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Chinese Politics 2010: Managing Multiple Transitions

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The China Policy Institute, part of the School of Contemporary Chinese Studies at The University of Nottingham, was set up to analyse critical policy challenges faced by China in its rapid development. Its goals are to help expand the knowledge and understanding of contemporary China in Britain, Europe and worldwide, to help build a more informed dialogue between China and the UK and Europe, and to contribute to government and business strategies.

¹ This review is collectively authored by scholars and researchers in the China Policy Institute at the School of Contemporary Chinese Studies, University of Nottingham, UK. The authors of the various sections are: Zhengxu Wang, "Challenges of Changes and Transitions", Andreas Fulda and Ying Yu, "Civil Society: An Increasingly Energetic Bird", Bin Wu, "Labour Rights Movement", Xiaoling Zhang and Li Zhang, "Pushing for a Cultural Rise", Jackie Sheehan, "The Nobel Peace Prize: Domestic and International Repercussions", and Hongyi Lai, "Foreign Relations: Into the Deep Water". Zhengxu Wang coordinated and edited the whole piece.

Executive Summary

1. China has continued to face major challenges in 2010 amidst ongoing structural transitions which have taken place on several fronts. The country is attempting to shift its economic growth model, whilst at the same time struggling to deal with changes in its relations with the outside world.
2. Domestically, the Party and the government have continued in an effort to boost domestic consumption and shift toward a more technology-intensive, efficient, and environmentally-friendly growth model.
3. Internationally, China has continued its search for an appropriate approach towards dealing with world actors in light of its increasing economic and political influence on the global stage.
4. The country is in urgent need of pushing reforms toward more open, responsive, and accountable governance. The government and the public have realised how imperative political reforms are, but real changes are slow in taking place.
5. As part of the effort to deal with a changing society, the government has introduced a new regulation regarding civil society groups. The government has still retained the power to persecute civil society organisations that it finds threatening.
6. Meanwhile, the Party is starting to put things in order for the power transition that will take place in 2012. A large number of personnel reshuffles took place, and Vice President Xi Jinping was given a military portfolio.
7. The Party published guidelines for the making of the next five-year programme (FYP), emphasizing the transition of the economic development model in the years to come.
8. The success of the Shanghai Expo in 2010 was also indicative of the rise of cultural industry in China. Cultural industry including movies, TV, and music is becoming a new area of economic growth for China.

9. The award of the Nobel Peace Prize to dissident Liu Xiaobo helped raised human rights deficits in China, but in the short run created confrontations between the Chinese government and societies outside of China.
10. A diplomatic row broke out between China and Japan regarding the Diaoyu Island (Senkaku Island in Japanese) territorial dispute, while confrontations between the two Koreas generated serious complications for China to manage.
11. The China-EU relationship saw encouraging developments, as a large number of high-level visits and meetings between the two sides took place.
12. In his visit to Beijing, British Prime Minister David Cameron secured billions of pounds worth of business deals with China, while visiting Chinese officials often came with huge investment and trade deals to Europe as well.

Chinese Politics 2010: Managing Multiple Transitions

Challenges Brought By Change & Transition

- 1.1 China has continued to face major challenges during the ongoing structural transitions in 2010 on several fronts. Domestically, the Party and the government have continued in an effort to boost domestic consumption and shift toward a more technology-intensive, efficient and environmentally-friendly growth model. Internationally, China has continued in its search for an appropriate approach towards dealing with world actors in light of its increasing economic and political influence on the global stage.
- 1.2 In dealing with a rapidly modernising society, the country is in urgent need of pushing reforms toward more open, responsive, and accountable governance. In August, Premier Wen Jiabao openly called for reform of the country's political system. Activists and public intellectuals have also urged the government to better protect human rights and enforce rule of law.
- 1.3 As part of efforts to deal with a changing society, the government introduced a new regulation regarding civil society groups. While these groups were given more space in the less political areas, the government remains suspicious of nongovernmental groups (NGOs) in general, and foreign-linked ones in particular. The government still retained somewhat arbitrary power that can be used to persecute civil society organisations that it finds threatening.
- 1.4 Meanwhile, the Party is starting to put things in order for the power transition that will take place in 2012. In 2010 a total of 78 officials of ministerial or provincial gubernatorial level (*busheng ji*) were affected in the Party's reshuffle of senior personnel. In October, Vice President Xi Jinping was confirmed by the Party's Central Committee as vice chairman of the Central Military Commission, the top organ that commands the country's military forces, paving the way for his succession of Hu Jintao as the paramount leader of the country in 2012.
- 1.5 At the same Central Committee Plenum, the Party deliberated on the country's economic development, and arrived at a guideline for the making of the next five-year programme (FYP). A full version of the new FYP will be drafted and endorsed in March 2011 by the National People's Congress, the country's parliament. The

