STRAIGHT TALK FROM CHINA'S BEST AND BRIGHTEST

BY HE WEIFANG, LI LUOLI, ZHANG SHUGUANG AND OTHERS

On March 4, 2006, the China Society of Economic Reform, a think tank affiliated with China's State Council, invited more than 30 officials, academics and experts to discuss the next step in China's economic transition. The discussion included frank comments on the problems China faces in economic, political, healthcare and education reform and rural and land issues. Less then two weeks after the meeting, a transcript of the discussion was leaked to a number of domestic and overseas Chinese-language Web sites. Major western media quoted conference attendees as confirming the accuracy of the transcript.[1] Following are some excerpts.

"We cannot demonize local government"

Li Luoli: Yesterday evening Wang Depei[2] expressed a view with which I am very much in agreement, but which is not commonly heard in Beijing, and that is the need to emphasize the role of local government. We cannot demonize local government. In Beijing such demonization has become widespread, as if these problems are all brought on by the machinations of local government—for example, that collusion between officials and government-run enterprises at the local government level, or collusion between local government and developers, has resulted in peasants losing their land.

We must remember that rural reform in China began in Anhui with Xiaogang Village and then spread across the nation. China's reform and opening up also began locally, with Shenzhen in the Pearl River Delta, for example, serving as a pilot. Reforms then expanded outward from there. The local level should be China's main battleground. Many of the measures and methods over the past 20 years that have led to genuine reform started at the local government level, then were recognized by the central government and applied nationally. I believe that we should also rely on local government to resolve current social contradictions. . . .

The central government does not value local government. It wants to impose a single package of solutions on all of the problems. This can't be done. When you're working on solving the problems of the coastal regions, the areas that lag behind may well be harmed by your "single stroke" policy. Why is it that so many central policies are never completely implemented? Because they are not suited to actual local conditions.

A reform-minded perspective calls for local governments to resolve the problems of greatest concern to the people. The central government drafts the general rules of the game; it sets the general principles. It should then give the local government the necessary fiscal, political and legislative authority, and evaluate its performance in this regard. . . .

Adapting to the Internet age

Our society has entered the Internet age, and with it, public expression has also entered a whole new situation. The central government and the Party apparatus are still using traditional means to repress, control or block public expression. It was ridiculous to see, when we were in Shenzhen, that Guangdong television frequently blocked the Phoenix channel[3] at the slightest provocation. It's extremely stupid to use traditional tactics to counter public opinion under the new conditions. In the past, the Communist Party seized political power by relying on democracy and opposing dictatorship, so why is it so scared of democracy now?

The crucial question now—mentioned earlier by others—is how we should respond to this new mode of expression by social groups. How can we open up regular channels for participation, and how can we use it to advantage? In the final analysis, this isn't a specific problem, but rather a matter of how our Party and our government should face the new situation presented by the Internet age and the information age. Especially in areas of controversy, we can call for rationality all we want, but it's quite normal to go to extremes, and some people are bound to do so. I think it's important that we resolve the controversies of the Internet age by proceeding from major and fundamental issues.

Next, we really must set up a comprehensive reform department. The reason that our reforms are currently dis-

torted and out of sync is that individual departmental interests come into play. Every department directs reforms at the other guy, while safeguarding its own interests. It's this way across the board. If this problem is not addressed, reform will remain distorted. There's been a lot of talk in Beijing about setting up a state-level comprehensive reform department on the order of a Development and Reform Commission or State Commission for Restructuring the Economy. Another way would be to let local governments lead the way. Shenzhen has already set up, or rather restored, a reform office, not as a unit on the political bureau level but rather under a vice-bureau chief in the Bureau of Development and Reform. I think we could restore these reform offices and allow local reform to go through a comprehensive department with unified planning for the locality. This would enable a bottom-up process. The time has come for comprehensive reforms, because in my view undertaking reform through individual departments is simply unworkable.

