

# China's Reform and Opening Process – A Fundamental Political Project

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## Abstract

The reform/opening process led to a dramatic and persistence economic growth and catapulted China among the major economic nations in the world. Yet, when focusing on this economic success it is all too easy to neglect the crucial role politics played in this process. It is critical to remember that in the aftermath of the Cultural Revolution the Chinese Communist Party (CCP) faced a fundamental political crisis, which informed the underlining dynamics of the subsequent reform process. Consequently, it should be emphasised, that the reform/opening process provides an illustrative example of a political project. In order to develop a deeper insight into the complex political-economic changes we observed in China since the reform process begun, I am focusing on particular issues encompassing the change in ideology; changes in the role of the market; and the response to the political-economic challenges arising in rural China.

**Keywords:** Political change, Political legitimacy, State theory

## 1. Introduction

The aim of this paper is to evaluate the underlining rationale of the reform/opening process and the specific political-economic impact the reform/opening project had on the developments in China. Albeit the reform process generated tremendous economic success, it also led to the development of increasing disparities in income and development between and within provinces and between the rural and urban areas thereby generating various social and economic fractions within China. It is of critical importance, to remember that the reform/opening process was launched with the aim of addressing an increasing legitimacy deficit the Chinese Communist Party (CCP) and its leadership faced in the aftermath of the Cultural Revolution as well as in addressing serious economic underdevelopment. In facilitating the reform/opening process, the Party had to re-formulate crucial aspects of its guiding ideology, this process did not happen without tense internal conflicts. So far, the Party showed an astonishing ability of doing so, yet the question remains: will the Party be able of adapting its guiding ideology in the future as well? In order to develop a deeper insight into the complex political-economic changes we observed in China since the reform process began and the political-ideological challenges these changes represent, a comprehensive analysis is required. This paper will use a variety of primary resources, especially documents from various Party Congresses since the begin of the reform process to analyse, identify and trace the numerous innovations which accompanied the reform/opening process and which were necessary to align concrete developments with the guiding ideology of the Party. In addition, there is also a specific focus on particular issues encompassing changes in ideology and changes in the role of the market.

To begin with, it is crucial to develop a comprehensive understanding of the political-ideological and economic challenges the Party faced in the aftermath of the Cultural Revolution, as these challenges underlined its reform/opening agenda.

## 2. Pressure for reforms

To identify the underlining dynamics of the reform/opening project, it is critical to remember that the CCP faced a fundamental political-ideological crisis in the aftermath of the Cultural Revolution, as the excesses of the Cultural Revolution undermined to a considerable extent the political legitimacy of the CCP to rule. These challenges became very explicit, as the popular trust in its moral and political virtue was almost completely eroded and the disillusionment with the Party increased dramatically not only within the wider population but among its members as well. Consequently, the pressure to re-legitimise its dominant political position in the

aftermath of the Cultural Revolution generated a formidable political challenge for the CCP. Additionally, the backwardness of China's economy, especially in the international context, not only presented a political-economic challenge but also inherited a significant political-ideological component, by challenging the assumption that, as maintained by the CCP, socialism represented not only an alternative, but a more successful avenue of economic development than capitalism does. Accordingly, the superiority of socialism should present itself in the speed of economic development. Yet, the situation we can observe in the late 1970s represented a quite different economic reality as non-socialist states are clearly developing at a much faster rate than China did at that time. Overall, China's underdevelopment became further accentuated when compared with the economic development in other parts of East Asia. Undeniably, if socialist inspired economic growth could not surpass capitalist based growth, socialism risked losing much of its legitimacy and could deprive the CCP of its ideological based claim of legitimacy. Consequently, it is imperative to recognise, that the reform/opening process should not be interpreted as an unavoidable course of action informed by the process of globalisation or as a response to international pressure. Instead, the reform/opening process represents a fundamental political project, indicating the political challenges the Party faced and the need to address various shortcomings within the established political-ideological setting.

Having emphasised the challenges the CCP and its leadership faced in the mid to late 1970s, it is crucial to be aware that a crisis does not simply refer to a situation of immediate breakdown, but instead represent a strategic moment of decision-making. A crisis therefore represents a critical and decisive juncture in the development of a state and its internal structure, by providing an opportunity for re-thinking or re-building of an existing institutional setting. (Note 1) It is also essential to remember, that although stability seems the norm, change is an inherent, constant, factor of political life and political structures are in a continual process of transformation. Yet, the occurrence of a crisis is characterised by increasing the pressure for change and the dynamic underlining this pressure may accelerate. In addition, the structural environment within a specific reform process happens, the specific political-economic context, matters to a considerable extent. The critical impact of existing state structures became apparent, when considering, what Hall describes as economic, administrative, and political viability (Note 2) the extent to which new policy measurements are suitable and will correspond with the existing political-ideological framework. This is a strong reminder of the significance of economic, political and administrative viability on the formulation and dynamic of various reform strategies as not all available courses of action are seen as legitimate within the framework of the governing ideology. Overall, each reform process inherits a specific political logic. The selection of a particular reform approach in itself indicates the existence of this explicit political logic and the critical role the existing state structure plays in this selection process as well as during the implementation of the selected reform strategy.

### **3. Tracing the political-ideological challenges and changes between the 12<sup>th</sup> and 17<sup>th</sup> party congresses**

In a political system where ideology takes such a centre place as in the 1970s China, it was and still is essential that the reform measures were legitimised in ideological terms, albeit the economic success of the reform strategy was instrumental for its acceptance. Providing an ideological foundation for the reform strategy reflected the agendas of all National Party Congresses from 1978 onwards and essential theoretical debates started in the late 1970s and early 1980s. Eventually, pragmatic considerations replaced ideological dogmata, especially regarding economic issue. Yet, periodical appearing economic problems intensified the political-ideological debate regarding the ideological correctness of the reform/opening project. In the context of the early political-ideological debates, the Third Plenum of the Eleventh Central Committee in 1978 not only signalled the begin of the reform/opening period, but in endorsing Deng's dictum on 'practise as the sole criterion of truth', also strengthens Deng's position in defining ideological orthodoxy. Deng emphasised at a speech in 1979 that: 'If we fail to seek truth from facts, all our meetings will be nothing but empty talk, and we will never be able to solve any problems.' (Selected Word of Deng Xiaoping Volume II 1975-82, 'Speech at the all-army conference on political work', June 2, 1978) Two critical theoretical debates of the early 1980s focusing on the 'practice criterion' and the 'criterion of productive forces' where crucial steps in re-defining China's economic ideology. Deng Xiaoping stressed in 1979, that

'Scientific socialism develops in the course of actual struggle, and so do Marxism-Leninism and Mao Zedong Thought. (...) We will not allow Marxism to re-main arrested at the level when particular theses arrived as long as a century ago. This is why we have often repeated that it is necessary to emancipate our minds, that is, to study new situations' (Selected Word of Deng Xiaoping, Volume II, 'Uphold the Four Cardinal Principles', March 30, 1979)

These ideological debates aimed at solving new problems by applying the basic tenets of Marxism-Leninism and Mao Zedong Thought, and in doing so providing political-ideological legitimacy for the reform/opening process.