emphases of the FYP are on the transition of the economic development model toward more balanced, consumption driven, and better quality growth in the years to come.

- 1.6 2010 saw the success of the Shanghai Expo, continuing China's international showcase of events after the 2008 Olympics. This also served as an indication of the rise of cultural industry in China. As part of China's transition and economic development model, the Party identified cultural industry as a new area of growth. The Chinese movie industry, for example, is developing apace, achieving record box office takings of 10 billion Yuan in 2010.
- 1.7 The award of the Nobel Peace Prize to Chinese dissident Liu Xiaobo could be read as a sign of Western impatience concerning the development of democracy and rule of law in China. While this matter helped raise the human rights issue as a key area for the Chinese government to address, in the short run it created confrontations between the Chinese government and societies outside of China.
- 1.8 In foreign affairs, China is busy finding its position on the rapidly changing global stage, as its own power and influence grow rapidly. A diplomatic row broke out between China and Japan regarding the Diaoyu Island (Senkaku Island in Japanese) territorial dispute), while confrontations between the two Koreas generated serious complications for China regarding the need to manage its relationship with the US and Japan.
- 1.9 The China-EU relationship saw encouraging developments, as a large number of high-level visits and meetings between the two sides took place. In his visit to Beijing, British Prime Minister David Cameron secured billions of pounds worth of business deals with China, while the visit by Chinese Vice Premier Li Keqiang to Europe toward the end of the year brought another set of huge investment and trade deals to Germany, Spain, and the UK.

Civil Society: An Increasingly Energetic Bird

- 2.1 In 2010 the Chinese government has provided more space for self-organisation in policy fields it has considered less sensitive such as community services, poverty alleviation, and environmental protection. Simultaneously it has reaffirmed its

administrative control over the process of civil society development in more sensitive policy areas such as HIV/AIDS prevention and legal aid.

2.2 A case in the point is the forced closure of the Women's Legal Research and Services Centre in April, one of China's leading women's rights organisations "attached" (*guakao*) to Peking University's Law School. This case alarmed other NGOs that are likewise affiliated with government-backed organisations in trying to evade the difficult process of registration with the Civil Affairs.

2.3 Philanthropy in China is one of the fields that has been encouraged by the Chinese government. Enthusiastic giving of donations by enterprises, celebrities and individuals, the rapid development of private charitable foundations and grassroots voluntary activism have greatly boosted this arena. The relevant legislative body is in the process of drafting a national charity law to ensure charities enjoy favourable taxation policies, clarified rights and obligations of donors and to guarantee accountability in the practice of charity.

2.4 Severe institutional barriers, however, still exist. Immediately after the Yushu earthquake in April, the Chinese government issued an order that only government bodies of civil affairs and 15 GONGOs (Government-organised NGOs, including public foundations) had the right to receive donations, insisting that private foundations and NGOs should transfer their donations to the government or to GONGOs. Further orders stated all donations should go to Qinghai provincial government for centralised allocation.

2.5 Such official monopoly on receiving and managing public donations has triggered strong protests by foundations and greatly impeded the normalisation of philanthropic development. In September the identity dilemma and the rumour of closure suffered by One Foundation, a charity initiated by Chinese film star Jet Li but affiliated under the Red Cross Society of China, again indicated the institutional bottleneck that appears when private foundations wish to be transferred into independent public-fundraising foundations.

