The History and Political Economy of the Peoples’ Republic of China (1949-2012)

Lecturer, Douglas Lee, PhD, JD

Osher Lifelong Learning Institute
University of California, Berkeley
Winter 2017

1. Significance of the Chinese Political Economy
2. The importance of non-economic variables
3. Ideological Determinants
4. Political Institutional Setting
5. The New Leadership (1997-2014)
6. New Agenda of the 3rd plenum of 18th Party Congress 2012-2013
7. Governance From the Center and the changing role of the Peripheries
8. Foreign Policy and Foreign Relations
1. Significance of the Chinese Political Economy, 1997-2014

1. What is a “Political Economy”?  
2. Interdisciplinary study of how politics and economics interact to work together as one unit  
4. The Political Economy of the largest (population) country in the world has strategic global importance with many complex implications
2a. Ideological Determinants

1. Traditional place and value of ideology in PRC
2. Marxism-Leninism (Classical Socialist-Communist Thinking) and Maoist Chinese Communism
3. Marked departure of the content, style, and influence of ideology on the Chinese Political Economy since 1976
4. Ideology still counts, condition precedent, a given “that which guides” policies, programs, processes
5. The Diminishing visibility & influence of Ideology
### Traditional Chinese Communist Views of Ideology

Theory is pure ideology, unalterable truths, highly abstract. Thought is practical ideology, flexible, adaptable, practical views. The two in changing relationship with each other over time.

<table>
<thead>
<tr>
<th>Time period</th>
<th>Pure ideology</th>
<th>Practical ideology</th>
</tr>
</thead>
<tbody>
<tr>
<td>7th party congress (1945) Mao in charge</td>
<td>Marxism-Leninism</td>
<td>Mao’s Thought</td>
</tr>
<tr>
<td>8th party congress (1956)</td>
<td>Marxism</td>
<td>Leninism</td>
</tr>
<tr>
<td>9th party congress Post Great Leap Forward (1969)</td>
<td>Marxism-Leninism</td>
<td>Mao’s Thought</td>
</tr>
<tr>
<td>10th party congress (1973) Mao &amp; Lin Biao (1977) Gang of Four in power</td>
<td>Mao’s Thought</td>
<td>Mao’s Thought</td>
</tr>
<tr>
<td>18th party congress (2012) Xi Jinping leadership</td>
<td>Such distinctions not emphasized, not even addressed</td>
<td></td>
</tr>
</tbody>
</table>
The Chinese Communist Party (CCP)

Party Membership

<table>
<thead>
<tr>
<th>Year</th>
<th>Membership</th>
</tr>
</thead>
<tbody>
<tr>
<td>1921</td>
<td>12</td>
</tr>
<tr>
<td>1922</td>
<td>195</td>
</tr>
<tr>
<td>1923</td>
<td>450</td>
</tr>
<tr>
<td>1925</td>
<td>994</td>
</tr>
<tr>
<td>1927</td>
<td>57,968</td>
</tr>
<tr>
<td>1928</td>
<td>40,000</td>
</tr>
<tr>
<td>1945</td>
<td>1,210,000</td>
</tr>
<tr>
<td>1956</td>
<td>10,730,000</td>
</tr>
<tr>
<td>2000</td>
<td>60,000,000</td>
</tr>
</tbody>
</table>

CCP Party Congresses

• 1st party congress 1921 (Shanghai)
• 2nd party congress 1922 (Shanghai)
• 3rd party congress 1923 (Guangzhou) (Canton)
• 4th party congress 1925 (Shanghai)
• 5th party congress 1927 (Wuhan)
• 6th party congress 1928 (Moscow)
• 7th party congress 1945 (Yan’an) (Yenan)
• 8th party congress 1956 (Beijing)
• 9th party congress 1969 (Beijing)
• 10th party congress 1973 (Beijing)
• 11th party congress 1977 (Beijing)
• 12th party congress 1982 (Beijing)
• 13th party congress 1987 (Beijing)
• 14th party congress 1992 (Beijing)
• 15th party congress 1997 (Beijing)
• 16th party congress 2002 (Beijing)
• 17th party congress 2007 (Beijing)
• 18th party congress 2012 (Beijing)
2b. Ideological Determinants

5. Post Mao, Post Cultural Revolution, rejection of Radical Ideological pandering, (e.g. Personality cults) movement away from emphasis on “Class Warfare” to Economic Reform & Modernization