It is critical to recognise that the reform leadership and Deng Xiaoping himself linked various reform measures and strategies to political-ideological positions Mao Zedong held in earlier times to increase the legitimacy of the reform/opening strategy. Yet, Deng Xiaoping was quite explicit about the limits of re-interpreting the ideological foundations the Revolution and the Party rest on: 'Our Party's unity is based on Marxism-Leninism and Mao Zedong Thought' and 'Without Mao Zedong Thought, the Communist Party of China would not exist today' (Selected Word of Deng Xiaoping Volume II 1975-82, 'Emancipating the mind, seeking truth from facts and unite as one in looking to the future', December 13, 1978). Deng maintained at the 12<sup>th</sup> Party Congress, as pointed out by Chen, that the Party was following the correct line by implementing the reform/opening project, which was articulated by Liu Shaoqi at the Eighth Party Congress in 1956. Yet, back in 1956, this approach, which favoured the development of the productive force, was not implemented for ideological reasons (Chen, 1995). The fundamental nature of the ideological conflict relates to the issue of adhering to the right ideological position and its relevance for addressing the present challenges the Party and China are facing. The critical importance of the Twelfth Party Congress, held in September 1982, was not only underlined by the issue of dealing with the outcome of the Cultural Revolution, but also in defining the principles, strategies and policies underlining the socialist modernisation project. In his opening address to the 12<sup>th</sup> National Party Congress, Deng Xiaoping not only put forward the idea of building socialism with Chinese characteristics but also described the challenges ahead:

'In carrying out our modernization programme we must proceed from Chinese realities. Both in revolution and in construction we should also learn from foreign countries and draw on their experience, but mechanical application of foreign experience and copying of foreign models will get us nowhere. (...) We must integrate the universal truth of Marxism with the concrete realities of China, blaze a path of our own and build a socialism with Chinese characteristics that is the basic conclusion we have reached after reviewing our long history' (Selected Word of Deng Xiaoping Volume II 1975-82 'Opening Speech at the twelfth National Congress of the Communist Party of China September 1', 1982)

Albeit Deng's position represents a strong political statement, the political-ideological challenge continued. At the 13<sup>th</sup> National Party Congress in October 1987, Zhao Ziyang emphasised, as Deng did before, that Marxism is a science that continuously develops in practice and as the world is undergoing immense changes, Marxism too needed to widen its vision, by developing new concepts and entering new theoretical territory (China in Focus, 1987). The 13<sup>th</sup> National Party Congress followed Deng Xiaoping, by emphasising that: 'To build socialism with Chinese characteristics is to integrate the universal truth of Marxism with concrete practice in China' (China in Focus, 1987). To provide an ideological correct rationale for the ongoing reform/opening process, the reform leadership introduced the concept of the 'primary stage of socialism', emphasising that the 'primary stage of socialism' represent a specific historical and transitional stage. In his report, Zhao Ziyang highlights two specific and related features of the primary stage thesis: China, albeit being a socialist country, is still in the primary stage of socialism, because of the backwardness of its productive forces. Hence, China cannot take the socialist road without developing capitalism first. Another critical and related feature is that neither the commodity economy nor the domestic markets are fully developed. We should remember that during the Maoist-period, the market and a commodity economy have been interpreted as the antithesis of socialism and of a socialist economy. The 13<sup>th</sup> National Party Congress also emphasised that the existing contradiction between the expanding material and cultural needs of the people, and the actual backward production capabilities represent the principal condition in Chinese society today. To overcome this contradiction, China has to expand the commodity economy, to raise labour productivity, to modernise its industry and agriculture. Indeed, class struggle no longer represented the principal contradiction (China in Focus, 1987). This echoed statements made by Deng Xiaoping back in 1979, emphasizing that the reform/opening process represented a continuation of the socialist path, stressing that

'The aim of our revolution is to liberate and expand the productive forces.' adding that '[w]ithout expanding the productive forces, making our country prosperous and powerful, and improving the living standards of the people, our revolution is just empty talk.' (Selected Word of Deng Xiaoping Volume II 1975-82, 'We can develop a market economy under socialism'; November 26, 1979)

Even as the pressure of reforming China's socialist economy increased over the course of the reform/opening process, the political-ideological discourse to what extent various market economic features should be integrated with China's socialist economy represented a critical issue throughout the reform process and was primarily framed within the discourse of modernizing and liberalizing the productive force. Being aware of potential critics from the left, that he is taking the capitalist road, Deng Xiaoping stressed that: 'It is wrong to maintain that a market economy exists only in capitalist society (...). We can surely develop it under socialism' (Selected

Word of Deng Xiaoping Volume II 1975-82, 'We can develop a market economy under socialism' November 26, 1979). As the political-ideological debate continued, Deng Xiaoping had time and time again to emphasise the ideological correctness of integrating market features into China's socialist economic system. For example in October 1985 he pointed out that it is of utmost important to overcome the underdeveloped and inefficient productive forces, emphasising

'[w]e used to have a planned economy, but our experience over the years has proved that having a totally planned economy hampers the development of the productive forces to a certain extent', yet '[i]f we combine a planned economy with a market economy, we shall be in a better position to liberate the productive forces and speed up economic growth.' (Selected Words of Deng Xiaoping, Volume III 1982-1992, 'There is no fundamental contradiction between socialism and a market economy' October 23, 1985)

