

How Would Democracy Change China?

by Arthur Waldron

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Given the requirements of China's increasingly affluent and well-informed society and its dynamic economy, political change in the People's Republic of China is probably coming sooner than many would expect and may well take the form of steps toward democracy. Key among the reasons for this is the situation in Hong Kong. Since the mass demonstrations held there on July 1, 2003, a swelling chorus of voices has been calling for democracy in the Special Administrative Region. Influential businessmen such as Sir Gordon Wu, who has long been skeptical about democracy, have now joined the human rights and democratic activists' cause.¹

Remarkably, until July 1 placed the issue of "democracy, yes or no?" squarely in Beijing's lap, many observers treated the possibility of genuine change as remote.² Hence Beijing's response, several months after the demonstrations, that local leaders "must reiterate their support for [chief executive Tung Chee-hwa] in public because it is crucial to preserve stability in Hong Kong,"³ despite the near universal disapproval being expressed for him. (An October 2003 poll indicated that Tung enjoyed the support of only 25 percent of the public.)⁴

The inexplicable conviction that democratization for China proper was not an issue, let alone a possibility, was remarkably durable: it survived the end of communism in the West and the pluralization of the Soviet Union, as well as the wave of political change in Asia that began in the Philippines in

¹"Start talking on direct polls, says Gordon Wu," *South China Morning Post*, Sept. 16, 2003.

²BBC correspondent Fergal Keene, for example, recently estimated that China "is perhaps one generation away from a major upheaval," *Independent*, Sept. 6, 2003.

³"We're listening, say leaders, but stability is key," *South China Morning Post*, Sept. 22, 2003.

⁴"Trust in government hits low point," *South China Morning Post*, Oct. 15, 2003.

the 1980s. Today, China is surrounded almost entirely by democratic states, from India to Mongolia to South Korea and Japan to Taiwan and into Southeast Asia. It is one of only five remaining communist dictatorships in the world: the overwhelming majority of the world's nations are democratic or democratizing. Some political scientists have taken to explaining how autocracy has survived in China, by implication suggesting that it will continue.⁵

Now the people of Hong Kong have made their preferences clear, not only through the summer demonstrations but also, even more powerfully, in the record voter turnout and crushing victory of the democrats in this past autumn's district council elections. Beijing must decide whether to go with the clear trend or somehow try to stop it. The decision point is 2007 for whether or not to permit universal suffrage and genuine democracy, as the Basic Law suggests is possible.

If democracy is permitted in the Hong Kong SAR, then pressure for similar dispensations elsewhere in China will prove difficult to resist (as happened with economic reform, which was initially limited to a few special zones). Unlike economic reform, however, which in certain respects has strengthened the Party's control over business and wealth, democracy will certainly undermine Party control of politics—and for that reason is a most unwelcome possibility for many Party members.

What if Beijing decides against democracy for Hong Kong? In that case, Hong Kong voters may punish the current, partially democratic government by electing enough opposition legislators to create a deadlock that will prevent the Beijing-appointed chief executive from securing approval for his programs even under the current, Beijing-designed system.

Beijing is trying to stop this disastrous, for it, outcome by means of rationalization and manipulation. Thus it stresses that economic, and not political, grievances are at the root of the present situation and professes to believe that if somehow Hong Kong's economy can be gotten back on track, democratization will fade away. Thus State Councilor Tang Jiaxuan was quoted as saying in September 2003 that "we should recognize that boosting Hong Kong's economy is the key to addressing the problems facing the city and helping ease the grievances of the middle class."⁶ If this strategy fails, as is likely, only a very hard option will remain: rewriting the Basic Law and somehow imposing dictatorial rule. Xu Kuangdi, a vice chairman of the Chinese People's Political Consultative Conference, condemned the summer protest as "a bad thing."⁷ Leaders of the democratic movement such as Bishop Zen and legislator Emily Lau Wai-hing have already been vilified in

⁵ Perhaps the best example is Andrew J. Nathan, "China's Changing of the Guard: Authoritarian Resilience," *Journal of Democracy*, Jan. 2003, pp. 6–17.

⁶ "A revived economy will ease grievances, delegations told," *South China Morning Post*, Sept. 16, 2003.

⁷ "Beijing has never been so worried about HK," *South China Morning Post*, Sept. 11, 2003.

the official media.⁸ No doubt Beijing is of two minds about what to do next, but it must do something soon.

