CHAPTER 6

CONCLUSION –

REGIME-PRESERVING FEDERALISM

“The power [is] nowhere and everywhere.”¹

The central government in China is today engaged in the twin tasks of governing the most populous nation in the world and managing an increasingly complex economic system. In the process it has to find a balance between decentralizing to the provinces and maintaining sufficient control over the polity. How the central government goes about doing this in an era of increasing globalization will be the key question that will engage observers in the coming years. If the CPC desires to remain the sole arbiter of this process, the Party could actually be preventing the changes required to save the regime and its legacy.² Many believe that of these changes, democratization is the only one that can provide an answer for a country of the size and complexity of China. But democracy, Western style, may not necessarily be the first and only option just as China’s economic reforms have already shown that the one-size-fits-all approach of the West is not the only way to opening up and economic growth.

In this context, it is perhaps Kuhn’s question that brings us closer to the crux of China’s problems and hence to the solution itself. He asks, “Can the economy, society, and culture of a modernising China be managed effectively from a single


² June Teufel Dreyer, “What if Chang is Right?,” *China Brief*, Vol. 1, Issue 8, 25 October 2001, http://www.jamestown.org/china_brief/article.php?articleid=2372995. CASS Vice-President, Liu Ji has declared that, “Once people have had enough to eat and their cultural level is raised, they want to have their say and to take part [in politics]... If the CCP is an advanced party that is ahead of the times, it should come up with new measures to accommodate this demand of the people.” Quoted in Willy Wo-Lap Lam, *The Era of Jiang Zemin* (Singapore: Prentice-Hall, 1999), p. 348.
centre of political power?" While looking at the provinces of China in the context of their relations with the centre, with each other and with entities across the national borders, this work suggests that the answer to the above question does not lie in the simple affirmative or in an unequivocal ‘no’ but somewhere in between and may be best described by the expression ‘regime-preserving federalism.’ In the single-party state that China is and given the country’s history and cultural proclivities, but also taking into account the increasing exposure of its provinces to the rest of the world, their de facto autonomy in many respects, the centre is perhaps more amenable to negotiations – or a contract – with the provinces, than with the masses. And contrary to Western perceptions, the masses themselves might not object to this arrangement at least for the time being.

Like the theory of market-preserving federalism which shifts the debate about the implications of economic reform from the relationship between individuals and government to that among levels of government, regime-preserving federalism also holds the latter to be the key relationship. It too, seeks to explore an aspect of political reform other than democratization but without the heavy emphasis that market-preserving federalism places on limiting the power of the central government and allowing local governments to retain authority over the markets in order to allow for local economic prosperity. Market-preserving federalism posits that competition among local governments, seeking to develop their own economies has been the major force driving rapid economic growth in China and that it is decentralization and limits on central government intervention that are responsible for China’s economic success. Regime-preserving federalism holds that the rise of provincial power vis-à-vis the central government is not a zero-sum activity but that a central government role will continue to be indispensable as long as such inter-provincial competition exists, to remove internal trade barriers


and to provide critical public goods. It hopes that local democratic reforms might eventually emerge in the process. However, the premises of market-preserving federalism have been overturned with the centralization of central government controls over the banking system, the financial markets, and the state tax system in the 1990s. Contrary to Weingast’s predictions, Esarey says that the devolution of power to local authorities in China in the 1980s and early 1990s proved easily reversible, when the CPC decided that it was necessary to do so.\(^5\)

Yet, it is also not the case that the provinces have been completely at the receiving end of this reversal, rather the bases on which the power is now held by the central and provincial governments have also changed in the 1990s with greater institutionalization. In this context, it is regime-preserving federalism that involves cooperation between the centre and the provinces with accepted rules of the game that may help explain better China’s progress in the reforms era and probably holds the key to continued progress for the future. If nothing else, the sheer scale and increasing complexity of administrative coordination among national and provincial authorities means that the Chinese central government will increasingly rely on getting all the provinces on board while drawing up national and regional policies that will be both feasible and acceptable. Reliance on some sort of federal system based on a more orderly and transparent arrangement than has hitherto been the case, therefore, seems inevitable. Given that since 1982, when the Constitution was revised, people’s congresses enjoy the power to supervise administration by the executive branch,\(^6\) this could be an avenue for the expression of provincial interests, even if this right has hardly been exercised.\(^7\)