Eventually, the idea of integrating market economic features into a socialist economy was progressively accepted into the political-ideological discourse, and the 13<sup>th</sup> National Party Congress endorsed the argumentation that a socialist planned commodity economy integrates planning with the market. Planning should be done according to the principle of commodity exchange and the law of value and it was emphasised, that under the condition of socialism, planning and the market are not mutually exclusive and that they can be integrated. The 13<sup>th</sup> National Party Congress also confirmed that the reform policy conducted since the Third Plenary Session of the 11<sup>th</sup> Party Central Committee is correct Marxist policy. This indeed made a crucial change in the political-ideological debate within the CCP. However, favouring the extension of the commodity economy without abolishing the socialist economic system reaffirmed the reform leadership's desire to establish a hybrid economic system by combining socialism and market economy features with the critical aim to improve the efficiency of China's socialist economy (Mah, 1990). Yet, as the reform/opening process deepens and the reform leadership faced repeated periodical economic downturns, the division within the reform camp became more accentuated. The increasing tensions between Deng Xiaoping and Chen Yun are a visualized representation of this development. Although being closely allied at the beginning of the reform period, their relationship steadily deteriorated, as they held divergent opinions over the proper course the reforms should take. Chen's approach towards reform was to work within the basic framework of the planned economy thereby maintaining the leading position of the state-planned sector. (Note 3) He was also very concerned regarding possible negative consequences of integrating China's economy into the international economy (i. e. dependence on the outside world) whereas Deng Xiaoping favoured a wider reform of the socialist economy (i.e. including a marketization and opening to the outside). Yet, the influence of the conservatives and the Left was strongly felt when formulating various reform strategies and constituted a continuing challenge for the reform leadership. For example, in the aftermath of the Tiananmen protests, a conservative backlash occurred and Chen Yun's economic view – that the planned economy is primary and the market economy only supplementary – regained prominence in November 1989. However, this prominence did not last for too long, especially when economic development began to slow. This reminds us on the critical issue of generating strong economic growth for facilitating the political acceptance of the reform/opening process. Nevertheless, the evaluation so far clearly indicates that ideology continued to be a crucial subject, and the political-ideological challenge did not fade away as the debates on the two following National Party Congresses (14<sup>th</sup> and 15<sup>th</sup>) clearly signified.

To address the persistent ideological challenges the reform oriented leadership had to re-define the official ideology, before it could be used as an effective tool for legitimating the reform/opening process. Albeit the reform oriented leadership eventually succeeded, modifications in the official ideology were not secured until the 14<sup>th</sup> National Party Congress in October 1992. The 14<sup>th</sup> National Party Congress reaffirmed the relevance of Deng Xiaoping Theory, acknowledged the success of the reform/opening process so far and emphasised that the establishment of a socialist market system represent the major task of the reform drive in the 1990s. However, as mentioned before, it was critical that the reform/opening strategy was successful in economic terms. Indeed the reform process created a sustainable momentum of economic growth and prosperity and in doing so became increasingly political accepted as well. Hence, economic success had a critical impact on the political-ideological debate. However, the underlining fragility of this economic growth strategy surfaced, when the expected economic gains did not materialise or at times when the economy faced difficulties (surging inflation etc.) as happened at various occasions during the 1980s and 1990s. While such ups and downs in economic performance are almost an inherent part of economic development in general, and of a reform project in specific, these cycles in economic performance were instrumentalised by the opponents of the reform/opening process to challenge the course and direction of the reform/opening process. Therefore, not surprisingly, at times of economic retrenchment, the theoretical conflict over the political-ideological correctness of the various reform/opening strategies immediately surfaced and intensified. Confirming the continuity of the reform/open process and

indeed its acceleration at the 14<sup>th</sup> National Party Congress was also crucial because it was the first Party Congress after the 1989 demonstrations, the downfall of Zhao Ziyang and the collapse of Communist rule in Eastern Europe. In addition, the period up to the Congress also witnessed not only the disintegration of the Soviet Union, but the end of the Soviet Communist Party itself. For many observers and analysts, the question was: would developments in China follow that in Eastern Europe, albeit this did not occur, the above mentioned developments clearly resonated within the Chinese Communist Party and the Chinese leadership. Overall, we should not ignore the fundamental political-ideological challenges the demise of communist rule in Eastern Europe and in the Soviet Union presented for the leadership in Beijing, in addition to the political fallout linked to the oppression of the Tiananmen protests. Together, these developments increased again the pressure on the political legitimacy of the CCP significantly. Nevertheless, as future developments clearly indicated, the end of the Cold War also changed the international environment for the better with regard to China's international position and facilitated the continuous reform/opening process as it stimulated international economic cooperation. Furthermore, the challenges as well as the gains made are a reminder of the relevance of the international environment for a domestic reform project. For the backdrop of the above-mentioned political-ideological challenge, providing economic growth became an ever-increasing characteristic of the CCP's legitimacy to rule. Deng Xiaoping himself acknowledged this in the spring of 1992:

'Anyone who attempted to change the line, principles and policies adopted since the Third Plenary Session of the Eleventh Central Committee would not be countenanced by the people; he would be toppled.' Adding that '[h]ad it not been for the achievements of the reform and the open policy, we could not have weathered June 4th.' (Selected Words of Deng Xiaoping, Volume III (1982-1992); 'Excerpts from talks given in Wuchang, Shenzhen, Zhuhai and Shanghai' January 18 - February 21, 1992)

An important topic, rightly anticipated by Deng and other reform leaders, was that the mixed economy could enhance the productive forces, thereby providing the market with an integral role in the modernisation project. The position adopted at the 14<sup>th</sup> National Party Congress equalled Deng's own position who argued that there is no fundamental contradiction between socialism and a market economy, indeed he emphasised:

'The problem is how to develop the productive forces more effectively.' and in combining 'a planned economy with a market economy, we shall be in a better position to liberate the productive forces and speed up economic growth.' Adding '[d]oes this run counter to the principles of socialism? No, because in the course of reform we shall make sure of two things: one is that the public sector of the economy is always predominant; the other is that in developing the economy we seek common prosperity, always trying to avoid polarization.' (Selected Words of Deng Xiaoping Volume III (1982-1992 'There is no fundamental contradiction between socialism and a market economy' October 23, 1985)

This subject whether or not a shift towards a market economy will lead to a capitalist system was a contentious one and did not easily disappear. However, I will return to this issue in the following section when addressing the role of the market economy within the reform/opening process in more detail. Yet, as for the 14<sup>th</sup> National Party Congress, the concept of 'socialist market economy' became firmly established and replaced the previous concept of the 'planned, socialist commodity economy' which was presented at the Third Session of the 12<sup>th</sup> Central Committee in October 1984. Adhering to Deng Xiaoping's strategy also gave additional legitimacy to the new leadership, the first one that did not belong to the founding generation of Communist China. We should not overlook, that despite all the success the reform/opening process generated, the political-ideological challenge persisted. Indeed, the political-ideological issue still haunted the reform leadership and would become stronger in times of economic retrenchments.

