

---

# Preface

China's central-local relations have interested me for years. In the 1980s, China's reformist leadership implemented radical decentralization. While promoting economic development, it also generated enormous problems. In the late 1980s, encouraged by the then liberal environment associated with the political reform initiatives under Deng Xiaoping and Zhao Ziyang, a national debate relating to neo-authoritarianism took place among Chinese intellectuals and government officials. Among other issues, decentralization became a major target of criticism. The proponents of neo-authoritarianism focused on why power should be and how it could be centralized in the hands of the central government. Many argued that the decentralization initiated by Deng's reform since the late 1970s had led to the decline of central power; and as a consequence, the central government had lost its control over the provinces. One major spokesman for neo-authoritarianism, Wu Jiexiang, then a researcher at the Office of Central Policy Studies under the Central Committee of the Chinese Communist Party (CCP), argued that decentralization had eliminated an eagle with one head (i.e., the central government), but had given birth to a bird with nine heads (i.e., the provincial governments) (Wu, 1989: 31). Others warned that China

had become a country of various dukedoms (e.g., Shen & Dai, 1992).

The rise of the 1989 pro-democracy movement and the subsequent crackdown by the government interrupted the debate. The debate on neo-authoritarianism was seen by many conservatives as a platform to justify Zhao Ziyang's efforts to struggle for greater political power. Nevertheless, concerns over the decline of central power never disappeared. The collapse of the former Soviet Union in the early 1990s led Chinese intellectuals to question the long-term viability of the state built by the Communist Party. They were afraid that China would follow in the Soviet Union's footsteps since the decentralization in China was more radical than in the Soviet Union. The fear of a possible collapse of the Chinese nation-state thus led the Chinese government to tighten its control over the provinces by reorganizing its nomenklatura system after the pro-democracy movement. Many intellectuals began to try to justify why China needed a highly centralized central state; no consensus, however, was reached as to what central-local relations China should build.

In 1993, the Princeton-based Modern China Center organized a symposium on central-local relations. China scholars from various parts of the world, as well as many who served under Zhao Ziyang and are now living in exile in the United States and Europe, participated in the conference. The discussions were extremely fruitful, given the fact that both academic researchers and former policy makers or practitioners were involved. Among others, two opposite schools of thoughts emerged, i.e., decentralization versus centralization. Scholars such as Wang Shaoguang and many others presented strong arguments in favor of centralization. Wang concentrated on how economic decentralization had weakened central power. His fear of a possible breakdown of the Chinese nation-state was supported by his comparison between China and other former Communist states, especially former Yugoslavia (Wang, 1994). Wang and others believed that radical decentralization had become a major barrier to the formation of an integrated national market economy. Wang also argued that a highly centralized state was not necessarily totalitarian or authoritarian. Instead, according to Wang,

in order to build a strong democratic China, the country had to have a centralized state (Wang, 1992).

Wang and his collaborator, Hu Angang, had then finished the draft of their book on the capacity of the Chinese state. The book was soon published in Hong Kong and China, and was widely read in academic circles and by government officials (Wang & Hu, 1993). In 1994, the central government began to implement a new taxation system, called the tax-division system, in an attempt to recentralize its fiscal power. Though it was uncertain whether there was a direct link between the Wang-Hu report and the government's new fiscal measures, the report undoubtedly justified efforts by the central government to recentralize the country's fiscal power.

On the other hand, scholars such as Zhang Xin and others presented strong arguments in favor of decentralization. They attributed China's rapid economic development to Deng's decentralization strategy and argued that the main obstacle to China's push for more rapid reform was that the country's system was still too highly centralized. To these scholars, deepening the reform meant further decentralizing power. To accelerate economic reform, Zhang argued, China had to establish a system of regional economic autonomy, which would allow local people to have total freedom to choose their own economic systems. Each region should have the right to issue its own currencies; to establish their own development strategies; to implement their own foreign trade policies; and to conduct their relations with other regions. Simply put, each region should serve as an independent "economic state". The central government's role would then be to coordinate economic activities among the regions (Zhang, 1991). In response to Wang Shaoguang's "strong state and strong democracy" argument, Zhang pointed out that a strong democratic state could not be based on a highly centralized state; instead, power had to be decentralized first, and only after each region became developed could a foundation for a democratic state be created. In other words, a democratic state could not be built from above, but from below (Zhang, 1995).

