China: Leading the Way to a New World Order?
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INTRODUCTION

The fundamental challenge in predicting China’s future is how best to measure the myriad compulsions and constraints that will dictate its evolution over the next decade or so. To do this requires more than merely listing those forces. It demands developing a framework for understanding how they interact and for gauging their relative significance to the core question — where China is headed. We will develop such a framework and apply it to a wide variety of issues in China’s political economy, with a goal of both testing and adding nuance to Stratfor’s core expectations for the future of China.

We assume that forecasting China’s trajectory on the world stage necessitates an understanding of its internal challenges and imperatives. In turn, understanding how these domestic forces will evolve and interact — and shape the Chinese government’s behavior — demands grasping how changes in the international...
order influence the country domestically. Rather than looking solely at China's domestic issues or only at its international relations, we will focus on the interplay between the two. How do shifts in the external order — whether changes in Japanese monetary policy, the U.S. detente with Iran, or stagnation and fragmentation in the European Union — put new pressures on or limit the policy options available to China's leaders? How, in turn, do Beijing's imperatives and actions at home — such as moves to support industries such as steel and railway construction, efforts to expand urbanization and stimulate domestic consumption, and President Xi Jinping's drive to consolidate political power and push through controversial social and economic reforms — shape its behavior toward its neighbors and its role in global markets?

These are the sorts of questions we will address going forward, treating the inward-out and outward-in pressures on the Chinese state in roughly equal measure. And as the nature of the interplay between changes in China's internal and external orders becomes clearer, we will begin to piece together the relevant factors into a mosaic of China's — and the international system's — future development.

**China and the Global Financial Crisis**

For the most part, we will focus on current and unfolding events, how they will likely play out and what their second, third and fourth-order effects may be. But we will begin by looking back — to the 2008-2009 global financial crisis and to the ways in which it transformed China's domestic situation and influenced the policy priorities of and challenges facing its government. The crisis and its aftermath form an apt starting point for our investigations. For one, they well illustrate the interplay between changes in the international order and shifts in China's domestic needs and constraints. But more important, it is impossible to grasp the compulsions and constraints currently driving China without first understanding how the economic crisis shaped both China's political and economic challenges and the international backdrop against which those challenges will play out.

By far the most significant consequence of the global financial crisis for China was its impact on the export-oriented economic growth model that sustained China's extraordinary rise in the decades after Mao Zedong's death. Between 1979 and 2007, exports as a share of the country's gross domestic product rose from less than 6 percent to nearly 36 percent — more than three times the ratio in the United States, twice that in Japan, and on a par with that in Germany. In dollar terms, the growth in Chinese exports was similarly impressive, with export values rising from virtually nothing in 1980 to $288 billion by 2001 and to more than $1.2 trillion six years later. Of course, the flipside of this tremendous growth was that, by 2007, some 300 million or more Chinese workers, many of them migrants from the impoverished interior, worked in and around the country's vast coastal export empire.

For years prior to the financial crisis, Chinese leaders readily acknowledged the limits and risks inherent to the country's export-oriented economic growth model. They understood that rising rates of urbanization, education levels and cost of living in coastal cities would eventually — despite formal and informal government efforts to keep costs low — undermine the competitiveness of coastal China's low-cost manufacturing base. They grasped the political risks of a growth model that fed on and intensified economic disparities between coastal and interior regions. And they grasped that, for the sake of maintaining social and political cohesion, the country would have to move toward a model more dependent on domestic consumption (and thus less exposed to drops in external demand for goods) and on high value-added services and manufacturing industries. (This would better equip China to remain globally competitive in the face of rising costs at home.) To these ends, Beijing launched several regional development plans between 1999 and 2004
aimed at industrializing the hinterland so that, as costs rose and consumer markets developed in coastal cities, these regions might emerge as successor low-end manufacturing and raw materials supply bases.

The success of these programs was underwhelming. Throughout the early-to-mid 2000s, strong external demand for cheap Chinese goods, particularly in the United States and Europe, combined with the coastal provinces’ ever-rising demand for cheap labor from the interior to prevent truly substantive changes in the country’s overall policy direction. For China’s leaders, though the long-term goals of stimulating domestic consumption, developing a high value-added services sector, and pushing manufacturing up the value chain were critical, they were ultimately just that: long-term goals. In the short-term, the need to maintain high rates of employment, along with the reasonable fear that the pursuit of economic reforms to enable a consumption-driven economy would undermine employment, guaranteed that any move to reduce the country’s reliance on low-cost exports would be partial at best.

The global financial crisis obliterated this logic almost overnight. Though Chinese exports continued to grow in raw dollar terms after 2008, their share of the country’s economy has plummeted from 32 percent in 2008 to 23 percent in 2014. Meanwhile, a shift in the international economic order thrust China into a radical new economic, social and political reality at home. It became clear in 2009-2010 that the crisis, far from a momentary convulsion in one of the world’s pillar economies, was in fact the start of what promised to be a much longer period of low-to-stagnant growth across much of the developed world. China’s leaders subsequently found themselves forced to convert the temporary stop-gap measure of the 2008-2009 stimulus package into something more ambitious and risky.

In effect, the global economic crisis pushed China to accelerate the process of moving from an economic model grounded in the systematic repression of private household consumption (by maintaining artificially low wages and input costs) to one grounded in the expansion of domestic consumption. It eliminated the possibility — available to virtually all of China’s predecessors on the path toward advanced industrial status — of industrializing over the course of decades and in a healthy, conducive global economic environment.

The crisis imposed time constraints on the transformation that would have to be undertaken, the scale and speed of which was already enormous. Most of China’s population, moreover, lived in extreme poverty. Under such conditions, the government was unwilling to embrace the destabilizing effects that full-scale adoption of liberalizing measures might have. So, Beijing chose not to reform but to double down on government-led investment into housing and infrastructure projects.

Between 2007-2015, fixed-asset investment, always a central component of China’s economy, rose steadily from 44 percent to 82 percent of gross domestic product. In 2013, $10.7 trillion in new credit was extended, some $3.1 trillion of which is thought to have been funneled into construction-related activity, much of it in the country’s interior. And while much of the investment has gone into productive projects — such as high-speed rail, pipeline and power infrastructure, road construction and ports that will ultimately help bind inland and coastal regions into a single, efficient and profitable national economy — much of it has not. Housing supply imbalances and falling average home prices across much of China between 2014 and mid-2015, along with weak-to-negative profit margins throughout the heavy industrial sector, attest to the investment boom’s basic insensitivity to price signals. While housing and construction industries will not likely collapse outright in the months ahead, thanks to government support and rising urbanization, they are unlikely to re-emerge as stable, reliable drivers of national economic growth any time soon.