The 15<sup>th</sup> National Party Congress, held in September 1997, endorsed the strategy of accelerating the building of socialism with Chinese characteristics by promoting a fundamental shift in the national economy, for guaranteeing further economic growth and advancing the wider goal of economic modernisation. Again, integrating market economic feature into China's socialist economy continued to be a critical topic and Jiang Zemin emphasised at the Congress that emancipating and developing the productive forces constitute a fundamental task of socialism:

'Building a socialist economy with Chinese characteristics means developing a market economy under socialism and constantly emancipating and developing the productive forces.' Adding '[w]e should uphold and improve the socialist market economic structure so that the market will play a basic role in the allocation of resources under state macro-control.' (Selected documents of the 15<sup>th</sup> CPC National Congress, 1997, p19).

Yet, he also outlined more specific goals when declaring '[w]e should accelerate the process of building a complete market system in the national economy' adding '[w]e shall continue to develop all kinds of markets, with emphasis on markets for capital, labor, technology and other production factors' (Selected documents of the 15<sup>th</sup> CPC National Congress, 1997, p. 26). Nevertheless, and as emphasised at earlier occasions, it was stressed that the state-owned sector must remain in a dominant position in major industries as well as in key areas which are related to crucial parts of the national economy. However, the increasing importance of the non-public sector as an important component of China's socialist economy was clearly stated (Selected documents of the 15<sup>th</sup> CPC National Congress, 1997, pp. 22-23). Even as one can identify similarities with statements and descriptions made by Deng Xiaoping and at earlier National Party Congresses, differences can be identified, as at the time of the 15<sup>th</sup> National Party Congress it was stressed as previously, that the public-ownership needed to be the dominant form throughout the economy. Albeit one could argue that this simply reflected the pragmatic attitude of the reform leadership, it also indicates how economic development put continuous pressure on addressing and dealing with the ideological question of how to justify the ongoing expansion of market driven developments into a supposedly socialist economy. A crucial step in resolving the pending ideological dilemma was the success of Jiang Zemin to elevate Deng Xiaoping Theory to another guiding principle for the CCP at the 15<sup>th</sup> National Party Congress. In his report Jiang Zemin emphasised that Deng Xiaoping Theory represented Marxism of present day China and 'seeking truth from facts' embody not only the essence of Marxism-Leninism, but of Mao Zedong Thought and of Deng Xiaoping Theory as well. Furthermore, and critically, Jiang Zemin argues, if we discard Marxist-Leninism and Mao Zedong Theory, we would lose the foundation for political legitimacy (Selected documents of the 15<sup>th</sup> CPC National Congress, 1997, p. 11, 14). Jiang Zemin also emphasised another of Deng Xiaoping's earlier statements that the development of the productive forces should be given first priority and also reiterates the importance of 'learning from facts', by highlighting, that no socialist country ever had attempted such a modernisation process. In addition, the concept of the 'primary stage of socialism' also figured prominently in Jiang Zemin's report, emphasising that China needs to accomplish industrialization and socialist modernization of the economy (Jiang Zemin's Report at the 15<sup>th</sup> National Congress of the Communist Party of China, 2009). He also re-affirmed that the principle contradiction in society is still one between the growing material and cultural needs of the people and the backwardness of production (Jiang Zemin's Report at the 15<sup>th</sup> National Congress of the Communist Party of China, 2009). In doing so, the leadership provided a powerful ideological justification for the ongoing reform/opening process. In addition, Jiang Zemin ranked the reform/opening era among the most important developments in China's recent history, positioning it at an equal level with the revolution of 1911 and the founding of the People's Republic of China in 1949 (Selected documents of the 15<sup>th</sup> CPC National Congress, 1997, pp. 4-5). Nevertheless, the leadership still needed to defend the reform/opening strategy in ideological terms. This continued need for adhering to the correct ideological line put considerable strain on the reform process and had a critical impact on the dynamic of the reform process. Yet, the very same process increasingly undermined the former paramount position of ideology. Furthermore, the ongoing political-ideological impact on the reform/opening process in China also highlighted the implications of a path-dependent reform process, where established institutions and policy concepts still assert certain influences on further developments. It also reminds us of the critical importance of political, administrative and economic viability, as outlined before. Responding to the requirement of addressing a changing social-economic environment, Jiang Zemin introduced the 'Theory of the Three Represents' (News of the Communist Party of China, 'Three Represents', 2009). By emphasising that the purpose of Chinese socialism was to enhance the country's production capacity, and as entrepreneurs just doing this, Jiang Zemin stressed, entrepreneurs are good socialists and therefore qualified to join the ranks of the Party. Yet, this approach stirred up a strong controversy with the conservative elements within the CCP, albeit Jiang Zemin was not the first to argue in this way. Chen Yun already presented similar arguments in a Speech at the Eight Party Congress in September 1956, by pointing out that:

'the overwhelmingly majority of the national capitalists do in fact possess, in varying degrees, a knowledge of modern techniques of production and management. We need such useful knowledge as they possess.' And 'it will be not to the advantage of the cause of the working class if they fail to enlist into its service those national capitalists who are willing to do their bit to build China into a prosperous and powerful socialist country.' (Yun, 1956)

However, we should remind ourselves that it was not so long ago that entrepreneurs represented the primary class enemy, not surprisingly arguing in favour of their integration into the Party did gather strong resistance from parts of the Party. Despite strong opposition from the left, Jiang Zemin succeeded in enshrining the 'Theory of the Three Represents' in the Party constitution at the 16<sup>th</sup> National Party Congress, held in November 2002, and it now stands along with Mao Zedong Thought and Deng Xiaoping Theory. In his political report to the

