng*).

Qiu Feng says the real revelation of the Chongqing Model is Bo Xilai’s emphasis on common prosperity, the aim of all his social policies since the end of 2007. Qiu says that where the Guangdong Model is an extension of the dominant discourse of reform since the 1980s, the Chongqing Model is fundamentally different. Instead of prioritising efficiency, it places an equal emphasis on efficiency and equity. In an interview on 3 July 2011 with Liu Changle, Chief Executive of the Hong Kong television channel *Phoenix*, Bo said Chongqing’s development is following the exact opposite path to that of the other regions: he is trying to “cut the cake well before making more cake” (先将蛋糕分好, 再做

13 Wei Libing, “Decrypting the Chongqing model”, *Nanfang Zhoumo*, 29 April 2009.

大, *xiān jiāng dàngāo fēnhào, zài zuòdà*).<sup>14</sup> Bo is recalling Deng Xiaoping's words, "let a share of the people get rich so as to achieve common prosperity", but he thinks common prosperity should be the first priority of the Municipal Committee of the Party. This idea seems to be confirmed by the passage in June 2011 of the resolution "concerning the decision on the reduction of the three disparities and the promotion of common prosperity" ("中共重庆市委关于缩小三个差距促进共同富裕的决定", *zhōnggòng chóngqìng shùwǒ guānyū suǒxiǎo sāngè chājù cùjìn gòngtóng fùyù de juédìng*), during the ninth plenary session of the 3<sup>rd</sup> Chongqing Municipal Committee of the CCP.

Several contributors discuss Bo Xilai's measures for sharing the cake, outlined in a document called "Working plans for the well-being of the population" (民生工程, *mínshēng gōngchéng*). Zhang Musheng says Chongqing's innovative system of "land transaction tickets" (地票, *dìpiào*) is an attempt to solve the problem of polarisation of income between the town and the country. Agricultural land in less developed areas can be floated on the city real estate market, allowing farmers who give up their land use rights to share in the fruits of urbanisation. This can stimulate growth by creating internal demand from this formerly disadvantaged population. Yang Ping says Bo's public housing construction will help migrant workers, urban low-income earners, and students.<sup>15</sup>

Wang Zhanyang says Chongqing's social policies could have positive effects for the entire country. He says China's market economy is developing steadily, and the country must now work out an appropriate relationship between government and the market and decide the role each should play in development. Wang thinks wealth creation should be left to the market, while the government should focus on sharing the cake, starting with tax reform of public finances. Chongqing is proof that the cake can be shared without reforming the current political system. Wang thinks that Bo Xilai's political savvy and Huang Qifan's economic talent have been key to the success of the Chongqing experiment. But Li Shengping sees this strength in leadership as potentially damaging to the region's long-term prospects. He thinks Chongqing's success may be due more to the personal abilities of Huang Qifan and Bo Xilai, and to financial and political support from Beijing, than to the intrinsic momentum of economic development in the region.

#### *Ideological rivalries: Chongqing's populist campaign to establish government authority*

The experts also discussed the regions' ideological mechanisms and concepts of social governance, focusing on institutions rather than on the motivations of the

<sup>14</sup> Chen Fang, "Bo Xilai: the guiding principle of Chongqing's development these last years has been to share the cake well before cooking a large quantity", *ifeng wang*, 30 July 2011.

<sup>15</sup> For a more detailed analysis of the public housing policies in Chongqing, see Romain Lafarguette's article in this edition.

political players. But the discussion showed that ideological campaigns have often been little more than a vehicle to support each leader's different economic and social policies. Bo Xilai's anti-mafia campaign and his promotion of red revolutionary songs (打黑唱红, *dǎhēi chàngóng*) have caused considerable controversy. Zhang Musheng thinks the anti-mafia campaign has cleaned up Chongqing's society and improved people's sense of security and justice. Yang Fan is also in favour of Bo's radical policy, which, he says, has restructured entrenched interests in the region, a remarkable result that sets Chongqing apart from Guangdong. While some actions taken during the campaign may not strictly have respected procedural justice, the entire policy should not be discredited as a return to the Cultural Revolution. The Cultural Revolution authorised the masses and the people to seize power and execute their own justice, whereas Bo Xilai's anti-mafia and anti-corruption campaign only asks people to denounce criminality, leaving the responsibility for carrying out justice to the state apparatus.

The commentators are divided on the red songs campaign. Yang Fan says the initiative brings back bad memories of the Cultural Revolution, and so risks triggering resentment and doubt within the elite. But it also appeals to the idea of revolution in the strongest sense of the word, a change in the established order, which could work to raise the morale of the people. Zhang Musheng sees the campaign as wholly positive. He thinks the red songs recall the Yan'an period, seen as the democratic high point of the CCP. Evoking this period could help restore the people's faith in the honest and legitimate governance of the communist party. Yang Ping shows how the campaign serves as ideological propaganda in support of Chongqing's other policies. He makes a direct link between the red songs and Bo's development strategy, saying the red songs mobilise the people around development policies characterised by the dominance of the local executive and the state economy. Guangdong's more privatised and open economy, on the other hand, calls for the use of a more liberal rhetoric.

Cai Xia draws on her own experience of the Cultural Revolution to disagree with Yang's conclusions. She says the methods rather than the results of Chongqing's policies are important. The Chongqing Model is a "carrot and stick" approach (恩威并施, *ēnwēi bìngshī*), the carrot being the benefits of the economic and social reforms, and the stick the red song campaigns. The semi-official red songs of Chongqing draw on the sacredness of the revolution to put psychological pressure on the people. They promote extremist political thoughts and violent confrontation, retarding the progress of history rather than driving it forward.