In the meantime, private consumption activity as a portion of gross domestic product is falling, not rising. And herein lies China’s core problem today: the Chi-
Comparing China’s Economy

**GDP TOP FIVE (2014)**

| Country | GDP
<table>
<thead>
<tr>
<th></th>
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</tr>
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<tbody>
<tr>
<td>U.S.</td>
<td>$17.4 trillion</td>
</tr>
<tr>
<td>CHINA</td>
<td>$10.4 trillion</td>
</tr>
<tr>
<td>Japan</td>
<td>$4.6 trillion</td>
</tr>
<tr>
<td>Germany</td>
<td>$3.9 trillion</td>
</tr>
<tr>
<td>U.K.</td>
<td>$3.0 trillion</td>
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**GDP RANKINGS WHEN MEASURED PER CAPITA (2014)**

Top 9: Luxembourg, Norway, Qatar, Macao, Switzerland, Australia, Denmark, Sweden, Singapore.

<table>
<thead>
<tr>
<th>Country</th>
<th>Rank</th>
<th>GDP Per Capita</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S.</td>
<td>10</td>
<td>$54,630</td>
</tr>
<tr>
<td>Germany</td>
<td>17</td>
<td>$47,822</td>
</tr>
<tr>
<td>U.K.</td>
<td>19</td>
<td>$46,332</td>
</tr>
<tr>
<td>Japan</td>
<td>27</td>
<td>$36,194</td>
</tr>
<tr>
<td>CHINA*</td>
<td>78</td>
<td>$7,590</td>
</tr>
</tbody>
</table>

*Among those higher than China: Colombia, Azerbaijan and Bulgaria.

**LABOR FORCE TOP FIVE (2014)**

<table>
<thead>
<tr>
<th>Country</th>
<th>Labor Force</th>
</tr>
</thead>
<tbody>
<tr>
<td>CHINA</td>
<td>806 million</td>
</tr>
<tr>
<td>India</td>
<td>497 million</td>
</tr>
<tr>
<td>U.S.</td>
<td>161 million</td>
</tr>
<tr>
<td>Indonesia</td>
<td>124 million</td>
</tr>
<tr>
<td>Brazil</td>
<td>110 million</td>
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**TOP FIVE IMPORTERS (2015)**

<table>
<thead>
<tr>
<th>Country</th>
<th>Imports ($ billion)</th>
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<tbody>
<tr>
<td>U.K.</td>
<td>$626 billion</td>
</tr>
<tr>
<td>Japan</td>
<td>$648 billion</td>
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<tr>
<td>Germany</td>
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</tr>
<tr>
<td>CHINA</td>
<td>$1.7 trillion</td>
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<tr>
<td>U.S.</td>
<td>$2.3 trillion</td>
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**TOP FIVE EXPORTERS (2015)**

<table>
<thead>
<tr>
<th>Country</th>
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<tr>
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<tr>
<td>Germany</td>
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<tr>
<td>Japan</td>
<td>$625 billion</td>
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<tr>
<td>Netherlands</td>
<td>$567 billion</td>
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**TOP FIVE MILITARY EXPENDITURE (2014)**

<table>
<thead>
<tr>
<th>Country</th>
<th>Expenditure ($ billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S.</td>
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</tr>
<tr>
<td>CHINA</td>
<td>$216 billion</td>
</tr>
<tr>
<td>Russia</td>
<td>$85 billion</td>
</tr>
<tr>
<td>Saudi Arabia</td>
<td>$81 billion</td>
</tr>
<tr>
<td>France</td>
<td>$62 billion</td>
</tr>
</tbody>
</table>

Sources: World Bank, Trade Map, SIPRI
nese government has exhausted all tools (short of the sort of broadly liberalizing reforms that are its best bet for building a consumption-driven economy, however politically untenable they may be) for managing the shift away from the low-cost export-oriented growth model that for three decades underpinned not only employment stability, but also social cohesion and the Communist Party’s political legitimacy. Rapidly declining returns on government-led investment and the realization that no matter how quickly housing demand rises it cannot keep pace with the kind of supply growth seen between 2010-2013 suggest that the investment-led model is quickly losing efficacy. Weak demand globally and rising costs at home decrease the potential for a second low-cost export boom. And barring much deeper financial, social and political reforms, China’s government will struggle to provide ordinary Chinese with the opportunity and confidence needed to build a true consumption economy.

Had China been able to make the shift from a low-cost export economy to a consumption-driven economy more gradually and in an environment of strong global growth, its economic situation, and likely its social and political situations too, would probably be different today. What China is currently, the unique pressures and risks it faces, was in many ways forged between 2008-2009, as much as by events or for reasons internal to China. As we will see, the legacy of 2008-2009 and the policy decisions it forced upon China’s leaders pervade virtually every aspect of the country’s political economy today, including its international interests and behavior. ■
Before we consider the challenges facing China's governing institutions, it is useful to outline some key concepts and examine prior cases in which states struggled to close the gap between themselves and the rapidly changing societies they governed. Doing so will help clarify what is at stake for China's leaders as they embark on a period of political reform against a backdrop of profound social and economic change. It will also shed light on how China's recent efforts at political reform reflect or differ from prior cases and whether the current reform measures are likely to succeed. And, returning to questions outlined above, once we have established what political reform within China entails, we can begin to consider how these internal evolutions will reverberate outward, affecting both China's external behavior and its strategic environment.

What Political Reform Means

Any attempt to understand political reform in China today must begin by asking why China's leaders seek to
reform its political institutions. As Stratfor has argued, the Communist Party’s fundamental goal in implementing political reforms — a term encompassing everything from the anti-corruption campaign to efforts to improve rule of law, environmental protection and social services — is to ensure the continued legitimacy of their rule. For decades, that legitimacy rested on the promises of universal employment and a moderately wealthy society enabled by China’s economic boom.

As long as the government met these conditions for the majority of the population (particularly the politically crucial urban coastal constituencies), many of the problems, inefficiencies and inequities in China’s governance could be — and largely were — overlooked by its populace with the assumption that they would eventually be corrected. But with the economy’s slowdown, these promises are becoming increasingly untenable. This process has forced China’s leaders to seek new foundations for the legitimacy of their government and the Communist Party’s control over it.