What happens in 2007 is not going to be clean or neat. Democratization is a difficult process that can go terribly wrong. In country after country, the interim period when the old system is breaking down but the new one has not yet taken root has proved to be a time of suffering, violence, and often political extremism. The Soviet Union took its strong medicine in 1989: abolishing the communist system, freeing the press and media, legalizing opposition parties, introducing parliamentary rule, making the ruble into a convertible currency, and liberating the Soviet empire. At first, many observers felt that the cure was worse than the disease.

Economic Consequences

In the first few years after the end of communism in Russia and the Cold War, poverty seemed to rise, the ruble collapsed, pensioners were wiped out, a coup was attempted, and many regretted the loss of empire and superpower status. But Russia has in the last few years begun to reap some benefits. While authoritarian tendencies continue in government, the police, and the media, the gloom of the late 1990s has lifted. The economy is developing at a respectable rate, foreign exchange reserves are growing, the Russian media is incomparably freer than either its Soviet or Chinese counterparts, and elections continue to be scheduled and held. Russia's still incomplete democratization has generally been beneficial to all Russians, and Moscow is emerging from seven decades of grime as one of the most beautiful cities in Europe.

Regime type and regime change made a huge difference in the Cold War and its end. During the Cold War, Kremlin-watchers would often maintain that Soviet foreign policy was in keeping with Russian traditions. Indeed, some blurred the line between the *ancien regime* and the USSR. This sense that Russia somehow had a set of national interests that both tsar and commissar held in common was widespread, and it was supported by the then-current political science theory, which paid little attention to regime type. Such arguments are nearly impossible to make for Russia today, but we still hear them for China: that what is important is not the fact that the government in Beijing is communist but that it is a Chinese regime, a rather stable one at that, and that China has a set of rationally defined national interests that any regime can be expected to further.⁹

⁸“Bishop Zen willing to talk to Beijing,” *South China Morning Post*, Sept. 21, 2003; “Do not show toleration of Emily Lau’s offence,” *China Daily* (Hong Kong edition), Sept. 2, 2003.

⁹“In all, the preponderance of evidence indicates that the Chinese regime is relatively stable at present [and] that its foreign policy is primarily motivated by rational national interests.” Letter to the editor signed by Michael D. Swaine and eleven others, *Commentary*, Oct. 2003, pp. 10–11.

If this were the case, then China would be an even more exceptional country than has been imagined. For in every other country, regime type has made an immense difference in both domestic and foreign policy. In France, the Bourbons sought power, glory, and territorial aggrandizement, but Napoleon was something altogether different. In Germany, the foreign policy of the Prussian (later imperial) government supervised by Bismarck was very different from that of the Weimar Republic or National Socialism. In Britain, a single election that threw out the Tories and brought in Labour meant rapid independence for India. The United States has no single set of foreign policy goals that are equally supported by Democrats and Republicans. Likewise, the regime type in China has made a difference in the past and will continue to do so in the future. Furthermore, fully democratic countries with entrenched constitutions and regular elections (not states in the midst of transition) have a low proclivity to make war on one another.

Nevertheless, many people in both China and the West are explicitly hostile to the idea of Chinese democracy, even though the PRC's current constitution does provide (even if only on paper) for elections and the associated constitutional structures and independent judicial institutions.

Who would benefit from such elections? First, farmers. Rural residents constitute 70 to 80 percent of China's population. They will dominate any fairly elected parliament and change policies. Thus they might allocate funds for rural infrastructure, such as irrigation systems and secondary roads, and for education, health care, and social insurance for rural populations. They would demand equality of treatment with the residents of the urban areas, which today boast far higher standards of living and account for some 80 percent of government expenditures. They would call for trade policies that made it easier for them to specialize in high-value crops and protect them against subsidized exports from the developed world.

Such an electoral result would be nothing short of a revolution. China's current economic ruling class is an interlocking directorate of Party members, Chinese who have acquired foreign citizenship and then returned to China to work with them, and foreign investors. As Hugo Restall writes, "the most productive sector of the economy is largely run by foreigners, for the benefit of foreigners."¹⁰

The current economic system favors cities, especially coastal cities, over countryside; state-owned enterprises (SOEs), communist officials (who comprise some 80 percent of private business owners, though a small fraction of the population), and foreigners over ordinary Chinese; and high technology over agricultural development. The rural majority of a democratic China would probably force the government to give them greater economic opportunity and a larger voice in major projects. They might disapprove massive projects like the Three Gorges Dam.

