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End of China's Reform Era

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Foreword

This Scowcroft Paper was written as a presentation, and read by Professor Carl Minzner as part of panel discussion on Sept. 11, 2018 at the Bush School of Government and Public Service on behalf of the Scowcroft Institute of International Affairs. Carl Minzner is Professor of Law at Fordham Law School. His book, End of an Era: How China's Authoritarian Revival is Undermining its Rise*, was published by Oxford University Press in early 2018. Further inquiry into this topic or the information contained in this Paper should be directed to the aforementioned book and other publications by Professor Carl Minzner.*

China's decades-long reform era is ending.

Since the late 1970s, China's domestic politics have been characterized by three factors: 1) rapid economic growth, 2) a degree of ideological openness, and 3) relative political stability marked by partial political institutionalization. All of those are now ending.

Economically, ideologically, and politically – China is now moving into a new, post-reform era that differs dramatically from what we have known from the late 1970s. Drawing on my recent book, (End of an Era: How China's Authoritarian Revival is Undermining its Rise), I will set out my broad overall argument and explain why I am worried. But I will specifically focus on the political shifts outlined in the book and explain how China is experiencing erosion of its reform-era political norms and institutions.

Let's start with a brief overview

The first three decades of the People's Republic of China, from 1949 to 1976, were the Maoist era.

Economically, it was poor. Pervasive rural poverty and a failed state-run economic model had left the country, by 1978, with a per capita GDP lower than India or Zaire.

Ideologically, it was relatively closed to the outside world. Not only were Western capitalist and Soviet revisionist practices decried, but all religions and Chinese tradition itself were ruthlessly suppressed in the name of socialist modernization.

And politically, it was unstable.

- Power was highly concentrated in a single leader, namely Mao Zedong himself.
- On the level of elite politics, Mao had a tendency to purge his designated successors – one of whom died after a beating in a prison cell, the other who perished in a mysterious plane crash in Mongolia while apparently fleeing to the Soviet Union after a failed coup. And indeed, that's what happens when domestic politics are run by the law of the jungle.
- Within society at large, Mao preferred ruling through disruptive street movements and political campaigns calling citizens out onto the streets to attack his enemies of the day, rather than through regular institutions of governance. Indeed, Communist Party and government institutions themselves dissolved during the decade-

long period of political radicalism known as the Cultural Revolution (1966-1976).

For the second three decades of the People's Republic of China, from 1978 to the early 2000s, the country moved in a different direction. Of course, this is the period we now think of as the "reform era" (and governed by the policies of gaige kaifang, of "reform and opening up," launched by Mao's successor Deng Xiaoping).

Economically, China experienced decades of rapid economic growth. Market reforms launched in the 1980s led China to average 10% GDP growth per year over the next three decades. And in the 1980s, this was a broad-based growth that lifted all boats, particularly the rural poor.

Ideologically, China opened up. In Deng Xiaoping's famous words, "It doesn't matter if a cat is black or white, as long as it catches mice, it is a good cat." Within the Chinese state and schools, that gave a whole host of actors latitude to freely import concepts and practices from abroad. The Party also backed out of people's lives. The ideological fervor of the Mao era faded. Religion came back - Muslim mosques and Christian churches reopened. Socialism began to fade into series of meaningless slogans recited on state television. Privately, as long as you didn't cross the key line of attempting to organize politically – you had a broad degree of freedom to do what you wanted in your private life.

And politically, China's Party leaders supported the emergence of a range of partially institutionalized political norms in large part to address the chaos and instability they themselves had personally experienced under the Maoist era.

These were not political liberalization. Particularly after Tiananmen Square and 1989, and the fall of the Soviet Union a few years later, Beijing drew a hard line at anything resembling political liberalization. Rather, what I mean is that the rules of the one-Party political game became somewhat more predictable and organized.

A sampling of these would include:

- Designation by Deng Xiaoping of his next two successors, ensuring an unusual period of elite political stability in China during the 1990s and 2000s.
- Collective leadership, with power split between a range of top Party leaders each having different portfolios they bore responsibility for, rather than with power being highly concentrated in a single person, as with the case under Mao.
- Development of internal norms regarding the regular promotion, retirement, and succession of top Party leaders.
- Partial depoliticization of the bureaucracy, with Party authorities retreating from an effort to manage the day-to-day affairs of state, and turning that responsibility over to technocrats within the bureaucracy.
- Emergence of bottom-up input institutions - local elections, administrative law channels, and a partially commercialized media airing popular grievances – giving citizens a limited degree of voice into the political process, and contributing to state legitimacy.