What the current efforts for political reform all point to is a broad consensus among China’s leaders that the future legitimacy of their rule rests in their ability to provide what political scientist Francis Fukuyama calls high-quality governance. This involves the state’s ability to collect and fairly redistribute income along with institutions’ ability to operate with a large degree of freedom from political interference. Faced with an increasingly well-educated and urbanized consumer society, and pressed by the need to compete globally as a producer of high value-added manufactured goods as well as financial and other services, Beijing needs to implement a variety of measures to govern effectively. Not only does Beijing strive to increase quality of life (for example, by improving air quality, food and workplace safety, and ordinary citizens’ ability to earn returns on their savings), it also seeks to incentivize industrial upgrading, innovation and entrepreneurship. The former goals are difficult enough, because they will almost certainly impose higher costs on the state-owned banks and enterprises that remain the backbone of China’s economy — a tough sell at a time when profit margins for many of these enterprises are hovering at or below zero. And incentivizing the kinds of investments and industrial upgrades that stimulate economic growth will require much more profound changes to China’s political institutions, not to mention its education system and business climate.

Scholars and policymakers almost unanimously agree that strong protection for physical and intellectual property rights are essential building blocks for wealthy societies and advanced industrial economies. There is less consensus on the conditions under which such protections can take root. One school, embodied in Daron Acemoglu and James A. Robinson’s Why Nations Fail: The Origins of Power, Prosperity, and Poverty, maintains that protecting property rights and thus encouraging research and development, innovation and entrepreneurship requires first establishing democratic or inclusive political institutions with built-in checks (such as a strong and independent judiciary) on the government’s power. Another school, which includes Fukuyama and has its roots in Samuel Huntington’s Political Order in Changing Societies, disagrees about the importance of democracy in developing a prosperous society. Adherents of this second school affirm that a country needs fair and impartial adjudication of civil disputes and strong protection for individual property and other rights to move from a low value-added to a high value-added economy, but they argue that inclusive or democratic political institutions are not essential to this process.

In his 2013 essay “What is Governance?”, Fukuyama outlines two essential conditions of effective governance: high state capacity and a high degree of bureaucratic autonomy. The first describes the state’s ability to tax citizens’ income and to efficiently, effectively and fairly redistribute that income in the forms of physical infrastructure, social services and other public goods. The second describes the ability of a country’s administrative institutions to set long-term goals and experiment without much political interference.
In Fukuyama’s conception, bureaucratic autonomy without strong state capacity is a recipe for weak and kleptocratic institutions, while strong state capacity without bureaucratic autonomy subjects the policy-making process to political whims — as during the Maoist era — and makes protection of property and other individual rights more difficult.

Crucially for China, by this definition effective governance does not have to be democratic to achieve high-quality administration, the efficient provision of public goods and fair adjudication of civil disputes. Indeed, as Fukuyama and Huntington both show, the world — and in particular, Asia — abounds with examples of states that achieved high-quality governance and correspondingly high incomes and quality of life under institutional structures that could scarcely be considered democratic. Perhaps the most famous example is Japan, which went from war-torn and impoverished to the world’s second largest and second wealthiest economy in four decades under what amounted to a single-party state in which a small collection of elite civil ministries designed and enforced development policy. A similar narrative applies to South Korea, Taiwan and Singapore, all of which achieved not only fast-growing but also innovative and advanced manufacturing-based economies in the total or partial absence of democracy, largely by following Japan’s example. Such conditions are not isolated to Asia. In the 19th century, the Prussian (and later
German) state maintained a fast-growing economy at the leading edge technologically along with a highly effective civil bureaucracy without devolving power.

What Makes China Different

At the very least, this body of thought and these prior cases suggest that whatever myriad constraints there may be on China’s capacity to reform and improve its political and administrative institutions, they are not grounded in its lack of multiparty elections. That said, there are important differences between contemporary China and Japan in the 1940s-1960s, South Korea and Taiwan in the 1960s-2000s, and Prussia in the 19th century.

First, they face different external economic and strategic environments. The transformations of Japan, South Korea and Taiwan (including both their initial industrialization and their shift up the value chain) all took place, to differing degrees, under the strategic umbrella of the United States and with active economic support from Washington in the context of the Cold War. The industrialization that China underwent decades ago occurred under similarly conducive circumstances, but today its environment is much more challenging, both economically and politically. Furthermore, China’s current task is profoundly different and more difficult than mere industrialization: In an extremely short period of time, it must transform a colossal, internally diverse and fragmented economy from one dependent on low value-added manufacturing to one based on high value-added manufacturing and services. However, perhaps most relevant to our current discussion is the contrast between China’s political institutions and those of non-democratic economic success stories such as South Korea. China possesses a relatively high capacity state, but its bureaucracy is comparatively less autonomous, especially in respects that are crucial for attaining high-functioning and impartial administration.

This difference is particularly sharp in the comparison between China and Japan during the post-World War II era. Although nominally an electoral democracy, Japan through the 1990s (and arguably to this day) was in fact a one-party state. However, as political scientist Chalmers Johnson and others have made clear, throughout this period it was not the party at the helm of that state, the Liberal Democratic Party, that actually had power. Rather, it was the autonomous civil bureaucracies that controlled the policymaking process and enjoyed significant independence from (and influence over) the electoral apparatus. Power belonged to the bureaucracies, which had their own highly institutionalized recruitment processes, and moved outward to the rest of the political structure.

In China, by contrast, power resides not with the country’s vast administrative bureaucracies, but with the Communist Party that oversees them and exerts almost complete control over internal recruitment and advancement. Indeed, despite calls for stronger rule of law and judicial reform, all signs point to a strengthening of the Communist Party’s control over the state under President Xi Jinping. In addition to conducting an anti-corruption campaign that bolsters the Party’s power, the president has put small, appointed groups that answer directly to him in charge of making economic and national security policy. All of this suggests that the policymaking process in China is becoming more centralized, more personalized and arguably more political.

This is not to suggest that Xi’s measures will necessarily fail. By centralizing power the president may indeed preserve political order as China’s economic slowdown deepens. But if Xi aims to achieve high-quality governance as a basis for the Communist Party’s legitimacy, he is charting a new and untested path toward that goal. The scholarly consensus is that the most effective governments balance a strong state with an independent and apolitical bureaucracy; instead the
The president is making China's bureaucratic institutions even more politicized and beholden to dictates from Party leadership.