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Another point relates to reform of the government. When all is said and done, all depends on reform of the government, at both the central and local level. In my opinion, there are several aspects to government reform. First, government operations should be open and transparent; this can be handled on a technical level. Second, in the area of government operations, democratic consultation and social supervision must be increased. Relying on internal self-supervision will not work. What is a better way? The kind of angry youth activity we have on the Internet these days is not desirable, but allowing democratic consultation and social supervision can turn even the less rational debates and discussions on the Internet to advantage. Third, we really must address government reform, including consideration of a reform package applied to fiscal, operational and legal authority at the central and local levels. Fourth, local governments should be evaluated on the basis of their ability to resolve social issues. Our previous indicator was GDP—pure GDP—but that was wrong. Now we talk about green GDP, scientific development concepts and changing production methods being incorporated as evaluation indicators, but in my opinion, resolving social problems should be included as well.

The Participants

Among the discussion's 30-odd participants, the following individuals are quoted in these excerpts:

Chi Fulin – Deputy Director of the China Institute for Reform and Development

Gao Shangquan – Chairman of the Chinese Research Society for Economic System Reform

He Weifang – Professor of Law at Peking University

Li Luoli – President of the China Development Institute

Yang Qixian – Vice-Chairman of the Chinese Research Society for Economic System Reform

Zhang Shuguang – Director-General of the Beijing Unirule Institute of Economics

Left versus right

He Weifang: We've been discussing many issues on a macro level, from a variety of viewpoints. I believe the reason reform has encountered problems is related to background factors. As I understand it, there are two background factors here that I'd like to expand upon. One is reform of the economic system, which bears the inevitability of unilateral forward momentum. David Weir's analysis of the American and French revolutions shows that the collapse of revolutions in many countries is not due to lack of reform, but rather because of reform. If reform is not a broad-based process in which all elements move forward in tandem, it will be beset with huge problems and may even exacerbate existing social problems.

A second factor relates to the general direction of reform; for the time being, we'll refer to this as left versus right. Our friends on the left have an attractive banner and great agility in turning out theories like socialism, even saying we should adhere to the "socialist legislative tradition" that the Soviet Union has taken on since the changes there. They can say this without any risk, but such talk strikes at the government's Achilles heel and causes such fear that a chairman immediately urges high-ranking cadres to advise him on what kind of reforms are actually needed.

Those on the right, on the other hand, gloss over and evade the issues. Even in private conversation they cringe and shrink when certain topics arise. When the map is unrolled, the dagger is revealed.[4] We have a big pile of maps, but we haven't the strength to wrap up the dagger. Our secret must not be leaked, and we dare not speak. So which way should we go? We have goals, but right now we can't say what they really are or that we'll definitely take any particular path—for example, a multiparty system, freedom of the press, true democracy, true personal freedom, or that the whole authority of the nation be built on a guarantee of freedom for all.

For example, Taiwan is a model now; we think this is the direction for China, but it would be scandalous to say so. Because we cannot say it, it appears that the good guys are bound to lose to the bad guys and lie slaughtered on the battlefield. So you see left-wing ideas all over the Internet, but those on the right have no way to clearly express their ideas. These years we've been promoting structural reform, and those of you here from the older generation and from my generation have all exerted great effort, but it has been a slow, tough process.

"The financial resources devoted to the NPC are just too great." Photo: Reuters

Gao Shangquan: The reasons for this are clear when you look at Chinese history. The left gets its way in everything; the left is revolutionary, the right is not, so the left can get away with criticizing people all over the place, and in the end they always come out on top.

He Weifang: For that reason, I agree with the voices of reason like Professor Weiying[5] and others. I think we can slowly begin to form small groups distinct from the reformist group. For example, I personally pursue a particular goal, but I don't make myself clear at the outset. Whether you like to hear it or not, I'm going to tell you that I have several essays online that have circulated widely in which I clearly state that I hope the Communist Party will form two factions, that the army will be nationalized and that major controversial issues will be addressed.

On the legality of the Chinese Communist Party

I'm being constructive; I hope for press freedom. In the open letter that 13 scholars sent to the authorities,[6] we set out our own views about an organization with no legal standing that is violating freedom and trampling on the law by constantly blocking the media and stripping it of its influence.[7] In this way, our system seriously violates the Constitution, which should be the basis of all actions, and the outcome is completely counterproductive.

Our Party has never legally registered—not the Central Propaganda Bureau, not the Communist Youth League, not any part of it. The most basic criterion of a democratic country is that organizations have to meet certain standards before they can prosecute or be prosecuted in the face of the law. But we don't have this. We are all members of this organization—I've been a member over 20 years, but it is not legally registered. This is very problematic, because under these conditions the power it exercises is extra-legal. Under this serious violation of the law, how can we speak of governing by rule of law? Comrade Hu Jintao said all unconstitutional actions by the NPC and People's Congresses at all levels should be strictly corrected, but these are extra-legal organizations themselves, so how can they be unconstitutional?