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\(^7\) Dali Yang, however, points out that since 1998, a system of vertical administration has been introduced in various aspects of governance in China including environment protection and quality supervision but, this has also meant that local administrators have become relatively more attentive to orders from their bureaucratic superiors in the provincial or central government administration rather than to demands from the local congresses. Dali L Yang, “Economic Transformation and State Rebuilding in China,” in Barry J Naughton and Dali L Yang (eds.), Holding China Together: Diversity and National Integration in the Post-Deng Era (Cambridge: Cambridge University Press, 2005).
Therefore, to prevent localism or inter-provincial competition from getting out of hand, a strong centralized state is essential but if these are the result of the lack of certainty in the system in terms of laws and an inadequate separation of the Party and the state, then a strong legal framework or constitution can provide an alternative.\(^8\) Admittedly, a slow pace of institutionalization can give rise to and sustain factionalism and consequently greater uncertainty in the system, but even factional politics has since the 1990s increasingly begun to stabilize around clearly defined positions and interests rather than only personalities.\(^9\) And these are positions and interests that also reflect the divide between the provinces and would anyway be articulated with increased institutionalization available under regime-preserving federalism.

Meanwhile, the provinces being the beneficiaries are not necessarily going to disturb the system by making very strenuous demands of the centre, since they too benefit from the one-party system. In other words, since provincial functionaries usually rise through the party ranks and once at the top of the provincial ladder or even before reaching the top, have the opportunity to be absorbed into key roles at the central level, they have a vested interest in keeping the system functioning smoothly. Still, while in charge in the provinces, provincial leaders have the responsibility of running their governments efficiently and of managing their ties with other provinces in the country as well as increasingly with foreign political and economic entities. It is in this context that the relationship between the central government and the provinces and between provinces themselves, comes most under pressure and where the centre cannot but allow a certain degree of ‘democracy’ in the relationship; in other words, the democracy that China is aiming at or has aimed at is not of the popular, direct kind but of an indirect nature.

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where the provinces will represent the voices of the people. To put it in another
manner, there is federalism before there is popular democracy; the NPC will not
function so much as the lower house in a legislative assembly as it will like the
upper house or a council of the provinces.

In a sense, the central government wishes to both create and reduce distance
between itself and the people. This is best illustrated by the central government’s
decision in 2006, to do away with the collection of agricultural tax throughout the
country, “a tax that China has been collecting for 2,600 years.” It is as the Premier
Wen Jiabao described it, “a change of epoch-making significance”\(^{10}\) and appears
to reflect to a genuine concern for the problems of rural citizens. However, the
policy could also indicate a central government attempt at populism and desire to
insulate itself against local governments that are often the ones most responsible
for corruption and extortion in the countryside. Given that taxation is carried out
by local officials who have often been perceived to be lining their own pockets,
local governments can also be seen as being harmful to local interests\(^{11}\) and if all
else fails, higher authorities such as the central government, can step in without
being similarly tainted. Nevertheless, the policy also risks increasing the distance
of the central government from local affairs and decreases its ability to have an ear
to the ground. For this latter function, it therefore, has no option but to depend
even more on provincial and sub-provincial governments.

The manner of inter-provincial interaction – whether provincialism or regionalism
– and provincial contact with the outside world will thus increasingly be important
factors in national politics. Outside observers of China have a tendency to focus
on figures such as the hundreds of protests that take place daily throughout the
country, when they state that China awaits democracy. However, in a country the
size of China, these figures, important as they are, still constitute only minutiæ
within the larger picture. Further, as stated above, the responsibility for the

\(^{10}\) Wen Jiabao, “Report on the Work of the Government (2006),” delivered at the Fourth Session of
the Tenth National People’s Congress on 5 March 2006, Gov.cn, http://english.gov.cn/
official/2006-03/14/content_227248.htm.

\(^{11}\) Esarey, n. 5.
conditions that lead to such protests is ascribed to local and provincial governments by both ordinary people and the central government. Hence, such instances rather than being a challenge to central rule actually provide an excuse for the central government to take stronger action against maladministration in the provinces.