¹⁰ Hugo Restall, "Why China Is a Paper Tiger," *Asian Wall Street Journal*, Aug. 1, 2003.

Providing money for rural areas would further strain China's budget, which portends trouble ahead. *Foreign Policy's* Moises Naim notes that "no country has ever been able to go through the social, economic and political change that China will undergo without accidents that derail even the best laid plans."¹¹ Billions of dollars will be needed even to begin to address the rural areas' problems. Where will the money come from?

The Chinese government currently runs a chronic fiscal deficit and has rendered insolvent the banking system it controls by forcing it to make massive loans to money-losing SOEs, which use the borrowed money to cover current employment and other costs and to increase capacity. Most industrial products are therefore oversupplied, which drives prices down and creates chronic deflation.¹² But the debt thus created—as well as the expansion of the money supply as the government prints currency (RMB) with which to buy dollars at a fixed rate and then issues bonds to soak up the excess liquidity—plants the seeds for inflation. The only possible way to cover China's current loan obligations is by means of the printing press. So here is the critical point: new money for rural needs can only come from the redirection of current resource flows.

It is estimated that the 2008 Beijing Olympics will cost more than \$20 billion. The cost of launching the PRC's first manned space mission in October 2003 was comparable. China is also spending massively on missiles, warships, and a new air force, much of which is imported.¹³ Democratization would almost certainly change Chinese foreign policy.

Foreign Policy Consequences

China's current foreign policy is inconsistent and often self-defeating. For instance, it is obviously in China's interest to have fewer, not more, nuclear-armed neighbors. But China's military build-up and its nuclear proliferation, especially to Pakistan, were the reason for India's decision to become a declared and competent nuclear power. Perhaps Beijing imagined that Washington would somehow squelch India and prevent it from becoming a military rival to China. If so, it was mistaken. The result is arguably the greatest setback to Chinese interests since 1949–50, when the new government in Beijing failed to establish formal relations with the United States and then entered the Korean War. If the infant PRC had dealt more

¹¹ "Only a Miracle Can Save China from Itself," *Financial Times*, Sept. 15, 2003.

¹² At present China's central government is borrowing simply to keep the economy where it is, grossly misallocating scarce resources and undermining its banks in the process. See William Pesak, "Commentary: Fragile Finances are the Real China Story," *International Herald Tribune*, Aug. 27, 2003; "Second Thoughts about Amazing China," *Jane's Foreign Report* no. 2755, Oct 2, 2003.

¹³ See "China's Military Build-up," *Jane's Intelligence Digest*, Aug. 8, 2003.

deftly with Washington, or had it not humiliated Mr. Nehru in 1962 and provided nuclear weapon technology to Pakistan, its current strategic situation would be far better than it is.

The situation may be worsening. From Pakistan, nuclear technology (mostly Chinese) has now spread to North Korea, where (along with Russian missiles apparently obtained from the Middle East) they create an enormously difficult and potentially dangerous situation. If the two Koreas are united, that new state will surely also be nuclear. This development, like the Indian decision for nuclear weapons, will be an enormous setback for Beijing: the Korean peninsula controls access by sea to the ports of southern Liaoning and northern Shandong, as well as Tianjin and the sea lanes to the Chinese capital. Yet Beijing is accepting this with apparent nonchalance.

Above all, good relations with the United States are surely in Beijing's interest. Whatever stability and wealth the Chinese government has achieved to date ultimately rest on massive exports, of which the United States is by far the largest buyer. Chinese involvement in any sort of hostilities in Asia would certainly lead to the closing of the American market and the sequestration of Chinese assets in the United States. Yet China not only keeps its distance from Washington (seeking, for example, to create room for maneuver by aligning itself with Germany, France, Russia, or even Serbia), it is also the only country in the world today configuring its military to attack American forces—witness its purchase of ex-Soviet supersonic missiles having as their sole target American carrier battle groups.

These examples of China's foreign policy—towards India, North Korea, and the United States—cannot be explained by rational calculations of Chinese national interest. Each creates something new and bad for China: a suspicious and militarily capable India; a nuclear-armed Korea in a position to frustrate all sorts of possible Chinese actions; possibly a rearmed Japan that would quickly outstrip China in military competence; and a United States that, despite its desire for good relations with Beijing, has to devote more and more time and money to countering Chinese threats to its friends and allies and itself. Regime type is the explanation.

