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## How China Is Ruled

Why It's Getting Harder for Beijing to Govern

By *David M. Lampton*

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Laborers clean a statue of Mao, September 24, 2013. (Courtesy Reuters)

China had three revolutions in the twentieth century. The first was the 1911 collapse of the Qing dynasty, and with it, the country's traditional system of governance. After a protracted period of strife came the second revolution, in 1949, when Mao Zedong and his Communist Party won the Chinese Civil War and inaugurated the People's Republic of China; Mao's violent and erratic exercise of power ended only with his death, in 1976.

The third revolution is ongoing, and so far, its results have been much more positive. It began in mid-1977 with the ascension of Deng Xiaoping, who kicked off a decades-long era of unprecedented reform that transformed China's hived-off economy into a global pacesetter, lifting hundreds of millions of Chinese out of poverty and unleashing a massive migration to cities. This revolution has continued through the tenures of Deng's successors, Jiang Zemin, Hu Jintao, and Xi Jinping.

Of course, the revolution that began with Deng has not been revolutionary in one important sense: the Chinese Communist Party (CCP) has maintained its monopoly on political power. Yet the cliché that China has experienced economic reform but not political reform in the years since 1977 obscures an important truth: that political reform, as one Chinese politician told me confidentially in 2002, has "taken place quietly and out of view."

The fact is that China's central government operates today in an environment fundamentally different, in three key ways, from the one that existed at the beginning of Deng's tenure. First, individual Chinese leaders have become progressively weaker in relation to both one another

and the rest of society. Second, Chinese society, as well as the economy and the bureaucracy, has fractured, multiplying the number of constituencies China's leaders must respond to, or at least manage. Third, China's leadership must now confront a population with more resources, in terms of money, talent, and information, than ever before.

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*Governing China has become even more difficult than it was for Deng Xiaoping.*

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For all these reasons, governing China has become even more difficult than it was for Deng. Beijing has reacted to these shifts by incorporating public opinion into its policymaking, while still keeping the basic political structures in place. Chinese leaders are mistaken, however, if they think that they can maintain political and social stability indefinitely without dramatically reforming the country's system of governance. A China characterized by a weaker state and a stronger civil society requires a considerably different political structure. It demands a far stronger commitment to the rule of law, with more reliable mechanisms -- such as courts and legislatures -- for resolving conflicts, accommodating various interests, and distributing resources. It also needs better government regulation, transparency, and accountability. Absent such developments, China will be in for more political turmoil in the future than it has experienced in the last four-plus decades. The aftershocks would no doubt be felt by China's neighbors and the wider world, given China's growing global reach. China's past reforms have created new circumstances to which its leaders must quickly adapt. Reform is like riding a bicycle: either you keep moving forward or you fall off.

#### NOT ALL LEADERS ARE THE SAME

According to the German sociologist Max Weber, governments can derive their authority from three sources: tradition, the qualities and charisma of an individual leader, and constitutional and legal norms. China, over the reform period, has shifted away from the first two types of legitimacy and toward something like the third.

Like Mao, Deng enjoyed a mix of traditional and charismatic authority. But the leaders who followed him earned their legitimacy in different ways. Jiang (who ruled from 1989 to 2002) and Hu (ruling from 2002 to 2012) to various extents were both designated as leaders by Deng himself, and Xi's elevation to the top position, in 2012, was the product of a collective political process within the CCP. Over time, a set of norms that regulate leadership selection has developed, including term and age limits, performance measures, and opinion polling within the party. Although important, these norms should not be mistaken for law -- they are incomplete, informal, and reversible -- but they do mark a dramatic departure from Mao's capricious system.

As the foundations of legitimacy have shifted, Deng's successors have seen their capacity to single-handedly initiate policies diminish. Although Deng did not enjoy the unbridled power that Mao did, when it came to strategic decisions, he could act authoritatively and decisively once he had consulted influential colleagues. Moreover, the scale and scope of his decisions were often enormous. Besides embarking on economic reform, Deng made other pivotal choices, such as rolling out the one-child policy in 1979, suppressing the Democracy Wall protest movement that same year, and, in 1989, declaring martial law and deploying troops in Beijing. And when it came to Taiwan, Deng felt secure enough to adopt a relaxed attitude toward the island, leaving the resolution of cross-strait relations to the next generation.

Jiang, Hu, and Xi, by contrast, have been more constrained. The difference was on full display in late 2012 and into 2013, as Xi took over from Hu. In the 1970s, in order to build ties with Japan, Deng was able to sidestep the explosive nationalist politics surrounding questions of sovereignty over the disputed Diaoyu Islands (known in Japan as the Senkaku Islands). But Xi, having just risen to the top post and eager to consolidate his power in the wake of Japan's September 2012 nationalization of the islands, felt obliged to act muscularly in response to Tokyo's move.