In short – China's reform era was characterized by rapid economic growth, a degree of ideological openness, and relative political stability marked by partial political institutionalization.

A New Period

Now, we are entering a new period. All of three of those are ending. We can debate the precise dates - some of the trends extend back over a decade, but they have become particularly clear since 2012.

Economically, China is beginning to undergo a seismic shift. China’s era of rapid growth is coming to an end. Optimists point to secular and demographic shifts in the economy that will lead it to follow the paths of Japan and Taiwan, and gradually plateau at a much lower level of growth. Pessimists, on the other hand, flag a series of what they see as unsustainable pressures in the Chinese economy that they think could lead to a dramatic hard landing – including the buildup in gross debt levels, which surged from 171% of GDP in 2008, to 299% in 2018, according to the Institute for International Finance. But either way, it will be a massive shift from what we have been accustomed to over the past several decades.

China’s economic policy has also made a U-turn, as Beijing’s appetite for market reform has waned. Leading economists such as Nicholas Lardy have gone from writing books such as Markets Over Mao: The Rise of Private Business in China (2014) to The State Strikes Back: The End of Economic Reform in China? (2019). Under Xi Jinping, Beijing’s commitment to national industrial policy and an expanded role for state-owned enterprises (SOEs) have come into sharper focus. And the resulting policies – such as a massive increase in the share of bank lending going to SOEs – are slowly asphyxiating China’s private sector.

Ideologically, China is gradually turning inwards on itself again. This is showing up both in society at large, with things such as a renewed popular interest in Confucianism, and a proliferation of faux Han-dynasty clothing for college graduation ceremonies. It is also showing up in state actions, such as Xi Jinping’s 2013 visit to the birthplace of Confucius, and his declarations that the Communist Party, after having spent the better part of the 20th century trying to wipe out traditional Chinese beliefs and religions, needs to embrace them and fuse them with nationalism and Marxist-Leninism into state ideology.

Now, of course, part of this is a renewed interest by Chinese citizens in their own culture. Many are beginning to quite understandably question - now that China has risen, shouldn’t we perhaps take more of an interest in our own culture and traditions rather than simply absorbing imports from overseas, as was the case in the 1980s and 1990s. But another element is a more strategic effort on the part of China’s new leaders. They are attempting to deploy Chinese tradition as an ideological shield against “foreign values” – particularly Western ones. There is a sense that the collapse of Communism as an ideology has left a spiritual and moral void in China that has permitted a whole range of foreign ideologies – from underground Christian house church movement to Western liberal ideals – to “infiltrate” and undermine China.

Sure, some within the Party bureaucracy are attempting to double down on Marxism – so on the 200th anniversary of Marx’s birth last spring, Party leaders made a big push on that front, requiring officials to read the Communist Manifesto and the like. But the Party today is not actually interested in class revolution. The last thing in the world now that

China's leaders want to see is migrant workers in Beijing rising up. The real irony of China today is that the worst fears of the Chinese Communist leaders today is that there is actually might be a labor leader somewhere out there involved in organizing the discontented members of the proletariat to take action. In fact, such fears are precisely the ones driving Beijing's recent suppression of Marxist student leaders at Chinese universities who had reached out to organize and work with workers in different cities around China. The Chinese Communist Party remembers its own history, and it is absolutely determined not to let anyone else run its own playbook against it.

If not Marxism – at least, not in any real form – then what? That conundrum is behind the other move that Party leaders are making: attempting to redefine the Party in terms of "Chinese tradition" and paint it as the logical successor to China's past imperial glories. And that means clearly reasserting China's own cultural and historical identity. You have seen that with a very clear rollout of central efforts to politically rectify academia and textbooks to purge "Western" ideas. Think of it as a "Make China Great Again" campaign with nativist overtones.