Chinese National Interest

How would a democratic Chinese parliament assess Chinese national interests? First, it would be interested in improving the living standards of the country's hundreds of millions of impoverished people. The only way to free resources for this would be to change the foreign policy that demands, for example, such vast military expenditures. This would entail shifting friendships away from the few countries that seek to counter U.S. dominance in the world and reorienting toward the countries that provide the most to China economically. In other words, Beijing would have to become friendly with

the United States, its biggest market; Japan, another major trading partner and, to a lesser extent, investor; South Korea and Taiwan, both important trading partners and major investors (China's info-tech industry is owned roughly 70 percent by Taiwan and 15 percent by South Korea); Europe (a major market and investor); and Australia (a major trading partner, particularly in raw materials). And being rid of its empire, it could enter into genuine friendship, or at least correct relations, with peoples who had previously despised it for its colonial rule.

Hitherto, Beijing has placed disproportionate stress on supporting other dictatorships. It is deeply involved in Myanmar (whose human rights record, it must be admitted, is somewhat better than China's). It continues to subsidize North Korea, providing Pyongyang with items of trade that can be used for military programs. It has supported Pakistan's nuclear program. Its support for Serbia as NATO attempted to dislodge Slobodan Milosevic in 1999 was massive. Beijing continues to undermine its relationship with Washington through its rigid¹⁴ approach to Taiwan, which should be its partner, and its interest in Cuba, in particular in the former Soviet signals intelligence facilities there. China has been reported, at least in the past, to be involved in supporting a range of unsavory regimes in the Middle East and to maintain a close clandestine military relationship with Israel. This political and military club is not one to which China should want to belong.

Under conditions of freedom and democracy, China would move to non-belligerence toward the West, cooperation, and increasing openness. This would of course greatly benefit China's neighbors and the United States, ending the accelerating arms race that wastes so much money and creates so much danger in Asia today. But for now China remains a dictatorship, and as such it cannot welcome the prospect of other dictatorships' becoming free. China is an odd fit: its culture, from the time of Confucius, has contained plenty of liberal elements, and in the past century, democracy was the shared demand of most of the intelligentsia, some of whom imagined that communism would be democratic.¹⁵ Not only that, until 1949 China was, politically, far freer than it is today. True, it was ruled autocratically, but ideas could be published and discussed, universities harbored genuinely free thought, and entrepreneurship was relatively untrammled. So China's current global policies, far from being a natural consequence of Chinese tradition and national interest, are anomalous.

¹⁴The term is from Douglas Paal, in effect the American ambassador. "Washington's Taiwan envoy Paal bemoans rigid China," *China Post*, Sept. 17, 2003.

¹⁵May believed this based on the famous Mao interview with a Reuters correspondent on Sept. 27, 1945. See "Answers to Questions Raised by Reuters News Agency Correspondent Gamble" published in the Chongqing *Xinhua ribao* and on October 8 in the *Jiefang ribao*. Translation in Stuart R. Schram, ed., Arthur Waldron, assistant editor, *Mao's Road to Power: Revolutionary Writings 1912-1949*, vol. 9 (Armonk, N.Y.: M. E. Sharpe, forthcoming).

Greater China

This is even more evident when one looks at greater China—the world of the *huaren*, or Chinese living outside China proper, from Hong Kong, Taiwan, Singapore, and Malaysia to the United States. Hong Kong is now part of the PRC, but no one there calls the SAR's inhabitants “Chinese” (*Zhongguoren*); they are *Xiangangren* (Hong Kong people), a usage that recognizes the deep difference. Hong Kong people are proud of their Chinese heritage, but they are southerners, speaking a distinct language and instinctively distrustful of the crude and strident patriotic propaganda that Beijing produces. They are also cosmopolitan, having their backs firmly to China, as one longtime resident put it to me. Much the same is true for Taiwan, though it has not until quite recently had anything like the degree of contact with China that Hong Kong enjoyed from its cession to Britain until 1949, and then again since the 1980s. In Taiwan, even those having recent mainland ancestry are lumped together in PRC-Chinese speech as *Taiwanren* (Taiwan people). Taiwan is an amalgam of cultures and peoples: its pre-1945 population is exactly between Fujian and the Philippines, being an island peopled by Chinese male immigrants who married local women related to the Filipinos. Culturally, it bears the imprint of early Western colonization and a very large dose of Japanese. Since 1949 it has followed its own course. It now differs from China not only ethnically, but also politically (as a democracy) and linguistically (using standard Chinese, not the simplified PRC version). Still, it is Chinese enough that its rocky but so far steady progress toward democratization demonstrates that such things could happen in China as well.