Congress Jiang Zemin pointed out that the ‘Three Represent’ represent ‘a continuation and development of Marxism-Leninism, Mao Zedong Thought and Deng Xiaoping Theory, and it reflects new demands on the work of the Party and the state arising from developments and changes presently occurring in China and the world over’ (News of the Communist Party of China, Three Represents, 2009). Again, clearly indicating that the requirement for addressing the ideological issue continues, despite the tremendous economic success the reform/opening process and the acceleration of this success generated as the data in Figure 1 clearly shows. In addition, to the impressive economic performance, Figure 1 also indicates that this success does not just reflect the availability of cheap resources, but is related to a distinctive growth of the secondary and tertiary sectors from the late 1990s onwards, thereby indicating not only strong economic growth but also a shift into more developed segments in its economy. This economic success also facilitated the ongoing process of combining the socialist economy with market guided instruments and the integration of public-ownership and private-ownership structures within a single economy. In his report to the 16<sup>th</sup> National Party Congress Jiang Zemin stressed that: ‘The socialist market economy has taken shape’ adding that ‘[t]o develop a market economy under socialism is a great pioneering undertaking never tried before in history (People’s Daily Online; ‘Full Text of Jiang Zemin’s Report at 16th Party Congress’, 2009). Jiang Zemin not only greatly valued the important role the market played in providing economic growth and development and in strengthening China’s position in the world, but called for further market reforms as well. He emphasised that by improving ‘the modern market system and tighten and improve macroeconomic control, [w]e should give a fuller play to the basic role of the market in the allocation of resources and build up a unified, open, competitive and orderly modern market system’ (People’s Daily Online; ‘Full Text of Jiang Zemin’s Report at 16th Party Congress’, 2009).

This embracing of a mixed economy continued at the 17<sup>th</sup> National Party Congress, and Hu Jintao stressed the leadership’s ongoing commitment to the reform and opening course and presented the related theoretical innovations as the correct way forward for China:

‘To sum up, the fundamental reason behind all our achievements and progress since the reform and opening up policy was introduced is that we have blazed a path of socialism with Chinese characteristics and established a system of theories of socialism with Chinese characteristics.’ Adding that ‘In contemporary China, to stay true to socialism means to keep to the path of socialism with Chinese characteristics.’ (Hu Jintao’s report at 17th Party Congress, 2009)

In addition, he too pointed out, that ‘building a moderately prosperous society in all respects is a goal for the Party and the state to reach by 2020’ (Hu Jintao’s report at 17th Party Congress, 2009). The 17<sup>th</sup> National Party Congress also saw a further commitment to theoretical innovations as well as a reaffirmation that economic development represents the principal task for the leadership. It was also confirmed that China was still in the primary stage of socialism. Among the theoretical innovations at the 17<sup>th</sup> National Party Congress we can identify the concept of ‘The Scientific Outlook on Development’. In his Speech at the 17<sup>th</sup> Party Congress Hu Jintao highlighted that this concept represent

‘a continuation and development of the important thoughts on development advanced by the previous three generations of central collective leadership of the CPC’ emphasising that ‘It is a scientific theory that in the same line as Marxism-Leninism, Mao Zedong Theory, Deng Xiaoping Theory and the important thought of Three Represents and keeps up with the times.’ (Hu Jintao’s report at 17th Party Congress, 2009)

He then outlined the basic components:

‘[It] takes development as its essence, putting people as its core, comprehensive, balanced and sustainable development as its basic requirement, and overall consideration as its fundamental approach.’ However Hu Jintao also added that ‘Social harmony is an essential attribute of socialism with Chinese characteristics (....).’ (Hu Jintao’s report at 17th Party Congress, 2009)

Albeit the concept of ‘The Scientific Outlook of Development’ was already mentioned at the 16<sup>th</sup> Central Committee in 2003, it was at the 17<sup>th</sup> National Party Congress, where the Party constitution was amended to incorporate this concept. In doing so, the Party and its leadership again show its determination to address the political-ideological challenges accompanied with the reform/opening process as well as to keep the Party the leading power in Chinese politics.

The above discussion identified strong elements of continuity as well as some novel theoretical contributions characterising the 17<sup>th</sup> National Party Congress as the CPC keep developing new concepts to integrate and address reform related issues within the political-ideological framework. This remind us, and clearly indicates, that despite the economic success the reform/opening process generated, the ideological challenge did not fade

away and adherence to the right ideological path – albeit re-defined on various occasions – remains a crucial issue for the CCP.

#### 4. Economic development, inequality, and political discontent in rural China

The reform/opening process brought considerable economic development to China and its population, but not all of China's population were able to participate equally in this economic success. Yet, providing equality and economic development for the whole population represent a critical issue for the CCP. In December 1990, when Deng spoke in favor of integrating market economic features with the socialist economy he pointed out that: 'The greatest superiority of socialism is that it enables all the people to prosper and common prosperity is the essence of socialism. If polarization occurred, things would be different' (Selected Words of Deng Xiaoping, Volume III, 1982-1992, 'Size the opportunity to develop the economy', December 24, 1990). Yet, as the reform/opening process deepened, it generated its own dynamic which saw the steadily expansion of an increasing income and development gap between and within provinces as well as between rural and urban areas. Albeit the reform leadership accepted a development differential as unavoidable, but temporary, side effect on the road to modernisation, neither the dynamic nor the scale of this development were anticipated in full. The data presented below clearly indicating the dimension of this challenge. However, it is critical to remember that at various times, different economic sectors and strata of China's society profited from the reform/opening process. For example, the early reform measures within the agricultural sector brought enormous development and income opportunities to the rural communities, and thereby transformed the lives of huge parts of China's rural population. Nevertheless, not all rural communities were able to profit from these early reforms steps equally. In addition, the data presented in Figure 2 clearly highlighting not only that the trend of uneven economic development became increasingly pronounced as the reform/opening process continued, but the data also indicating an accelerating trend of development within the leading group of provinces from 2003 onwards. Another issue of inequality with equal critical implications are the increasing income gap between rural and urban areas, albeit rural areas profited from the early reform measurements as mentioned above. Yet, when evaluating this trend, not all data are pointing towards an increasing gap between rural and urban areas, as the data in Figure 3 and Figure 4 demonstrating. However, the increasing income gap becomes noticeably when focusing on the data presented in Figure 5. In addition, lesser development did not only result in lesser income opportunities for parts of the rural communities, but also had wider social and welfare implications. With the demise of the commune system many social services and rural infrastructure were also neglected, as for example the water irrigation system. This deterioration of infrastructure and welfare provisions at the local level within rural China continued as the reform/opening process continued, and represent an ever-increasing challenge for the political stability of rural China and by extension for the CCP. Mark Blecher emphasises that a source for the decline of rural infrastructure can be identified in the financial crisis many village governments faced since the reform period began, many are literally bankrupt (Blecher, 1997). To counter the rural administration's shortfall of income, local leaders introduced an array of taxes on the rural population, but as they often failed to deliver on their promises, rural protest dramatically increased. As noted by Linda Jakobson, instances of rural unrest increased markedly since the mid-1980s. In 1991 rural China witnessed 1.7 million cases of resistance, 8,200 cases of injured or killed township and county officials and the ransacking of 560 county-level offices (Jakobson, 2008). These increases of rural unrest are an ample indication for social generated tensions within rural China, and over time developed into a serious political issue for the CCP, overall, the stability of rural China is of critical concern for the government and the party. It should be stressed, that social inspired political instability represents the current most likely source in challenging the political dominance of the CCP. Overall, most of China's population still lives in rural areas and the political control over rural China is essential for the CCP's hold on power. Although the CCP continued to represent a key institution in rural China, abandoning the commune system has undermined its ability of mobilising the rural masses and to control local governments, hence weakened its grip on the rural areas and the rural population. In addition, as economic decisions were increasingly made in the private sector, the CCP's fading economic power further weakened the CCP position in rural China. In addition, and related, the CCP also faces an increasing legitimacy deficit in wide parts of rural China. A critical issue is the increase in the number of corrupt officials. Village Elections were seen as a method of increasing the accountability of cadres and in providing an additional basis for legitimacy for the CCP. (Note 4) The then vice-chairman of the National People's Congress Standing Committee, Peng Zhen, viewed them not only as a process conform with party rule, but hailed them as an instrument of tightening the party grip on parts of rural China., Peng went so far, to interpreted the issue of village democracy as a matter of 'life and death' for the ability of the Party to control rural China, as Village Election could prevent the further deterioration of cadre-mass relations in rural China. Arguing that the party itself was no longer able to supervise its rural cadres, but village election would enable the villagers to do so