In turn, such protests push provincial governments to adopt the necessary reforms. However, since the provinces differ so widely in resources, economic structures, political culture and the reformist inclinations of their leaders, there are bound to be different approaches adopted and differing speeds of reforms. China’s history of reforms already provides evidence of how provinces advanced differently along the path of economic reform and opening up. While preferential policies by the centre were certainly a cause for some provinces advancing more rapidly than others, the laggards were also in many instances resistant to change. Today, the logic of economic reform and the need for it is no longer in question in the provinces but in the political sphere, ideas and influences from outside have not been endorsed by the central government as they have been in the economic realm. Nevertheless, by their very nature, such ideas and influences are not as amenable to regulation as economic measures. Further, the increased power of the provinces today means also that political reforms cannot, in fact, proceed in the same manner as the economic reforms have. Further, under regime-preserving federalism, provinces will perforce have greater space to carry out innovations in both the political and economic spheres. Meanwhile, China’s opening to international exchange adds to the potential for political transformation domestically and for these forces to find expression within the domestic political setup in China with increased institutionalization. Indeed, political and economic change is increasingly being influenced and encouraged by external forces, particularly those in Hong Kong.


It becomes all the more necessary, therefore, for the central government to act as manager to these disparate approaches and for Beijing, as national capital, to be the site where the provinces meet to exchange views and ideas and to negotiate both with the centre and with each other – whether on economic issues or on political matters. Indeed, in a one-party state, disputes between the provinces and the centre and those between the provinces themselves are serious causes for concern because this would only mean that the Party has not been successful in mediating between the sides involved.

What however, emerges from the chapter on regionalism in this work is the possibility that there might be more than one centre of power in the China of the future and this has implications also for the nature of federalism that will take shape in China. Provinces or cities like Shanghai, Guangzhou Chengdu or Chongqing, to name just a few are already quite influential at the national level and could well be prospective new centres of power within their respective regions – even as late as in the last century, it has to be remembered, China’s political capital has shifted several times. In the future, would the Chinese centre lie in any one city or would it exist in the form of a balance of power between certain cities and provinces or groups of provinces? That is, in addition to the formulation of “one party, two factions,” as posited by Cheng Li,\(^{14}\) there are possibilities of still greater political differentiation within the system. Whether regime-preserving federalism can be sustainable under the pressure of increasing differentiation is a moot question. Admittedly, a market has greater staying power than a political regime, but that still does not mean that it is any easier to ascertain the end of that regime. Perhaps regime-preserving federalism offers the present Chinese regime the opportunity for an orderly and peaceful transition to the next regime, whatever it might be.

Federalism with Chinese Characteristics

Federalism has in modern Chinese history never been well-received given the history of the Warlords Era and its secessionist trends and the subsequent antipathy that Sun Yat-sen and the Nationalists developed for the system.\(^\text{15}\) Even though in October 1923, the provincial federation movement culminated in the first formal constitution of the Republic of China – it for the first time set out a significant formal division of powers between the centre, provinces and counties – it was however, not widely welcomed. In fact, when federalism was proposed in the 1920s as a way for China to achieve modernity without an oppressive centre, it was immediately attacked as treason against the state and a “fig-leaf” for warlordism.\(^\text{16}\) Jean Chesneaux’s study of the Federalist movement during this period indicates that while China’s size and diversity, limited integration and strong local allegiances made fully centralized government difficult, its tradition of national unity was just as strong in preventing a federal structure from being acceptable to the radicals.\(^\text{17}\) As Schoppa says of the Zhejiang provincialism of 1917-27, it was more “a-nationalistic than anti-nationalistic: undertaken without concern for the nation, it was neither a commitment to a federation nor a denial of the possibility of the nation’s subsequent development.” While in 1924, provincial elites did declare ‘independence’ this was designed to prevent the province from being pulled into the struggles between the warlords and to ensure social stability. Further, according to Schoppa, Zhejiang’s Republican era experience showed that localism could be both an “alternative to nationalism as well as a vehicle for it.”\(^\text{18}\)


\(^{16}\) Kuhn, n. 3, p. 159. See also Willem van Kemenade, *China, Hong Kong, Taiwan, Inc.: The Dynamics of a New Empire* (New York: Vintage, 1998), p. 258; John Fitzgerald, “The Province in History,” in Fitzgerald n. 8, p. 22.


