

The Sixteen CCP Congress and the Beijing Olympic Games

Jonathan STORY

For the first time in the history of the People's Republic of China (PRC), the Party Congress has staged an orderly and peaceful transfer of power from one generation of leaders to the next, while all around the party-State, everything is in transformation. Political continuity, much current commentary about China runs, contrasts with the huge economic and social changes underway¹. The argument here is that the CCP is in metamorphosis, verbally committed to continuity, but in effect committing slow political suicide by changing its inner nature while discarding its outer skin. Mao's political heirs continue Deng's policy of putting class war on the backburner, while bringing development to the front. Membership in 2002 of the World Trade Organisation (WTO) in effect places Western norms at the heart of China's business system, while we may expect the introduction of discrete changes in political norms of the CCP in the run up to the 2008 Beijing Olympic Games. This article looks back over the previous decade, starting with the CCP's immediate political problems, the CCP's response to the 1997-1998 East Asia crash, the powerful reasons militating against mindless defence of the status quo, the irreversibility of China's interdependence with the rest of the world, and the likely implications of what can we expect².

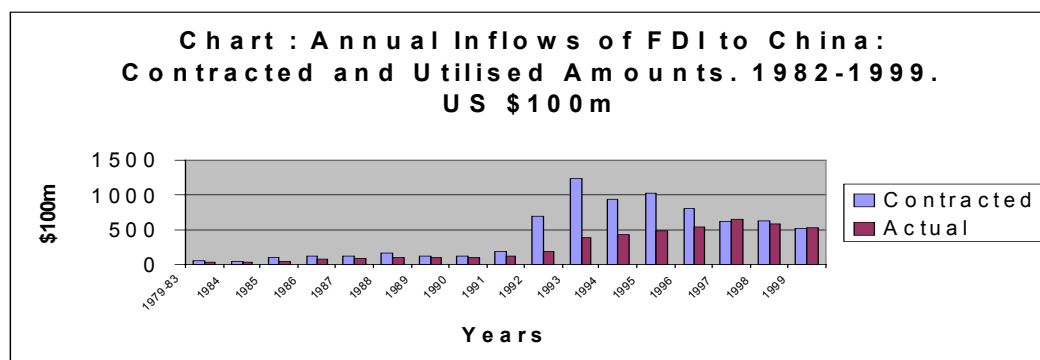
Taking the plunge

Jonathan Story is a Shell Fellow in Economic Transformation and a Professor of International Political Economy (INSEAD). This article is based on the author's book: *China: The Race to Market* (Pearson's, April 2003).

¹ There is a flood of books on where China may be heading. Journalists' accounts tend to be draw negative conclusions. See Eric Meyer, *Sois riche et tais-toi ! Portrait de la Chine aujourd'hui*, Paris: Laffont, 2002 (in French) ; Joe Studwell, *The China Dream: The Quest for the Last Untapped Market on Earth*, New York: Atlantic Monthly Press, 2002 ; Gordon G. Chang, *The Coming Collapse of China*, New York: Random House, 2001. More cautious assessments come from China scholars, such as Joseph Fewsmith, *China since Tiananmen: The Politics of Transition*, Cambridge (U.K.): Cambridge University Press, 2001; Jean-Luc Domenach, *Où va la Chine ?* Paris: Fayard, 2002 (in French).

² This article draws on my book, *China: The March to Market*, London: Pitman's, 2003.

A decade ago, the PRC was in the throws of recovery from the series of shocks following the hostile Western reactions to the regime's bloody crushing of the student demonstrations in June 1989 on Tiananmen Square, the collapse of the party-States in central and south-eastern Europe, the U.S.-led coalition victory over Iraq in early 1991, and the collapse of the Soviet Union in December that year. Under Deng's guidance, official policy eventually settled on committing China at the 14th Party Congress in October to "faster and bolder" economic reforms in the direction of a "socialist market economy", involving price de-regulation, the marketisation of state enterprises and the promotion of foreign direct investment. The prospect of a Chinese El Dorado touched off a China boom, accompanied by a flood of inward investment³.