I found myself caught in between the two camps. My initial study in 1993 had shown that decentralization had benefited the

country tremendously. Decentralization had given rise to local developmentalism, i.e., development-oriented local states. Local states, motivated by local economic and political interests, became major actors in promoting China's economic development. Compared to the central government, local states played a more important role in China's economic life (Zheng, 1993, 1995). But at the same time, my study also revealed that radical decentralization had resulted in enormous unexpected consequences in central-local relations. Despite its authoritarian nature, China's central-local relations were characterized by *de facto* or behavioral federalism. It was behavioral and *de facto* since it was not institutionalized. This was why a collapse in central-local relations was possible. What the central government should have done was to recognize the critical role of the provinces in China's political system and to institutionalize *de facto* federalism (Zheng, 1993).

Overall, I feel that all these discussions, so far, were quite normative. Both the centralization and decentralization scholars were actually making efforts to answer what kind of central-local relations China should have and, consequently, their studies were policy-oriented. To me, whether the central government should centralize or decentralize power further would depend on how central-local relations have actually worked since the post-Mao reform began. To explore how this central-local relationship worked in post-Mao China has since become the theme of my own studies.

Whether China as a nation-state would collapse was also a major concern among scholars and policymakers in the West in the early 1990s after the breakdown of the Soviet Union. Many scholars believed that China would collapse, just as the Soviet Union had. In practice, no communist country had departed more rapidly from the institutional core of the pre-existing economic order than China. To many, it was rather ironic that China, where the tide of popular political protest first crested in the spring of 1989, had remained united. Great changes associated with reforms had led to the collapse of the Soviet Union and many other former communist nation-states. Why didn't China follow suit?

In examining China's central-local relations, my initial interest had been to look at the impact of radical decentralization on central-local relations. But over the years, my research interest gradually extended to cover the issues relating to why China did not collapse. While many scholars have made efforts to discover the various elements that could cause a collapse in China's central-local relations, I attempt to figure out what has kept the center and the provinces together.

In explaining why the central government was able to govern the provinces, many scholars have placed an emphasis on the formal organizational structure of China's political system, the nomenklatura system of the Chinese Communist Party and other coercive measures adopted. I do not deny the role that these coercive measures played in maintaining China's central-local relations, but I also realize the limits of such measures. In discussing central-local relations, we not only need to look at the relations between the central government and provincial governments; more importantly, we need to look at the relations between the provincial government and lower levels of government, due to the vast size of China's provinces. Big provinces could be as large as medium-sized countries. In terms of population, big provinces such as Shandong, Guangdong, Sichuan and Henan can be easily ranked among the top ten countries in the world. In other words, we can see the nature of the central-local relations by observing how a given province is governed. If we pay careful attention to what happens at the provincial level and below, we can find the limitations of all the coercive measures taken by the central government. This is especially true in the post-Deng era when coercive measures are increasingly unwelcome among Chinese party cadres and government officials. There is thus a need to look for other non-coercive measures in mediating the relations between the center and the provinces. This book identifies rules and norms, both coercive and non-coercive, in regulating the relations between the center and the provinces. It attempts to examine how limited coercive measures by the central government are; what advantages and disadvantages non-coercive measures such as bargaining and reciprocity have in governing central-local relations.

## **THE RESEARCH**

This research takes the approach that anthropologist Clifford Geertz called “thick description” (Geertz, 1973) to interpret the nature of China’s central-local relations. Over many years of research on China’s central-local relations, I found that no social science approach can replace the “thick description” approach to catch the essence of China’s central-local relations and enable us to interpret the meanings embedded in the interactions between the center and the provinces. Many years of conducting personal fieldwork, doing interviews and collecting local information (documents and statistics) have enabled me to create such a “thick description.” Briefly speaking, this project has gone through several periods.

Since the mid-1980s, I have paid close attention to the evolution of central-local relations and gathered substantial information at a local level, including local newspapers, journals, interviews with local officials and statistics. From 1981 to 1990, I lived in Beijing and witnessed the changing economic and political landscape in the provinces and Beijing’s reactions to these changes. In 1983 and 1987, I conducted fieldwork on China’s rural reforms in two poor provinces, Yunnan and Shanxi, respectively. In talking with local officials and peasants, I saw the limits of the reach of central power. I began to make sense of the old Chinese saying, “the sky is high, and the emperor is far away.” Although I did not choose these two provinces for my case study in this book, my initial ideas on central-local relations, were formed from these two research trips.

In 1989 during the so-called neo-authoritarian movement, central-local relations became a focal point of intellectual debates in Beijing. I gained many chances to discuss central-local relations with dozens of local officials. Their bottom-up views contrasted with the top-down views from the proponents of neo-authoritarianism. I was a part of this debate and learned that neither a top-down approach nor a bottom-up approach could enable us to have a proper understanding of China’s central-local relations. An approach that focused on the interaction between the center and the provinces was needed.