6. 1977 The 11\textsuperscript{th} Party Congress of CCP- Official line Ascendancy of Deng Xiaoping (moderate) “Socialism with Chinese characteristics” Five Warnings- #3 Marxism-Leninism #4 Thought (and actions) of Chairman Mao; reality of the retreat of Ideology as real guiding force in face of prevailing realities. Only lip service, unless a crisis
2c. Ideological Determinants

1. Place and value of Ideology in PRC is constant & consistent
2. Leadership still values it, as it manipulates it to enhance decision-making and crisis-management
3. Ideology lends continuity and legitimacy to the leadership, its vision, policies and programs
4. Paramount Ideological considerations: #1 CCP dominance and #2 China is a socialist society “with Chinese characteristics”
5. Post Deng (1997) Ideology exists, but is not the chief point of emphasis, but still casts a long shadow
6. Hu Jintao 17th Party Congress 2007 “Scientific Development Concept” in party’s constitution as official CCP ideology
3. Political Institutional Setting

1. **Formal Institutionalization** of structural and procedural changes, emphasis on the rule of law and not personality (cults) and politics
2. **CCP Party Congresses every five years**
3. Elimination of the Chairmanship of CCP, replaced by General Secretary of CCP new top-most position, after 1992, also defacto President of China
4. **Routine rotation about every decade of the top CCP leadership**, promotion based on merit, technocrats (since 1990 most have been engineers)
5. Inclusion of women, non-Han Chinese, highly educated, with experience and expertise, younger at both the top and at mid-levels (60-70 years of age)
6. **Each new paramount leader carefully balances ideological imperatives and political and economic realities**
4a. The New Top CCP Leadership

1. Regular rotation of top-most level CCP leaders
   eliminate possibility of “personality cult dictatorships”

<table>
<thead>
<tr>
<th>Congress/Generation</th>
<th>Generation</th>
<th>Leaders</th>
<th>Dates</th>
</tr>
</thead>
<tbody>
<tr>
<td>11th Party Congress</td>
<td>1st Group</td>
<td>Mao Zedong, Zhou Enlai</td>
<td>1949-76</td>
</tr>
<tr>
<td></td>
<td>2nd Group</td>
<td>Deng Xiaoping</td>
<td>1978-1997</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Hu Yaobang</td>
<td>1981-1987</td>
</tr>
<tr>
<td>13th Party Congress</td>
<td>2nd Group</td>
<td>Zhao Ziyang</td>
<td>1987-1989</td>
</tr>
<tr>
<td>14th Party Congress</td>
<td>3rd Group</td>
<td>Jiang Zemin</td>
<td>1989-2002</td>
</tr>
<tr>
<td>16th Party Congress</td>
<td>4th Group</td>
<td>Hu Jintao</td>
<td>2002-2012</td>
</tr>
<tr>
<td>18th Party Congress</td>
<td>5th Group</td>
<td>Xi Jinping</td>
<td>2012-</td>
</tr>
</tbody>
</table>

2. New Practice of “real retirement” of rivals, former leadership,
   no violence, no imprisonment or killings- peaceful transition of leadership

   - Deng Xiaoping’s treatment of Hua Guofeng (1980)
   - Jiang Zemin’s treatment of Qiao Shi (1997)
   - Xi Jinping’s treatment of Hu Jintao in 2013
Five Generations of CCP Leadership

Deng Xiaoping
 Deng in 1979

Hu Yaobang
 Hu in April 1989

Jiang Zemin
 Jiang in 2002

Hu Jintao

Zhao Ziyang

Xi Jinping

1. Reality of oligarchy not autocracy leadership style
2. Briefly revives Chinese communist “personality cult”
3. Economic growth at all costs, ignore social, environmental, tolerates collateral damage
4. In aftermath of 6-4-89 (Tiananmen Square) attacks
   *Falun gong* religious community
5. Conciliatory with US and Russia, and Taiwan, Foreign policy successes, 2008 Beijing Olympics, 2010 Shanghai Expo
6. Delegates economic reform policy to premier Zhu Rongji, 8% annual GDP, remarkable for times
7. Neglect of corruption, pollution, widening gap between rich and poor, & coastal and interior sectors
Policies of Hu Jintao (2002-1012)

