

# Introduction: Succession Problems and Challenges

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## SUCCESSION PROBLEMS

As the crucial 16th Congress of the Chinese Communist Party (CCP) (which will officially decide on the transfer of power to the younger and fourth generation leadership) is drawing near, China's succession politics thickens, with scholars and observers all over the world watching closely the developments in Beijing. They are carefully deciphering signs and gestures to find out whether the top leaders are ready to pass on their batons, either completely or partially, to the known successors waiting in the wings. Occasional statements to this effect by Jiang Zemin or Zhu Rongji merely fuel intense speculation both within and outside China on how the final leadership drama will unfold in the months ahead.

Leadership transition is admittedly the single most important political issue in China for 2002. The high level of excitement among China experts is understandable, because leadership transfer under the country's unique political system has been traditionally a "dynamic" process full of uncertainties, especially apparent during Mao's reign. There were also surprises during Deng Xiaoping's period.

How the new leadership will eventually shape up will critically impact China's development in the first decade of this century. Further more, as China is fast emerging as a potential superpower, the pattern of its leadership transition will have significant implications for the Asia-Pacific region, if not for the rest of the world.

While professional China watchers in Washington, Tokyo, and Hong Kong are busy speculating on the final leadership lineup—who among the known successors will get what portfolio, who is in and who is out of the Politburo and the State Council—serious

scholars will inevitably find such speculation intellectually futile, for two obvious reasons. First, leadership transition everywhere involves changes in power equations among the contenders or successors. The process is, by its very nature, unpredictable and fraught with uncertainties and last-minute surprises.

Secondly, "China watching" has all along been a very hazardous business. China watchers all over the world, with all their expertise and for all their technical and institutional support in information gathering, had failed to predict the outbreak of the Great Leap Forward, the Cultural Revolution, the fall of the Gang of Four, and the return to power of Deng Xiaoping. Even after the country opened up in 1978, the experts were taken by surprise by the Tiananmen event and the outcome of Deng Xiaoping's *Nanxun*.

It would, therefore, be far more productive and also intellectually more rewarding for us to focus on the potential problems and challenges that China's younger and fourth generation leadership will have to face in the near future. This is essentially what this book is about.

### THE CHINESE MODEL OF SUCCESSION

To avoid the danger of being too speculative, our contributors have focused on two key aspects of the leadership transition: first, the changes in the politics of transition, and second, the real and potential problems and challenges that China's fourth generation leadership will have to face in the near future.

Is there a Chinese model of power succession? In dealing with succession, Chinese leaders in fact do not have any existing models to emulate. As a Marxist-Leninist party, the CCP initially looked at the model of the Soviet Union where a unique way of succession could be discerned: Lenin was succeeded by Stalin, then by Khrushchev, then by Brezhnev, and so on, until the demise of the Soviet state under Gorbachev. Certainly, the breakup of the Soviet Union and the collapse of the Soviet Communist Party there in the early 1990s shocked Chinese leaders, who have since been determined to avoid the same fate. The "Communist model" is less useful for China also because of the enormous

problems and the socioeconomic chaos arising from leadership transition under a one-party rule. Ever since China's third generation leaders took over the reins of power from Deng Xiaoping, they have tried to cope with succession problems. The third generation leaders under Jiang Zemin have learned from the mistakes of other communist countries and, in the process, created a succession model of their own, which is being institutionalized now. How and to what extent has China's succession process been institutionalized? These are the central questions that will be addressed by individual authors.

The second focus of the contributors is on the enormous domestic and external challenges that the new leadership will have to grapple with. Over the past two decades, China has changed beyond recognition, economically, socially, and even politically. The world outside China is also changing very fast because of globalization and technological progress. The September 11 terrorist strikes in the US have added a new dimension to the ongoing uncertainty worldwide. Nobody can say for sure how the new international order will emerge or how the global economy will fare in the next year. Can China's new leadership grasp such a dynamic "new international situation"? This is on top of the myriads of domestic problems that the new leadership will have to deal with. China is developing, reforming, and building new institutions, all at the same time. There are numerous economic and social problems crying out for attention. How will the leadership cope with them?

The book is organized into two parts. Part one deals with the politics of leadership transition, focusing on how the transition has been institutionalized and how it can affect the other aspects of political life. Part two examines the major problems that will emerge to challenge the new leadership.