(O'Brien and Li, 1999, p.469, 474). It is crucial to be aware, that village elections are not an aim in themselves, but representing a specific strategy of addressing the increasing instability within rural China and the emerging legitimacy deficit the CCP faces in rural China. Consequently, one should not expect that the introduction of Village Election will automatically lead to elections at other administrative levels of governance in China. The introduction of the Organic Law of the Village Communities in November 1987 finally brought official recognition of the village elections, albeit it did not end the disputes related to them, and critical voices remain. One contentious issue is, especially aired at the local, township, and county level that village committees may would become to independent from the party structure and therefore will hinder the implementation of national policies.

The developments we witnessed in rural China since the beginning of the reform period, are a good indication for the success as well as the challenges a specific regime face during a reform process, but equally highlighting the inherent dynamics and challenges of every reform process. There is no doubt, that the introduction of private aspects of agricultural production methods, the implementation and extension of market economic features into the rural economy added to the emerging social contradiction we can observe in today's China. However, it should not be forgotten that it was the success of the early reforms within the agricultural sector, which was instrumental, for extending the reform/opening process and to include urban areas and other industrial sectors as well. In addition, and critically, it also reminds us, that success at one stage of a reform process, does not guarantee success at a later stage as new developments and dynamics also provide new challenges to political legitimacy, despite past accomplishments. Finally, the reform/opening process is also a reminder that each reform process has its own dynamic, a dynamic that cannot be completely anticipated in advance

## 5. Conclusion

The main argument presented in this paper is to highlight that the reform/opening process represent a fundamental, conscious and deliberately political process, instead of an unavoidable outcome of international politics or global economic developments. Instead, the reform/process occurred as a response to the fundamental political-ideological challenges the Communist Party was confronted with in the aftermath of the Cultural Revolution. In the late 1970s the Party faced a combination of fundamental political-ideological and economic challenges, and had arrived at critical junction in its history, the reform/opening process represented a specific strategy of addressing these challenges. The reform/opening process also remind us that a crisis not only represents a period of great challenges but also offer the opportunity of reformulating fundamental political strategies. The paper identifies the extent and dynamic of political-ideological innovations, which were necessary to address the political-ideological challenges the various reform measures generated and that modernizing China's economy represented another critical issue. Not only did the aim of modernizing China constituted a prominent subject since the CCP was founded in the early 1920s, in addition, if China's economic development lay behind that of capitalist states, how can the socialist system be interpreted as the more successful one, a position emphasized by the Communist Party. As the reform/opening process continued and deepened the reform leadership constantly had to adapt the guiding ideology to integrate the economic reform measurements it introduced thereby creating and integrating new theoretical innovations into its guiding ideology. The argument put forward by the reform leadership was that in doing so, the Party not only advanced the understanding of Marxism, but in modernizing China it will fulfill one of its fundamental promises: that China became a powerful and respected nation again. Overall, economic development was and is interpreted as the central task since the reform/opening process began. The economic success generated was instrumental in re-legitimizing the Party as the leading force in Chinese politics. However, the inability of the government in directing international investment away from the coastal areas towards the interior and the western provinces, the disappointing outcome of its 'Go West' policy, provides an illustrative example for the limitation of politics. Furthermore, as the reform/opening process evolved we witnessed an emerging gap in development and income between and within provinces and between rural and urban areas. The economic data so far indicating that this trend will continue. This situation already increases the political pressure on the Party and could have the potential of undermining its legitimacy to rule, especially within rural China where most of China's population still lives.

Albeit the Communist Party so far showed a remarkable ability, not without strong internal disagreement, to reformulate various parts of its guiding ideology it still represent on open issue, to what extent it will be able of doing so in the future. We also should keep in mind that the reform process was launched by the Party to regain political legitimacy and this not only represents the crucial goal today, but also defines the limits and perimeters of the reform process, consequently limiting the options available for future adaptations. Albeit pragmatism worked for a long time, and quit successful, we still should ask ourselves will it always work? One day the Party

may find itself at another historical junction where it will have to decide which road it will follow, or more precise will be able to follow. Therefore, we should be rather cautious to conclude - albeit we witnessed an incredible economic success over the last thirty years - that the road ahead will be more or less a similar success story. Indeed, there exists a danger that we are too eager in accepting that future developments in China will mirror the successful experience of the previous thirty years. Over the reform period various leader, among them Deng Xiaoping and Hua Jintao, emphasised that socialism is an open system that keeps developing, consequently how the current and future leadership will interpret the meaning of socialism and the path it will follow, will be of crucial importance, not only for China and its population, but for the world as well. One thing is for sure, whatever the answer, the world will listen.