In the summer of 1993, I spent three months in Beijing, Zhejiang, Jiangsu, and Guangxi. In Beijing, I conducted interviews with economic officials and intellectuals at the Development Research Center of the State Council and many other institutions. These interviews were very valuable because, generally, both government officials and intellectuals in Beijing provided a top-down perspective of China's central-local relations and they represented, to some extent, the center's attitude toward local governments. This was especially true in the summer of 1993 when the central government called for the recentralization of economic power in order to exercise greater control over the provinces and to reach a more balanced development among the regions. The intellectual circles provided central officials with various ways that power, especially fiscal power, could be recentralized, and localism, in which local governments no longer kept in line with the central government, managed.

But when I went to two coastal provinces (Zhejiang and Jiangsu) and then to the provinces in Southwest China, I met a very different intellectual climate. Local officials and intellectuals in these places expressed their concerns about the center's recentralization efforts. They felt that, instead of recentralization, further decentralization was necessary for local governments to sustain rapid economic growth. This was especially true in Zhejiang and Jiangsu — two of the richest provinces in China. In Southwest China, government officials and intellectuals also felt the necessity of decentralization. But they showed the same concerns about income disparities between the Southwest and other regions. It seemed to them that some measure of recentralization was needed to enable the center to balance regional development. In Nanning, the capital city of Guangxi province, I was able to gain access to various documents regarding the Economic Coordination Association of Southwest China. These documents, together with many interviews with provincial officials and association staff, provided me with basic information on how the provincial governments in Southwest China, as a coalition, responded to decentralization.

Between late 1997 and early 1998, the central government under Zhu Rongji initiated a campaign against Guangdong localism in an attempt to recentralize power. I believed Guangdong provided us with a new case study to examine central-local relations in the post-Deng era. In 1999, I spent two months in Guangdong, interviewing provincial officials concerning localism and the campaign by the central government. From these interviews and field investigations, I gradually came to realize more clearly the advantages and disadvantages of the Chinese way of dealing with central-local relations. The Zhu Rongji government employed some coercive measures to bring localism under control, but it seemed to me that the reach of central power became very limited due to the fact that the central government had to recentralize power very selectively.

From 2001 to 2003, I led a research project — Singapore-Suzhou Industrial Park: An Assessment, commissioned by Singapore's Ministry of Trade and Industry. The China-Singapore Suzhou Industrial Park (SIP) was launched in February 1994 with great enthusiasm and much fanfare, amidst pledges of strong support from the top leadership of the two countries. The project was supposed to take 10 to 15 years to complete. However, soon after its inception, the project underwent many twists and turns. Problems associated with bureaucratic bickering, commercial wrangling and clashes of personality kept surfacing. Increasingly, the project, instead of becoming a symbol of China-Singapore friendship, threatened to become a major source of a China-Singapore spat. Frustrated by the slow progress and problems, Singapore opted to get out of the driver's seat. In January 2001, almost exactly half-way towards the completion date, the Singapore-led consortium handed over majority-ownership and management of the project to its Chinese partner.

This research project gave me a unique opportunity to understand China's central-local relations. The research team was able to interview all the important decision-makers in both Singapore and China (the central government, the Jiangsu provincial government and the Suzhou city government). The team was also able to go over all the relevant documents and records. Many factors contributed to

Singapore's unsuccessful story in China. But China's complicated relationships between the central government and the Jiangsu provincial government, and between the Jiangsu provincial government and the Suzhou city government, were undoubtedly a major factor.

As my research evolves, so does the revision of the manuscript. In 1995, I submitted my doctoral dissertation (Zheng, 1995). Since then, I have continuously revised the manuscript by refining the main arguments and incorporating new information. Still, I am not able to incorporate the case of the China-Singapore Suzhou Industrial Park. My research team submitted a 500-page report to the Singapore government. Due to its sensitivity, the report is unlikely to be released in the near future. Despite this difficulty, this research experience has greatly enhanced my arguments on China's *de facto* federalism and some of the findings from the SIP project have now been implicitly expressed in various parts of the book.

## THE ORGANIZATION

The study is organized into eight chapters. Chapter 1 discusses three major approaches to China's central-local relations including structural, procedural and cultural. It examines the advantages and disadvantages of each approach in explaining China's central-local relations. I believe that with the progress of new scholarship in social sciences, especially new institutionalism, it has become possible to develop a new paradigm to explain China's central-local relations by combining major elements of these three approaches.