### LEADERSHIP TRANSITION AND ITS IMPACT

The term "fourth generation leadership" is now widely used inside and outside China. Deng Xiaoping was the first to coin the term "generation." When Deng used this term, he was not only referring

to that fact that China had seen different generations of leadership, but was also implicitly suggesting that it had made progress in dealing with leadership transition. It is still too early to talk about institutional succession in China, as a highly institutionalized process of leadership transition has yet to be developed. Liu Shaoqi and Lin Biao both failed to succeed Mao. Deng himself was nobody's successor; in fact, he rose to the top leadership position on his own, or by being simply driven by events. Hu Yaobang and Zhao Ziyang also did not succeed Deng Xiaoping. Hu Jintao, who is supposed to head the fourth generation leadership, was not even chosen by Jiang Zemin, who heads the third generation leadership.

Despite all this, it can be reasonably argued that leadership succession today is getting a bit more transparent. China watchers are now able to predict with greater accuracy which group would comprise the core of the fourth generation leadership. This is something that could not have been possible under Mao Zedong, or even under Deng 10 years ago. The progress towards institutionalization is encouraging, and if this trend persists, it would lead to greater predictability about leadership succession in China.

How did this happen? What new institutional factors have emerged to affect leadership transition? Frederick Teiwes, who has studied politics inside *Zhongnanhai* more closely than any other China scholar, provides a convincing explanation in his paper on power succession. He not only conducts a historical review of succession politics, but also compares the different ways of power succession under Mao Zedong, Deng Xiaoping, and Jiang Zemin. He finds some very important changes over the three generations of leadership. Under Mao, China actually did not have what Teiwes calls succession politics because Mao's power was absolute. No one was able to challenge Mao, and none did. The succession problems lay in Mao's deep sense of insecurity plus his perception of disloyalty among his chosen successors. This was what prompted Mao to remove his two heirs-apparent, Liu Shaoqi and Lin Biao.

After Deng Xiaoping assumed power, the CCP leadership learned from Mao's mistakes in dealing with succession. New factors were introduced into elite politics in general and leadership succession in

particular. Whereas Mao acted in accordance with his ideological grand visions and his highly personal judgments of his colleagues and successors, Deng was largely result oriented and measured his successors by their performance and the prevailing political circumstances. The politics of succession thus became more normalized in that conflict was generated by issues rather than by the leader's sense of betrayal. Also, the intensity of conflict reflected the seriousness of the issues rather than the personal differences or ideological campaigns dictated from above.

These changes, however, did not, and could not, eliminate political conflict arising from leadership succession, as was shown in the cases of Hu Yaobang and Zhao Ziyang. Under Deng, China still faced the traditional dilemma of succession resulting from the tension between the old and new generation of leaders. Whereas Hu Yaobang and Zhao Ziyang had worked for the first generation leaders, real power was wielded by the old guards of the first generation. This put Hu and Zhao in a very difficult position vis-à-vis the elders. Both Hu and Zhao were subsequently ousted, not by succession struggles, but through the intervention of the CCP elders who believed them as having stepped out of line. Nevertheless, the criterion for selecting the core of the leadership under Deng was quite rational, with political performance taking precedence over ideology.

Teiwes regards the succession politics under Jiang as “managed institutionalism,” meaning that the succession procedure has been partially institutionalized. Owing to his lack of distinguished revolutionary contributions or military experience, Jiang has to turn to institutional factors to deal with succession politics. In the past decade, *Zhongnanhai* is replete with examples of power games being played out, namely, the defeat of Jiang's rivals like the Yang brothers (Yang Shangkun and Yang Baibing in 1992) and the ouster of Chen Xitong in 1996 and Qiao Shi in 1997. But, on the whole, there is almost no evidence of strong challenges to Jiang as the new successor. Unlike Mao and Deng, Jiang has had an easier time in dealing with succession politics. This is largely because, according to Teiwes, the leadership has developed a number of loosely defined, quasi-institutional criteria that governs succession politics; these are:

- Retirement from the Politburo and other top positions at the age of 70.
- A limit of two terms for the top Party and state positions of General Secretary, President, and Premier.
- Younger, better-educated leaders to be brought into the Politburo at each Congress with a view to serving multiple terms and becoming the basis of future “generations” of leadership.
- The Politburo to represent diverse interests of key institutions, functional specialties, and major localities.
- Politburo members to be reelected until retirement age.
- The successor himself to be chosen at least one term ahead of his assuming power so as to reduce uncertainty during the transition process.