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#### Notes

Note 1. For a more comprehensive discussion on the issue of crisis and the implications for state development see Colin Hay, 'Crisis and the structural transformation of the state: interrogating the process of change', in: *British Journal of Politics and International Relations*, Vol. 1, no. 3 (October 1999), pp. 317-344; and G. John Ikenberry, 'Creating Yesterday's New World Order: Keynesian 'New Thinking' and the Anglo- American PostWar Settlement', in Judith Goldstein and Robert O. Keohane (ed), *Ideas and Foreign Policy: beliefs, institutions, and political change*, (New York, Cornell University Press, 1995), pp. 57-86

Note 2. 'Economic viability' refers to the capacity of resolving actual economic problems, whereas 'administrative viability' refers to the ability to what extent the new set of economic ideas will fit into the established administrative biased of the decision makers involved and the existing capacities of the state to implement them. 'Political viability', refers to the suitability of the new ideas to facilitate the existing goals and interests of the dominant political actors. See Peter A. Hall, 'Conclusion; the Politics of Keynesian ideas', in Peter A. Hall (ed), *The Political Power of Economic Ideas: Keynesianism across Nations*; (Princeton University Press, 1989); pp. 370- 371

Note 3. Chen Yun's approach was sometimes described as 'bird-cage' system in which economic activities (the bird) would be allowed more freedom to response to economic signals, but only within the planned economy (the cage). Thus, the planned economy would still constitute the fundamental principal.

Note 4. Originally, the development of village elections represented a button-up process. It started in early 1981, as villagers in few Guangxi villagers decided to elect their own leaders, to fill a political vacuum. At time, this was a very local experiment, and in the early 1980s villagers' committee were relatively autonomous non-governmental bodies, and not involved in the allocation of state resources. See Lianjiang Li and Kevin J. O'Brien 'The Struggle over Village Elections', in Merle Goldman and Roderick MacFarquhar, eds., *The paradox of China's post-Mao reforms*, Cambridge: Harvard University Press, 1999, pp. 135-6.