Singapore, with a population that is more than 70 percent composed of *huaren*, has lagged far behind Taiwan in political change.¹⁶ Its political system is gerrymandered, its press anemic, and its economy lagging. But its people are superbly educated and enterprising, and it is difficult to imagine that the present Lee family dynasty is going to last much longer—at which point Singapore will have to face democratic transition, which will be agonizing notwithstanding that the country is well prepared with institutions for this. In Malaysia, the *huaren* are enormously active politically and, as the Malay-Islamic bloc begins to splinter, may come to hold the decisive weight.

Paradoxically, those Asian states that are of Chinese heritage (Taiwan, Singapore) and those where ethnic Chinese have real influence on national security policy (Indonesia) tend to be far more distrusting of China than are the states (Malaysia or Myanmar) where indigenous non-*huaren* run security

¹⁶For an evocation of Singapore's once vigorous parliamentary life, see Chan Heng Chee, *A Sensation of Independence: A Political Biography of David Marshall* (Singapore: Oxford University Press, 1984).

policy, even though those indigenous people may be powerfully hostile to the local *huaren*. Some of China's most serious problems are with their *huaren* rather than with genuine foreigners—not just those nearby but the many of them in the West, some of whom pose a major threat to Beijing's political control. Thus the Falungong overseas, which consists overwhelmingly of *huaren*, has repeatedly managed to hijack the Sinosat, China's official communications relay satellite, and substitute for the regular programming films about meditation and their religion.

Other *huaren* take a different approach and, like émigrés since time immemorial, identify strongly with their country of origin. The profits to be made have intensified this trend. The strong American business lobby that supports Beijing, various distinguished former members of U.S. governments, and the U.S. diplomatic corps increasingly drive the United States to identify its interests not with those of the Chinese people but with those of the present Chinese government and the Sino-foreign oligarchy that controls much of China's economy.

Indeed, foreign support is increasingly vital to the survival of the Chinese regime: not only foreign investment and foreign markets, but foreign acknowledgment of the legitimacy of regime leaders through state and ceremonial visits. After all, if the president of the United States and the prime minister of Japan agree that an individual is China's legitimate ruler, who are local Chinese to disagree? This again is a long-standing pattern in Chinese politics: foreign support as flying buttresses, keeping the political system from collapsing.

Steady Change

For a decade or more after the indignation of 1989 had cooled, American policy toward China was guided by the approach described above: one that favored the status quo and saw China as an increasingly "normal" power, stable and, in the long run, vital to American interests. Over the same years, the degree of U.S. concern about both its own security and that of its friends and allies was rising steadily. But it was increasingly accepted that somehow economics would trump freedom and that the Party was here to stay. Even such remarkable events as Taiwan's democratization had little impact on those who held to this view, who found that example irritating rather than illuminating. That is all beginning to change, for reasons both domestic and having to do with greater China.

Steady change is audible in China's political rhetoric. Political reform has long been under discussion, but now there are actually small signs of motion. President Hu has called for strengthening democracy within the Party. This arguably is a tactical move, designed to move the locus of final power from the nine-member Standing Committee of the Politburo (which former

President Jiang Zemin packed with his followers before stepping down) to the Central Committee (which numbers 356 members and alternates) and even to the Party membership as a whole (66 million in 2002). Even a small step in the direction of freer speech and political participation within the Party would almost inevitably lead to arguments—at first hidden from the public—about what policy should be. That would be a substantial step forward from what has characterized intra-Party politics up to now: namely, argument over *who* should rule rather than what they should do. As happened with the formation of factions in the British parliament in the eighteenth century, issues would start to replace personalities as the focus of discussion. Content would be injected into what China-watcher Roger Uren has termed China’s “endless, contentless politics.”¹⁷

More surprisingly, Hu has at least paid lip service to democracy for the citizenry as well. On the eve of National Day, October 1, he made a speech that asserted: “We must enrich the forms of democracy, make democratic procedures complete, expand citizens’ orderly political participation and ensure that the people can exercise democratic elections, democratic decision making, democratic administration, and democratic scrutiny.”¹⁸ Why is Hu saying this?