Chapter 2 attempts to develop a new institutional explanation of China's central-local relations by integrating the structural, procedural and cultural factors. This chapter first discusses the nature of China's central-local relations — the *de facto* federalism — and delineates the main characteristics of this *de facto* federal structure. It then identifies three main institutional factors — coercion, bargaining and reciprocity — which have been associated with the *de facto* federal structure and explains how each factor works in mediating the relationship between the center and the provinces.

The interactions between the three institutional factors identified, coercion, bargaining and reciprocity, are complicated. While these factors can independently mediate the interaction between the center and the provinces, they are often linked to one another. Through the history of the interaction between the center and the provinces, some coercive elements have transformed themselves into reciprocal elements. Chapter 3 examines how reciprocity has been formed and developed over the course of China's changing central-local relations. Although reciprocity was formed historically, this does not mean that there is a need to go too far back in time. Instead, recent experiences are more important than historical events in the making of reciprocity. This chapter focuses on how Mao Zedong's way of dealing with provincial officials has affected central-local relations in the reform era.

Chapters 4 to 7 discuss how the center and individual provinces have interacted with each other. Chapters 4 and 5 deal with how Jiangsu and Zhejiang responded to inter-governmental decentralization respectively. Jiangsu and Zhejiang, two neighboring provinces, are the richest areas in China. The two provinces have also been regarded as being "loyal" to the central government, because they never challenge central authority. However, their loyalty to central authority does not mean that the provincial government and the governments below it will always follow central policies. Local interests are frequently in conflict with those of the central government. What is important is how the two actors — the center and the provinces — mutually accommodate each other's interests while pursuing a common goal — economic development.

The two provinces had very different sources of economic growth in the early stages of the reform. This situation has continued even until today. What interests me here is how the center and the provinces interacted in pursuing a common goal when the two provinces had different paths of development. When the reform began, the two provinces had very similar industrial structures, but their ownership structures were very different. The collective sector was dominant in Jiangsu, while the private sector was developed rapidly in Zhejiang. Both achieved high economic growth under

post-Mao decentralization. Although the two provinces had rather different ownership structures, both were able to cooperate with the center in promoting economic growth. For provincial officials, cooperation with the central government does not necessarily mean that they should not be self-interested. In their policy making, provincial officials could be motivated by local interests, but they would also need to take the center's interests into consideration.

While the Jiangsu and Zhejiang cases described in Chapters 4 and 5 deal with how the provinces responded to decentralization, Chapter 6 presents a different case. It looks at how the central government responded to growing localism in Guangdong. Guangdong has been regarded as having a tendency towards localism. This chapter attempts to "deconstruct" localism in Guangdong. It explores the kind of localism the central government did not want to see develop, and the kind of localism it could accept and even promote. The case shows how the transition from radical inter-governmental decentralization to selective recentralization took place in the province. It shows that while the central government had to apply coercive measures such as the nomenklatura system to initiate such a transition, the role of these coercive measures is limited in soliciting provincial compliance, which led to the emergence of a new type of central-local relationship. Selective recentralization does not mean that the central government wanted to and could eliminate interests-associated localism in Guangdong; instead, it means that the central government not only had to consolidate its power via new means, but also to adjust the boundary to accord with local interests.

Chapter 7 is a case study of the formation of a provincial coalition in Southwest China. It examines how the provinces collectively interact with the central government and explores the nature of local collective action. Individually, the provinces in Southwest China were weak and were not able to bargain with the central government. An inter-provincial coalition was formed in order to maximize local interests; but provincial officials had refrained from using the coalition to impose unilateral demands on the central government. Instead, they were able to take priorities of the central government into account in their decision-making. On the other

hand, the central government did not need to satisfy all the demands from the provinces, but it could not be too self-interested. The case also shows that with the evolution of inter-governmental decentralization, provincial governments not only had authority over matters that were local in nature, but also gained the authority to influence decision-making at the central level.

The concluding chapter summarizes the major findings of this study and discusses in what possible direction China's central-local relationship is heading. It shows that China's *de facto* federal structure provided an institutional foundation for rapid local economic growth that in turn empowered local governments. The rise of local power led the central government to adjust the current frame of central-local relations via selective recentralization. While in economic areas such as taxation and finance, institutional innovations have taken place, they have not been in place in the political arena. The central government has employed conventional measures to solicit local compliance. While the central government continues to appeal to coercive measures to deal with the provinces, such measures involve increasingly high costs, and their role has become increasingly limited. Although China is facing insurmountable difficulties for the transition from a *de facto* to a *de jure* federal structure, a new frame associated with *de facto* federalism has emerged in China's central-local relations. In the long run, various reform measures such as selective institutionalization will lay an institutional foundation for China's transition from *de facto* to *de jure* federalism.