#### *Guangdong: strengthening civil society and limiting local government*

Xiao Bin does not directly comment on Chongqing in the debate, but he indicated his preference for the Guangdong

Model in a recent interview with the Singapore daily, *Lianhe Zaobao*.<sup>16</sup> Xiao explains that the basis for the Chongqing Model is the maintenance and consolidation of the Chinese political system, united around the central leadership of the party. The Guangdong Model involves adding wholly new elements and mechanisms: Guangdong wants to bolster the rule of law and increase protection of civil rights, as well as to reform and innovate to adapt to the changes necessitated by the market economy and globalisation. Several of the experts say Guangdong's leaders are increasingly conscious of the importance of civil society in social governance. Xiao Bin says civil society is spontaneously coalescing in Guangdong. People are developing a sense of civic-mindedness. Citizens' organisations are springing up, numbering more than 28,000 in 2010, including non-profit organisations active in social assistance, environmental protection, and community service. Citizens' action groups are actively expressing opinions on local governance through artistic or media events. And citizens' platforms are emerging to support citizen's demands, among them, the open and frequently oppositional Guangdong media.

Zhang Shuguang says Guangdong's dynamism and greater freedom of expression is typical of the north of China, where local officials tend to be more resistant to the influence of the Propaganda Department of the Central Committee of the CCP. Wang Zhanyang says Guangdong is aspiring not only to the establishment of the rule of law but also to true democracy. The local government is encouraging and protecting civil rights, especially freedom of opinion and the freedom of the press, so as to bring about a de facto institutionalisation of democracy and the rule of law while awaiting their full and sanctioned implementation. Guangdong's legislation on the rule of law is relatively advanced for China, making provision as it does for transparency through public hearings and for the consultation of expert witnesses. In recent years, the legislative framework has been broadened to take in social issues, where before, the focus was on economic legislation for the special economic zone. A number of experiments in promoting democracy are under way in various regions. In Shenzhen, reforms have been put in place to make elections more competitive. In Guangzhou, the municipal budget was made public. And in Heyuan, steps were taken to establish platforms for policy consultation on the internet.

If Cai Xia is correct that Chongqing is pushing strong government to the detriment of civil society, then Guangdong represents the opposite scenario. Xiao Bin says the strength of the Guangdong Model lies in its capacity to facilitate continuous and thorough institutional reforms. He says Guangdong's leaders for generations have been liberal and reformist. Invoking Ding Xueliang's theory of the triangle, Xiao says Guangdong is in the process of evolving from a system integrating the party, the state, and

16 Zeng Shi, "The political scientist Xiao Bin: The Chongqing model could gain the upper hand in the short term, but the Guangdong Model is likely to have the last word", *Lianhe Zaobao*, 6 June 2011.

society, towards a benign "ternary" structure composed of the state, the market, and society.<sup>17</sup> As a proxy for the state, the leadership of the communist party remains the foundation of the system. However, changes are occurring around the margins, as can be clearly seen in the expanded role local governments like Guangdong have given to civic organisations, as well as the new emphasis placed on social policies. As the flagship for the economic reforms of the last 30 years, Guangdong has had to adjust power relations progressively along three axes: the central-local axis, the state-market axis, and the state-society axis. The shift from central to local government happened in the 1980s with the vertical decentralisation of decision-making (放权改革, *fànguān gǎigé*). At the same time, the decline of the role of the state in the management of business, "giving back the power to business" (还权改革, *huánquán gǎigé*), re-centred power with the market rather than the state. Wang Yang has begun the process of transferring power from the state to society by causing local government to limit its own

**Guangdong wants to bolster the rule of law and increase protection of civil rights, as well as to reform and innovate to adapt to the changes necessitated by the market economy and globalisation.**

authority (限权改革, *xiànquán gǎigé*). Wang Yang's recent proposal of merging departments with similar functions is an attempt to establish a "limited government"

(有限政府, *yǒuxiàn zhèngfǔ*). Xiao Bin concludes that although the separation of state and society is still a long way from complete, these three reforms are diluting the concentration of power and giving greater autonomy to civil society.

#### *Is China heading towards pluralism?*

The round table ends by considering the political implications of the competition between Guangdong and Chongqing. The relationship between the two models, which many see as complementary rather than conflicting, must be re-evaluated. Qiu Feng and Zhou Hongling think the emergence of the two models signifies the end of the phase of reform begun in 1978. Zhou Hongling says the last 30 years of development towards a market economy have led to three major changes in Chinese society: the emergence of the concept of "citizen", the development of the private sector economy, and the restoration of the civil society that disappeared during the Cultural Revolution.

Zhou says China's current problems of social conflict, social instability, and mass popular movements are caused by the fact that political change is lagging behind socio-economic

17 A professor in the Department of Social Science at the Hong Kong University of Science and Technology, Ding Xueliang published his most recent work, *Discussing the Chinese model*, in January 2011. In it, he analyses the Chinese model as three overlapping sub-systems: the structure of political power, social control, and the regulated market economy.

changes. Guangdong and Chongqing both present potential solutions to the current impasse in the process of reform. The panel seems to incline towards the path of Guangdong. Gao Quanxi says that Chongqing will not be able to achieve equity and efficiency at the same time, and must first create efficiency before it can bring about real redistribution of wealth. He also thinks Chongqing's model represents an attempt to return to the authoritarian system of the planned economy, while Guangdong's path could lead to the development of a strong and liberal civil society. Zhou Hongling agrees, saying Guangdong is attempting a qualitative jump in embracing the ideas of modern governance and in giving a greater role to civil society. Both see the Guangdong Model as the future of Chinese governance.

Qiu Feng and Yang Ping think Guangdong's efforts to establish the rule of law and institute greater democracy may not be successful. Both predict almost insurmountable difficulties, because Guangdong's reforms could have direct consequences in setting off other major political reforms that would affect the political foundations of the entire country. Wang Zhanyang calls for true commitment in Beijing towards comprehensive reform of the Chinese state. Without real political will at the centre, Guangdong's bold reforms will never be able to flourish.

But the experts are not concerned to decide whether Chongqing or Guangdong is the winner. No one solution can suit the whole of China. Zhou Hongling offers a liberal conception of the ideal model of a modern society: pluralist governance based on balanced and coordinated development of political democracy, of the market economy, and of the autonomous management of civil society. The discussion concludes with an optimistic consensus on the significance of the rivalry between Wang Yang and Bo Xilai. This competition represents the first time in many years that political figures in China have responded so directly to the demands of the public and communicated so explicitly their overtly political ideas. Through dynamic competition, the two leaders are openly seeking to strengthen their legitimacy by appealing for the support of the public. Qiu Feng and Zhou Hongling see in the competition the beginnings of a new era in modern Chinese politics that will be characterised by open debate between factions and figures, whether *taizidang* like Bo Xilai or *tuanpai* like Wang Yang, under the watchful eye of public opinion and the media.<sup>18</sup>

18 The *taizidang* are a makeshift group within the CCP made up of the children of former leaders of the CCP. The expression, *tuanpai*, refers to the leaders of the CCP who have come out of the Communist Youth League. They are often considered to be close to Hu Jintao, who was the first secretary of the League in 1984–85.