It was a well known truism by the late 1990s that the genie of market reforms were out of the China bottle, and that the genie of reform from above or revolution from below were struggling to escape. Deng's reforms ensured rejuvenation of the CCP leadership, compared to Breschnev's approach that all his cronies age with him. It offered the people prosperity, and wielded a big stick. Party ideology was used flexibly, and western market-leninist proposals for big-bang policies ignored in favour of careful exploration of alternative avenues for action.

Yet it was clear, to many foreign observers, that the political status quo in China is not sustainable. The paradox in the CCP's situation is that it can neither defend an indefensible status quo, nor proceed with gradualism as a formula for policy in a China which is changing ever faster. If the CCP were to allow

³ William Overholt, *China: The Next Economic Superpower*, Weidenfeld and Nicholson, 1993.

another disaster to occur, it would never be forgiven. This is where the results of the recent Party Congress are so significant. The CCP has to introduce reforms in the party in the name of China's political stability. Evolution, not revolution, is the recipe for success, and right now the evolution of things is to be speeded up.

On the side of continuity, the nomination of Hu Jintao at the 16th CCP Congress represents the first case in the recent history of the PRC where a leader is designated, in this case by Deng, trained, and then promoted successfully to the top position. Just before the Congress, precedents indicated that the job of number two was considered as "living with a tiger". Former number twos like Liu Shaoqi, Lin Biao or more recently Zhao Ziyang, were purged and punished. It is also interesting to note that a number one like Hua Guofeng—designated by Mao to replace Zhu Enlai as Premier in 1976 and afterward to replace the Chairman Mao himself a few months later, as Secretary General and Chairman of the Central Military Commission (CMC)—was expelled by Deng two years later. What we know is that Hu Jintao has survived as number two, but will he survive as number one? The person to watch is Zeng Qinghong, Jiang's heir. His career has ran parallel to Jiang's, since his time in Shanghai as a mayor, also with a past in the oil industry and well respected, by contrast to Hu, among the PLA generals. Zeng's father was a general and national hero during the revolution. Jiang's Chairmanship in the CMC will ensure his support and strengthen Zeng's position within the Politburo Standing Committee. The answer as to Hu Jintao's survival powers may have to await the CCP Congress in 2007.

On the side of change, the process of political de-maoisation has started and, moreover, there is no sign of turning back. The changes made in the Party's Constitution during this 16th Party Congress are the biggest and probably the most important for the future. Jiang has gained a place in the PRC heaven next to Mao and Deng, and his "Three-Represents" theory is now recognised officially as the new ideology and spiritual beacon for the PRC. If Mao Zedong's thought is part of the past, Deng Xiaoping's theory, which started the economic de-maoisation, now has an equal. The thrust of this theory is to extend the party's constituency beyond its traditional boundaries to embrace a much wider section of the population. In this way, the apolitical masses can be pulled away

from being drawn to the activist opponents of the regime. It is also compatible with more competition through elections to posts within the party.

China and the East Asian crash

Fortunately for the regime, China emerged relatively unscathed from the Asian crash of 1997-98. Contagion was avoided on account of continued currency controls, the large size of the domestic market, counter-cyclical spending and further steps to open China to inward investment. There were other factors, both domestic and international, which determined the leadership against clinging to an unsustainable status quo.

Foremost among these was the agenda of Greater China. In 1993, the Taipei government had opened a campaign to upgrade the island's profile as an international player. There were two main reasons for this shift⁴.

- Taiwan found itself a hostage to U.S.-China trade battles. The U.S. refused China developing country status because of its high level of manufacturing exports. Much of this flowed from extensive Taiwanese investments on the mainland, which accounted for upwards of 50% of the PRC's total exports⁵. Matters were made worse by reports that Taiwan businesses on the mainland were engaged in intellectual property theft;

- the other reason was that the June 1989 tragedy on Tiananmen Square gave a powerful impetus to an active Taiwan democracy movement. A prime political demand was an end to the ruling Kuomintang's reunification policy. This inflamed opinion in the mainland party-State, which broke off relations with Taiwan in June 1995, and then conducted military exercises, and missile firing tests off the Taiwan coast at the time of the general elections there in March 1996. Mainland threats prompted the U.S. to deploy two aircraft carriers in the Taiwan Straits.