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By clearly expressing our views, we can better shape a language of reform. Some are inclined to say that the reforms are wrong, and of course they have a right to hold this view. I agree with Liping[8] that some people within the system are cringing and shrinking and crawling their way along out of fear of saying anything wrong. There is also another group of people who are not enemies of the system, and by more clearly expressing themselves, they can achieve a better balance. I used to speak of a third kind of people who tend to

form hostile groups. At present we have an extremely hostile situation, and a lot of people say that hostile forces overseas have teamed up with groups inside China. We must distance ourselves from these enemies. We are not enemies, we are friends. We love you. It is only because we love this Party that we feel a need to speak out. Otherwise, we'd just keep silent. Therefore, I want to create such a mechanism.

I'd like to follow up by speaking briefly of several major issues in the legal system.

The first is that the power structure is extremely chaotic; it is not based on any legal or constitutional model. For example, we've reached a point where the relationship between the Party and the congresses, between the Party and the judiciary, and between the Party and the government, need to be addressed. Just now Professor Yang Dongping[9] asked what the biggest issue is in education. I think it is the issue of the relationship between the Party and education, and whether or not it is necessary to establish Party organizations in the universities. This is the first question, the unconstitutionality of the whole power structure.

The second issue is the anti-parliamentary nature of the NPC itself. It is not a parliament. Our annual NPC is the world's biggest party; once a year everybody arrives for what they call political participation and political consultation. I just received a note saying that this year's NPC was brief, meeting for only nine and a half days. I think it would be better if it didn't meet at all.

Yang Qixian: It was reported on the Internet that 65 million security personnel were mobilized for this year's NPC/CPPCC sessions.

He Weifang: The financial resources devoted to the NPC are just too great.

The third serious issue is that the political rights guaranteed in Article 35 of the Constitution are not generally realized; for example, freedom of association, freedom of demonstration, religious freedom. These fundamental rights have not materialized.

The fourth issue is the lack of an independent judicial system. The status of our judicial system is steadily declining. At present, Comrade Zhou Yongkang [the Minister of Public Security] oversees the Supreme People's Court. Xiao Yang [President of the Supreme People's Court] effectively reports to Zhou Yongkang. There is no other country in the world in which the chief justice reports to the chief of police; how could such a thing happen? We recently held our 16th National People's Congress, and its political structure also merits our serious attention. There is a serious trend towards a growing lack of independence. Likewise, Party interference with the judiciary continues to intensify.

The fifth issue is the increasingly chaotic overlap in the rules of governance. The Supreme People's Court says the courts will not accept cases involving forced eviction and reset-

The Communist Party and the market—marriage or shacking up? Photo: Reuters

tlement, but legal admissibility is determined by law. We're shut out of the process. The rules are confusing—a document with a red letterhead[10] takes precedence over the law.

The sixth issue is founding civil law on the system of private ownership, especially as regards rural land. The next step must be to promote genuine private ownership of land, not collective ownership; otherwise it is the farmers who will suffer most.

The seventh issue is to provide guarantees for transactions, which also involves questions of judicial independence, legal clarity and other aspects.

To sum up, economic reform is increasingly bound up with the legal system. In light of this trend, a forum such as this is especially important to bring us together for common action.

Chi Fulin: Our discussion here today is an internal one, where we can discuss some very difficult problems.

The Communist Party and market economy

Zhang Shuguang: We've heard many excellent presentations. I'd like to discuss a few problems, including one conflict, which was rightly characterized just now as essentially a conflict of interest. This conflict has two characteristics: one is ideological, and the other is the real source of the conflict, which is rooted in the upper echelons; it is the senior leadership that has provoked this conflict of interests. Without some kind of support or connivance from the top, the conflict wouldn't exist. Take Kong Xianquan's[11] view on property law, which is the view espoused at the highest levels and has taken on the flavor of a big character poster. These special characteristics may deserve consideration.

The process of reform is very simple, and as to what it has now become, I don't want to use any sort of language suggestive of praise or blame to speak of it. We know there are many models for market economies: the U.S. uses one, France another, and Korea and Singapore each have their own. The term covers a wide range.