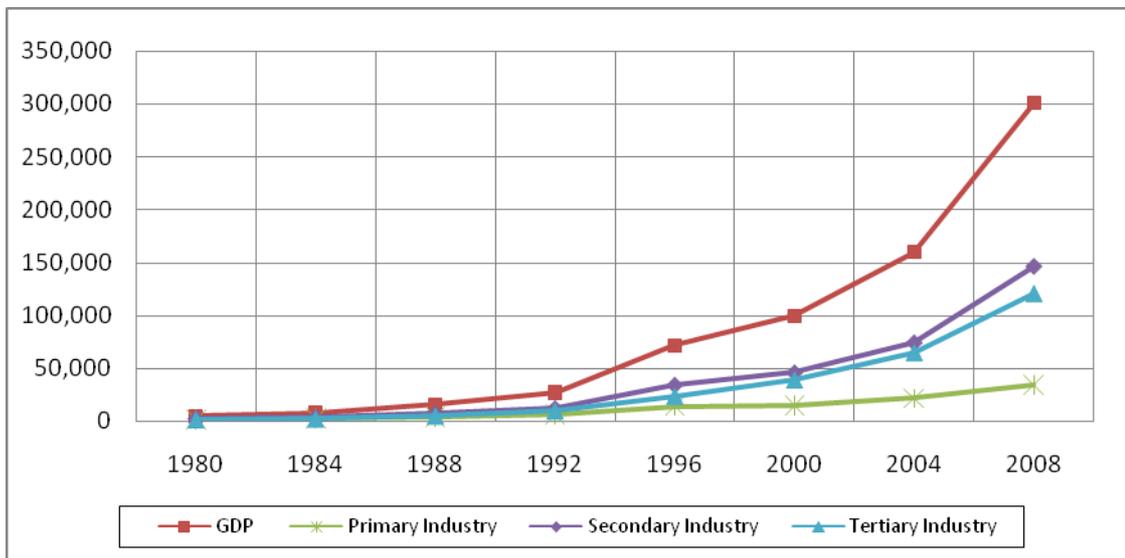


Figure 1. China's Gross Domestic Product

Source: various online editions of the Statistical Yearbook of China

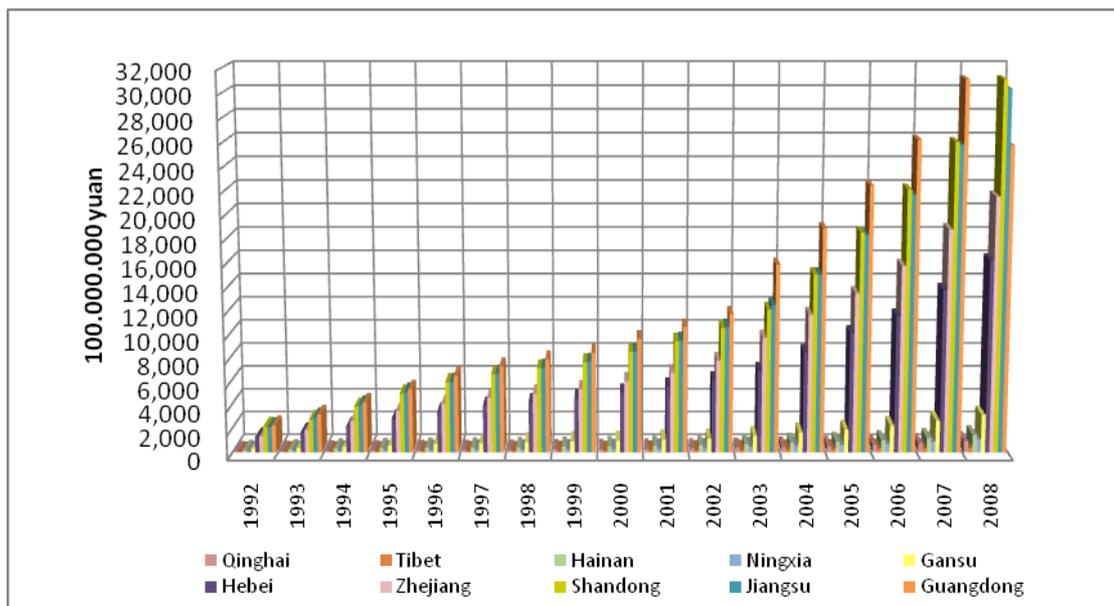


Figure 2. Gross Domestic Product of Selected Provinces

Source: Various online editions of the Statistical Yearbook of China

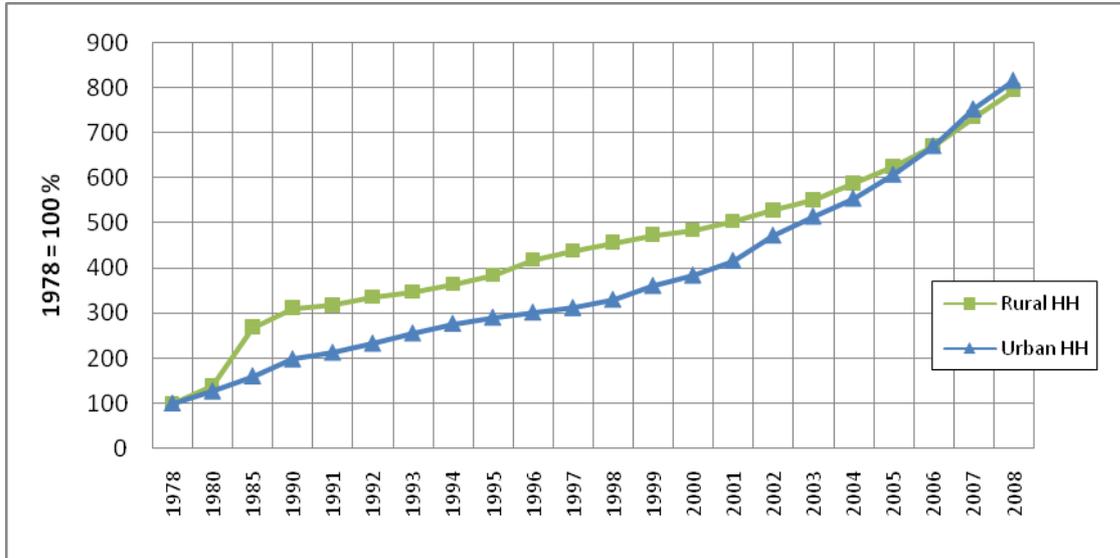


Figure 3. Per Capita Annual Disposal Income Index

Sources: Various online editions of the Statistical Yearbook of China

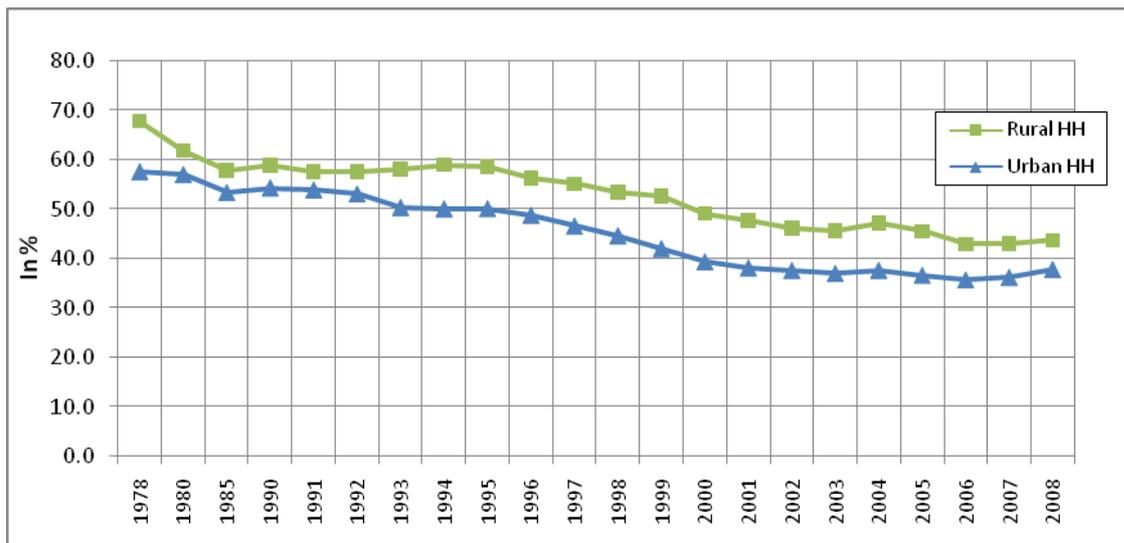


Figure 4. Engel's Coefficient

Sources: Various online editions of the Statistical Yearbook of China

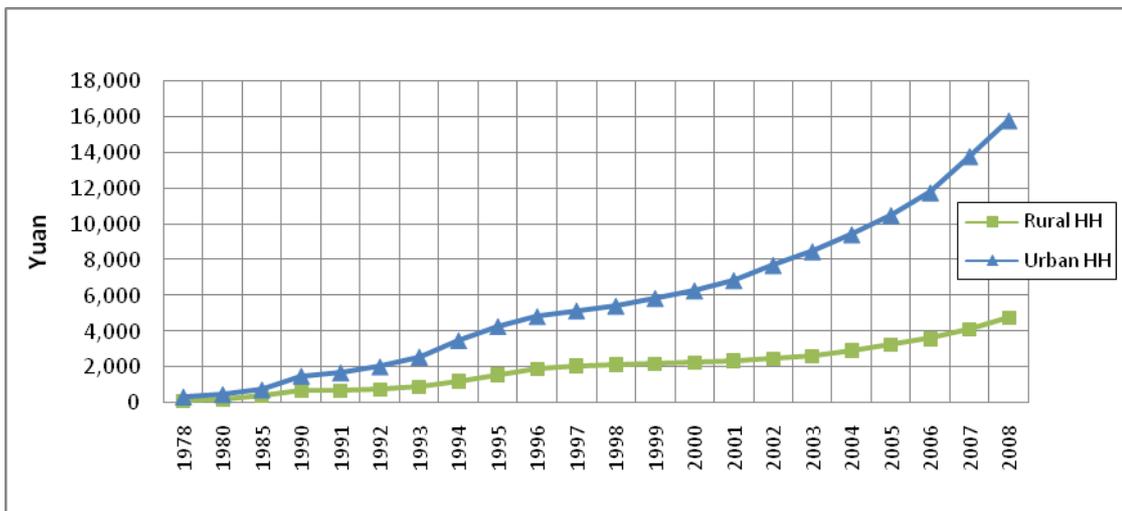


Figure 5. Per Capita Annual Disposable Income in Yuan

Source: Various online editions of the Statistical Yearbook of China