⁴ See Nancy Bernkopf Tucker, "The Taiwan Factor in the Vote on the PNTR for China and its WTO Accession", NBR, Vol. 11, No. 2, July 2000. pp. 5-18.

⁵ See Wanda Tseng and Harm Zebregs, "Foreign Direct Investment in China: Some Lessons for Other Countries", IMF Discussion paper, PDP/02/3. Also, Françoise Lemoine, "FDI and the Opening Up of China's Economy", CEPPII, No. 11, June 2000.

Both the U.S. and mainland China drew back from confrontation, and by October 1997 the conditions were ripe enough for Clinton to set the tone⁶. Emphasising the benefits for the U.S. of working closely with China in confronting the many challenges facing Asia-Pacific countries, the President insisted that China was being drawn into “the institutions and arrangements that are setting the ground rules for the 21st century—the security partnerships, the open trade arrangements, the arms control regime, the multinational coalitions against terrorism, crime and drugs, the commitments to preserve the environment and to uphold human rights”. “This, he said, is our best hope, to secure our own interest and values and to advance China’s in the historic transformation that began 25 years ago, when China reopened to the world.” A pragmatic policy of engagement, he concluded, “of expanding our areas of co-operation with China while confronting our differences openly and respectfully”... is much better than a policy of confrontation, predicated on the belief that China’s institutions do not evolve. Seeking to confront and contain China before it becomes too strong is “unworkable, counterproductive, and potentially dangerous”.

For China’s leadership, a close embrace with the U.S. spelt adoption over time of Western formulae for good governance—the rule of law, property rights, accountable institutions, economic society, freedom of religion and speech. Doing so China-style would mean that the State reserve itself the discretion to set the details of policy, but not to challenge the norms, as Mao had done. Yet the leap to redefine governing norms would entail a prolonged internal struggle between conservatives and reformers. Hence, the preference for partial reforms via experimentation, as coalitions of conservatives and reformers form around discrete policy areas rather than line up along major political fissures in the Chinese body politic. In any case, the regime has to juggle so many balls at once: extending civil rights while keeping old powers; dismantling its own privileges while extending the catch of beneficiaries from China’s transformation; establishing an independent judiciary in a country with no experience in the rule of law; and building an economic society, predicated on

⁶ The White House Office of the Press Secretary, “Remarks by the President in address on China and the National Interest”, *Voice of America*, Washington D.C., October 24, 1997.

property rights, the abolition of which had lain at the heart of Mao's destructive revolution.

No mindless defence of the status quo

China's leaders prefer to run the risk of reform than to encamp on an indefensible status quo on the grounds that "China is different". China's accession to the WTO in 2002 signals clearly the regime's determination to accept the constraints and opportunities of economic and political interdependence. The achievement of Deng and his successors is to work through, by mistake as much as by foresight, to a conservative marriage of old and new as essential for China's reforms to take root. Occasional outbreaks of hubris and paranoia have occurred—under Mao, after the June 1989 massacre, during the March 1996 confrontation over Taiwan, in response to NATO's bombing of the Chinese embassy in Belgrade, and in early 2001 over the Hainan incident.

Were the leadership to opt for rigid conservatism, the likelihood of the CCP travelling down the road taken by the Soviet Union would be very high. Such was the harsh verdict of a best-selling book, *Viewing China Through a Third Eye*, published in 1994, and written by a confidant of one of the regime's "princelings", or sons of prominent regime members⁷. China, the anonymous author writes, is not on the verge of independent industrialisation, but on the verge of a return to the *da luan* of the past the chaos of political conditions experienced by Chinese people over the more than 100 years stretching from the first opium war of 1839 through to Deng's accession to power in late 1978. The regime has been in power over 50 years and never faced an election. Discontent is rife in the party's core constituencies of workers and peasants. "The latent crisis in Chinese society is very serious", the author writes, and the coming disaster will be triggered by a massive and uncontrollable rural emigration⁸.

⁷ "Viewing China Through a Third Eye", translated in FBIS Daily Report, *China Supplement*, 19 April 1995.

⁸ On this theme of a peasant uprising, see Jack A. Goldstone, "The Coming Chinese Collapse", *Foreign Policy*, Summer 1995, pp. 35-54.