1. SARS (Canton-HK) Crisis 2003, test of new authority & power
2. Beneficiary of progressive institutionalization of power succession in CCP; and rule by consensus, movement away from older Maoist authoritarian model and focus on class warfare (1978-2002)
   No longer CCP chair, but General Party Secretary
3. Addresses critical problems: Anti-corruption, Environmental pollution disparity between rich and poor, & urban and rural sectors
4. Promotes “Harmonious Socialist Society” domestically and “peaceful development” internationally via his idea of “Scientific Development Concept” A society that is compassionate, fair, but firmly guided, integrated solutions everyone works hard, everyone benefits equally, use rational scientific strategies, systems, procedures, processes as more efficient tools for economic reform, modernization= China governance model
4b. The New Top CCP Leadership

1. The 18th Party Congress 2012
   A. confirms “collective leadership” principle of the 16th CCP Party Congress (2002)
   B. Returns to 7 man PSC membership

2. Emergence of the 5th Generation Leadership
   A. Technocrat-politicians, Xi Jinping

4. New Priorities and Policies
   a. Accelerate & expand Economic Reforms
   b. Anti-Corruption “We really mean it!”
   c. Really Address Environmental Pollution Issues
   d. Emphasize PRC Defense and National Security
Setting the New Agenda
The 3rd Plenary Session of the 18th Central Committee of the 18th CCP Party Congress 2013

The 3rd plenums (meetings) of Central Committee have been traditionally devoted to Economic Planning & Policy.

3rd plenum of 11th Party Congress in 1978
Deng’s 4 modernizations,

3rd plenum of 13th party congress in 1993
“Socialist Market Economy”

3rd plenum of 18th party Congress in 2013
Economic reform, with real change re:
underlying problems, corruption, pollution
national security/defense, social issues
The New 18th CCP Agenda of 2014

The 3-8-3 Project (proposed by the Development Research Center of the State Council 10-27-2014)

3 Themes
1. Improve the market system
2. Transform role of government
3. Build an innovative corporate structure

8 Key Reform Areas
1. Government
2. Monopoly Sectors
3. Land System
4. Financial System
5. Tax System
6. Management of State Assets
7. Innovation
8. Globalization of the Economy

3 Breakthroughs
1. Globalization of Economy
2. Social Security Reform
3. Land Reform
A closer look at the new Agenda in 2013

Major Policy Changes

1. Establish a new “central leading team” to oversee reform and coordinate reform across all sectors
2. Modify 1979 one child policy, can have 2 children, if one of the parents had been a “one child only”
3. Abolish “education through labor” system, to improve on human rights and real functioning of the judicial system
4. New major legal reforms aimed at securing protections against miscarriages of justice, via improvement of petition process, can do it online, reduce capital punishment, more attention to access to courts and protection of human rights
5. Really implement a crack down on corruption & pollution
A closer look at the new Agenda in 2013

Proposed Economic Reforms

1. Allow private capital to open new private banks
2. Encourage private capital to develop mixed-ownership entities
3. Integrate more fully China’s economy with global economy in finance, manufacturing, & trade,
4. Allow market forces to play a more decisive role in the allocation of resources in Chinese economy (shift in Mixed Economy model)
5. Establish a modern finance system, integrated Central & Local
6. Promote a new (more equitable) urban-rural relationship
7. Address income disparity problem in PRC
8. Relax rules on cross-border (international) financing, while expanding cross-border portfolio investment schemes
9. Further development of equity, bond, and derivative markets by strengthening risk-management and regulation
A closer look at the new Agenda in 2013

Non-Economic Reforms

1. Establish Intellectual Property Courts
2. Crack down on internet crimes
3. Reform of the petition system
4. Give farmers real property rights
5. Develop & expand social security programs (health, pensions)
6. Change *Hukou* system to allow 200 million of 400 million migrant population to officially re-settle and gain local benefits
7. Build a law-based, service orientated governmental system
8. Promote a real crack down on corruption (all levels)
9. Promote effective anti-pollution, pro-environmental policies
10. Promote independent, fair access & use of legal system
Reality Check: What will most likely really happen

Major barriers to implementing real reform

1. Need for new leadership to have enough time to consolidate power (in power for just 1 year now (2013) it may take 3-5 years)
2. Growth of new vested interest since 1990’s will block reforms
3. Logistics of reform in PRC = very technical, multi-dimensional, complex
4. Heavy political, financial costs and time constraints

Prognosis is good because:

1. New leaders are young, smart, professional, & visionary
2. New leaders are better educated, have practical experience
3. New leaders...They get it! New imperatives, new realities