China, in other words, has gone from being ruled by strongmen with personal credibility to leaders who are constrained by collective decision-making, term limits and other norms, public opinion, and their own technocratic characters. As one senior Chinese diplomat put it to me in 2002, "Mao and Deng could decide; Jiang and the current leaders must consult."

China's rulers have strayed from Mao and Deng in another important respect: they have come to see their purpose less as generating enormous change and more as maintaining the system and enhancing its performance. Deng's goals were transformational. Deng sought to move China up the economic ladder and the global power hierarchy, and he did. He opened China up to foreign knowledge, encouraged China's young people to go abroad (an attitude influenced by his own formative years in France and the Soviet Union), and let comparative advantage, trade, and education work their magic.

Deng's successor, Jiang, came to power precisely because he represented a change in leadership style: in the wake of the 1989 Tiananmen Square protests, both the forces in favor of reform and those wary of it viewed him as capable and nonthreatening. But he eventually jumped off the fence on the side of rapid reform. Jiang got China into the World Trade Organization, set the stage for its first manned space mission, and articulated, for the first time, that the CCP needed to bring large numbers of creative and skilled people into its ranks. During his 13-year rule, China's economy grew at an average annual rate of 9.7 percent.

Yet Jiang, by virtue of both his character and his circumstances, was far from the transformational strongman Deng was. An engineer by training, Jiang was practical and focused on making things work. In 1992, for example, he told a group of Americans that a decade earlier, when he was a lower-ranking official, he had visited Chicago and paid special attention to the city's garbage collection because he hoped to find a solution to the problem of littered watermelon rinds back home. He then boasted to the Americans that as mayor of Shanghai, he had saved land by building corkscrew-shaped bridge on-ramps that reduced the need to displace city residents. Precipitous social change this was not, but Jiang's preoccupations materially improved the lives of ordinary Chinese.

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*Beijing now tries to resolve, rather than crush, conflicts among competing interests.*

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Hu and his premier, Wen Jiabao, proved less transformational still. The evolution was foreseeable even in 2002, on the eve of Hu's assumption of power. "Another trend will be toward collective leadership, rather than supreme leaders," a senior Chinese diplomat told me at the time. "Future leaderships will be collective, more democratic; they will seek consensus rather than make arbitrary decisions. But the downside is that they will enjoy lesser amounts of authority. It will be more difficult for them to make bold decisions when bold decisions are needed." Hu enacted virtually no political or economic reforms; his most notable achievement was enhancing relations with Taiwan. The charitable interpretation of Hu's years in office is that he digested the sweeping changes Deng and Jiang had initiated.

Following his promotion to top party leader in November 2012, Xi impressively consolidated his authority in 2013, allowing a vigorous debate on reform to emerge, even as he has tightened restrictions on freedom of expression. The core of the debate concerns how to reinvigorate economic growth and the degree to which political change is a precondition for further economic progress.

After the Central Committee meeting of November 2013 (the Third Plenum), the Xi administration stated its intention to "comprehensively deepen reform" and has created a group to do so. The need for such a body signals that many policy disputes remain and that the central government intends to stay focused on change until at least 2020. But there simply is no clear-cut path forward, because in some areas, China needs marketization; in others, it needs decentralization; and in still others, it needs centralization.

Although many ambiguities remain, the thrust of emerging policy is to have the market play a decisive role in allocating resources, with Beijing leveling the domestic playing field between state enterprises and nonstate firms and simplifying bureaucratic approval processes. Foreigners can find things to like in the government's promise to "relax investment access, accelerate the construction of free-trade zones, and expand inland and coastal openness." Such policies would have political consequences, too, and the meeting's communiqué mentioned the need for changes in the judiciary and in local governments, while vaguely suggesting more rights for peasants. That said, in calling for the creation of a national security committee, it identified both internal and external security as major concerns. A long march lies ahead.

#### THE FRACTURED SOCIETY

These changes in individual leadership style have coincided with another tectonic shift: the pluralization of China's society, economy, and bureaucracy. During the Mao era, leaders asserted that they served only one interest -- that of the Chinese masses. The job of the government was to repress recalcitrant forces and educate the people about their true interests. Governance was not about reconciling differences. It was about eliminating them.

Since Mao, however, China's society and bureaucracy have fragmented, making it harder for Beijing to make decisions and implement policies. To deal with the challenge, the Chinese government, particularly since Deng, has developed an authoritarian yet responsive system that explicitly balances major geographic, functional, factional, and policy interests through representation at the highest levels of the CCP. Although the pathways for political self-expression remain limited, and elite decision-making opaque, China's rulers now try to resolve, rather than crush, conflicts among competing interests, suppressing such conflicts only when they perceive them to be especially big threats. They have attempted to co-opt the rank and file of various constituencies while cracking down on the ringleaders of antigovernment movements.