The Cassandras of the regime have been listened to on two accounts: preservation of the CCP's hegemony, and a broad acceptance of the immediacy of the challenges confronting China on a daily basis. Where public policy diverges from the Cassandras' is that the party-State is caught in a relentless vortex of transformation. The more the market mechanism is allowed to play, the more inherited structures and policies have to be ditched, and new ones created. Mindless protection of the status quo is not an option. Quite the contrary, the party-State has pressed on with accelerated reforms, while seeking to ensure that in each particular area of policy, there is a sufficient broad constituency of support to make further reforms politically viable. The urgency of the task confronting the regime is captured in the response of former Premier Li Peng to a question by Ken Courtis, vice-Chairman of Goldman Sachs, Asia, as to why Li Peng took so long to decide on a clear anti-inflationary policy: "Mr Courtis, imagine that you are running a marathon, and that there are 1.3 billion Chinese running as hard as possible behind you. Would you turn around and shout for them to halt?"

Challenge No 1 for the regime is jobs. By 2020, the economy will have to find work for anywhere from 400 to 700 million people. There are three key ingredients for success: one is to keep the labour market maximally flexible, often at the expense of the rights of workers; a second is to devolve much more responsibility to officials in medium-sized townships, in order to make the best use possible of scarce resources to build infrastructure; the third is to measure all related policies to the over-riding consideration of using scarce resources efficiently. In practice, that means giving maximum encouragement to private business. With an estimated 15 million new entrants per annum through to 2020, plus restructuring in state-owned enterprises (SOEs), township and village enterprises (TVEs) and in agriculture, unleashing private enterprise on China is the only way forward, short of an explosion of unemployment and violence in countryside and cities. Private enterprise created new jobs at the rate of 29% per annum from 1990 to 2000⁹.

Challenge No 2 is growth. At little more than 3% of world income and product at the turn of the millennium, China is still a very low income country. Over 600

million people lived on under \$2 a day in 2000, compared to over one billion in South Asia. By 2020, if China keeps to present performance, the figure could be down to 200 while South Asia would barely have changed¹⁰. As mortality rates have fallen, the average number of children per woman has fallen, despite a 95% marriage rate of Chinese women. This has created a bulge first of the young, now of the employed population for the period 1990-2025, and thereafter of the old. The implications of China's demographics are clear enough: only a dynamic, privately-owned market economy can hope to generate the jobs needed in China over the coming decades; China's abundant savings will have to be channelled efficiently in order to raise the productivity of labour and capital to levels where the economy can readily carry the growth in pension and health costs of an ageing population; to ensure that wealth grows rapidly if not evenly, China's potential in human capital must be developed. Presently, China ranks number 119 in the world league for per capita spending on education.

Challenge No 3 is to sustain the high savings rate at 43% of national income—the world record—which lies at the heart of China's transformation. Families in China quickly resorted to saving for future generations after the dismantling in the 1980s of Mao's communes, followed by marketisation in the 1990s of the party-State business system. Fortunately, the habits of abstinence required in the past to maintain a large family carried over to a working couple with one child. Chinese households put their money in the banks, then in government bonds, and finally some placed them in corporate equities. The implication for the party-State's policies were overwhelming: to keep faith in China's growing financial markets, the regime had to accelerate structural change, develop private enterprise, implement—however reluctantly—bankruptcy law, create transparency of financial markets and crack down visibly and dramatically on crooks—including especially those from its own ranks. In particular, the party-State has no option but to ensure that China's retail investors earn a real return. That means disallowing inflationary policies, and greatly improving financial market regulation and corporate governance practices.

⁹ See International Finance Corporation, "China's emerging private enterprises: prospects for the new century", <http://www.worldbank.org.cn/English/IFC/pssr.pdf>.