## 2. The implications of the Chongqing Model for the reform of China's legal system

by Jean-Pierre Cabestan

Source:

“The ‘Chongqing Model’ and implications for reform of the legal system in China”, account of a debate held on 10 June 2011 at the Faculty of Law of Peking University, *Zhongguoxuanju yu zhiliwang*, Chinaelections.org, 16 June 2011<sup>19</sup>

When Bo Xilai, Secretary of the Communist Party in Chongqing, arrived in the city in 2007, he launched a campaign against organised crime known as “striking the black” (打黑, *dahei*). The local mafia had been left to flourish by his predecessor, Wang Yang, now Secretary of the Guangdong Communist Party. Bo's moves to dismantle it were for the most part welcomed, but his methods caused controversy, especially among members of the legal profession.

In December 2009, Li Zhuang, the Beijing lawyer of the high-profile mafia boss Gong Gangmo, was sentenced to two and a half years in prison for “incitement to give false evidence”. He was accused of having advised his client to give evidence that he had been beaten for eight days and nights. One month later, Li Zhuang's sentence was reduced on appeal to one and a half years because of his cooperative attitude. When this second sentence was announced, Li Zhuang repudiated the confession, which he had apparently agreed to make in exchange for a suspended prison sentence, and accused the prosecution of having misled him. It would seem, however, that to Bo Xilai, himself suspected of having tried to intimidate a lawyer whom he accused of having come to Chongqing like a “rooster in a barnyard”, that this punishment was not enough. In April 2011, when he was nearly finished serving his sentence, Li Zhuang was charged again, this time for giving false evidence (伪证, *weizheng*) in a case of fraud. The legal profession was shocked, and most likely, the new proceedings also caused some irritation to a number of political leaders in Beijing who are not well disposed towards the impetuous, populist, and ambitious Bo Xilai. Li Zhuang's firm, Kangda, launched a counter-attack. The stand-off seemed to be becoming personal: Kangda is headed by Fu Yang, the son of Peng Zhen, a luminary of the CCP more experienced in the law than Bo Xilai's father, Bo Yibo, and thought by many to be his senior. Less than a week later, the new charges against Li Zhuang were dropped and the proceedings were abandoned.<sup>20</sup> On 11 June 2011, he was released from prison.

19 <http://www.chinaelections.org/NewsInfo.asp?NewsID=208968> and <http://www.chinaelections.org/NewsInfo.asp?NewsID=208969>

20 “Lawyer Li Zhuang released from prison”, *China Digital Times*, 14 June 2011, <http://chinadigitaltimes.net/2011/06/lawyer-li-zhuang-released-from-prison/>



But in spite of Li's release, the controversy remains alive, and has given rise to many commentaries on Chinese blogs and much discussion in the media and in academic circles.

The debate outlined in this article is typical of the comments made, especially among lawyers, in the wake of this affair. It took place on the eve of Li Zhuang's release, on 10 June 2011, at the prestigious Faculty of Law at Peking University (FLPU). Chaired by Zhang Qianfan, professor at the FLPU, this round table brought together He Bing, a professor at the China University of Political Science and Law, Si Weijiang and Wei Rujiu, two of Li Zhuang's lawyers, and Tong Zhiwei, editor-in-chief of the eminent legal science review *Faxue* and professor at the Faculty of Law of the East China University of Political Science and Law.<sup>21</sup> While the debate revisited some of the legal arguments put forward by He Weifang (due in part to the late arrival of Tong Zhiwei), wider political questions were also raised. Zhang Qianfan limited his contribution to facilitating the discussion and making a few brief concluding remarks, while He Bing, Si Weijiang, Wei Rujiu, and Tong Zhiwei were more forthright in expressing their views. While the commentators did not agree with each other on every point, their comments were often unexpectedly iconoclastic, especially on political reform and on the future of the country.

The speakers are united in rejecting the very idea of the "Chongqing Model". He Bing says the political and legal model of Chongqing involves "singing red" (唱红, *changhong*), or singing revolutionary songs; "striking the black" (打黑, *dahai*), or fighting the mafia; and "sweeping away the yellow" (扫黄, *saohuang*), or ending prostitution and pornography – so, "governing the country by colours" (颜色治国, *yanse zhiguo*). But He and Tong Zhiwei both say that even the Chongqing government does not believe in a Chongqing model, but only proposes a method or mode of operation (做法 *zuofa*), and a proper way of applying, or rather, of "grasping" the law (搞法, *gaofa*).

### Red songs

He Bing asks, with some malice, what exactly can be called a red song. Not "The Internationale", the first revolutionary song from the classic 1964 manual, nor the violent and nowadays dangerous "Tremble! Tyrant!" (发抖吧! 暴君 *fadou ba! baojun*), nor any other calls to class hatred. Like the other participants avoiding using Bo Xilai's name, he says that the revolutionary songs promoted by Chongqing are of two types: traditional peasant songs ("rice noodle songs", 粉歌, *fenge*) and songs glorifying the CCP and Mao (颂歌, *songge*). He thinks these songs are more petty bourgeois than revolutionary, and adds that the campaign

<sup>21</sup> For reasons unknown, Professor He Weifang, also from FLPU, did not attend the debate, despite being known for his liberal perspective and also for his denunciation of the Li Zhuang affair. He laid out his position on the affair in an open letter to colleagues in Chongqing, the town of his alma mater, the Southwest University of Political Science and Law. See He Weifang, "A letter to Chongqing colleagues", *China Media Project*, 12 April 2011, <http://cmp.hku.hk/2011/04/12/11481/>

cost Chongqing 2.76 billion RMB to give just 30 RMB to each of the 80 million participants. These red songs, he says, are intended to replace old and outmoded beliefs with new, but as yet undefined, ones. They are nothing more than a smokescreen.