2.6 The contradictory nature of China's civil society development is also evident from the new regulations promulgated by the State Administration for Foreign Exchange (SAFE) in March 2010. The new rules require NGOs receiving their funding from overseas to have their grant agreements certified by Chinese notaries. SAFE

however has remained sufficiently ambivalent about the exact requirements for notarised grant agreements, therefore giving Chinese authorities increased control over foreign funding for Chinese civil society organisations. This effectively weakens the leverage of external actors trying to engage with China.

2.7 2010 therefore signifies a setback for the relationship between the Chinese party-state and civil society. There are reasons, however, to assume that this relationship will remain in flux in 2011. The government is adapting to the changed socio-economic circumstances.² The Party's approach can be described as treating "civil society as a bird in a cage. The Party or the state is prepared to enlarge the cage as it sees fit but a cage is nonetheless maintained".³

2.8 The encouraging news is that the bird has become more active and strong as the days go by. 2010 has witnessed a tendency toward coalition among civil society organisations in advocacy and other activism. An investigation carried out in April by a coalition of 34 Chinese environmental groups, including Friends of Nature, the Institute of Public and Environmental Affairs and Green Earth Volunteers, accused global IT brands of supply chain links to heavy metal poisonous cases in China and called on foreign firms to be more accountable to the Chinese public.

2.9 In September, 45 NGOs from various sectors including health, environmental protection and disease control, called for a nation-wide boycott of charities and social events sponsored by tobacco companies, which often used charity as the camouflage of their marketing strategy to increase their publicity as well as to promote tobacco products.

2.10 In July, 35 private and public charity foundations launched the China Foundation Centre in order to increase the transparency and efficiency of charity organisations, and to bolster public trust and confidence. The centre's website will initially disclose and archive data on over 1,800 Chinese foundations. These positive moves foretell a continuous rise in public awareness and participation in civil society in 2011, along with more alliances between NGOs and possible institutional progress.

² As argued by democratic activist Li Fan, "effective control [of the civil society groups] cannot occur without effective mobilisation, effective mobilisation requires a certain autonomous activity space, it requires the encouragement of active participation." See Li Fan 2008, *Zhongguo minzhu de qianyan tansuo [Exploratory Frontiers of Chinese Democracy]*, Beijing: The World and China Institute.

³ Steve Tsang 2010, "Consultative Leninism: China's new political framework", *Journal of Contemporary China*, Vol. 18, No. 62, November 2009.

Labour Rights Movement

- 3.1 One piece of significant progress in 2010 has perhaps been the rise of the Chinese workers' movement. This is not merely due to the growing scale and impact of labour incidents (including strikes, protests, and confrontations) compared with previous years, but also concerns some breakthroughs which have led to positive outcomes such as the soaring workers' wages and increased attention being paid to working conditions of migrant workers employed by foreign owned manufacturing companies in coastal regions.

- 3.2 The evidence shows that there is a growing trend concerning labour disputes in China over recent years. According to the statistics from the Supreme People's Court (SPC), for instance, 295,000 labour dispute cases were brought to court in 2008, an increase of 95 percent from the previous year. This figure had already increased to 318,600 in 2009, and 207,400 in the first eight months of 2010.⁴ As a result, China's courts are finding it difficult to cope with the increasing number of cases concerning labour disputes.

- 3.3 The quantitative growth of labour disputes, however, is only the tip of the iceberg when it comes to the emerging labour movement in China. Both Chinese and international societies were shocked by a series of suicides at Taiwan-owned electronics manufacturer Foxconn, which cost the lives of 13 young workers within four months during early 2010. For some people, such incidents have been difficult to understand although the working conditions of Foxconn are not bad comparable to those of other foreign owned companies in Pearl River and Yangze Deltas.

- 3.4 Given the contribution to China's export-oriented sector (currently employing over 800,000 workers in China), this incident has drawn much attention from the public, policy makers, journalists, trade unions and civil society advocates as well as scholars both in China and abroad. A great need exists to rethink and carefully consider the working conditions of "world manufacturers" in China, the needs and characteristics of new generations of Chinese migrant workers, as well as matters relating to labour standards, costs and implications for the "China model".