Many of China's powerful new interest groups are economic in nature. Labor and management now clash over working conditions and pay. Likewise, as Chinese businesses come to look more like Western corporations, they are only partially submissive to party directives. For example, as the scholar Tabitha Mallory has pointed out, the fishing industry has become increasingly privatized -- in 2012, 70 percent of China's "distant-water" fishing companies were privately owned -- making it far harder for the central government to prevent overfishing.

Meanwhile, in the state-owned sector, the China National Offshore Oil Corporation, or CNOOC, is supporting policies that favor more assertiveness in the South China Sea, where significant hydrocarbon deposits are thought to lie, and it has found common ground with the Chinese navy, which wants a bigger budget and a modernized fleet. On issues both foreign and domestic, interest groups have become increasingly vocal participants in the policy process.

China's bureaucracy has adapted to the proliferation of interests by becoming more pluralized itself. Officials use forums called "leading small groups" (*lingdao xiaozu*) to resolve fights among squabbling organizations and localities, and vice premiers and state councilors spend much of their time settling such disputes. Meanwhile, provinces, big cities such as Shanghai, and industrial and commercial associations increasingly rely on representatives in Beijing to promote their interests by lobbying national decision-makers -- a model that has been replicated at the provincial level as well.

## PEOPLE POWER

Mao almost never allowed public opinion to restrain his policies; the popular will was something he himself defined. Deng, in turn, did adopt reforms, because he feared that the CCP was close to losing its legitimacy, yet he only followed public opinion when it comported with his own analysis.

Today, in contrast, almost all Chinese leaders openly speak about the importance of public opinion, with the goal being to preempt problems. In August 2013, for instance, the state-run newspaper *China Daily* reminded readers that the National Development and Reform Commission had issued regulations requiring local officials to conduct risk assessments to determine the likelihood of popular disturbances in reaction to major construction projects and stated that such undertakings should be shut down temporarily if they generated "medium-level" opposition among citizens.

China has built a large apparatus aimed at measuring people's views -- in 2008, the most recent year for which data are available, some 51,000 firms, many with government contracts, conducted polling -- and Beijing has even begun using survey data to help assess whether CCP officials deserve promotion. "After Deng, there has been no strongman, so public opinion has become a kind of civil society," one pollster, who has seen more and more of his business come from the central government, told me in 2012. "In the United States, polling is used for elections, but in China, a major use is to monitor government performance."

Such developments suggest that China's leaders now recognize that government must be more responsive, or at least appear that way. Indeed, since 2000, they have increasingly invoked public opinion in explaining their policies on exchange rates, taxes, and infrastructure. Public

opinion may even lie behind the uptick in Beijing's regional assertiveness in 2009 and 2010. Niu Xinchun, a Chinese scholar, has argued that Beijing adopted a tougher posture in maritime disputes and other foreign issues during this period as a direct response to public anger over Western criticism of China's human rights record, especially in the run-up to the 2008 Olympic Games, when some Western leaders suggested that they might not attend. The Chinese were so fed up with France's behavior, in particular, that *China Daily* reported that the "Chinese people do not want the French president, Nicolas Sarkozy, to attend the opening ceremonies of the Beijing Olympics."

Beijing's greater responsiveness stems in large part from its recognition that as local governments, nonstate organizations, and individuals all grow more powerful, the central government is progressively losing its monopoly on money, human talent, and information. Take the question of capital. Ever since the Deng era, more and more of it has accumulated in coffers outside the central government. From 1980 to 2010, the portion of total state revenues spent at the local level rose from 46 percent to 82 percent. Meanwhile, the share of total industrial output produced by the state-owned sector dropped from 78 percent in 1978 to 11 percent in 2009. Of course, the state still holds firm control over strategic sectors such as those relating to defense, energy, finance, and large-scale public infrastructure, and ordinary Chinese still do not enjoy anything close to unlimited economic freedom. The change has also benefited corrupt local officials, military leaders, crime syndicates, and rogue entrepreneurs, all of whom can work against citizens' interests. But when people gain control over economic resources, they have far more choice in terms of where they live, what property they acquire, how they educate their children, and what opportunities they will pursue. This is not unfettered liberty, but it is certainly a beginning.