### The Li Zhuang affair

He Bing says that some people described the Li Zhuang affair as the "springtime of the Law" (法律的春天, *falü de chuntian*). But, along with Tong and the other speakers, He sees the scandal as a result of the collusion between the three organs of the judicial system (司法部门, *sifa bumen*): the instruments of security, the prosecution, and the courts. Their heads meet under the chairmanship of the Secretary of the Legal and Political Department of the CCP (政法委员会, *zhengfa weiyuanhui*) to make all legal decisions. The affair highlighted the selective application of the penal code and the lack of application of the code of penal procedure.

Outside China, people would say that China was a police state: "public security does the cooking, the prosecution passes the food, and the courts eat it".

Si Weijiang, Li Zhuang's most recent lawyer, summarises the operating methods of the police and the judiciary in China: "The legal system is subordinate to public security". He adds that outside China, people would say that China was a police state. Prudently, however, he offers a more locally palatable expression: "public security does the cooking, the prosecution passes the food, and the courts eat it".

Li Zhuang's lawyers seem to have passed the case around like a hot potato. Wei Rujiu, who introduces himself as "an ordinary and not particularly brave lawyer", agreed to take on the case at the request of Chen Youxi, who no longer wanted to handle it. He says that when he arrived in Chongqing, the local legal fraternity for the most part respected and supported his work, so "not everything was black". But he found the situation too difficult: the court was refusing to call witnesses to compare their story with that of the defendant, relying instead on written evidence that could not be re-examined. So Wei passed the case to Zhang Sizhi, and finally it came into the hands of Si Weijiang, who was not a criminal lawyer but an expert in intellectual property law. In 2008, he did deal with a constitutional case concerning the legality of a political party's registration, which demonstrated a willingness to accept a case like Li's. But even Si says that looking for exculpatory evidence is a big risk for a lawyer: you could easily find yourself accused of inducement to give false evidence, and so become a defendant yourself. Civil law expert Jiang Ping, professor at the China University of Political Science and Law, made the same point on his blog at the end of April 2011<sup>22</sup>.

<sup>22</sup> Quoted in David Bandurski, "China's lawyers need to speak out", *China Media Project*, 28 April 2011, <http://cmp.hku.hk/2011/04/28/11898/>

### *The political campaign against organised crime*

The legal experts think that the fight against organised crime has been carried out with little respect for the law. It has instead been conceived as a movement or political campaign (运动, *yundong*). He Weifang, professor at FLP, says in an open letter that more than 5,000 suspects have been arrested based on “letters of denunciation by the masses” and that special investigation and inquiry groups (专案组, *zhuan'an zu*) have been established, recalling the sinister organisations used by Kang Sheng during the Cultural Revolution.<sup>23</sup>

Zhong Zhiwei says that instead of trying to protect public order and safety, Chongqing has used the anti-mafia campaign to manage and control society (社会管理的方式, *shehui guanli de fangshi*). Zhong thinks this sort of “devolution” happens all throughout China because of the lack of independence of the courts and the prosecution. The selective application of articles of the penal code and the use of torture to extract confessions are still widespread. Zhong says that the change in mission, from attacking the mafia to controlling the public, can also be seen as a result of the difficulty of defining what constitutes organised crime activities and of distinguishing criminal acts from legitimate business and individual activities. There are only three crimes in the penal code that come under the heading of organised crime, while there are 125 crimes defined as affecting the social order.

Zhong and the other contributors think that what has occurred in Chongqing has been a mobilisation of all the instruments and officials of the Chongqing government, a mobilisation that has treated the rules of law and procedure with disdain. Anything that threatened public order was called an act of the mafia. Minor organised crime matters were made out to be huge, non-mafia crimes were “painted black” (非黑染黑, *feiheiranhei*), and actions that had nothing to do with the mafia were “mafia-ised” (无黑造黑, *wuhei zaohei*). Zhong says this political and administrative mobilisation has involved granting special powers to the police and intimidating citizens and businesses. The local authorities have used illegal and criminal procedures that contravene human rights and individual freedoms, such as interrogation under torture. And the campaign has had a paralysing influence (寒蝉效应, *hanchan xiaoying*) on society. It has reduced citizens’ freedom of speech and publication, and it has placed restraints on freedom of association and the freedom to take part in social and non-governmental organisations and religious activities.

#### *What is the “Chongqing Model”?*

The participants use the term “Chongqing Model” in inverted commas, since they do not believe that it truly

<sup>23</sup> He Weifang, “A letter to Chongqing colleagues”, *China Media Project*, 12 April 2011, <http://cmp.hku.hk/2011/04/12/11481/>. Kang Sheng, head of the secret services of the CCP in Yan’an in the 1950s, was one of the main organisers of the purges of the Cultural Revolution.

represents a new system. But they do believe that it is dangerous. Si Weijiang says it is a manifestation of the “atavism” (返祖现象, *fanzu xianxiang*) of China. Like other models that emerge in times of crisis, the “Chongqing Model” represents a return to doctrinal fundamentalism (原教旨主义, *yuanjiaozhi zhuyi*), and it looks to the past instead of the future (往回改的模式, *wanghui gai de moshi*). At the same time, it looks enough like genuine reform to enable the government to put off tackling difficult and destabilising reforms such as allowing democratic elections.

Zhang Qianfan concludes that the Chongqing model is neither applicable to the wider context nor tenable in the medium term. The inhabitants of Chongqing are no doubt satisfied with its results right now, but in a few years they may well change their minds. The “model” has fostered a false sense of democracy and obstructed the professionalisation of the legal system.

#### *Possible legal and political solutions*

He Bing proposes two reforms: the professionalisation of prosecutors and judges and the democratisation of the legal system. He says that true professionalisation of the legal system is impossible at the moment because of the deep involvement in the law of the Party and its political and judicial committees. But the professionalisation of key players in the prosecution and the courts can and must be accelerated. To bring about the “democratisation” (人民化, *renminhua*, literally “popularisation”) of the legal system, He Bing suggests establishing people’s juries (陪审团, *peishentuan*).