I think our present situation, as mentioned by others here, depends first of all on our choices. On this point, I agree with what Yang Jicheng says in his book *Mao Zedong's Legacy*. Did Mao solve any problems by making revolution? He addressed the issue of nationalism, helping China banish imperialism and bringing Chinese onto the world stage. But there are two other main parts to Mao's legacy: one is economic poverty and backwardness, and the other is political and social despotism. We can't get away from the fact that this lies at the foundation of our state. Over the past 20 years of reform, we've been trying to address the poverty part of our legacy while maintaining the other part. Because of poverty, because of these two problems, we have been struggling to stand tall among the nations of the world without a solid foundation or strong backbone. We have to solve these two problems.

The fact of poverty and backwardness is clear to all of us at this point; it stares us in the face. [He Weifang] spoke just now of unilateral forward momentum, and we can see that one legacy is producing yet another. So I'd like us to consider that the various types of economies are actually just combinations of market or non-market economy with democratic or authoritarian societies. Yesterday Chen Zhiwu[12] spoke of four frameworks, and he put today's China into the fourth category, a non-market, non-democratic, non-consultative economy. I don't think this is the appropriate category for China. China is in fact a non-democratic, non-representative system, but it is market-oriented. In fact, on many levels its economic freedom is much greater than in other places, and economic freedom in the marketplace has expanded a great deal. From this standpoint, from a world perspective, it is possible to have a pluralistic market with a monolithic political system. However, though countries with market economies are not necessarily democratic, a political democracy must have a market economy. This is the situation I see taking shape in China now.

There is one problem. Just now Sun Liping was talking about the Communist Party and the market coming together as if joined in marriage, but there is a prerequisite here, which is not related to the orientation of the market, but rather to that of the CPC. We can see that before reform and opening up, the CPC stood completely on the side of the workers and peasants. Now the CPC stands on the side of the proprietors in dealing with workers and peasants.

He Weifang: For that reason, I say this isn't a marriage, but just shacking up, because it violates the basic tenets of marriage.

Zhang Shuguang: This shift has become obvious in a variety of ways. For example, in Guangdong, we're now seeing an extremely important phenomenon: back pay owed to rural migrants working in the urban areas. Their working conditions and health conditions are extremely poor, and wherever migrant workers go, the problem of unpaid wages becomes more serious. Now in the Pearl River Delta, in township hospitals and so on, many employees are going without pay, and the reason given is that the baseline has risen too quickly. But what does this phenomenon illustrate?

Moreover, the relevant legal departments that can offer assistance to migrant workers, such as the Panyu Worker's Home, are still not allowed to register as non-profit organizations. They must register as profit-making organizations, and then the Public Security Bureau and the Industry and Commerce Bureau show up regularly on their doorsteps on the pretext of carrying out inspections.

From another perspective, one thing has become very clear this year. The government has injected 10 billion *yuan* into the China National Petroleum Corporation to offset losses attributed to price fluctuations.[13] Someone just now brought up compensation paid to a foreign company. So we see that when the government plants its posterior between those of domestic and foreign proprietors, it leans toward the foreigners, and when it sits between domestic labor and proprietors, it leans toward the proprietors. This is extremely troubling.

Let me add one more thing. It used to be said that the market would solve efficiency issues and the government would take care of fairness issues. I believe the market is actually capable of solving efficiency issues, because competition enables an individual to seek a way to realize his goals in a way that best suits his interests. The question remains whether the govern-

ment can resolve issues of fairness. Maybe, maybe not. This fact is quite evident at home and abroad. Is our present situation one in which the government is resolving fairness issues, or one in which it is exacerbating them?

On a superficial level, this is a government of the common people, and it seems we need to address this kind of problem. But frankly speaking, what we're doing now is not addressing this kind of issue. For example, take the current issue of funding in education. Five percent is earmarked for basic education and 95 percent for higher education: why spend 95 percent on higher education? Moreover, in our schools now, independent thinking is not encouraged: as long as you obey and cause no trouble, you'll be fine. One of the government's most important approaches is that everyone focuses on the pursuit of wealth. Why? I'm afraid this is a problem the government cannot solve.