Nonetheless, Teiwes' chapter shows that power succession can still be problematic, because China's existing political institutions and rules that regulate succession politics are still weak.

In his chapter, Zheng Shiping goes a step further to show how much political institutionalization has taken place in China's power succession, and highlights some important changes. While personal influence and informal power play still operate in many ways today, institutions and organizational rules also matter, certainly more so than before. Institutional factors, such as distinct career paths, age limits and the successor-designate procedure, have helped in creating a rather smooth transition of power from the old to the new generation.

Nevertheless, succession politics is far from being fully institutionalized. Whether the successor-designate can succeed depends largely on his own initiative and political capability. Zheng observes that before the designated successor can assume power successfully, he needs to:

1. handle the *guanxi* [personal relations] with his political patrons;
2. establish broad supporting networks;
3. build up a skill base, and
4. engage in ideological innovation.

Zheng also highlights the fact that “getting to the top” is actually the first stage in the succession process; the successor-designate will then need to move to the second stage, which is to consolidate his power. Indeed, it took several years for Jiang Zemin to consolidate his power after rising to the top. Hu Jintao will have to do likewise after he assumes the mantle of leadership from Jiang Zemin.

While leadership transition has become progressively “normal,” it is but a small aspect of the country’s larger succession politics. The more important issue is how leadership transition will affect different aspects of political life in China. Zheng Yongnian discusses the issue of Party transformation, which is probably the most important task that has confronted Jiang Zemin and will continue to challenge the new leadership. Party transformation is at the core of China’s overall political reform. How the CCP transforms itself will largely determine the path of China’s political development. Zheng examines in detail how the CCP has tried to stay relevant by continuously adjusting itself to the socioeconomic changes in the country. The most important step is Jiang’s “Three Representatives” theory aimed at expanding the Party’s social base. In his speech on July 1, 2001, Jiang went a step further to declare that private entrepreneurs or capitalists would be admitted into the Party.

Jiang’s efforts are politically significant. The CCP under Deng Xiaoping completed the first “great transformation,” notably from a primarily revolutionary party to a less ideological and more technocratic one. And, with the admission of capitalists into the Party, the CCP has begun its second “great transformation,” from a technocratic party to one that will rule by political means. But this will not be an easy task. Party ideologues have already raised a hue and cry over the admission of the capitalists as members. For the time being, the “Three Representatives” theory will operate to expand the social base of the Party; the momentum of change may eventually transform it into a social democratic party. The main challenge for the new leadership is how to handle such a change.

Ignatius Wibowo examines the impact of leadership transition on the Party’s rank and file. Throughout the history of power succession in China, beginning in 1949, an important political

phenomenon has been observed. As every new leader brings in his followers to replace those of his predecessor, succession has often been associated with political purges and campaigns. For example, there were two rectification campaigns when power was transferred from Mao to Deng's generation: the campaign against "three classes of people" during 1982–1983 and the one against "leftist deviations" during 1983–1985. Again, during the transition from Zhao Ziyang to Jiang Zemin, the politics of succession came to the forefront in the mid-1980s. There was a clash between the conservatives (headed by Li Peng) and the reformers (led by Zhao Ziyang), which culminated in the Tiananmen incident on June 4, 1989. After the June 4 event, a nationwide rectification campaign was initiated.

Wibowo suggests that different ideological orientations and different political interests among the top leaders often lead to power struggles, resulting in the launching of rectification campaigns against each other's followers. But probably the more important factor is the issue related to Party transformation, as Zheng Yongnian suggests in his chapter. When the CCP was transformed from a revolutionary to a technocratic party, old revolutionaries had to go, and better-educated technocrats had to be ushered in. Similarly, when Jiang's "Three Representatives" theory is adopted and capitalists are allowed to join the party, one can expect great changes in the Party's rank and file. Wibowo is correct in pointing out that the impact of power succession goes beyond the few dozens of senior top leaders. In other words, power succession affects not only a handful of people at the top but also the millions of cadres and government officials below.