Si Weijiang disagrees with the idea of people’s juries because he fears a return to the excesses of the Cultural Revolution. He thinks that in the short and medium term, people’s juries could be very conservative and not especially mindful of the law. Si says that the most important thing is to ensure procedures are respected – any “populist” trend (民粹主义, *mincui zhuyi*) should be avoided. Si says there can be no meaningful reform of the legal system if the “sovereign” (皇上, *huangshang*, which also means “Emperor”), by which he means the Party, is not also reformed. Constitutional reform (宪政改革, *xianzheng gaige*) is necessary. But Si says that reforming the constitution is a bit like opening Pandora’s box: once opened, it would be very difficult to close it again and return to the status quo, which is why the authorities are wary of change. But he sees some reason for hope. Whether or not the party undergoes reform, he says, if the pressure from outside the system is enough, the system will have to react.

Si thinks elections are a complex matter. The principle of “one person, one vote” would give as much power to illiterate peasants as to the elite. In village elections in rural areas, this kind of system has already led to vote buying and the election of candidates based on their capacity to pay for votes. This is a recipe for trouble, and those at

the top could easily end up regretting the current system. So, considered, progressive, and phased reform is needed, varying according to region and area of reform. Clear rules need to be laid down and people must be psychologically prepared. There should be no illusions about the fact that transition to a democratic, constitutional system (民主宪政, *minzhu xianzheng*) will be difficult and will cause unrest.

He Bing talks about the ambiguities in the official film shown on the occasion of the ninetieth anniversary of the Chinese Communist Party, “The great cause of the founding of the party” (建党大业, *Jiandang daye*). The film shows how in the days of the Republic of China, students defied dictatorial power and called for the creation of a revolutionary party. These days, He says, they would have been accused of “subverting the power of the State”, adding: “we don’t have the right to revolutionise, only to sing revolutionary songs!” He doubts that peaceful political reform is possible. He fears that a “crisis of resources” or an “ecological crisis” will soon erupt. One potential flashpoint for crisis is the fact that China has serious problems in ensuring sufficient water resources. The country is living on borrowed time (透支, *touzhi*), gambling on future generations, and the strategy is not sustainable. The forces of reform are relatively weak and the lowest sections of society are losing patience. And by lamenting the lot of the poor, intellectuals only incite them to revolt. He says that this is how the French Revolution started.

Tong Zhiwei says, and Si Weijiang agrees, that in elections to the local assemblies, which are very tightly controlled by the Party, people should keep the pressure on and try to gain acceptance gradually for a greater number of independent candidates. The strategy echoes the struggle of those “outside the Party” (党外, *dangwai*) in Taiwan in the 1970s. Si Weijiang refers to his own experience with the people’s assembly of the Jing’an district of Shanghai: the assembly bit by bit got used to hearing dissenting voices, and then to recording negative votes. But many problems remain, including the fact that the floating population cannot register to vote in local elections. Si concludes, quoting Premier Wen Jiabao, that change can only come through the “soft power” of society: “the country’s destiny lies in the heart of the people” (国之命在人心 *guo zhi ming, zai ren xin*).

This kind of wide-ranging debate is unlikely to end with consensus, and indeed, the discussion took unexpected turns and produced some comments that verged on incoherence. But the goal of the meeting was clear: to criticise the so-called “Chongqing Model” and to hit out at the arrogance of its promoter, Bo Xilai<sup>24</sup>. And Zhang Qianfan ended the debate with a pointed reminder to the authorities – the Chinese legal world expects, at the very minimum, a reduction in political interference in the legal system.

24 On this subject, see the very critical portrayal of Bo Xilai by the investigative journalist Jiang Weiping, *Bo Xilai zhuan – Concerning Bo Xilai*, (Gelande chu ban gong si, 2010)

### 3. The view from Hong Kong: Bo Xilai’s opportunism is not paying off

by Jérôme Doyon

Sources:

Wen Youping, “The political split between Bo Xilai and Wang Yang”, *Zhengming*, August 2011<sup>25</sup>.

Zhou Keshang, “The table of the governing personnel under the reign of Xi and Li”, *Kaifang*, September 2011.<sup>26</sup>

When the 18<sup>th</sup> Congress of the Chinese Communist Party is held in Beijing in November 2012, seven of the nine seats of the Standing Committee of the Politburo of the CCP will be up for renewal. The two remaining seats are earmarked for Xi Jinping and Li Keqiang, generally considered to be the future leaders of the CCP. As the event draws nearer, the Hong Kong press is looking for signs of who the next members of the Standing Committee of the Politburo will be. Two probable contenders are Bo Xilai and Wang Yang who, with extremely different approaches, have each made significant changes in the regions under their control, and in so doing, have emerged as leading candidates for greater influence. By tracing their common history, Wen Youping shows that, mainly because of Bo Xilai’s political “vagaries” (失误, *shiwu*), Bo and Wang have gone from being collaborators to being rivals. Wen thinks that Bo Xilai will have to become a little more humble if he is to win a place on the Standing Committee – unlike Wang Yang, who should be able to take his seat without trouble.

Wen Youping says that the high point of collaboration between Wang Yang and Bo Xilai came in 2009. In February of that year, Wang led a delegation of cadres from Guangdong on a visit to Chongqing with the aim of studying local policies. This delegation took steps to set up programmes for cooperation between the two regions. Bo Xilai was extremely welcoming to Wang’s group and called for common efforts to enrich the “under-developed regions”. Wang Yang spoke of “five points of cooperation”, ranging from industrial cooperation to aid for people displaced by the construction of the Three Gorges Dam. Wen says that Chinese press agency Xinhua gave a lot of coverage to the close relations between Bo and Wang, because of their likely status as members of the Standing Committee in 2012.

Since 2009, economic cooperation between Guangdong and Chongqing has continued to develop, but You Wenping says that political rapprochement has come to a sudden stop. The divergence has been caused by Bo Xilai’s anti-mafia crusade and his efforts to promote “red songs”, including Chongqing’s relentless campaign against the lawyer Li Zhuang and Bo’s project to construct an enormous “red

25 Wen Youping is a correspondent in eastern China for the journal *Zhengming*.

26 Zhou Keshang is a journalist for the monthly publication *Kaifang*.

park”.<sup>27</sup> You think Wang Yang does not want his political standing to be affected by Bo Xilai’s erratic behaviour, so the show of political unity between the two leaders has come to an end.