⁴ *China Daily* 15 September 2010.

- 3.5 When senior managers of Foxconn, Chinese governmental officials and official trade unionists were trying to cope with the crisis caused by the spate of suicides in this company, thousands of Chinese workers in nearby Foshan took prolonged strike action, in a bid to their employer, Japanese owned Honda Moto Parts Supplier, for higher wages and the re-instatement of sacked workers. Furthermore, they also called for the establishment of a democratic, militant and independent trade union.
- 3.6 In connection with Foxconn, the Honda workers' strike immediately attracted the attention of both Chinese and international media sources while the Chinese government seemed to be showing a somewhat sympathetic attitude towards the labour problems. A few business leaders and academics also contributed by mediating in negotiations between the Honda employer and workers' representatives. In the end, the strike ended with a significant wage raise and other positive gains for the workers.
- 3.7 It is important to note that the Chinese labour movement has a long way to go toward a balance between capital and labour. Yet these high profile cases in 2010 not only represent the emergence of a new Chinese workers' class who are increasingly confident in demands for and protection of their rights, including an independent trade union, but also they have showed that pro-labour outcomes can be achieved if the Chinese government takes a positive attitude toward the Chinese workers' movement. In fact, the government taking a neutral position in labour disputes would sufficiently support the labourers, in times where attention, sympathies and encouragement have been drawn from the public and the media both nationally and internationally.

Pushing for a Cultural Rise: World Expo and Beyond

- 4.1 The success of the World Expo Shanghai in 2010 only revealed a small slice of overall cultural development in China. In October, when drawing up its guidelines for the next five-year plan (for 2012 to 2016), the CPC Central Committee decided to promote cultural industry as a key industry in the economy. The building of cultural development into the five-year plan signalled a shift from three decades of single-minded pursuit of economic growth to more balanced development. Noticeably, it promotes culture as part of national pride-building and identity-formation.

- 4.2 Previously, culture was largely seen to be a servant of politics, insulated from commercial interests. Now though, the connection between culture and economy has been officially recognised, and media reform has been taken out of the much more restricted area of political reform. In deepening the reform of the cultural sector, the state substantively differentiated between *public* cultural institutions (*wenhua shiye*) and *commercial* "cultural enterprises" (*wenhua chanye*).
- 4.3 State-owned media entities that still form the party's propaganda organs, be they newspapers, press groups, broadcasting groups or publishers, are classified as public cultural institutions. They will continue to provide political information including news and current affairs. Other entities such as advertising, printing, distribution and transmission agencies are classified as commercial cultural enterprises, and therefore are open to non-state and foreign investment and ownership.
- 4.4 On 8th April 2010, the Department of Publicity of the Central Committee of the Chinese Communist Party, the People's Bank of China, the Ministry of Culture and six other authorities jointly released a Guiding Opinion on Financial Support for Facilitating Invigouration and Development of Cultural Industry. This Guiding Opinion expanded the financing channels of cultural companies. By the end of 2010, more than 30 projects in the industry have received over 13 billion Yuan from six Banks in China.
- 4.5 All of these have deepened and expedited the commercialisation and marketisation of China's cultural industry. For example, in 2010 China's film industry, working on a combination of state and non-state financing, achieved a record 10 billion Yuan (150 million dollars) in box office takings. One film has set a new record by taking 600 million Yuan at the box office. Moreover, for the first time, domestic films have surpassed imported films in takings.
- 4.6 China has become the biggest TV drama producer in the world over the past five years, and the income from TV dramas in 2010 doubled that of 2005. Non-state owned cultural companies have attracted investment from various sources. 16 cultural enterprises went public in 2010. Among them, ten are listed on the domestic stock market, and six are listed on the American stock market.