It needs to be noted that the CPC itself, was largely a federal organization in the early years of its existence made up as it was of several regional branches.¹⁹ In the early 1950s, Mao Zedong was believed to have considered using a federal approach to resolving the issues of Tibet and Xinjiang but it was not until the 1990s, however, that federalism again came up for serious discussion at Beijing. Jiang Zemin deputed several think tanks to the task of studying the matter, mainly as a means of extending the scope of the “one country, two systems,” formula.²⁰ Zeng Qinghong and intellectuals close to him have also been known to have expressed interest in the institution of checks and balances within the CPC and the federal system of government.²¹ Nevertheless, to legitimize federalism remains a difficult task because it stands in contradiction to the ideology of the CPC.²²

Riker says that federalism can be inclusive of non-democratic states but Dahl argues otherwise saying that unless a country is a constitutional democracy, federalism is not feasible.²³ However, Wu Guoguang and Zheng Yongnian have posited that there already existed a kind of quasi-federalism in China by the mid-1990s.²⁴ Similarly, in what might be read as an acknowledgement of a substantial degree of autonomy already available to the provinces, Hu Angang has argued for every province’s right to make local laws and regulations, without contradicting national legislation, and free of arbitrary interference from the central government. Hu takes cognizance of the economic underpinnings of such provincial rights when he advocates using market economy principles to redistribute the relative administrative powers of the centre and the provinces to ensure that the latter have their say in the distribution of national public expenditure and investment. But

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²⁰ Lam, n. 2, pp. 263-64.


²³ Esarey, n. 5.

²⁴ Lam, n. 2, pp. 263-64.
political equality too, is a necessity, according to him and he argues that, “Whether rich or poor, all provinces should enjoy equal rights of participation in the central policy-making process.” According to Hu,

... in the constitutional balance between national and provincial authorities, the central government should be responsible for overall supervision and take major policy decisions, while the power of local governments to express their views and participate in the policy-making process should be enhanced... It is impossible for China either to concentrate all power in the centre or divide it among the provinces: a mixed system of authority, in which central government is dominant, is indispensable. Therefore, the basic principle in handling central-local relations must be to combine unity and diversity.25

Zheng Yongnian too, argues that de facto federalism exists in post-Mao China, which has arisen largely due to two factors, namely, the nature of state power itself and the institutional withdrawal of this power. While, the centre devolves decision-making power to the provinces, the provinces in turn behave in a manner that to a great extent continues to be dictated by the centre. Nevertheless, de facto federalism acknowledges that the provinces have their own interests and can take policy initiatives and make policies independently. Formally at least, however, these require the approval of the central government.26

Zheng defines de facto federalism as,

a relatively institutionalized pattern which involves an explicit or implicit bargain between the centre and the provinces, one element in the bargain being that the provinces receive certain institutionalized or ad hoc benefits in return for guarantees by provincial officials that they will behave in certain ways on behalf of the centre.27

Given the rising power of China’s provinces and the country’s unique system of centre-province relations, de facto federalism might be possible even with a single party in power but which is internally democratic or at least one that might be


27 Ibid.
evolving into a “one party, two factions” system. 28 However, while Zheng’s definition comes closest to also defining regime-preserving federalism, it remains limited to explaining centre-province relations while not acknowledging the impact of either inter-provincial relationship or those of the transnational linkages of provinces on the centre-province relations and thus on any model of federalism itself. Regime-preserving federalism however, suggests that even in their relations with each other, leaders of different provinces have to take into account national-level considerations whether imposed from the centre or otherwise (such as say in the case of environmental concerns). For example, top provincial leaders can be transferred to other provinces and hence have a stake in keeping open a line of communication to other provinces that is reasonable and non-confrontational. This is a limitation that is imposed by the fact that China is a single-Party state. While the chapter on provincialism shows that this has not always worked, with the increasing institutionalization of transfers among provincial leaders and of their training at central government institutions at various stages of their careers, this is a limitation that will likely be increasingly effective.

Further, with respect to transnational linkages of the provinces, regime-preserving federalism posits that given the increasing disparities between the provinces, transnational links that provide provinces with an advantage over the competition whether internal or external, and which might provide the opportunity to faster economic and technological advancement will be increasingly important to provincial capitals. These links are not likely to be given up and might provide additional reasons for competition between the provinces. Again, it is the regime that imposes the limits that will prevent provincial leaders from carrying this competition to an extreme. In either instance, where however, provincial governments may be unwilling to compromise, the central government will have to find a solution by expanding the scope of federalism in the interests of regime-preservation.