Other Chinese have been forthright in their demands that their country adopt what journalists still often refer to as Western-style democracy—even though Japan, India, South Korea, Taiwan, the Philippines, and other Asian states have democratic lineages in many cases far longer than many of the West’s “new democracies.” Thus, on the eve of a Party meeting called for mid-October to discuss amending the constitution, the respected Beijing constitutional scholar and economist Cao Siyuan published *China’s Constitution Revision—Protect Everyone’s Legal Rights*, which he sent to every member of the Politburo. In it he advocates immediate steps to discard Marxist rhetoric, give priority to citizens’ rights, and enforce the presumption of innocence in court proceedings. He urges holding direct elections at all levels, empowering local and provincial legislatures, privatizing the media, and guaranteeing freedom of speech, press, and religion.¹⁹ The immediate official response to these suggestions was to place Cao under 24-hour security police surveillance (now lifted). Almost simultaneously with Cao’s calls came news that an experimental, directly elected community council may be envisaged for a Beijing neighborhood.²⁰ Reporters did not expect a dramatic democratic breakthrough, but was this a straw in the wind?

¹⁷ Personal communication to author.

¹⁸ “Hu Invokes Democracy As a Shield,” *Far Eastern Economic Review*, Oct. 16, 2003.

¹⁹ Points as summarized by Amy Gadsden in a manuscript shared with the author. Some of Cao’s views may be found in “Five Recommendations for Chinese Constitutional Reform,” *Harvard Asia Quarterly*, Mar. 22, 2001.

²⁰ “Beijing Community Council: Democratic model may be toothless tiger,” *Financial Times* (North American Edition) Oct. 14, 2003.

This is not to suggest that the Communist Party has changed its colors and is preparing to lead China through a transformation to democracy. But evidently the issue is alive in China and the Party is attempting to deal with it. Almost inevitably, that will lead to experiments in limited opening—and those, as we saw in the late 1980s and early 1990s, usually lead to far greater changes than their authors envisage. The reason that the Party is playing with democratic fire is simple: popular pressure, at home and from the Chinese diaspora, and the knowledge within the political class that whoever succeeds in channeling into democratic institutions the aspirations and free-floating resentments of today's China will emerge as a winner.

Taiwan and Hong Kong

As has been the pattern in China since the mid-nineteenth century, overseas pressures, particularly from the *buaren*, have a disproportionate impact in the country. Thus, although Taiwan's international profile is so low as to approach invisibility, thanks to de-recognition by all but a handful of states, it nevertheless enjoys substantive relations with countries ranging from Russia to France and India to the United States that have large and well-informed (if well-concealed) diplomatic presences there. Furthermore, leaving aside the difficult issue of international status, Taiwan also enjoys the best of both worlds with respect to China. Politically, it is master in its own house: electing its own parliament and president, having its own military, and governing itself. Yet economically it is increasingly involved in trade and investment with China, now owning great swaths of the most advanced productive capacity there and selling far more to China than it buys. Its political example is well known and admired in China, but because it is politically independent of Beijing it cannot exert the sort of influence that Hong Kong is now showing.

Hong Kong's status is, by contrast, internationally recognized. It is sovereign Chinese territory, having a close economic relationship with China and a government structure designed to appear to permit local self rule (*Gangren zhi Gan*—Hong Kong people running Hong Kong, though the chief executive is in fact from Shanghai via the United States) while in fact allowing Beijing to run things behind the scenes. It is the sudden instability of this arrangement, so clear in the November 2003 district council elections, and the lack of any obvious way to muddle through, that may occasion genuine democratization in Hong Kong and then in China. For while Beijing may regularly scold Taiwan, no timetable, no current crisis in which it is directly involved, forces it to do anything. The same is not true for Hong Kong.

The Hong Kong SAR is part of China, and Beijing ultimately bears responsibility for what happens there. Yet there is clearly no consensus in

Beijing about how to deal with the problems in Hong Kong except through exhortation, financial incentives, and a hope that the issue will somehow go away. The stakes are very high. So Hong Kong can be an entering wedge, potentially dividing the Beijing leadership in a way that Taiwan can never match.