- 4.7 The government is not only trying to make culture a new engine of economic growth, but a strategic site for the development of “comprehensive national power” as well. That is, both economic power and cultural or “soft” power in a competitive global context. The year 2010 was highlighted as the “Year of China” in many countries. Various Chinese cultural activities which attracted thousands of local citizens were held successfully in countries such as Italy, Switzerland and Australia.
- 4.8 The fifth Confucius Institute Conference was successfully held in December 2010 in Beijing. It was the biggest Confucius Institute Conference ever. After five years of development, Confucius Institutes have moved to a new level of development. By the end of 2010, over 300 Confucius Institutes had been established in 96 countries. It is said that a new development plan for the Confucius Institutes will be released in 2011.
- 4.9 It would seem that China might be winning the admiration and respect of the whole world: soon after the success of holding the Olympic Games, on 1 May 2010, Shanghai opened to the public *the* most expensive World Expo of all time after eight years of preparation and some \$50 billion in expenditures. By the time the event closed on October 31, it had attracted a record number of over 73 million visitors.
- 4.10 It proved to be a great opportunity not only for the massive investment and consumption in the event, the spill-over effect of the exhibition economy in the medium and long run not-to-mention a stimulus to Shanghai's development, but more importantly for showcasing China's achievements, an exercise in pride-building and about the country and how it is developing. Later in the year, the 2010 Asian Games were held in Guangzhou, with athletes competing in a total of 476 events over 42 sports, making it the largest event in the history of the Games.

The Nobel Peace Prize: Domestic and International Repercussions

- 5.1 On winning the 2010 Nobel Peace Prize, Liu Xiaobo became one of China's most famous citizens in the West.⁵ This is significant in itself, as in the three months since the prize was announced, there has been more international discussion of China's record on civil and political rights than at any time since the late 1990s.

⁵ Perhaps Wei Jingsheng, just after his 1997 release from prison into American exile, approached this status, but certainly since then no Chinese activist has had such international name recognition.

- 5.2 Liu is not the first Chinese winner of the prize: 1989's Nobel Peace Prize was awarded to Tenzin Gyatso, better known as the 14th Dalai Lama. Unlike the Dalai Lama and writer Gao Xingjian, winner of the 2000 Nobel Prize for Literature, Liu still lives in China, and will continue to do so until at least June 2020, barring parole. But far from taking pride in the recognition of one of its citizens, China reacted to Liu's award with a severe crackdown at home and efforts to limit the impact abroad.
- 5.3 China's authorities somehow seemed surprised at how little effect their insistence that Liu is a criminal has had abroad, however there are plenty of precedents for the honouring of incarcerated individuals, and previous examples suggest that history has not been on the side of the jailers of Laureates' thus far.⁶ Explaining its choice, the Nobel Committee said that once Liu received his 11-year sentence in December 2009, they knew how they could at last recognise the struggles of the many repressed activists in China, so in fact, the Chinese government made the decision for them.
- 5.4 If the Committee ever thought that the abuse of citizens' basic rights in China was the right thing to do, the wide-reaching experience of those who have been detained, put under surveillance, prevented from travelling abroad, or confined to their homes surely aids correction of their judgement. It was expected that those detained in China to prevent their attendance at the 10 December ceremony in Oslo would soon be released once the event was over, yet at the time of writing, Liu's award seems to have prompted a general crackdown on the exercise of constitutional rights which seems likely to last for some time.
- 5.5 By no means though does this indicate that the Prize has been a setback for the cause of defending civil rights in China. Abuses that occurred before the award – Chen Guangcheng and his family's continuing house arrest, or Gao Zhisheng's repeated detention and bouts of torture, to name only two examples of the risks faced by China's frontline rights defenders in the legal profession – are better known now, and December 10th has joined the calendar of anniversaries on which those inside and outside China who care about such matters can remind the world of how much still needs to be done.

⁶ These included the cases of Andrei Sakharov of the former Soviet Union, Nelson Mandela of South Africa, and Aung San Su Kyi of Myanmar.

5.6 China found in 2010 that, as a new world power, it can no longer hide behind developing status or unsupported assertions that protection of civil rights is inimical to economic growth. Bilaterally, China has been good at getting its way with other countries, as few would risk being shut out of lucrative business opportunities, especially while the PRC is one of the few available buyers for the government debt of depressed industrialised economies.