It is unclear how the centralization of economic policymaking under Xi and his “leading small groups,” and the attendant sidelining of Premier Li Keqiang, the State Council and the technocratic bureaucracy they oversee (institutions that reached their apogee under the previous administration), will empower China's judicial and administrative systems to perform better. Likewise, it is unclear how and when the anti-corruption campaign, which has paralyzed China's bureaucracy and dramatically reduced its autonomy and willingness to experiment, will begin to have the reverse effect. For now, all signs point to a continued centralization and personalization of political power — a process that will be difficult to square with the growing need for better governance in a rapidly changing China.
IMAGINING A DEMOCRATIC CHINA

Stratfor has long emphasized that China’s ruling party is more resilient and its grip on power more durable than may seem to be the case. The resilience is partly rooted in successful Communist Party efforts to improve the quality of the country’s governing institutions and to extend the reach of the domestic security apparatus. It is also bolstered by the less tangible forces of nationalism and entrenched institutional bureaucracy, which bind a nation together and slow the onset of crisis. Government survival is also helped by the relative restraint that major powers have shown amid China’s economic rise and military modernization. The United States, for example, has not pushed aggressively against China’s currency revaluation, moved to seriously contain or reverse China’s maritime expansion, or isolated China diplomatically.

Asia’s Managed Transitions

China’s situation, therefore, is one of seeming contradiction: The government is suffering an existential crisis even as its political institutions are more powerful and sophisticated than ever. The uncomfortable mixture of institutional strength and political vulnerability may seem exceptional. The history of modern East Asia, however, is replete with governments that have
faced either acute or chronic challenges to their legitimacy at the peak of their effectiveness, including South Korea, Taiwan, Malaysia, Singapore, Indonesia and Myanmar. Some of these challenges were precipitated by economic crisis but just as often they were not.

Most relevant for China is that each of these governments began as authoritarian, or nearly so, and ended by embracing freely contested elections that bolstered their legitimacy without undermining their power and influence. All responded with state-managed, carefully orchestrated transitions to democracy as well.

Myanmar is an emblematic — and recent — example of such a transition. From 1962 to 2011, the country was ruled by an authoritarian military government. After a managed transition, the long sidelined National League for Democracy won a resounding victory Nov. 8, 2015, in a general election that has been lauded as both free and fair. At the same time, members of the former ruling government not only retain a strong position in parliament, but far more important, continue to exert extensive influence over the country’s business community, civil bureaucracy and military, which remains Myanmar’s single most powerful institution by far. In other words, the former junta’s long-planned concession of elections and apparent defeat do not amount to true power concessions in terms of Myanmar’s long-term trajectory and evolution. In the meantime, the government has managed to garner new respect in the eyes of its own people and the international community, guaranteeing that if its leaders return to office — as they intend — they will command greater legitimacy with the electorate.

Of course, Myanmar’s military junta has followed the lead of governments in South Korea, Taiwan and Malaysia on the eve of their own transitions to electoral democracy. In each case, the entrenched political elite opted to hold elections when confronted by a confluence of declining legitimacy, grassroots political pressures and economic stress. However, these elections were structurally designed to prevent them from undermining the ruling elite’s power within the economy and bureaucracy. In Singapore and Malaysia, the former rulers won the elections and retained formal power. In Taiwan and South Korea, by contrast, the former rulers temporarily lost formal power but retained control of much of the bureaucracy. In Indonesia, the elite of the previous government never regained formal political control but continue to exert extraordinary influence in business, administration and local politics. In all cases, the old government and the elite at its helm preserved their core interests: survival and influence.

What all of these transitions have in common is that none of the governments absolutely needed to democratize when they did. This is true of China as well. These governments held immense strength compared to other domestic political parties and likely could have endured for years without change. Their embrace of elections was not reactive, but strategic. Elections staved off threats to government stability or to the safety of the elite while bolstering the elite’s long-term chances at retaining de facto control — or eventually control in name. In international terms, these governments ensured the goodwill of the United States and the many benefits of Western support.

Conceding From Strength

What about China? The potential for China’s Communist Party to follow these examples and concede to elections from a position of strength is an essential question for the future of East Asia. China possesses all the features noted above of a government on the verge of a state-managed transition to democracy. These include a strong, well-established party with a proven track record and deep pockets but a persistent problem securing the full support of the population.

A democratic China does not seem unlikely and a managed transition would solve some of Beijing’s problems. Regular elections would offer a release for the
suppressed social pressures that are difficult for China’s leaders to measure much less mitigate. Clear electoral victory would help ease Communist Party leaders’ constant fear of losing the “mandate of heaven” by quantifying the level of support that the Party enjoys at any given time. Planning for economic, security and social policy would also function differently in a democratic China, as would the management of tensions between Beijing and the provinces or between local governments themselves. Internationally, democracy would bolster China’s strategic interests, whether in Africa or Southeast Asia or North America. It would also improve China’s negotiating position with the United States, perhaps paving the way for China to accede to groupings such as the Trans-Pacific Partnership.

But it is its very position in the international community that prevents the Communist Party from conceding to a democratic system — a system intimately tied with the U.S.-led world order. If democracy ever comes to China, it will be once the Communist Party government has been thoroughly delegitimized through profound and sustained crisis or defeat in war. This is because of the simple fact that China, unlike Myanmar or South Korea, is a great power. With this status, Beijing sees itself as having the potential to challenge dominant U.S. power in the world system, whereas other powers are by definition secondary to the world system and must react.

The Communist Party, the entity that has elevated China to great power status, has staked its legitimacy on realizing the country’s potential to fundamentally reshape the international balance of power. This requires economic growth and good governance, but is not reducible to them. The gambit has become more pronounced and explicit in the last few years, as slowing economic growth has spurred a shift to increasing nationalism. The party’s claim to legitimacy and to being China’s rightful redeemer after a “century of humiliation” has been central to the Communist Party’s self-conception from the start. And like all rising great powers before it, China’s self-conception has become inseparable from its relationship with the system’s sole superpower, the United States. Earlier rising powers, such as the Soviet Union, understood themselves to be locked in a struggle for world supremacy with the United States. It is not ideological hatred of democracy that animates the Communist Party’s rejection of elections but the need to lay out a different path from Washington and to present China as an independent and equal pole of geopolitical power.