Now, when you reassert a clearer and more closed narrative of what it means to be "Chinese," it has another effect - it amplifies tensions with the people in China's borderland regions that fit least well into that new narrative. This is precisely why you see efforts to push patriotic education in Hong Kong schools (around 2010-12) give birth to the groups that fueled the 2014 Occupy Central protests. It is why you see central efforts to tighten controls on the religious and cultural identity of the Uighur minority in northwest China fuel Islamic radicalization. And it is why you saw efforts by Zhejiang province to crack down on unregistered Christian churches generate a spate of conflicts with believers there. None of these are imminent threats to stability – a couple of tens of millions of people here and there in each of those communities - but they are an indication of how things are beginning to shift compared with just a decade or two ago.

Let me now move on to the political dimension. This is the element that is of most interest right now because it directly intersects with what you are seeing play out in the various institutional and constitutional shifts at the highest levels in Chinese politics.

Politically, you are seeing a breakdown in what we thought were established elite norms and practices. Since Xi Jinping's rise to the top of the Chinese political hierarchy in 2012, he has broken with many of those norms that I had mentioned which had been established back in the early reform period. The fall of former security czar Zhou Yongkang in 2013 marked the breakdown of tacit reform-era party rules against targeting former top leaders who had served on the Politburo Standing Committee (and their families) after leaving office. A range of ill-defined leadership groups (lingdao xiaozu) – over the economy, over national security - have been formed that have concentrated power once divided among other top Party leaders in the hands of Xi himself. Long-standing official aversion to anything resembling a cult of personality is steadily being abandoned, as state media increasingly has focused on Xi alone, to the exclusion of other leaders.

Within the past two years, you have seen other norms fall as well. In the fall of 2017,

at the 19th Party Congress, Party leaders broke with tradition and avoided naming a clear successor to Xi as he entered his second (and theoretically final) five-year term as Party general secretary. And in the spring of 2018, Party leaders moved to amend the Chinese constitution to erase the term limits on Xi's state government role as China's president. Both of those moves naturally pave the way for Xi Jinping to serve as the head of China's Party and government for decades into the future. That, of course, represents the likely rejection of yet another core reform-era norm, and a potential reversion to the kind of long-term single-man authoritarian rule that had characterized pre-reform era.

But there are at least three other major norms that are in the process of breaking down, which I think have not received as much attention, and which illustrate just a few of the dangers represented by these trends.

The first is another shift in elite Chinese politics. In the fall 2017, at the 19th Party Congress, China's anti-corruption chief, Wang Qishan, a figure closely identified with Xi, stepped down from his Politburo Standing Committee seat. At that point, some were tempted to view this move as evidence of the durability of tacit reform-era norms regarding age-based retirement among the Party elite. Whatever was happening with Xi himself, perhaps you still had some Party institutions and norms that were continuing to function normally. But far from retiring from the political stage, subsequent months saw Wang vested with an important role as state vice-president, bearing major responsibilities for managing China's foreign affairs. Even more crucially, Wang appears to still be regularly attending meetings of the Politburo Standing Committee (albeit as a theoretically non-voting member), notwithstanding his lack of any formal Party title.

Naturally, this raises the risk that rule at the top of the Chinese system could slowly devolve into something resembling "Xi and associates," regardless of what titles they actually hold. That would represent a marginalization of formal high-level Party organs such as the Politburo Standing Committee that had been rebuilt in the reform era. And that would then potentially start to take China back into the unstable pre-1978 era, when you had figures with no formal position on elite Party bodies whatsoever – such as Mao's wife – exercising significant actual power in the middle of byzantine struggles for power.

The second shift to watch to is one that is taking place at the middle and lower levels of the Chinese state: the re-Partyization of the Chinese bureaucracy.

Remember, the early reform era had seen the Party back out of day-to-day management of state affairs. That is now eroding as well. Take a look at the constitutional amendments in the spring of 2018 creating a national supervisory commission. What those did was to create a new body – effectively the Party's disciplinary inspection committee in new form - as an oversight organ for all state employees. Note how this differs from previous practice. Previously, the Party's disciplinary inspection apparatus was (at least formally) authorized to only go after Party members. What this amendment and the corresponding legislation do is to create a channel for discipline inspectors to go after anyone receiving a state salary. And so that is potentially university officials, employees of state-owned

enterprises, as so on. This is a much wider range of people. And that is potentially going to allow the black-box norms that have existed within the Party disciplinary system to spread much deeper within the state apparatus.