Bo’s neo-Maoist stance is thought to have created unease because it contains an implicit repudiation of Deng Xiaoping’s policy of reform, and therefore can be seen as a veiled reproach to Deng’s heir, Hu Jintao. But Bo’s recent statements on redistribution and “prosperity” (共同富裕, *gongtong fuyu*) seem to indicate that he is modifying his earlier position. He has drawn on Wen Jiabao’s analogy of the “cake” to refer to the production of wealth and he stresses the importance of sharing the “cake” among the people. In speaking of “common prosperity”, he is adapting the second stage of Deng Xiaoping’s policy (邓二步, *Deng Er bu*), encapsulated in the phrase: “let a share of the people get rich so as to achieve common prosperity”. While still maintaining a leftist position in the Chinese policy mainstream, through his appropriation of Deng’s words, Bo is staking a claim to the legacy of the reform period, seeking to ensure his political future by getting closer to Wen Jiabao and Hu Jintao. Jiang Weiping, a Chinese journalist who is a refugee in Canada and who has written a good deal about Bo Xilai, draws similar, though more extreme, conclusions. In an article in *Kaifang*, he presents Bo as a marginalised and lonely figure, who keeps moving from one political project to another, and who has reassessed his “red” policies to please Hu Jintao.<sup>28</sup>

Wang Yang spoke to the question of the “cake” in a speech in July 2011. He said the most important focus for the government should be on making the cake, or the production of wealth. He considers its slicing up, the distribution of wealth, to be a secondary issue. Wang’s response generated a lot of debate, both because of its ultra-liberal nature and because it was diametrically opposed to Bo Xilai’s speeches on the subject. Wen Youping says Wang’s position exemplifies his cautious character. Wang made sure to backstop his statements with reference to Hu Jintao’s policy of “scientific development”, underlining his faithfulness to the Party’s Secretary. Wen quotes one representative from a small town in Guangdong who says that Wang Yang does not want to seem anti-egalitarian. Wang’s policy of a “happy Guangdong” (幸福广东, *xingfu guangdong*) is considered to be indicative of his social views.<sup>29</sup> Wang’s statement in his July speech that he would not undertake land rights reform in Guangdong was intended to reassure the public and the business world, who see land reform as a potential cause of social instability. But it was also a thinly veiled reference to Bo’s ongoing land reforms in Chongqing.<sup>30</sup>

27 For details about the Li Zhuang case, see the article by Jean-Pierre Cabestan in this issue.

28 Jiang Weiping, “The struggle against the mafia becomes a blind repression, the red songs are turned into calls for richness”, *Kaifang*, October 2011.

29 On the social policies of Guangdong and the *Xingfu guangdong* campaign, see the article by Yang Chan in this issue.

30 On land reform in Chongqing, see the article by Romain Lafarguette in this issue.

In an attempt to regain the advantage, Bo Xilai has invited Hong Kong journalists to Chongqing to examine the results of his reforms. Wen Youping says Bo is trying to reach Beijing through the Hong Kong media, since Wen thinks the Hong Kong political media are one of the main sources of information for the leaders of the Party in Beijing. Each member of the Standing Committee of the CCP most likely has a group of personal advisers who analyse information in the media to monitor the activities of members of other factions within the CCP. Wen sees Bo Xilai’s use of the Hong Kong media as confirmation of this process.

But Bo has had limited success in his use of the media. Wen says Hong Kong journalists think Bo Xilai has difficulties with political communication. They think that his poor presentation has sometimes transformed good ideas into “bad news” (坏消息, *huai xiaoxi*). Bo’s arrogance and continual criticism of his adversaries, whom he describes as “failures” (成不了气候, *chengbuliao qihou*), seem particularly unseemly when contrasted with Chinese norms.

The journalists see Bo as lacking in respect for the people around him, which suggests that he will find it difficult to rise through the party’s internal democracy.

Bo’s neo-Maoist stance is thought to have created unease : but Bo’s recent statements on redistribution and “prosperity” seem to indicate that he is modifying his earlier position.

Wen is not fully convinced of his colleagues’ conclusions. He thinks they fail to take into account Bo’s adaptability. Following the mixed success of his revolutionary songs campaign, Bo has shifted policy direction significantly. The most obvious example of his changed course is his decision not to proceed with the construction of a “red park” in the Nanchuan district of Chongqing. Wen thinks that Bo’s turnaround is primarily a result of criticism from Li Changchun, one of his supporters within the Standing Committee of the CCP. Li thought Bo’s projects were far too extravagant – the cost of the “red park” would have been 2.5 billion RMB, an enormous sum in view of Bo’s stated objectives of “common prosperity” and addressing the “people’s needs” (民生, *minsheng*). In the wake of the decision not to go ahead with construction, scholars have called for an investigation of what has happened to funds already injected into the project.

Bo Xilai and Wang Yang will probably both become members of the Standing Committee of the Political Bureau of the CCP at the 18<sup>th</sup> Congress in 2012. But it is still unclear what responsibilities they will be allocated, and whether either will achieve a second term. Zhou Keshang suggests that Wang Yang could take over Li Changchun’s position as head of the CCP Guidance Committee for Building Spiritual Civilisation, in charge of propaganda activities. He would be the eighth most senior member of the Standing Committee. Bo Xilai could replace Zhou Yongkang at the head of the

Political and Legislative Affairs Committee, becoming the ninth most senior member of the Standing Committee.

The age limit for beginning a term on the Standing Committee is around 65 years of age, which makes Wang much better placed than Bo to build up lasting influence.<sup>31</sup> He would be among the youngest members of the next Standing Committee, since like Li Keqiang, he was born in 1955. Bo, born in 1949, will be 63 by the time of the 18th Congress. He has already almost reached the age limit for the Congress, and so would have difficulty holding on for a second term. Wang could potentially continue through to the 20<sup>th</sup> Congress.