28 Li, n. 14.
According to Kuhn local governments have become representative of economic interest groups and acquired separate economic identities (*jingji liyi zhuti*). With their control of local resources, China has begun in some senses to replicate the Western model where representative institutions exercised such control and governments had to bargain with commercial elites represented in parliaments in order to obtain the money they needed. And, as explained in the previous chapters such bargaining and competition is a fact of centre-province relations in China today.\(^2^9\) Similarly, as Oi argues while individual rights have yet to be guaranteed, 'the success of local state corporatism may force the emergence of a federalism that more clearly recognizes the rights and power of the localities.'\(^3^0\) Important to note here is that in the West, the earliest forms of representation vis-à-vis the state were neither popular nor democratic but represented particular interest groups. Democracy took its own time to evolve to its present form. The difference in the Chinese case is that such interest groups are represented not by groups external to the state but by institutions within the state structure, namely the provinces, and this no doubt, will have its own impact on the course of representative democracy in China.

For the moment, however, whether or not some kind of federal system will emerge with a more clear-cut division of power between the centre and the provinces and backed up by the Constitution, remains a matter of intense debate.\(^3^1\) Meanwhile, it is important to acknowledge that these formulations on federalism continue to point to the existence of what Chelan Li refers to as the "indeterminacy of provincial power."\(^3^2\) However, this is a problem that is existent in all federal political systems. In the Chinese case, however, this uncertainty is perhaps likely to come down as the federal system fructifies with greater institutionalization.

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\(^2^9\) Kuhn, n. 3, pp. 165-66.

\(^3^0\) Quoted in Esarey, n. 5. Esarey however, remains unconvinced of this argument, as she holds that political decisions in the reform era have come mostly from top-down decisions.

\(^3^1\) Roberts and Ng, n. 13, p. 62.

Democracy with Chinese Characteristics

The 16th Party Congress’s stress on “unity and democracy”\textsuperscript{33} can be variously, even contrarily interpreted but, “democratic centralism” as it appears in the 16th Congress Report, in fact, appears to hint at a fairly federal blueprint when it is defined as “a system that integrates centralism on the basis of democracy with democracy under centralized guidance.” While the Report continues on to issues of intra-Party democracy, it might apply just as well to centre-province relations. For example, the exhortation to “establish and improve inner-Party information sharing and reporting systems and the system of soliciting opinions concerning major policy decisions” contains mechanisms that are essential also to centre-province relations.\textsuperscript{34}

It is argued here that democracy as it might evolve in China will not necessarily be democracy with Western characteristics nor will it necessarily evolve along the same trajectory as it has in the West. In other words, democracy will probably be need to be defined anew for a Chinese context as also concepts like civil society, and people’s representation. It need not be that merely giving citizens the right to vote is the best guarantor of democracy in China. Aspirations such as justice and equality could conceivably be achieved in the Chinese system without recourse to democracy, Western style. To say that that China is engaged in a “noblesse oblige type of ‘Confucianist authoritarianism’,”\textsuperscript{35} may be one way of looking at it but the tension between the central and provincial governments could offer another perspective – if it leads to an equitable system of power-sharing between the centre and the provinces, it could form the best guarantee of the people’s rights.


\textsuperscript{34} Ibid.

The difference in the composition of the Politbureau of the 15th and 16th Central Committees shows that while in the former, only four members were provincial leaders and all of whom came from the coastal provinces, in the latter, fully a third came from the provinces including from the central and western provinces of Sichuan, Hebei and Xinjiang. In addition, four members of the latter Standing Committee had until their elevation worked as provincial party leaders, while two others, including Hu Jintao had already had previous provincial experience.36

In other words, it is not the masses using the direct vote who will be exercising a check on the national government as much as it will be the provinces that might have governments more responsive to public opinion within their domains. At the level of centre-province interactions, a new form of democracy might still come into place that even though indirect is still reflective of national public opinion.37 Much as a court of justice in several democracies, where the justices are not chosen by direct ballot but indirectly, and who still have the power to rule on constitutional matters in the interests of the people, so might the Chinese system evolve. Just as nobody questions the legitimacy of courts of law thus appointed or doubts that they are not sincere in the task of dispensing justice, the Chinese system might gain similar credibility. Centre-province relations could thus be the fulcrum for the evolution of the democratic experiment in China.38 This is not necessarily only a top-down evolution but depending on how provincial governments are called upon to legitimate themselves, also involves pressures emanating from below. The main point here is that it will be the relationship between the centre and provinces that will be the site of democracy with Chinese characteristics even if this is not apparent to observers trained to using Western categories.