Challenge No 4 is for the party-State to withdraw from business. This is not just an argument about the more efficient use of resources, where the PRC can record notable improvements¹¹. It is more importantly about improved governance. For a moment in the 1990s, there had been some hope for China to learn from Japan and Korea. But Japan's lost decade, and the won's collapse in January 1998, blew a hole in any expectation the regime may have entertained to morph the CCP into an Asian developmental state. The surge in non-performing bank loans in the subsequent years only served to underline the dangers of state involvement in the capital allocation process. Meanwhile, the institutional pluralism inherent to mature post-totalitarian regimes was accentuated, as companies owned by ministries from central, provincial or city governments competed and co-operated with each other across political and sector boundaries. Selling off businesses became an urgent requirement to pre-empt competition from markets filtering up political hierarchies, and aggravating inter-bureaucratic rivalries. This was a prime motivation in the regime's moves to accelerate the process of separating business and politics as fast as possible. Foreign corporations were already organised as official lobbies in Beijing. Chinese corporations followed suit, while local governments plied the party networks for influence as hard as they could.

The decisive factor for China's future is the ever wider range of common ground between regime reformers and Western democratisers. Joining the world, both agree, means China's acceptance of growing economic and political interdependence. This is not taken to mean that China should ape the Westminster model, or clamp a U.S.-style Constitution on itself. Rather, given, the high hurdles in the way of political change, the leading edge of reform is with regard to economic policy institutions

China in an interdependent world

¹⁰ On these calculations, see Asian Development Bank, *Emerging Asia: Changes and Challenges*, Manila: Asian Development Bank, 1997.

¹¹ Anhang Hu, "The Chinese Economy in Prospect", in *China, the United States and the Global Economy*, Shuxun Chen and Charles Wolf Jr. (eds.), Santa Monica (CA): The Rand Corporation, 2001, pp. 99-146

Let us relax for the moment the focus on facts, so beloved of China's pragmatic leadership, and sketch a future which is tantalisingly in reach. It is not beyond credence to envision China of the new century as a leading pillar of global society, along with the U.S. and a European confederation. Such a China co-writes the rules of the world, and dominates its own region, much like the emperors used to prior to the advent of the Western powers in previous centuries. It holds about one fifth of the world population, and has one of the three major economies of the world, rising per capita income, and a better educated and long lived population. The China mainland is a prime market for the countries of the Asia-Pacific, Siberia, the Central Asian republics, and also for India. China's cultural reach for the first time is extending way beyond Asia-Pacific.

Let us take a further leap in imagination. The moment when the leadership launched the country on regime change came in 2006, two years before Beijing's hosting of the Olympic Games. The effect was to deepen China's political interdependence with the U.S., Japan and the EU, and to open the doors of all of the world's most exclusive clubs. China has long been a full member of "the international community", a key power in the UN Security Council, and an active and supportive participant in the WTO. In other words, China has eagerly embraced the dull round of discussion on market-opening and standard-setting as the royal way to win respect in world counsels. Active participation in the politics of the global village has paralleled a domestic strategy of modernisation. Initially, this amounted to little more than embracing the Western world's formulas for good governance, and adapting them to local conditions. But the ambition is for China to become a standard setter as the country's successful transformation propels it into the very front rank of the world's great powers. Much is written already about the return of the "Middle Kingdom" to its old splendour as the centre of the known world; more to the point in a wired world without a centre, it is truer to say that China is the prime Asian centre for all that counts and matters.

Attractive as this vision may be, China's leadership has been constantly on the ideological defensive since 1989. With the disappearance of the communist system, market-democracy reigns supreme, with no contestant in sight. China's transformation is being played out in a U.S.-dominated world, whose key

component structures of security, technology, credit, and knowledge have worked fundamentally to alter the relation of authorities to markets in China¹². The simple point to retain is that China's nominally monopoly party-State has to share powers in what is fast becoming a pluralist polity. It has to continue changing its governing norms.

Consider China's position in the global security structure. Successive Chinese leaders since the Nixon-Mao summit of February 1972 have stuck to the prior relationship with the U.S. as the main partner in shaping a benign environment for the country to focus on development. China's neighbours, too, have sought to keep their close relationships with the U.S., both as a precaution against an overbearing China and for fear that a nervous Japan would break free of both by declaring itself a nuclear-naval power concerned to protect its own supply lines down to Indonesia, and round to the Indian Ocean and the Gulf. The accelerated recasting of U.S. world strategy following the events of September 11, 2001, is thus a major concern in Beijing. The U.S. focus on homeland security complemented by a doctrine of pre-emptive strikes against unspecified threats arising anywhere reinforces fears in Beijing that the U.S. seeks to encircle China in preparation for its emergence as a major power on the world scene. But Beijing has been cautious: it supports U.S. anti-terror policy, voted for a tough UN policy in UN Resolution 1441, and is muted in response to the U.S.-led invasion of Iraq. China's priority to economic development requires the regime to give the U.S. additional incentives to befriend China.