5.7 However, China's efforts to use that influence to prevent national representatives from attending the Oslo ceremony, given what was at stake for some of the countries concerned, were in the end remarkably unsuccessful. Beyond 2010, China will continue to find that its new global prominence means it gets called on accountability more often.

Foreign Relations: Into the Deep Water

6.1 2010 marked China's busy diplomatic exchanges with other major powers in the world. In mid December Premier Wen visited India, the first visit by him for over five years. He brought with him a large delegation of over 300 businessmen and Indian business and trade officials were enthusiastic about the visit. As India's largest trade partner, China proposed a free trade agreement with India.

6.2 A flurry of official exchanges took place between China and EU. In July, German Chancellor Angela Merkel visited China. During her visit, China and Germany issued the second communiqué in the two countries' history. In early November, President Hu paid a state visit to France and Portugal. In France a joint statement was declared about furthering their comprehensive strategic partnership.

6.3 In November, David Cameron paid his first official visit to China since becoming British Prime Minister. He brought along with him a large delegation comprising of scores of business leaders. Both nations also held the third meeting of economy and finance in Beijing where a number of areas for cooperation were identified.

6.4 EU-China trade rapidly expanded, as EU exports to China grew by 39% and imports from China by 30% in the first nine months. Meanwhile, China's direct investment in Europe grew by more than fivefold in the first three quarters. China pledged to help debt-ridden EU-zone countries, such as Spain, Portugal and Greece. It was reported that the EU might lift its arms embargo to China, a

symbolic step which it has taken since 1989, which the Chinese see of little military significance. If the lift occurs, it would signal an EU political olive branch to China.

6.5 China-U.S. relations had their ups and downs. Earlier in the year both nations entered a row over Washington's arm sales to Taiwan. Both also wrangled over the exchange rate of the Chinese currency. After considering naming China a currency manipulator, the U.S. administration opted for pressuring China from behind the scene. Then late in 2010 U.S. Secretary of Defense Robert Gates visited China. It was announced that President Hu would visit the US in January 2011. The bilateral relations were back on track.

6.6 While President Hu attracted a large amount of limelight at the G20 summit meeting held in October in Seoul, indicating China's growing weight in global economic affairs, in general 2010 was a year of strenuous tests for China's international strategy, with external political crises and tense events taking place in East and Southeast Asia.

6.7 In July the U.S. threw itself into the dispute between China and littoral Southeast Asian nations over the South China Sea and sided with the latter at a regional forum. China was apparently displeased. The move also reinforced the existing rift.

6.8 On 7th September a Chinese fishing boat collided with a Japanese Coast Guard patrol boat near the Diaoyu Island over which China and Japan have overlapping territorial claims. The Chinese crew was detained for days before being released, triggering a temporary diplomatic row. Public protests broke out in the streets of both China and Japan, demanding each country's government to take tough positions against the other.

6.9 Then on 23 November North Korea, in response to the South Korean artillery drills, shelled Yeonpyeong Island controlled by South Korea, killing four soldiers and civilians. South Koreans returned fire, killing five North Korean soldiers. This incident was widely seen by many as a second major provocation by North Korea. The first was the sinking of the South Korean Cheonan ship on 26 March and the deaths of 46 crew members, which South Korea and the U.S. blamed on a North Korea torpedo.

6.10 Earlier, on 12th November, North Korea showed a US scientist a new uranium enrichment facility, igniting external fear of its nuclear weaponry program. China thus came under pressured by the U.S., South Korea, and Japan to react strongly against Pyongyang. China's strategy of aiding while taming North Korea is under severe test. Beijing secretly warned Pyongyang of the dire consequences of its reckless action and pressed it to restrain its provocation. Meanwhile, it continued its diplomacy until Seoul agreed to resumption of six-party talks, albeit with clear preconditions.

6.11 In 2011, China can look forward to expansion of its influence. US-China relations will continue to demand careful management by the two sides, as China's growing power is creating anxiety in Washington, while at the same time Beijing is finding it difficult to trust that the US will harbour benevolent intentions toward China. China will need to be prepared to swiftly and skilfully manage unexpected tension, especially in the Asia Pacific region.