Keith Forster focuses on the impact of power succession on central–local relations. One reason why power succession is so critical is that it can easily weaken the power of the central government. Observers inside and outside China have plenty of reasons to worry about such a development. Power struggles between conservatives and reformist leaders in the late 1980s almost paralyzed the government. The succession in the former Soviet Union led to the breakup of the country and the fall of the communist regime. Indeed, Forster points out that there is a wealth of literature on the possibility that China too can break up.

Drawing a different conclusion from these authors, Forster observes that the Jiang Zemin leadership has in fact consolidated central power by implementing new measures. Jiang, with the forceful backing of strong centralists such as Premier Zhu Rongji, has been to a large extent, successful in obtaining the full support of provincial leaders on issues of central concern to Beijing. Foster points out that new institutions have been created to regulate central–local relations. For example, in the past decade, there has been a regular rotation of provincial leaders. Forster argues that the frequent reshuffling of provincial leaders could be a reflection of the weakness of the center, rather than of its strength. He presents two cases that demonstrate how Jiang Zemin has skillfully and successfully consolidated central power: the removal of Chen Xitong in Beijing and the removal of Xie Fei in Guangdong. These two cases, he argues, show that the central government does not like to see a cadre remain in a province for too long for fear that he builds up a power base. They also show that Jiang did not fear localism, because he could easily remove the cadres by citing reasons peculiar to the province from which they came from and problems associated with them.

Through his examination of central–local relations in the post-Mao era, Forster paints a positive picture of how these political relations will evolve under the new leadership. Hu Jintao will assume the top job with impressive credentials reflecting his service at both the local and central levels, credentials that to a large degree outweigh those of Jiang Zemin. While it is likely that the future leadership will continue to rotate and regularly transfer provincial leaders, may be a greater focus on recruiting younger officials and underrepresented groups into the provincial elite.

He Baogang discusses the possible impact of leadership transition on China's national identity problem. China is a multinational country, and the leadership has played a vital role in bringing different minorities under one united state. Indeed, national unity has been the highest priority for the Chinese leadership. He's major concern is whether the coming leadership will use democracy as a tool to deal with the issue of national identity. Through a historical approach, He finds that although the Chinese leaders differed over

the resolution of the minority issue, they all emphasized the importance of racial equality and harmony. From early revolutionaries like Sun Yet-sen to later leaders like Chiang Kai-shek, Mao Zedong, Deng Xiaoping, and Jiang Zemin, the policy on the issue of national identity has remained the same. Though both the Kuomintang and the CCP once advocated democracy as a way to deal with the national identity issue, in the course of their respective power struggles, they all abandoned the idea once they came to power.

On the basis of this general trend, He concludes that the forthcoming leadership is unlikely to come up with great initiatives in this regard. One thing is clear: the new leadership will face increasing difficulty in dealing with the national identity issue, and challenges will come from both inside and outside. Although the Chinese leadership is more technocratic than before, it remains to be seen whether it will appeal to democracy as a means to cope with the national identity question.

### SOCIAL PROBLEMS AND POLITICAL INEFFICIENCY

Two decades of reform and development have given rise to a host of social problems in China, ranging from a widening in the income disparity and worsening unemployment to outright peasant discontent. All these issues are in pressing need for attention. In fact, social problems in recent years, including the threat of social instability, have particularly troubled the Chinese political elites. Jiang and his followers have repeatedly stressed the importance of maintaining stability. Although the old sources of social instability such as *Falun Gong* activities have been neutralized, new elements have surfaced, as witnessed by the increased number of bombings in several Chinese provinces, such as Shaanxi, Guangdong, Guangxi, Jiangsu, Henan, Shandong, Zhejiang, and Liaoning. The new leadership will have to address seriously the social grievances behind these acts of civil disobedience in order to maintain social stability.

X.L. Ding singles out four big social problems which he believes can pose serious political troubles for the new leadership:

unemployment, income disparities, rising crimes, and official corruption. He highlights how serious each of these problems has become. For example, Ding observes that criminal activities have deepened and expanded, and can be classified under four major leads: syndication, modernization, internationalization, and politicization. Similarly, he asserts that corruption has become highly institutionalized and has become “official organizational behavior.” In some provinces, corruption has become the enterprise of an entire regional state (comprising a number of provinces).