The need for a social-ethic public sphere

Finally, a more serious problem. Looking at the social realm, everyone divides it into the private sphere and the public sphere. I think there should be another sphere on top of these two—a social-ethical public sphere, or autonomous public sphere. The public domain we refer to is a coercive state sphere, but the social ethics sphere would be an autonomous public sphere—there's a theoretical difference, no matter how you rationalize it. However, I believe that the success of market economies in the developed countries of the West is greatly related to ownership of this realm.

Our ideology, the lot of it, is regarded as rubbish even at the highest levels.

Think about it. In traditional societies, the ownership of this sphere is combined with the political sphere. In either western thinking or traditional Confucian social thinking, these two domains are combined, and society holds an extremely important influence over culture. After the West became a modern society, this sphere became separate from the public sphere and became part of the private sphere. According to Marxism, it became part of capitalism. Scholars like Habermas say this society has a public nature. We can ignore the division, but in any case this sphere is extremely important.

Taking another look at it now, speaking frankly, our society encountered a huge problem when it shifted models—the destruction of our ethical foundation, the ethical foundation of our whole society. Speaking frankly, our ideology, the lot of it, is regarded as rubbish even at the highest levels. During transfers of power, there's a lot of talk about abiding by the Constitution, upholding the Constitution, doing things according to the Constitution, but once the transfer of power is completed, none of that matters any more. After the whole orientation shifted to making money, these concepts were no longer discernible in this society, and once we transformed the entire market model, the foundation of the ethical public sphere was entirely destroyed. And what is the result?

That's why it seems that China's issues require more thought at a deeper level. I agree with what He Weifang said just now; we accept that the phenomena of democracy, freedom, constitution, rule of law and market have become part of our society, which is fact. Perhaps we need to resolve these issues directly. However, we can't overlook the lingering effects of the earlier unilateral forward momentum. I fear a simple separation of powers and mere freedom of the press may not be able to ensure an ethical society—I think we have to leave a question mark in place on this. Looking back, I feel we have viewed the transition process too simplistically; removing certain elements, some Russian elements, from the economic sphere, is really too simplistic. Even adding political issues to the mix of what we are considering is not enough. It is necessary to go deeper in our thinking.

Translated by a friend of HRIC

This translation was drawn from the Chinese transcript posted on the Utopia (*Wuyou Zhi Xiang*) Web site, http://www.wyzxsx.com/ShowArticle.asp?ArticleID=18307 and http://www.wyzxsx.com/ShowArticle.asp?ArticleID=18308.

NOTES

1. Kathy Chen, "China Meeting on Market System is Leaked on Web," *The Wall Street Journal*, April 6, 2006; Joseph Kahn, "At a Secret Meeting, Chinese Analysts Clashed over Reforms," *The New York Times*, April 7, 2006.
2. Wang Depei, another participant in the discussion, is a senior economist at the Shanghai Fuka Economic Forecasting Institute.
3. Phoenix Television is a publicly-listed company based in Hong Kong, but with mainland viewers as its main audience. Its CEO, Liu Changle, has close links with the Chinese government, but the station is more editorially adventurous than mainland television stations under full official control.
4. The Chinese phrase *tu qiong bishou jian* refers to hostilities breaking out following subterfuge.
5. Zhang Weiying, another participant in the discussion, is vice-dean in the Guanghua School of Management at Peking University.
6. In February 2006, He Weifang and 12 other scholars sent an open letter to the central government protesting the temporary closure of the *China Youth Daily* supplement *Bingdian* (Freezing Point). The letter pointed out that freedom of expression is protected under China's Constitution. See Jim Yardley, "Fired Chinese editors call for press freedom," *International Herald Tribune*, February 19, 2006.
7. The "organization with no legal standing," as made clear in subsequent paragraphs, is the Chinese Communist Party.
8. Sun Liping, another participant in the discussion, is a professor of Sociology at Tsinghua University.
9. Discussion participant Yong Dongping is a professor of pedagogy at the Beijing Institute of Technology and vice-president of Friends of Nature.
10. I.e., an official document.
11. Kong Xianquang is a Party elder and revolutionary veteran.
12. Chen Zhiwu, a discussion participant, is Professor of Finance at Yale University.
13. See Shai Oster, "Sinopec is Pinched by Price Caps at Home as Global Oil Costs Rise," *The Wall Street Journal*, April 26, 2006.