The relation of China's various authorities to markets is influenced also by the world's ongoing information revolution. The abundance of technologies providing citizens with access to news, data and associates effectively have undermined the party-State's monopoly over information. In the 1990s, Beijing actively promoted mobile phones and the Internet, thereby creating the conditions for extra-party groups to organise. This has meant that local dissidents could enter into contact with sympathisers abroad—despite CCP policing—and that information available to the rest of the world is quickly available to Chinese citizens. In the face of such competition, party-State news

¹² See Susan Strange, *States and Markets*, London, Pinter, 1988.

media had to increase the quality and credibility of their reporting¹³. This entailed them taking a more critical and objective look at events in China, which in turn increased the information available about China to the rest of the world. The full pluralism of China's vast society has come ever clearer into view, notably in the religious domain where protestant groups are very active in a "house church" movement, with extensive ties to missions abroad¹⁴. People, in other words, are organising their lives more and more outside the parameters of the party—often with party members as active participants. All of this is part of the same dynamics that shapes China's brand as a location to do business, as a reliable partner, as a country worthy of trust among the world's leaders. China occupies a central place in the global financial structure. Hong Kong is one of the three pillars, along with London and New York, of global finance. China is a net supplier of savings to the rest of the world, and—though China's financial sector is presently protected and riddled with problems—China's financial elite drew heavily on regulatory experience of financial markets in the U.S., the U.K., Singapore and Taipei. Yet the Chinese leadership must steer a most careful path in terms of financial market reforms. Maintaining confidence of Chinese savers is a paramount concern. This means that the government has to mount a long term effort to ensure that the very best personnel choices are made, based not on party affiliation but on competence¹⁵. It means pursuing a consistent line against fraud, and developing a culture of trust. Because none of this can be accomplished over-night, the Finance Ministry officials in Beijing have resisted calls for an early liberalisation of capital movements. Linking China's still young and under-developed local capital market with the world capital market, dominated by the large Western investment banks and institutions, is recognised as opening China unnecessarily to the whims of Western investors. After their experience with the collapsing currencies of emerging markets in the 1990s, corporate CEOs

¹³ Robert O. Keohane, Joseph S. Nye, "Power and Interdependence in the Information Age", *Foreign Affairs*, Vol. 77, No. 5, pp. 81-94.

¹⁴ See U.S. State Department's Annual Reports on International Religious Freedom. Also the excellent article by Jason Kindopp, "China's War on Cults", in *Current History*, Vol. 101, No. 656, pp. 259-266.

¹⁵ See Sebastian Heimann, *Der Aktienmarkt der VR China* (I), (II), Center for East Asian and Pacific Studies, Trier University (Germany), *China Analysis*, No. 3, May 2001.

sympathise. By 2002, China had overtaken the U.S.A as the prime target for inward direct investment.

It is in the domain of ideas that the regime is most insecure¹⁶. The regime conquered power in China nearly half a century ago with an ambitious socialist programme, and failed. Now China confronts market democracy, the policy package stamped “Made in the U.S.A”, and that assumes a “One World” as driving towards shared prosperity, democracy and better living conditions for all. The vision is inspired by Anglo-American liberal ideals, suggesting the removal of all constraints on individuals’ pursuit of self fulfilment, except where the exercise of one man’s freedom limits the freedom of another. From this follows the idea of a government with a limited mandate to manage public affairs, renewable through regular elections, and a broad obligation on society to assure all individuals equality of opportunity but not of reward. Two key institutions of liberalism are: property rights, transmissible over generations from parents to children; and the market, which spontaneously co-ordinates the decisions of millions. Any attempt by government to eliminate inherited inequalities by legislation, classical liberalism holds, destroys the incentives inspiring individuals to excel. Government is to be limited to ensuring external security, law and order, and public investment projects.