Or take a look at the new government re-organization plan that was released in the spring of 2018. It eliminated a whole host of government organs and merged them with Party organs. So, for example, the state civil service commission was folded into the Party organization bureau; the State administration of religious affairs merged with the Party's United Front work department. Now, on the one hand, you can say – "eh, this doesn't really matter – those Party organs were always sitting on top of their government counterparts and making the big decisions." But on the other, it really does matter. By eliminating the government middlemen, you are putting Party cadres much more directly back in the driving seat of day-to-day operations in China. Similar shifts apparently involve merging the Party propaganda apparatus with state media outlets. Nor is this limited to state organs. For those of you in the business community, you are seeing similar trends happen with foreign and Chinese firms – there has been a new emphasis by Party authorities in getting foreign joint-ventures to give the Party committees within their businesses a degree of voice in things such as personnel decisions.

This is precisely how the partial distinction between Party and state (and Party and economy) that had built up over the course of the reform era collapses into a much tighter unity.

The third crucial shift is the intensification of repression in China's western region of Xinjiang, heavily populated by a Muslim ethnic minority – the Uighurs. Of course, concerns about ethnic unrest and border security have meant that Beijing has always wielded a heavier hand there, which tightened notably in the wake of a major bout of interethnic rioting in 2009. But since 2017, there has been another qualitative leap in the level of repression. Specifically, Beijing has constructed a web of political re-education camps into which a significant percentage of the Uighur population – estimates range from hundreds of thousands of people to up to two million - have been pre-emptively disappeared. And state efforts to eradicate identity and religion – shuttering mosques and creating systems for Party cadres to physically live in Uighur homes to observe their internal family practices - are gaining steam. This, of course, is a major human rights issue in and of itself, and one which has just starting to percolate into public consciousness in recent months. But to my mind, it also represents an important milestone – another crucial reform-era norm that is being broken.

Let me explain. In pre-reform Maoist China, society was extensively politicized. Broad swaths of people were politically labelled – because of bad class backgrounds, or overseas family ties – and persecuted or denied benefits – college education – as a result. That came to an end with the reform era. Sure, Beijing still came down like a hammer on political dissidents or those who attempted to organize independent labor organizations. But the use of broad labels to target large swaths of society, and mobilize (for example) landless peasants against former landlord backgrounds via an us-versus-them mentality dropped off. What specifically worries me

with the developments in Xinjiang is that I can easily see how such practices start to come back in new form – how social politicization gets revived, and how cracks between groups start getting manipulated again. Reports suggest that some of these repressive practices are starting to migrate out of Xinjiang and to neighboring provinces such as Gansu and Ningxia that also have heavily Muslim, but not Uighur, populations. Once you see that, it is really easy to imagine how some within the Party bureaucracy could start to adopt some of the same mentality (if not necessarily exactly the same practices) to other groups in society deemed a potential problem – say, the large Christian population. And then it just starts to spin from there …

Conclusion

In summary – China is ideologically closing up, economically slowing down, and the partially institutionalized political norms of the past several decades are starting to buckle.

So why is all this happening? Why is are these political norms coming undone?

The core answer is that because of China's failure to build alternative institutions during the reform era – arising from its dogged adherence to one-Party political rule, Xi finds himself driven back to yet older methods to make change happen.

Put yourself in Xi's shoes. You are a committed believer in the Party's continued dominance within an authoritarian political system. You sense China is slouching towards crisis. As you are coming to power in 2012, you see a frozen and factionalized political system within the Party itself. You see corruption seeping into the bones of the Party itself. You viscerally reject any move towards political liberalization – indeed, that has entirely been off the table in China since 1989. What do you do?

I think you do exactly what he is doing. Resort to the levers that you do have. Go back to what you know. Centralize power in your own hands. Launch politicized purges of your rivals. Cultivate a populist image among the masses. And promote an ideological shift back towards nationalism and cultural identity.

Now, some observers have argued that this means that Xi is a new Mao. I don't go that far. There are still several reform era norms that haven't yet been broken – the big one being any resort to bottom-up social mobilization – the mass movements that characterized the Maoist era. And without that, you cannot conclude that Xi is a new Mao.