For Beijing, the path of least resistance is not to crack down—which could begin an economic and financial panic that might unravel the whole PRC economy—but rather to permit Hong Kong to democratize (even though that process must ultimately threaten Communist rule in China itself).

At present it looks as if Beijing has decided that it has no alternative but to play the democratic game, at least in Hong Kong. The man in charge of policy in the SAR, Vice President Zeng Qinghong, has called for much closer economic cooperation between Hong Kong and China, the hope being that if the economy picks up, voters will support pro-Beijing candidates.²¹ The chief secretary of Tung's administration, Donald Tsang Yam-kuen, has termed universal suffrage a "clear goal."²² In Beijing, Premier Wen Jiabao has called for "gradual development of democracy" in the SAR.²³ But even while enunciating pro-democratic sentiments, the governments in the SAR and in Beijing appear to be scrambling to win the elections that, according to their own rules, they must carry out.

Thus, in the run-up to the first test, district council elections last November, the Electoral Affairs Commission in Hong Kong cut voting time by three hours, a move intended to deny 200,000 people the opportunity to cast a ballot.²⁴ Meanwhile, in private, pro-Beijing groups attempted to cobble together a coalition of local employees of Chinese enterprises, pro-Beijing trade unionists, members of clan and civic associations, and staff and family members of companies that have invested in China—or about 40 percent of total registered voters.²⁵ But as the result showed, all such efforts failed.

What next? When mainland Chinese poured out in the millions to demand democracy in 1989, a handful of officials at the top of the Party made the decision (not even following Party procedures) to order the People's Liberation Army, in effect, to sack Beijing. That option simply does not exist in Hong Kong—but as was true in China itself fifteen years ago, nothing anything short of such brutal repression will conceivably halt the slide toward democracy even temporarily. So the possibility cannot be excluded that the Party will, for want of other options, grudgingly accept the outcome. In other words, the Party will show that although it will not of itself promote democracy, it will yield to pressure. If and when that is demonstrated, pressure for democracy will only increase—inside China.

²¹ "We Must Get Even Closer, Says Beijing," *South China Morning Post*, Sept. 18, 2003.

²² "One Man, One Vote For HK Is 'A Clear Goal'," *South China Morning Post*, Sept. 19, 2003.

²³ "Gradual Democracy Right for HK: Wen," *South China Morning Post*, Oct. 9, 2003.

²⁴ "Poll Hours Cut 'To Stop 200,000 Voting,'" *South China Morning Post*, Sept. 26, 2003.

²⁵ "Beijing Expected To Intervene in HK Elections Next Year," *Straits Times*, Oct. 1, 2003.

Consequences

Should democratization be completed in China, everyone—Chinese and foreigner alike—will benefit. But the path will be difficult and frightening at times, and much as one would hope that the United States and other foreign governments would shout encouragement, the high degree of official identification of U.S. interests with “stability” in China may well muffle that sound.

Since President Nixon fundamentally reversed U.S. policy toward China in 1972, the United States has been working things in a way that is intellectually inside-out. Washington’s premise is that China is unified, uniform, and reliably controlled by Beijing. Therefore it focuses on official Beijing and judges its relations by examining that single linkage. It pays relatively little attention to China outside of Beijing, and even less to the world of the *huaren* outside of China and their potential linkages to and influences on China proper. The U.S. consulate in Hong Kong was, until recently, a cheering section for “one country, two systems,” devoting its attention chiefly to gathering information and intelligence about China, not about Hong Kong. The U.S. diplomatic presence in Taipei is disguised and far smaller than it would be if the posting were judged by its importance. For the United States, it is arguably one of the top ten places of greatest potential importance; for Japan, one of the top five. In Singapore, Washington pays scant attention to the large portion of the population that does not speak English. It has taken as fact the PRC’s self-presentation and acted on it, paying considerable attention to the ostensible “center” and little or none to the “periphery.” (The United States is not alone; most other countries do the same.)