After reviewing all these social problems, Ding goes further to show us why and how these issues have become so serious. He points out that the roots of these worsening problems are institutional in nature. For instance, he argues that China’s political system encourages people to lie in order to safeguard their political careers. Although China’s leaders have taken many measures to cope with these social problems, they have not succeeded. Their attempt to depoliticize these problems has been futile. According to Ding, if no changes are introduced in the governing process, the fourth generation leadership may have to confront a society which appears to be under control but has many intractable problems simmering below, waiting to explode.

In their chapter, Wang Tongsan and Zhang Tao focus on one of the most important issues facing the Chinese leadership: *sannong wenti* [three dimensions of China’s rural problems]. *Sannong wenti* [agriculture, rural areas, and farmers] refers to three interrelated problems: how to increase farmers’ income, how to make agricultural adjustments, and how to deal with industrialization and urbanization of the countryside. Indeed, the term *sannong wenti* has become so sensitive that it frequently stirs up the leaders’ emotions.

Wang and Zhang observe that having experienced rapid growth from 1978 to 2000, China’s rural economy is now showing evidence of a slowdown in the growth of farmers’ income, lackluster performances of the township and village enterprises (TVEs), and wider urban–rural disparity at the turn of the century. They use time series, cross section, and structure data analysis to show the decrease in farmers’ income and to discuss the causes of the three

dimensional issue. Many factors, such as the decline in prices of agricultural products, the heavy burden on farmers, and a decrease in the growth rates of farmers' rewards from the TVEs, have had a direct negative impact on rural development. But more serious reasons for the three-dimensional issue can be found in the distorted structure of the national income distribution pattern under the "dualistic structure" of the urban and rural areas.

On the basis of a merit–demerit analysis, the authors also highlight the implications China's membership to the World Trade Organization (WTO) will bring, on the country's agriculture. China's agriculture and rural economy will benefit from adjustments to the domestic agriculture and import–export structure, introduction of new technology, and improvements in the quality of agricultural products. With improved resource allocation, rural labor will be channeled into nonagricultural sectors. However, trade liberalization will also bring about negative effects on the rural economy, including an increase in the cost of agriculture production, higher imports of some key agricultural products, and greater difficulty for the central government in macroeconomic adjustment and in resolving economic and social conflicts in rural areas.

While Wang and Zhang explore the economics behind the rural problem, Li Lianjiang focuses on the political aspect of rural governance. After the collapse of the Maoist style of the commune system in the early 1980s, the Chinese leadership searched for a new form of rural governance. Village elections were introduced in 1987, and rural democracy has since worked rather impressively. With the increased occurrences of rural instability, the leadership has once again focused on rural governance. Some Chinese policy analysts have argued that introducing direct election of township heads will help improve cadre–mass relationships and prevent rural unrest. In some places, provincial leaders have already pioneered township electoral reforms. To what degree do rural residents demand township elections?

On the basis of his survey data, Li examines how the peasants view the direct election of township heads. He arrives at some complicated but significant conclusions. First, the majority of rural

residents held the “liberal” view that township heads should be directly elected and that such elections could be held immediately. Second, respondents who were less satisfied with the performance of township officials were most likely to hold the “liberal” position. Third, respondents who said that there were many or some local policies that the peasants disliked were more likely than those who found no such policies to take the “liberal” view instead of adopting the “conservative” position. In addition, respondents with higher annual household per capita income were more likely to subscribe to the “liberal” view.

Li’s study not only contributes valuable findings to the subject of rural democracy, but also carries significant political implications on how the new leadership can strengthen rural governance. Nevertheless, what kind of new governance systems can be established depends not only on the political demands from below, as Li has shown, but also on the willingness of the central leadership to cede ground on this issue. While new institutions have been introduced in the post-Deng era, the highest priority is accorded to improving the existing governance systems. Indeed, many top leaders believe that only by improving the existing governance systems can political stability be realized.

## UNFINISHED ECONOMIC REFORM

Since China began its economic reform in the late 1970s, it has achieved the most impressive economic performance in human history, although the pace of reform varied according to the prevailing political circumstances. Deng Xiaoping’s speeches during his southern tour *Nanxun* in 1992 justified the ideological legitimacy of capitalism as a way of promoting the country’s economic development. After the tour, the leadership, especially under Zhu Rongji, introduced some radical reform measures. Nevertheless, in recent years China’s economic reform seems to have been losing steam. It is expected that China’s membership of the WTO will exert greater external pressure on the leadership to accelerate the pace of economic reform.