For Deng, and his successors, this is a vision which is only partially applicable to China, at least for the foreseeable future. The political intent of reform is to create a State of law, and not a Western-style democracy. The leadership’s concerns are not without grounds. Giving Chinese people the vote in elections to all levels of the state is far from being a sure-fire recipe to ensure the rule of law, a separation of powers, and checks and balances throughout the polity. Corrupt practices are widespread, and leaders or potential leaders are always looking for ways to entrench their privileges indefinitely. Democratic elections offer one way to do so. An early move to introduce direct elections across the length and breadth of the country could ensure that China becomes just one more “illiberal democracy”¹⁷, alongside the many law-free States in the world, which have held elections “for the eyes of the Americans”, to paraphrase the

¹⁶ Michael Mandelbaum, *The Ideas that Conquered the World: Peace, Democracy, and Free Markets in the 21st Century*, New York: Public Affairs Group, 2002.

cynical Brazilian expression of the 19th century about the need to write a Constitution in order to float a bond in London markets.

The problem is that, however dazzling China's economic performance, it is not going to be sustainable without political development in China. Two events point to the Chinese leadership thinking, if not talking along these lines. One is WTO membership as the battering ram of the reformers to accelerate domestic changes. Bringing in the Western world as a strategy to tilt the balance in favour of reform was spelt out to the party cadres by China's WTO negotiator, Long Yongtu¹⁸. There was a grand scale adjustment going on in the world's industrial structure, he argued. China had to deepen its already close relationships with the world's multinational corporations. There was no evading the difficulties, he argued, arising from the fact that the inherited State structure is incompatible with WTO membership: "A very major problem... is that every department is not only itself the appointed referee, but also a player in the game, and also the same people who make up the rules of the game¹⁹."

The other is China's extra-ordinary diplomatic coup in 2001 to host the Beijing Olympic Games in 2008. If the PRC is to avoid a relapse to *da luan*, and realise the vision of China as sharing leadership in the affairs of the world, then further moves to align norms, now of the business system, and soon of the political system, on those of the world's dominant powers, are to be expected. Just as the Tokyo Games in 1964 and particularly the Seoul Games in 1988 announced the presence of Japan and Korea as considerable players on the world stage, so an announcement by China's new leadership of a shift to new political norms is an opportunity to cast China in a favourable light in the global media. That is why recent 16th Congress is so important. It sets the horizon for Hu Jintao's tenure, until the next Congress, one year before the crucial Olympic Games held in Beijing, assuredly a moment when China will celebrate its recovery from long eclipse. The politics and business of China over the next six years will be shaped by the expectations to be attached to that central event. Only as a democracy, China-style to be sure, can China fulfil its ambition to join

¹⁷ See Fareed Zakaria, "The rise of illiberal democracy", *Foreign Affairs*, November-December 1997, pp.22-43.

¹⁸ Long Yongtu. "On the Question of Economic Globalization", *The Chinese Economy*, Vol. 33, No. 1, January-February, pp. 53-76.

the front rank of world powers. Since status is a priority for China's leadership, there is every reason to expect they will do all to ensure status comes China's way. There is one Olympics that Beijing has no intent of imitating: the Moscow Olympics of 1980, preceding the Soviet Union's demise by a short decade.

The third important event is the history of the CCP's response to the outbreak of SARS. In retrospect, the first cases appear to have been recorded in Guangdong province late last year, and the news only became public when the World Health Organisation(WHO) reported in April 2003 that the world was facing the prospect of a pandemic. Many explanations have been offered for the delay, ranging from the CCP's desire to ensure a trouble-free party congress, through to bureaucratic procrastination and the wretched state of sanitation across most of China. Whatever the truth, the leadership's decision to sack the Minister of Health and the Mayor of Beijing illustrated that there is life yet in the old communist party reflex to use any pretext to find identifiable scapegoats for the regime's failings. But Hu Jintao also has insisted that henceforth transparency must prevail in the reporting of health conditions. Had, he done anything less, he would have jeopardised China's hard-won reputation as a place to do business in an interdependent world. For the regime, there is no going back. Changing the regime's political norms is the only way forward. Doing so quietly and with as little fanfare as possible is what we may expect.

¹⁹ Long Yongtu. "On the Question of Our Joining the World Trade Organization", *The Chinese Economy*, Vol. 33, No. 1, January-February 2000, p. 28.