Based on Chinese history over the last century and a half, this approach is extremely ill-considered. Every major political change in China since the late Qing (except the coup d’etat and short rule of Yuan Shikai from 1912 to 1916) came from the periphery: from the south (the 1898 reformers, Sun Yat-sen, and the Nationalists) or the far northwest (the Communists) and the corresponding diasporas (in Southeast Asia in the first case, and in Moscow and the communist world in the second). The democracy movement of 1989 started at the center in Beijing and spread across the country. It was crushed. But in 2003, when people in the marginal SAR of Hong Kong demanded change, they succeeded in getting it—at least so far.

Of course, the center is not irrelevant to political change. The margins can exert influence best when the center is divided. Time and again, political disorder or change has begun in China when the succession was disputed (at the end of the Qing) or when the rulers in Beijing split among themselves and went to war (clearing the way for the Nationalists in 1924–25 and for economic opening and social liberalization in the Cultural Revolution).

Beijing's Dilemmas

The same stars are coming into alignment today. In Beijing, among the recognized leaders and Party members, there are several powerful figures, some older, some younger, none of whom has complete authority, and who disagree among themselves. Then there is a kind of ghost population, embodied in former Prime Minister Zhao Ziyang, who favored political reform and whose house arrest has recently been relaxed a bit. In addition, there are the tens of thousands of Party members who supported the democracy movement that brought about Zhao's ouster but who managed to return to government. And among the post-1989 group, a clear division exists between Jiang and his circle and that of the current official authorities, Hu and Wen. No one of these leaders looks set to become even as powerful as Jiang was over his long tenure, during which he stayed in place by avoiding rather than indulging in the exercise of power. The last strong man, Deng Xiaoping, is in his grave, and China will probably see no more.

The issues the Party faces today, moreover, are complex, interlocking, and intractable. Take the current debate about the value of the RMB. The reason China is under pressure to raise the value of the currency is that it has run such an enormous trade surplus with the United States and other countries that a political reaction has begun against it. In fact, the growing U.S. trade deficit, combined with internal deficits, threatens a possible collapse of the dollar. Were this to happen, it would be, in part, the result of Chinese mercantilist trade policies—but it would hurt China by greatly reducing the value of its foreign exchange holdings. So it is in China's interest to avoid a dollar collapse. To help do that it will have to increase the exchange value of the RMB, which will also reduce the value of its dollar holdings, though probably by not as much. Why does it not do this? Because even a small revaluation of the RMB might lead to a crisis in the insolvent Chinese banking system. Why is the banking system insolvent? This has nothing to do with trade. Rather, it is because the government has forced the banks to turn over money, in the form of non-recoverable loans, to SOEs. And why has the state thus corrupted its own banking system? Because it has made a strategic decision to maintain the SOEs, rather than close or privatize them, and since it lacks the ability to subsidize itself through taxes, it has turned to loans. And why is it essential to maintain control of the SOEs? Because a genuinely private economy in China would be a very difficult environment for the Communist Party. So if we trace the chain of causes back, it is the Communist Party's insistence on maintaining control that—passed through several stages—is threatening the world financial order. It would make much more sense for China to make the domestic adjustments necessary to keep the world economy upon which it depends functioning, rather than straining it to the breaking point for reasons having everything to do with power and nothing to do with economics.

How does one fix this? Opinions are divided in Beijing. But the stakes are high, so the arguments will be long and divisive. Consensus will prove elusive, and muddling through impossible. Under such circumstances, players around the edges begin to have weight, even decisive weight. And if the center splits, as has happened before, outsiders can move in to change things.

“Greater China” and the Emergence of Chinese Democracy

“Greater China,” which until lately usually referred largely to Taiwan, has regularly in history exerted decisive influence on China proper, and its importance on China’s future cannot be overstated. But Hong Kong has suddenly come to life. It seemingly had been becoming less important, overshadowed by Shanghai, its economy doing badly, its people demoralized. Now it is back at the center of things. Just how things will work out is difficult to say. But one can be realistically optimistic and even identify Hong Kong as the potential starting point for a process of change in China that many people have long acknowledged would come, but who have been unable to pinpoint just where and how. If the process unfolds in a way even remotely resembling what I have described, the gain in security and living standards for the people of China will be vast. But the process of getting there will be hair-raising at times. One hopes that those who will play a role—the peoples and governments of the *huaren* states outside of China, the international businesses upon which Beijing now depends so much, and the ever-cautious China diplomats in the world’s foreign ministries—will recognize, as they did not when change began in the USSR, that something is happening, and that the old ways no longer apply. The time to start thinking about what new ways might be appropriate is now.