As growth slows and security needs mount, the Communist Party’s stance will serve to bolster popular support — nationalism feeds on external threats. In the longer run, however, it will make governing China and meeting the ever-rising expectations of its people far more difficult. To bet one’s legitimacy on nationalist aspirations is risky, especially when fulfilling those aspirations requires confronting an international order crafted by a state as powerful as the United States. Whatever the outcome, the Communist Party’s unwillingness to follow the path of other East Asian democracies and to accept the subordination to a U.S.-led order will make China perhaps less predictable to its counterparts and competitors in the coming years, but it will also make it far more interesting to watch.
The High Stakes of Having a Job in China

Employment in East Asia

China is certainly not the first country to have organized its political and economic institutions around the goal of preventing unemployment. The fear of unemployment and the social instability it breeds sits, in many ways, at the heart of modern conceptions of the proper role of the state in regulating economics. For example, Western Europe and the United States, having extended voting rights in the 19th and early 20th centuries, made monetary policy decisions with an eye toward keeping employment high and protecting the economic well-being of their newly empowered constituents. Out of this process grew the view, spurred by the global depression of the 1930s, that absent the state’s mediating hand, capitalism would generate iniquities so great they would undermine the foundations of society. Translated into monetary and fiscal policy, this view became known as Keynesianism, a doctrine that dominated economic decision-making in Europe and the United States for more than four decades.

But in industrialized countries with well-developed democratic institutions, such as the United States and much of Western Europe after World War II, the pressure to maintain employment had limits. These countries could count on the adaptability of their educated,
mobile and technologically savvy workforces and their globally competitive enterprises to ensure that opportunities in one part of the economy would compensate for unemployment elsewhere. Moreover, regularly scheduled elections ensured that in the worst cases economic disruption might doom individual leaders or administrations but would not threaten the legitimacy of the government itself. Thus, while the focus on employment was a central component of fiscal and monetary policy in Western democracies, it was not the only determinant for economic decision-making.

The same could not be said for the export- and investment-led economic growth model of the newly industrializing economies of East Asia. The governments of postwar Japan, South Korea in the wake of colonialism and a devastating civil war, and post-1949 Taiwan each faced large and rapidly growing pools of unemployed urban workers, many of them migrants recently displaced by war and land reform. Each government responded by launching state-led industrialization programs unprecedented in scope and speed and unique in their use of state power to foster industrial giants capable of competing in the global marketplace. For all three countries, as well as for China and to some extent for the post-colonial states of Southeast Asia, rapid export-led industrialization was first and foremost a means to generate employment, ensuring social stability and the security of their fragile governments.

Also like China, all three countries eventually exhausted the utility of their labor-intensive, low-cost export growth models and were forced to shift up the value chain to produce higher-value goods. Crucially, when the time came for Japan, South Korea and Taiwan to move from producing low to high value-added industrial goods, these countries could rely on the ever-growing and ever-wealthier foreign consumer markets — namely, the United States — to take in the swelling volumes of expensive goods they produced. No matter how much these countries produced throughout the 1980s, 1990s and 2000s, their goods almost always found ready overseas buyers.

Consequently, Japan, South Korea and Taiwan did not need to rapidly boost domestic consumption to offset declines in antiquated export industries. They could continue to rely on exports, or at least the financial returns on exports produced by their companies’ overseas operations, to fund employment and maintain quality of life back home. To be sure, all three today boast large consumer markets, but most of their imports come from energy, raw materials and parts for processing and re-export, rather than imported goods for consumption. To a far greater extent than the United States and most of Western Europe, these economies rely on manufacturing and exports to drive growth, not services and consumption.

**China’s Developmental Experiment**

Since the introduction of its economic opening and reform policies in 1978, and especially in the decades following the protests in Tiananmen Square, China has followed a similar path to those of Japan, South Korea and Taiwan during the 1960s-1980s. Like these earlier incarnations of the developmental state, China has used state power to foster globally competitive “national champions” in areas including energy, construction, shipbuilding, finance and heavy industry. Like Taiwan, it has used these state-owned conglomerates to lay the foundations for a private sector-led manufacturing export boom. More recently, it has focused on cultivating, like South Korea and Japan, several privately owned but state-aligned technology and manufacturing firms. Beijing looks to these firms to drive the country’s nascent shift up the global value chain. And like its predecessors, China has done this to maintain employment across an increasingly diversified workforce. It is unclear whether China’s shift up the value chain and cultivation of a capable workforce can occur quickly enough to offset the impacts on employment of declines in low-cost exports and a slowing construction sector. What is clear is that unique challenges stand in Beijing’s way of doing so.
## Comparing Exports and Household Consumption

### Exports as a percentage of GDP by selected years

<table>
<thead>
<tr>
<th>Year</th>
<th>China</th>
<th>Japan</th>
<th>South Korea</th>
<th>United States</th>
</tr>
</thead>
<tbody>
<tr>
<td>1980</td>
<td>6.0%</td>
<td>13.4%</td>
<td>30.2%</td>
<td>9.8%</td>
</tr>
<tr>
<td>1990</td>
<td>15.9%</td>
<td>10.3%</td>
<td>25.9%</td>
<td>9.2%</td>
</tr>
<tr>
<td>2000</td>
<td>20.7%</td>
<td>10.9%</td>
<td>35.0%</td>
<td>10.7%</td>
</tr>
<tr>
<td>2013</td>
<td>23.3%</td>
<td>16.2%</td>
<td>53.9%</td>
<td>13.5%</td>
</tr>
</tbody>
</table>

### Household consumption as a percentage of GDP by selected years

<table>
<thead>
<tr>
<th>Year</th>
<th>China</th>
<th>Japan</th>
<th>South Korea</th>
<th>United States</th>
</tr>
</thead>
<tbody>
<tr>
<td>1980</td>
<td>50.6%</td>
<td>54.8%</td>
<td>65.8%</td>
<td>61.3%</td>
</tr>
<tr>
<td>1990</td>
<td>47.8%</td>
<td>53.3%</td>
<td>55.3%</td>
<td>64.0%</td>
</tr>
<tr>
<td>2000</td>
<td>47.4%</td>
<td>56.5%</td>
<td>53.6%</td>
<td>66.0%</td>
</tr>
<tr>
<td>2013</td>
<td>36.0%</td>
<td>61.1%</td>
<td>50.9%</td>
<td>68.6%</td>
</tr>
</tbody>
</table>

Source: World Bank
In the decades following World War II, Japan helped create a clear international division of labor, enabling it to grow its way out of poverty through exports to mainly American consumers. In time, as rising costs pressed Japan to advance toward higher value-added industry, South Korea and Taiwan took its place at the bottom of the international division of labor. Critically, this process coincided with the gradual de-industrialization of the U.S. economy and the movement of the United States’ workforce into service-oriented sectors.