37 For a more detailed look at how democratic evolution is taking place at lower levels of administration in China, see Manoranjan Mohanty, Richard Baum, Rong Ma and George Mathew (eds.), Grass-roots Democracy in India and China: The Right to Participate (New Delhi: Sage Publications, 2007).

38 In the preface to her work, Chelan Li says, “the central-provincial interface may be the locus where qualitative changes in political processes will first occur in China.” See Li, n. 32, p. vii.
Meanwhile, whether at the provincial level itself, whether it will be democracy, Western style in terms of a direct ballot or continue to be in indirect form is the next important question. Already some innovations are visible. For example, Li Yuanchao, Jiangsu Party Secretary, has encouraged open recruitment ‘on a regular basis and over a wider range’ for candidates applying for posts up to the level of vice-directors of provincial departments and has stipulated that short-listed candidates take part in ‘oral examinations’ that are telecast live.39 Indeed, Cheng Li has pointed out that under Hu, discussions have been held in both formal and informal meetings on China’s commitment to political reform and the development of a limited democracy. According to Li, of possibly greater significance is the emergence of the expression, “inner-Party democracy” (dangnei minzhu) which posits that the Party should institutionalize checks and balances within its leadership. And while Li analyzes these developments in terms of factional politics, in acknowledging that the factions also have specific socio-political and geographical constituencies,40 he leaves little doubt that the causes of dangnei minzhu are manifest in the nature the central government’s relationship with the provinces, as will be their effects.

The costs of protests also have provincial and national elements. Thus, provinces facing unrest and protest – the suppression of which needs to be financed out of the provincial budget – will accommodate the protesting groups, depending on the costs, while provinces where unrest will see a greater likelihood of central intervention (such as Tibet or Xinjiang) have no incentive to change their policy with regard to protesting groups.41 It is immediately obvious here that different parts of China will therefore, see different levels of acknowledgment of popular opinion and are consequently are likely to have variations in the subsequent development of their political culture as well.


40 Li, n. 14.

41 Krug, n. 8, p. 266.
There are increasing limits to traditional Chinese phenomena like *guanxi* and networking in a modernizing and globalizing China. The law of contract is slowly usurping the role of tradition in Chinese society as systemic trust takes the place of personal trust. While these are realities that have begun to show an impact on business dealings with China, it would be appropriate to say that these have or will have an increasing impact on political relationships in China – whether between individuals, individuals and government or between administrative units – including the creation of a strong constitution-based legal framework. As Jiang Zemin stated at the 16th Party Congress, “The Constitution and other laws embody the unity of the Party’s views and the people’s will. All organizations and individuals must act in strict accordance with the law, and none of them are allowed to have the privilege to overstep the Constitution and other laws.”

National leaders in the post-Jiang era are likely to rely to a greater degree on power-sharing, negotiation, consultation, and consensus-building than has hitherto been the case owing to increased institutional restraints as well as their own limitations. Meanwhile, provincial authorities for their part have to be increasingly sensitive to the need to obtain support from lower-level governments.

According to Liu, the greatest consequence of Deng Xiaoping’s reforms has been the trend toward ‘province-building’ as against the central government’s stress on ‘nation-building.’ This work has sought to understand the implications of this trend and tried to bring these together under the framework of regime-preserving

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43 Jiang, n. 33.


federalism using the phenomena of localism, provincialism, regionalism and the transnational linkages of provinces as the variables of analysis. Regime-preserving federalism argues that the rise of the provinces and the nature of their relations with the centre, with each other and with the outside world will provide the answers also to the direction of China’s political reforms. Going by the progress of its economic reforms and the nature of the evolving relationship between the various levels of government in the country, it is apparent that China will find its own unique way to achieving those reforms that it thinks are necessary.