As for human capital, in the 1977–78 academic year, the first after the Cultural Revolution, some 400,000 students matriculated at Chinese universities; by 2010, that number had risen to 6.6 million. Moreover, many Chinese students now go abroad for education -- in the 2012–13 academic year, more than 230,000 studied in the United States alone -- and many are returning home after graduation. The result is that China now possesses a massive pool of talented individuals who can empower organizations and businesses outside of the state's control. Every day, these entities grow in number and power, and in some instances, they have begun performing duties that were traditionally handled by the state -- or not handled at all. For example, the Institute of Public and Environmental Affairs, a nongovernmental organization that collects and publicizes data on factories' waste-disposal practices, has managed to pressure some companies that pollute into reforming their ways.

Ordinary Chinese are also gaining unprecedented access to information. More than half a billion Chinese now use the Internet. In addition to stanching the flow of information with the so-called Great Firewall, the government now has to fight information with information. In reaction to online rumors about the fallen CCP official Bo Xilai, for example, the government released limited portions of court testimony to Chinese social media. The central government has undertaken gargantuan efforts to both harness the benefits of the Internet and insulate itself from its most destabilizing effects.

At the same time, more and more Chinese citizens are flocking to cities. Urbanization tends to be associated with higher educational and income levels and elevated popular expectations. As one senior Chinese economist put it to me in 2010, "In the city, people breathe the fresh air of freedom."

The combination of more densely packed urban populations, rapidly rising aspirations, the spread of knowledge, and the greater ease of coordinating social action means that China's leaders will find it progressively more challenging to govern. They already are. In December 2011, for example, *The Guardian* reported that Zheng Yanxiong, a local party secretary in Guangdong Province who had been confronted by peasants angry about the seizure of their land, said in exasperation, "There's only one group of people who really experience added hardships year after year. Who are they? Cadres, that's who. Me included."

#### CITIZENS OR SUBJECTS?

China's reformist revolution has reached a point that Deng and his compatriots could never have anticipated. China's top leaders are struggling to govern collectively, let alone manage an increasingly complex bureaucracy and diffuse society. Their job is made all the more difficult by the lack of institutions that would articulate various interests, impartially adjudicate conflicts among them, and ensure the responsible and just implementation of policy. In other words,

although China may possess a vigorous economy and a powerful military, its system of governance has turned brittle.

These pressures could lead China down one of several possible paths. One option is that China's leaders will try to reestablish a more centralized and authoritarian system, but that would ultimately fail to meet the needs of the country's rapidly transforming society. A second possibility is that in the face of disorder and decay, a charismatic, more transformational leader will come to the fore and establish a new order -- perhaps more democratic but just as likely more authoritarian. A third scenario is much more dangerous: China continues to pluralize but fails to build the institutions and norms required for responsible and just governance at home and constructive behavior abroad. That path could lead to chaos.

But there is also a fourth scenario, in which China's leaders propel the country forward, establishing the rule of law and regulatory structures that better reflect the country's diverse interests. Beijing would also have to expand its sources of legitimacy beyond growth, materialism, and global status, by building institutions anchored in genuine popular support. This would not necessarily mean transitioning to a full democracy, but it would mean adopting its features: local political participation, official transparency, more independent judicial and anticorruption bodies, an engaged civil society, institutional checks on executive power, and legislative and civil institutions to channel the country's diverse interests. Only after all these steps have been taken might the Chinese government begin to experiment with giving the people a say in selecting its top leaders.

The key questions today are whether Xi favors such a course, even in the abstract, and whether he is up to the task of seeing it through. Preliminary indications suggest that proponents of economic reform have gained strength under his rule, and the important policies adopted by the Third Plenum will intensify the pressure for political reform. But Xi's era has only just begun, and it is still too early to say whether his time in the military and experience serving in China's most modernized, cosmopolitan, and globally interdependent areas -- Fujian, Zhejiang, and Shanghai -- have endowed the leader with the necessary authority and vision to push the country in the direction of history. Xi and the six other current members of the Politburo Standing Committee, China's most powerful decision-making body, come from a wider range of educational backgrounds than have the members of previous Standing Committees. This diversity could presage a period of creativity, but it could also produce paralysis.

There is also the danger that those who climb to the top of a political system cannot see beyond it. But history offers hope: in China, Deng saw beyond Mao and the system he had fashioned, and in Taiwan, Chiang Ching-kuo ushered in liberalizing reforms in the 1980s that his father, Chiang Kai-shek, had prevented.

The dangers of standing still outweigh those of forging ahead, and China can only hope that its leaders recognize this truth and push forward, even without knowing where exactly they are headed. Should Xi and his cohort fail to do so, the consequences will be severe: the government will have forgone economic growth, squandered human potential, and perhaps even undermined social stability. If, however, China's new leaders manage to chart a path to a more humane, participatory, and rules-based system of governance -- while maintaining vigorous economic growth and stability -- then they will have revitalized the nation, the goal of patriots and reformers for over a century and a half.

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