All of this worked because of the progressive industrialization of the East Asian developmental states and the U.S. economy’s shift toward services and consumption. The size of the American consumer market was such that even as China entered at the bottom of the supply chain in the early 1990s, pushing South Korea, Taiwan and Japan further up, there was still no shortage of demand.

Today, as China struggles to carve out its own place in the global market for high-tech and advanced manufactured goods (all the while trying to retain its grip on low-cost export sectors), it is unclear whether global market demand is, or soon will be, sufficient to absorb future Chinese output. China may simply be too large a producer — and the United States, Europe and other advanced economies too small of consumers — to follow the pattern established by Japan, South Korea and Taiwan exactly.

Of course, the Chinese government is aware of the pitfalls of relying too much on demand to drive the economy’s shift from low to high value-added manufacturing. Beijing’s decision to highlight and accelerate financial reforms in the second half of 2015 suggests as much. Instead, by relaxing controls on the yuan, instituting programs such as depositor insurance and a strong social safety net, and accelerating urbanization in the interior of the country, the government intends to cultivate a domestic consumer base sufficient to absorb more of what Chinese industry produces. But doing so on a scale sufficient to underpin nationwide economic growth will be extraordinarily difficult. Though it is growing, private household consumption in China still accounts for just 36.5 percent of gross domestic product. This is extremely weak compared to other export-intensive economies such as Germany, Japan and South Korea, all of which boast consumption-to-GDP ratios higher than 50 percent. Cultivating strong and sustainable household consumption takes time, and in China’s case it will require significant financial reforms aimed at improving the confidence and financial power of Chinese citizens.

In following the export-led growth model pioneered by Japan, South Korea and Taiwan, China’s size presents problems. Certainly these countries have suffered setbacks and crises as they developed economically. Japan, in particular, has struggled to free itself from the constraining institutional legacies of its developmental past. But none faced quite the same web of challenges that China does: to cultivate an advanced manufacturing-based economy grounded in high levels of human capital (and correspondingly high wages) while creating the high-income consumer base necessary to sustain that economy. Where Japan, South Korea and Taiwan could look to the American consumer to help them climb up the value chain, China must look first and foremost to itself.

For China, 2016 is only the beginning of this long and likely arduous process. In the years to come, China will have little recourse but to rely on other countries to consume the increasingly advanced goods it produces; its safest bet is to beat out South Korea and Taiwan on price if not quality. In the meantime, China’s leaders will do what they can to roll out reforms and initiatives that they hope will begin to generate the kind of domestic consumption the country desperately needs. However, this will almost certainly come at the cost of full employment. The question is whether China’s political structure can bear the social consequences.
WHAT KIND OF POWER WILL CHINA BECOME?

In times like these, it is tempting to embrace visions of irreversible decline — just as it was easy, in the expansive years of consistently high growth, to view China’s rise as straightforward and inevitable. As Stratfor pointed out well before the 2008-09 global financial crisis, which set in motion many of the policies and processes that underlie China’s current woes, the only certainty in the high-growth years was that they would someday end. Their ending, we predicted, would unleash tremendous and potentially destabilizing social pressures long kept at bay by the promise of universal employment and rising material prosperity. At the least, this process would slow China’s political, military and economic rise as the decade ends. At worst, it would send China into a more debilitating and longer-lasting period of crisis and fragmentation.

It is crucial to remember that international politics, defined as it is by the rise and fall of great powers, follows rhythms very different from and often far slower than those of international markets and media. The rise of
great powers is never a clear-cut process, as the vicissitudes of European politics from the Treaty of Westphalia to the Paris Peace Conference make clear. Even for the United States—as inevitable a modern great power as any—the path to international pre-eminence was pockmarked by numerous economic crises and profound domestic social and political tension.

We will now step back and look at China’s trajectory in the early 21st century. While we can anticipate with some certainty that the coming years will be difficult for China’s economy and political system, the question remains: What kind of power will China be if and when it emerges on the other side of its current troubles? After all, there are many reasons to expect that in 10 or 15 years, China will be a greater, not a lesser, power than it is today: It has the world’s largest (and still growing) consumer market, an increasingly urbanized and educated workforce more than twice the size of the United States’ total population, an industrial sector pushing ever closer to the world technological frontier, a large (if insufficient) domestic natural resource base, and powerful and sophisticated governing institutions.

**What Kind of Great Power?**

The question is what kind of great power China will be. Will it become, to use Henry Kissinger’s term, a revolutionary power bent on overturning the regional and global political status quo? Will it be forced by the systemic uncertainty of an anarchic international order to go on the offensive in maximizing its share of world power—a process that, as the political scientist John J. Mearsheimer argues, will inevitably bring it into conflict with the United States? Or will China, as many in the tradition of “defensive realism” rooted in the ideas of Kenneth Waltz argue, strive only for enough power to ensure adequate security and thereafter adopt a defensive stance? Needless to say, how we answer these questions will in large part determine how we view the future of international politics, in East Asia and globally.

The aim of this essay is not to provide a definitive judgment on China’s trajectory but rather to weigh the forces—both material and ideological—that will shape how China’s leaders view and act within their evolving geopolitical environment. To gather clues to the kind of power China might become, we first look to China’s past—to the Sinocentric world order over which it dominated until the mid-19th century and to the strategies with which successive dynasties built and maintained that order. Having established the kind of power China was before its entry into the modern international system, we can better judge whether and to what extent the worldview and strategies adopted by its dynastic rulers can function in a world characterized by very different pressures, both systemic and domestic.

**The Sinocentric World Order**

China is unique among historical great powers in having presided over a legitimate and remarkably stable regional order for nearly two millennia. If the defining features of modern international politics are the persistence of anarchy—that is, absence of world government—and the dynamic of “balance of power” generated by this anarchy, then the Chinese dynastic world order was marked, first and foremost, by strong elements of anarchy’s structural obverse: hierarchy.