Probable Impact on PRC’s Economic Development/Growth

1. Short-term negative = par for post 3rd plenums
   1978/11th; 1993/14th; 2013/18th (lower GDP target 7.5% to 7%)
2. Long-term positive impact, laying foundations for future growth
6. Governance From the Center to the Peripheral

1. China as a Unitary Party-State System
   CCP and State Apparatus, Top down to lower levels
2. China not as a federal system, but a centralized bureaucratic model of multi-national units
3. The Center and the peripheries, Beijing and “others”
4. Provinces, Municipalities, & autonomous regions
5. Institutionalization (structure-organization) versus powerful leaders in powerful positions
6. Media, Political Culture & Political Participation
   “Inner limits and outer controls” (Law, Ideology)
7. What is autonomy? Some Freedom at the margins?
7a. Foreign Policy and Foreign Relations

1. CCP leadership determines and guides Chinese foreign policy and Relations, as guided by Ideological & political considerations
2. Post Mao Era focus on: moderation, engagement, and integration with the existing economic and strategic global order
3. Pragmatic strategy of dealing with challenges, tasks, & problems, while pursuing peace & prosperity
4. Future prospects for continued moderation and pragmatic approach are contingent on continuity of relatively stable and peaceful conditions both within China and the rest of the world
5. PRC’s engagement is economic, strategic, geo-political, which occurs simultaneously on bilateral, multi-national, and international levels
6. Must balance Chinese short term strategies versus long-term goals
7. Era of increased globalization via economic, technological exchanges cooperative diplomacy & international activism
8. Recent surge of “New Patriotism” to defuse domestic socio-political tensions results in new initiatives in National Defense & Security
7b. Foreign Policy Issues and Priorities

1. Nod to Traditional Chinese security concerns over:
   1. National Security & Territorial Integrity of PRC
   2. Opposition to other super power dominance in Asia

2. Enhance PRC Economic Development, regionally, globally
   1. 2000 Clinton obtains permanent status of “Most Favored nation status” for Chinese in US Trade
   2. Dec 2001 PRC joins World Trade Organization

3. Avoid Super Power Stalemate, Triangulate Relationships
   1. Moscow, Washington, and Beijing

4. Opposition to Perceived U.S. Hegemonism, through use of International Organizations & multi-lateral relationships

5. Military Defense Influence heightened re: neighbors
   1. Taiwan, 2) North & South Korea, 3) Japan, 4) SE Asia

6. Anti-terrorism policy to deal with autonomous regions’ ethnic and religious minorities (Uyghur (Uighur), Tibetans, others)
7c. Foreign Policy Issues and Priorities

6. **Chinese Foreign Aid & loans to 3rd World**
   - Especially in Sub-Sahara Africa, no strings, no interference in local politics (corruption)
   - PRC’s insatiable demand for raw materials

7. **PRC and the Five Principles of Peaceful-Coexistence** (Bandung Conference 1955)
   - Middle East, Asia, Latin America, & Africa

8. **China’s Role in the Global Economy**
   1. China is already an economic superpower
   2. Forecast for continued economic growth & clout
   3. Rival with US, US Dominance declines, resulting in a new multipolar World Order
   4. Major challenges: weaknesses in PRC’s own Economic Performance
China's military rise
The dragon’s new teeth

China’s real military strength increasingly lies elsewhere. The Pentagon’s planners think China is intent on acquiring what?
Outflying the eagle
Military spending, $trn*

FORECAST↑

United States

China

1990 2000 10 20 30 40 50
0 0.3 0.6 0.9 1.2 1.5 1.8

*2009 prices
↑Based on US GDP growth of 2.7% a year and military spending slowing to 3% of GDP, and gradually slowing Chinese GDP growth with military spending of 2.1% of GDP

Sources:
IMF; SIPRI; The Economist
China’s Military Expenditures in Comparison with other major countries in 2011