In reaction to Bo Xilai's media visibility, Wang initially kept a low profile. But he has now returned to centre stage, first in the debate on sharing the "cake" and then with his innovation in using the internet to foster citizen participation in his campaign for a "happy Guangdong". Wen Youping stresses the close relationship between Wang Yang and Hu Jintao: Hu is said to have privately given Wang his approval and support for his policies in Guangdong. Wen thinks Hu Jintao is positioning his pawns to take advantage of the reconfiguration that will happen after the death of Jiang Zemin, the sponsor of some of Hu's rivals. Wen suspects that Hu wants to make Wang the "political guardian" (監國, *jianguo*)<sup>32</sup> of Hu Chunhua, who is likely to return to the Standing Committee of the CCP at the 18<sup>th</sup> Congress and may become General Secretary of the Party at the 20<sup>th</sup> Congress.<sup>33</sup> Wen even goes so far as to imagine the impossible: the prospect of a challenge to the leadership of Xi Jinping and Li Keqiang at the 19<sup>th</sup> Congress.

31 Cheng Li, "China's Midterm Jockeying: Gearing Up for 2012 (Part 1: Provincial Chiefs)", *China Leadership Monitor*, No. 31, winter 2010.

32 This term here refers to the equivalent of the regency system in imperial China.

33 Hu Chunhua is the current Secretary of the CCP of Inner Mongolia. He was First Secretary of the Communist Youth League (*gongqingtuán*, 共青团) between 2006 and 2008, which makes him one of the key members of the *tuanshipai* faction that contains former member of the League. He is close to Hu Jintao who was First Secretary of the League in 1984-1985. He is often introduced as "Young Hu", the protégé of the President, who hopes eventually to place him at the head of the CCP in the same way that Deng Xiaoping himself designated Hu Jintao as his second successor after Jiang Zemin.

#### 4. Chongqing: a model for a new economic and social policy?

by Romain Lafarguette

Sources:

Wang Guangyu, "Chongqing, the testing ground for the new policies", *Caijing Guojia Zhoukan – Xinhua News Agency*, February 2011.<sup>34</sup>

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Chongqing's mayor, Huang Qifan, and its General Secretary of the Communist Party, Bo Xilai, have launched an innovative and ambitious social programme in the municipality. The programme entails the construction of public housing, the reform of land rights, and the distribution of large numbers of new residence permits, or *hukou* (戶口), to the rural population.<sup>38</sup> The project is unique in scope, in coherence, and in the government's efforts to ensure stable and accountable sources of funding. But the absence of political and judicial reforms to provide a framework for this economic and social development is a cause for concern.

The first stage of the programme involves constructing more than 40 million m<sup>2</sup> of public housing over a ten-year period (2010-2020), with 30 million m<sup>2</sup> to be constructed in the first three years. This represents the total area of private housing sold over a three-year period in Chongqing. Eventually, public housing (公租房, *gong zufang*) will supply 30-40% of property market needs, while 60-70% will be supplied by housing at market price. Right now, public housing in Chongqing accounts for 5% of rented

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38 The *hukou* is the residence permit in China. It is specific to the particular housing zone, differentiating between rural and urban areas, and carries associated rights. For example, without a Beijing residence permit, it is not possible to work legally or to buy an apartment in Beijing.

accommodation. Rents for the new public housing will be on average 40% lower than the market rate for properties of equivalent size and location. The municipality is providing more than 2,000 hectares of land to implement this project. The housing is intended for unmarried people whose monthly income is lower than 2,000 yuan or couples whose income does not exceed 3,000 yuan. To avoid social segregation and to revitalise neighbourhoods, the government hopes to construct the public housing in areas already containing standard housing. This will also help to add value to the newly constructed apartments.

This ambitious construction policy concludes the process of land rights reform begun by the Chongqing government in 2010. The central government has instituted minimum quotas of agricultural land, which local governments must meet out of the total land area they manage. To help develop Chongqing's peripheral areas while still fulfilling this quota, the local government has come up with "land transaction tickets" (地票, *dipiao*). These tickets allow farmers who are converting new land for agricultural use to sell the right to use an equivalent amount of land on the outskirts of towns for urban development. So, if a developer wants to construct an industrial zone of 10 hectares on the outskirts of Chongqing, they must first purchase on the market a *dipiao* for 10 hectares, corresponding to 10 hectares of agricultural land newly created by one or more farmers in the countryside. This ensures that urban development does not occur at the expense of agricultural land. It also means farmers can benefit from financial gains generated by urban growth, since 80% of the value of the *dipiao* is paid to them, with 20% going to the village authorities.

To create more new arable land in the countryside, the Chongqing government is encouraging farmers to convert their homesteads (宅基地, *zhai ji di*). Converting housing land would not only create more agricultural land but should also reduce the number of farmers. Consolidating farms in this way should make it possible to increase agricultural production through economies of scale and greater productivity – although the farming land acquired through the process is likely to be of poor quality.

The migration caused by the *dipiao* system necessitates a fundamental rethink of the Chinese residency permit, or *hukou*. In the magazine *Caixin*, Huang Qifan said that the main beneficiaries of public housing would be immigrant workers and young graduates coming to work in Chongqing. These people have also been the first to benefit from around 3.38 million new *hukou* made available in 2010-11. The administration intends to distribute ten million permits over the period 2010-20 and inhabitants of other regions are also eligible to participate in the programme. It is the largest distribution of *hukou* ever undertaken in China and should help increase the rate of urbanisation in Chongqing to 60%, up from the current rate of 29%.

The local authorities hope that the new policy will generate

significant positive externalities, such as growth in agricultural production, the development of Chongqing's periphery, a boom in construction, a reduction in property prices, and growth in public infrastructure. The government has framed its policy goals in terms of a collectivist rhetoric: it aims to meet the "basic needs of the people" (民生, *min sheng*), and so intends that more than half of Chongqing's expenditure should go toward developing housing, education, health care, pensions, and other public goods.