But the key point is that the reform era itself is unwinding. And once you conclude that the political rules of the game that have governed the past several decades are coming undone, the operative question starts to be: which are the next ones that will come undone?

Just to be clear – while the story above is a China-specific story – of political erosion inside China's Leninist one-Party system, I am not actually bashing China. The idea that political norms are breaking down has parallels even in democratic societies – look at Turkey, India, Philippines, even the U.S.

If I were an expert in American politics, I might try to tell a story where the last two decades of the 20th century saw a fusion of money and party politics that led to a steady erosion of American political institutions by the early 21st century. Existing norms began

to give way: bipartisan compromise, Senate rules regarding the use of the filibuster, actually having a federal budget – indeed, actually opening the doors of government offices and paying federal employees their wages on time. American ideology closed down. There was a turn against immigration and free trade. There was a slide towards alternative mechanisms of governance – direct communication over Twitter, the use of vaguely defined leadership groups, the cult of personality over experience, purges of the heads of the domestic security services (FBI), diplomatic corps (State Department), and other crucial agencies …

Naturally, there are crucial differences. In China, what is taking place is top-down political erosion driven by Xi Jinping and those around him, while what is taking place in the United States is bottom-up political erosion fueled by populist pressures both on the right and left. But make no mistake, the risks of what is taking place in China is just as severe – if not more so – than in the United States.

Because if, like me, you are worried about the trends you see in the United States, I think you have to ask yourself: what happens when you see political erosion take place in a country like China - where the entire institutional political architecture is of much more recent vintage, and the history of truly severe political turbulence is much more recent?

And that's why I think what is happening now in China is so risky. Because once you start pulling apart the very core political norms and institutions that have held together the entire system since the beginning of the reform era, the underlying problems that plagued the pre-reform era start pushing themselves – zombie-like – to the surface again. For example:

- Local officials competing to exalt the top leader
- Breakdown in channels of information to the top of the system – as people become increasingly unwilling to reflect back negative information
- Efforts to spread Party controls back into areas from which they had retreated in the 1980s – see the what is happening in academia and culture.
- An erosion in the technocratic capacities of the state
- More vicious internal-score settling within the Party elite as norms continue to break down – see some of the official language accusing Bo Xilai, Zhou Yongkang, and Sun Zhengcai of plotting a coup.

And all of that spells trouble. In the short term, I bodes for a much more hardline, personalized authoritarian state in China. But in the longer-term, I think it is a recipe for a revival of internal domestic political instability in China that many observers had thought was dead and buried since the beginning of the reform era.

The Views expressed herein are those of the author and do not necessarily reflect the positions of The Scowcroft Institute of International Affairs, The Bush School of Government and Public Services, or Texas A&M University

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Carl Minzner is an expert in Chinese law and governance. He has written extensively on these topics in both academic journals and the popular press, including op-eds appearing in the New York Times, Wall Street Journal, Los Angeles Times, and Christian Science Monitor. He is the author of End of an Era: How China's Authoritarian Revival is Undermining its Rise (Oxford University Press, 2018).

Representative academic works include China After the Reform Era, in the Journal of Democracy (2015), exploring China's transition away from the three-decades-long reform era characterized by political stability, ideological openness, and rapid economic growth; The Rise and Fall of Chinese Legal Education in the Fordham International Law Journal (2013), examining both the expansion of Chinese legal education since the late 1990s, and its impending retrenchment; and China's Turn Against Law, in the American Journal of Comparative Law (2011) analyzing Chinese authorities' shift against legal reforms of the 1980s and 1990s.

Prior to joining Fordham, he was an Associate Professor of Law at Washington University in St. Louis. In addition, he has served as Senior Counsel for the Congressional-Executive Commission on China, International Affairs Fellow for the Council on Foreign Relations, and Yale-China Legal Education Fellow at the Xibei Institute of Politics and Law in Xi'an, China. He has also worked as an Associate at McCutchen & Doyle (Palo Alto, CA) and as a Law Clerk for Hon. Raymond Clevenger of the U.S. Court of Appeals for the Federal Circuit.

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— Lt. Gen. Brent Scowcroft, USAF (Ret.)