**We’re number two, we try harder**
Top ten countries by military spending, 2011

<table>
<thead>
<tr>
<th>Country</th>
<th>Spending, Sbn</th>
<th>World share, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>739.3</td>
<td>45.7</td>
</tr>
<tr>
<td>China</td>
<td>89.8</td>
<td>5.5</td>
</tr>
<tr>
<td>Britain</td>
<td>62.7</td>
<td>3.9</td>
</tr>
<tr>
<td>France</td>
<td>58.8</td>
<td>3.6</td>
</tr>
<tr>
<td>Japan</td>
<td>58.4</td>
<td>3.6</td>
</tr>
<tr>
<td>Russia</td>
<td>52.7</td>
<td>3.3</td>
</tr>
<tr>
<td>Saudi Arabia</td>
<td>46.2</td>
<td>2.9</td>
</tr>
<tr>
<td>Germany</td>
<td>44.2</td>
<td>2.7</td>
</tr>
<tr>
<td>India</td>
<td>37.3</td>
<td>2.3</td>
</tr>
<tr>
<td>Brazil</td>
<td>36.6</td>
<td>2.3</td>
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Source: IISS
Chinese and U.S. Military Assets, 2010-2011

<table>
<thead>
<tr>
<th>Military assets, 2010</th>
<th>China</th>
<th>US</th>
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<tbody>
<tr>
<td>Defence budget 2010-11, $bn</td>
<td>89.8</td>
<td>739.3</td>
</tr>
<tr>
<td>Share of GDP, %</td>
<td>1.3*</td>
<td>.9</td>
</tr>
<tr>
<td>Active personnel, m</td>
<td>2.3</td>
<td>1.6</td>
</tr>
<tr>
<td>Strategic and long range assets</td>
<td></td>
<td></td>
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<tr>
<td>Intercontinental ballistic missiles</td>
<td>66</td>
<td>450</td>
</tr>
<tr>
<td>Bombers</td>
<td>132</td>
<td>155</td>
</tr>
<tr>
<td>Nuclear-powered submarines with ballistic missiles</td>
<td>3</td>
<td>14</td>
</tr>
<tr>
<td>Manoeuvre†</td>
<td></td>
<td></td>
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<tr>
<td>Main battle tanks</td>
<td>2,800</td>
<td>6,302</td>
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<tr>
<td>Armoured infantry vehicles</td>
<td>2,390</td>
<td>6,452</td>
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<tr>
<td>4th generation tactical aircraft</td>
<td>747</td>
<td>3,092</td>
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<tr>
<td>Attack helicopters</td>
<td>16</td>
<td>862</td>
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<td>Transport helicopters</td>
<td>294</td>
<td>2,809</td>
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<tr>
<td>Power projection</td>
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<tr>
<td>Cruisers/destroyers</td>
<td>13</td>
<td>83</td>
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<tr>
<td>Aircraft-carriers</td>
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<td>11</td>
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<tr>
<td>Frigates</td>
<td>65</td>
<td>26</td>
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<tr>
<td>Nuclear-powered submarines</td>
<td>5</td>
<td>57</td>
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<tr>
<td>Principal amphibious ships</td>
<td>1</td>
<td>29</td>
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<tr>
<td>Transport aircraft</td>
<td>57</td>
<td>847</td>
</tr>
<tr>
<td>Tanker and multi-role aircraft</td>
<td>13</td>
<td>550</td>
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<tr>
<td>ISTAR‡</td>
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<tr>
<td>AWACS§</td>
<td>14</td>
<td>104</td>
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<tr>
<td>Heavy unmanned aerial vehicles</td>
<td>na</td>
<td>370</td>
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<tr>
<td>Imagery satellites</td>
<td>15</td>
<td>10</td>
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<tr>
<td>Intelligence satellites</td>
<td>11</td>
<td>20</td>
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<tr>
<td>Navigational satellites</td>
<td>10</td>
<td>31</td>
</tr>
</tbody>
</table>

Source: IISS

*Official figure; excludes some military spending
†Combat units and formations capable of manoeuvring
‡Intelligence, surveillance, target acquisition and reconnaissance
§Airborne warning and control system
2014 Military Budget Increase

It is projected that in 2014 the Chinese Military Budget will increase about 12.2% or $US 132 Million, with inflation that amounts to about a 8.4% increase.
China’s Theater of Strategic Operations in East and S.E. Asia
China’s Theater of Strategic Operations in The South China Sea
Estimated PLA Active Personnel (2010)
2.3 Million
New High Tech Weapons Systems
China’s National Security Strategic Initiatives have Strengthened U.S. Relationships with China’s East Asian and S.E. Asian Neighbors
How China May See itself with the US in the Near Future

China has consistently argued against any form of Hegemonism in global geo-politics. It sees itself in intense economic & geo-political competition with the US. This image graphically reflects this rivalry.