Aside from the scale of the investment, the Chongqing project is significant because of the innovative funding model proposed by local government. Chongqing is promoting an economic model called the "Third Hand", a reference to Adam Smith's "invisible hand". Under this model, the government takes an active part in the market economy in order to generate profits that can then be distributed to the people. In 2002, on the initiative of Huang Qifan, who was deputy mayor at the time, the government of Chongqing established eight public investment enterprises (八大投, *ba da tou*) to help it fulfil its public infrastructure policy, and the construction of public housing is part of the drive towards using the "Third Hand". The project is controlled and carried out by the state, but it is required to be profitable in the long term, despite the low rents that tenants will pay. Tenants who rent public housing will have the option of owning their property after five years, but they will be prohibited from subletting or selling, except to sell the property back to local government. Mayor Huang Qifan often compares this new system to Hong Kong or Singapore, where public housing is also completely state-owned. He says that in China, where up until now owners have been able to resell their property without restrictions, in some cities only 10% of the land sold in recent years has been used for public housing. So, he believes the State must intervene to ensure the supply of adequate public housing.

Chongqing is determined that funding arrangements for the ambitious programme will be accountable and fair. The construction of the first 30 million m<sup>2</sup> of public housing will cost more than 75 billion RMB. Of this sum, 25 billion RMB will come from local and central government, and the rest will be funded by loans from financial institutions. Banks have committed to lending 20 billion RMB at a borrowing rate of 6% and insurance companies will provide 20 billion RMB at a borrowing rate of 4%. The remaining 10 billion RMB will be financed from the social security fund, financial intermediation companies, and bond issues. The government hopes to cover the 2.5 billion RMB interest on the loans through the rent from public housing.

The cost of distributing the 3.38 million *hukou* issued between 2010 and 2011 is estimated to be over 207.9 billion RMB. This figure includes 130 billion RMB to fund social security expenses like health care and pensions that come with creating more urban *hukou*. It also includes 77 billion RMB to buy back farmers' lands, although these lands will

then be sold through the *dipiao* market. The government is optimistic on keeping the cost of social security low because the first people to benefit from the *hukou* reform will be young immigrants who will have fewer social protection needs. The Chongqing government will provide 30 billion RMB to fund social security, out of government resources that currently exceed 160 billion RMB. Over 90 billion RMB will need to be contributed by business, which will be achieved through taxation, since government can charge higher social security levies for a worker who holds a *hukou* than for an immigrant worker. The rest will be obtained from the rent from public housing.

However, local governments are facing serious debt problems at the moment. So, some have questioned the wisdom of undertaking ambitious and expensive social projects, which do not tend to be particularly profitable. And although Huang Qifan and Bo Xilai are clearly willing to work towards greater social justice, their approach to taxation is not as progressive – the government of Chongqing has imposed a tax on luxury housing that brings in more than 150 million RMB per year, but this amounts to just 0.5-1% of the value of each luxury apartment. The mayor of Chongqing says his funding proposal for public housing is solid and credible. But the low borrowing rates obtained from the banks do not necessarily reflect the expected return on the project. Seventy per cent of the funding will come from loans, which gives the banks considerable leverage and casts doubt on the financial maturity of the project. What is more, rapid returns on investment are unlikely. The financial viability of the project depends on the income from the *dipiao* policy, the ability to collect rent, and the economic development of new districts. However, unlike other cities in China, the government of Chongqing seems to have a lot of credibility with the banks, which should help cooperation between government and the financial institutions. In the end, any potential economic gains from the project depend on the ability of the local economy to absorb the new tenants. If it cannot, the city could experience serious economic and social problems, such as unemployment, inadequate social infrastructure, and wage deflation.

Zhou Ming and Xiang Pengcheng say that the absence of a legal system to regulate public housing makes it difficult to guarantee the interests and rights of the poor. The project is ambitious economically, but its legal and political underpinning is vague and incomplete, especially on taxation and on the conditions for buying back public housing. Chongqing is ready to make large-scale investments, but not to carry out any thorough reform of state institutions. The new *hukou* policy is no real reform: it simply extends the existing Chongqing *hukou* to a greater number of rural residents. The system itself is unchanged, and the distinction between those with an urban *hukou* and those with a rural *hukou* persists. Hu Shuli questions keeping the *hukou* system at all if the new arrangements mean handing out as many permits as possible – why not

just abolish the residence permit entirely? Huang Qifan says that keeping the rural *hukou* helps to protect farmers, safeguarding their rights in buying and using land. But this argument simply exposes the lack of a proper legal framework for dealing with land rights in rural areas. It is not a valid defence of the *hukou*, which is not the most appropriate tool for defending people's rights and interests.

Land rights reform is a difficult issue. Younger people will want to leave the country and use the urban *hukou* to find work, and the elderly will want to move to the city to gain access to better health care. But the working population aged between 40 and 60 have less incentive to leave the countryside. Wang Yuguang says that this age group owns assets like housing, land, and agricultural equipment in rural areas and unlike younger people, they will have difficulty finding employment in the city. And the compensation they get for their land in the country is unlikely to be enough for them to live comfortably in the city. So they may refuse to

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leave. The *dipiao* system is complex and may be hard for farmers to understand, so they might have trouble accepting it, or in having their rights recognised. In Shenzhen, for example, many farmers interpreted a

similar change in the *hukou* as a theft of their land. To ease the situation, the government of Chongqing has instituted a transitional period of three to five years during which the farmers will be able to live in the city while retaining their land rights in their villages. They will, for example, still be eligible for crop subsidies, as well as holding onto social rights, such as being able to have more than one child.

Hu Shuli says that even though this ambitious policy seems to be set up to protect the rights of farmers and individuals, Chongqing's rapid urbanisation is happening through very directive administrative methods, which are open to potential abuses. And the Chongqing model is dependent on the region's particular political framework, so it may not be transferable to other contexts. Chongqing is an autonomous municipality (*zhi xia shi* 直辖市), like Beijing, Shanghai, and Tianjin, and so does not come under the control of any province. The government of Chongqing has direct access to the central government, which gives it greater freedom to implement innovative public policies and greater capacity to collect and deploy its revenue as it sees fit. Chongqing has an excellent platform to trial a new "Third Hand" policy that is both interesting and innovative. But considering the constraints and the specific circumstances of the city, it would be risky to use the Chongqing model as a template for the rest of China.

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