Thanks in large part to its overwhelming demographic heft, its technological and bureaucratic sophistication, and often but not always its military superiority, China was the unquestioned center of gravity in East Asia for most of the period from 221 B.C. to A.D. 1842. This material superabundance relative to that of other regional powers was, in turn, powerfully reinforced by the pull of China’s civilizational pre-eminence. So great was China’s power and influence relative to all other premodern East Asian polities that even when invaded by outsiders—such as the Mongols in 1271, the Manchu in 1644 and, unsuccessfully, the Japanese in 1592—China remained central. Beijing, not the ancestral lands of Genghis Khan or of the Manchurian
leader Nurhaci, served as the political capital for the Yuan and Qing dynasties.

In Western Europe, the relative parity in economic and military power among Spain, Britain, Austria, France and later Germany ultimately gave way to an international system grounded in the formal equality and mutually recognized sovereignty of independent nation-states. By contrast, Sinocentric East Asia was formally unequal, with the autonomy of lesser states (especially those closest, culturally and geographically, to China) often contingent on their acceptance of Chinese supremacy.
Just as Confucianism, the dominant political philosophy in dynastic China, envisioned domestic society as a more or less rigid hierarchy of asymmetric social roles — emperor and vassal, husband and wife, father and son — so China’s rulers saw themselves as sitting at the apex of a world order (tianxia, literally “all under heaven”), in which non-Chinese states were merely extensions of the emperor’s heavenly mandate. That China viewed its world and external relations not in terms of anarchy and sovereign competition but of hierarchy and filial harmony is most clearly seen in the system of “tribute” through which it managed interstate trade. Growing out of an earlier program of direct taxes on defeated neighboring polities, the tribute system imagined international trade as simply the exchange of gifts between the emperor, as world sovereign, and his many kingly vassals.

What is most striking about this highly inegalitarian order, from the perspective of modern world politics, is how persuasive and stable it proved. To be sure, China’s history is littered with war and devastation. But most of this devastation resulted from internal political upheaval and civil war, not from foreign invasion. Likewise, it must be emphasized that in periods of dynastic decline within China, tributary relations — and the acknowledgement of Chinese supremacy that underpinned them — often became mere glosses on what was, in substance, international trade among autonomous states. Even so, the periodic superficiality of China’s regional authority notwithstanding, it is noteworthy that for hundreds of years, non-Chinese states conducted their business with China as well as independent of China in the language and terms of the Sinocentric tribute system. The historical record suggests that for long periods, the states of Korea and Vietnam, and to a lesser extent Japan and polities in Central and Southeast Asia, often accepted, however grudgingly, their place as subordinate cogs in a Sinocentric order.

All of which begs the question: How did successive dynasties maintain the coherence and stability of the Chinese world order?

The overwhelming impression given by the bulk of historical scholarship on pre-modern China’s foreign relations, as well as by official dynastic histories, is that generally the Chinese empire sustained its regional pre-eminence through civilizational and economic “soft power,” while adopting a defensive military posture and conservative grand strategy. Rather than move aggressively to expand control over neighboring states, this traditional interpretation holds that the Chinese empire sustained its pride of place primarily through its civilizational and commercial pull. Sheer demographic and economic size made China an invaluable market for foreign traders, access to which was contingent on the recognition of China’s primacy. Meanwhile, its sophisticated bureaucratic and philosophical-literary traditions naturally made China a model to be emulated by smaller, weaker states. Together, these advantages meant that China only rarely had to resort to force to secure its interests — and then only to rectify morally degraded, illegitimate or renegade regimes. Not surprisingly, this interpretation coheres closely with Confucianism’s systematic denigration of military aggression and celebration of the more “pacific” arts of the civilian scholar-official.

However, alongside Confucian China’s peaceful and defensive orientation ran another strand of decidedly more assertive strategic behavior. Consider, for example, several episodes in the external relations of Ming China, the last Chinese-ruled dynasty and by most accounts one of the most consciously Confucian of China’s imperial houses. In the century and a half after coming to power, Ming China invaded and annexed Vietnam, led a series of large-scale punitive campaigns deep into inner Asia to pre-empt any future threats to its northern border, and launched several waves of “treasure fleets” throughout Southeast and South Asia in calculated and often openly coercive displays of Chinese military might. On at least three occasions, these fleets — loaded with upward of 27,000 soldiers — were used to forcibly remove local kings perceived to have disobeyed Ming authority.
Such assertions of military and political might are by no means unique to the Ming. Nor was it China’s most expansive dynasty, militarily speaking. Indeed, Ming China is perhaps best known for building the current Great Wall — that potent symbol of traditional China’s purportedly defensive and stabilizing strategic posture. It would be wrong to deny that for much of its history — especially but not only during times of relative military weakness or dynastic decline — China has behaved defensively, working to bolster the status quo rather than to destabilize it. After all, China never seriously sought to expand far beyond what are today its recognized borders, despite manifold opportunities to do so. Nonetheless, it is clear that despite successive dynasties’ efforts to write pacifism and “virtue” into China’s foreign relations, China has often — especially during times of military and political dominance over neighboring states — behaved in ways that belie its pacifist self-image.

From Sinocentrism to Chinese Exceptionalism

It is possible, but not likely, that these twin legacies — the conservative and defensive versus the assertive and expansive — will have no bearing on China’s foreign policy in years to come, as the country’s deepening global economic integration and expanding international interests compel it to adopt a more proactive diplomatic and military posture. Material capabilities, combined with the disposing and constraining forces of the international system, may be the key determinants of whether a great power is more or less active on the world stage. But while these factors tell us what kinds of pressures great powers face and give us some sense of how able they are to overcome those pressures, they do not tell us the means by which great powers will strive to do so. Ideas about the world matter: They shape how political and military elite filter, interpret and make sense of the ever-shifting inputs on which they base their decisions. In a country as intensely aware of its own oracular history as China, the effect of inherited ideas on contemporary foreign policy cannot be discounted.

With this in mind, it is worth noting the emergence in recent years of an active, if still somewhat nascent, discourse of exceptionalism among Chinese policy elite. Invocations of China’s “difference” and “singularity” (to use Kissinger’s term) move in multiple directions, sometimes referring to the incomparable magnitude of China’s domestic economic challenges or the uniqueness of its particular social and political fissures. More often than not, however, and especially when evoked by Chinese leaders, this sense of exceptionalism is explicitly tied to the notion of China’s peaceful rise. More pointedly, it is drawn on to express the idea that China, thanks to its legacy as a benign and inclusive rather than aggressively expansionist hegemon in pre-modern East Asia, will not seek, as so many other modern great powers have, to remake the status quo in its own favor. China, they contend, is an exception to the modern international rule that as great powers rise, they invariably seek to impose their will on the international system, as well as on the individual states that compose it.

Whether China’s future leaders can make good on this promise remains to be seen. The fact is that until relatively recently, China has lacked the sort of thickly interwoven international interests and dependencies that might necessitate a more far-reaching, assertive foreign policy. More to the point, it has lacked the military capabilities and political wherewithal to act to protect, in any systematic manner, its international interests. On both fronts, this is beginning to change. So, too, is China’s understanding of its external interests and responsibilities, at least as reflected in recent moves to assert its territorial claims in the South and East China seas and early efforts to built blue water-capable naval forces.

But even if China’s long history of defensive and status quo-promoting behavior fails to preclude it from acting like a more conventional great power in
the years to come, this does not, in itself, render that legacy meaningless. In this respect, it is instructive to consider the role that ideas have played in shaping the foreign policy of another heir to a vivid exceptionalist discourse: the United States. Far from a mere cover for power-political interests, the idea of the United States as exceptional — whether as an exemplar for other countries or as an active agent in the spread of democracy worldwide — has played an important role in shaping how the nation wielded material resources.

As China’s wealth and military power grow, as they likely will in the long run, the anarchic structure of the international system will push China to use this power to improve its security and the safety of its increasingly far-flung interests and assets. The question is not whether China will be forced to respond to these systemic pressures, but how it will attempt to adapt the lessons of its history to cope with the risks and uncertainties of a very different kind of world order from that it so long dominated.
To explain the conflict of interest between the central and local governments in contemporary China, one must first consider the effects of the country’s regional geographic, cultural and economic diversity on its rulers. China cannot be understood as a monolith. For much of its history, it has operated as a collection of regional clusters — nine “macro-regions,” according to historian William Skinner’s model of late imperial China — with diverse geographies and resources, distinct cultural and linguistic traditions, and disparate economic needs and political interests.

This diversity has created political challenges for China’s central rulers throughout history. More than just a barrier to central coordination and oversight, however, regional diversity has informed rulers’ strategies to manage a unified China. Over successive generations of central rulers, these strategies have been based on distrust of regional and provincial administrations. Throughout the period since the 1949 Communist victory, central leadership has viewed regional and provincial governments as potential obstacles in
communicating with and, by extension, managing local societies.

**A Lesson Learned**

Distrust of intermediate administration is by no means unique to modern China. As historian Mark Edward Lewis observes, the denigration of regional identities and customs was central to the Qin and Han dynasties’ campaigns to legitimize their regimes across the vast empire. The concept of the region as a threat to the imperial system became embedded in the literary and philosophical traditions through which subsequent dynasties represented the Chinese state. Regional and subregional governments were seen as dubious units of territorial administration, necessary but potentially dangerous components of the central government that could break away from the empire if not properly controlled. Consequently, preserving strong influence over regional governments and restricting the autonomy and authority of lower governments became core features of central administration.

This lesson was not lost on China’s modern rulers. It undoubtedly helped justify both the Nationalist and Communist parties’ turns to Leninism. But the push to centralize power and to marginalize lower levels of government, especially in a country as regionally fragmented as China, has yielded unintended consequences. By over-centralizing political control without fortifying local infrastructure, the Nationalist government undermined its hold on power, overwhelming its own ability to administrate. More than once, the excessive centralization of power has threatened to do the same to the People’s Republic. In short, history attests — and the Communist Party’s occasional attempts to delegate authority to local governments confirm — that too much central control is as problematic as too little.

While the Nationalist and Communist propensity for centralization certainly embodies the Leninist empha-

**Implementation and Local Deviance**

Unlike in the United States and other federal systems, where sometimes-disparate policies are made and implemented at the state and local levels, the Chinese policymaking process has long been characterized by centralization and uniformity. The central government designs and decides on nearly all major policies. Because local conditions vary widely even across regions, it is impractical to expect uniform implementation of centrally devised national policies. As Beijing well understands, effective implementation of its wishes requires a degree of openness to local autonomy over how policies are carried out.

This arrangement has positive and negative consequences for governance in China. On the one hand, it helps mitigate the friction that inevitably arises when policies made in Beijing are carried out across regions and localities that share little in common with the capital or with one another. On the other hand, it makes pushing through important national reforms exceedingly difficult. As Beijing attempts to move from an economic model geared toward growth at whatever cost to one that prioritizes goals such as work safety, environmental protection and improved social services, these obstacles to effective policy enforcement will take on renewed political significance.
In many ways, the policy trends that defined China during the first two decades of Reform and Opening trace back to the fundamental tension between uniform central policymaking and flexible local policy implementation. In the 1980s, Beijing decentralized fiscal and administrative powers, substantially improving the autonomy and power of provinces and localities. Though decentralization may have been necessary to preserve political integrity and spur economic rejuvenation in the wake of the Cultural Revolution, it nonetheless generated new pressures that, by the late 1980s, threatened to undermine the Communist Party’s grip on power. In response, the central government recentralized power in the early 1990s. Remarkably, the central-local gap persisted largely unabated under decentralization and recentralization alike, continuing through the 2000s and into the era of President Xi Jinping.

The unshakable local deviation from central government mandates reflects China’s size and regional diversity. Furthermore, that the gap has endured both hyper-centralized and relatively decentralized political conditions suggests a problem not only in the central government’s level of authority but also in its structure. If anything, the past 30 years of political reform
should dictate that the current political structure, with its high degree of formal central control and informal local autonomy, inherently limits the central bureaucracy’s ability to monitor local activities, the enormous improvements in the state’s surveillance technologies notwithstanding.

Unfortunately, as China’s export sector stagnates and construction activity slows, Beijing cannot afford to continue as it has with regard to local government. As the economy slows, ensuring good — or at least better — governance at the local level will become politically imperative, not least because sluggish growth will force the party to justify its continued rule anew: Economic doldrums and poor governance do not make for social tranquility.

The gap between central and local interests, and the government’s persistent inability to bridge it, perhaps explains past Chinese rulers’ attention to what Mao called “correct thought.” If local officials cannot be monitored or controlled effectively through professional incentives, then perhaps the best option is to strive for control over their minds. This, after all, was not Mao’s idea; its roots run to the very foundations of Chinese dynastic statecraft.
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