On the other hand, China's further integration into the global economy poses huge risks for the world's most populated country. It is uncertain whether the fourth generation leaders are competent enough to use international capitalism to spur economic growth while ameliorating its negative impacts.

In his chapter, Tian Xiaowen discusses one of the most important and difficult issues facing the Chinese leadership: how to promote the development of the private sector and how to deal with the relationship between this sector and the state sector. Private economy was much neglected during the period of socialist planning, particularly at the height of the Cultural Revolution. This changed with the market-oriented reforms after 1978, the status of the private economy rose as the government began encouraging the growth of individual-owned enterprises. After two decades of reform, the leadership has justified the existence of the private sector ideologically.

However, Tian finds that the private sector is still facing serious policy constraints and remains discriminated. The most significant discrimination is at the legislative level. China's Constitution declares that socialist public property, not private property, is sacred and inviolable. At the policy level, private enterprises can obtain only limited loans from banks and other financial institutions owned by the state. Private enterprises are still denied access to the two stockmarkets in Shanghai and Shenzhen, and they do not enjoy the preferential taxation granted to foreign firms. To make matters worse, they are subject to "arbitrary fines, arbitrary charges, and arbitrary financial levies" imposed by government departments at various levels. Furthermore, private enterprises are also denied access to key industry sectors under state monopoly as well as a wide range of other industries, such as banking, airline, electricity, telecommunications and post, tobacco, steel, petrol, army uniform, and publishing. Other forms of discrimination include difficulty in the requisition of land, higher fees for use of public goods and services, and being barred from joining the Party and working in the government.

All these policy constraints and discriminations have prevented the transformation of China's private sector from an "ugly duckling" to a full-grown swan. Though the Party has shown some commitment in moving towards a market-oriented economy, the fourth generation leadership will have to overcome these constraints and discriminations to move the economy to a higher plane.

The difficulties in reforming the old economic system probably provide the best justification for China's membership to the WTO. Kong Qingjiang and Lu Ding show how China's economic sectors will be affected by the entry into the WTO. Kong discusses how the country will adapt to the WTO dispute settlement mechanism. After its entry into the WTO, China has to conform to the stipulations and rules of this rule-based, multilateral trading body. Its current laws and regulations on trading rights, business operations, intellectual property rights, and antidumping, for instance, need to be drastically revamped in accordance with its WTO agreements. China also needs to amend its administrative and legal systems to bring them in line with the rule of law.

China, however, is still ill-prepared in adapting to the WTO rules. There are huge gaps between the Chinese legal system and the general legal requirements of the world trade body. Further, law enforcement is also a major problem. Administrative and legal mandates from the central authority are often ignored at local levels. In his three case studies of trade friction between China and its trading partners, Kong shows the country's lack of experience in dealing with its negotiating partners at the multilateral forum. But these case studies also provide China with valuable learning experience, and it will gradually become accustomed to the adjudicating procedures of the WTO dispute settlement mechanism.

Lu Ding's chapter discusses China's growth strategy adjustment after its entry into the WTO. Lu points out that China's accession to WTO will bring about two immediate changes. One is a significant reduction of its trade barriers for a wide range of goods and services, and the other is the opening up of a series of domestic sectors to foreign companies. Both will compel China's policymakers to adjust the country's growth strategy accordingly.

According to Lu, China has to redefine its macroeconomic management framework and long-term growth strategy. He examines the implications of WTO membership on the country's macroeconomic environment and growth strategy. By analyzing macroeconomic data, Lu predicts a tendency in the Chinese economy to move towards a deficit trade balance in the coming years. After its shift from an export-oriented growth model to a trade deficit-based, internal demand-driven growth model, China's macroeconomic management should also be adjusted accordingly. In the long run, China must adjust its current export-oriented strategy and brace itself for a strategic shift towards an America-type, trade deficit-based growth model.

### CHINA, TAIWAN, AND THE REGION

The new leadership will not only have to face serious domestic challenges as outlined above but will also have to contend with serious external challenges. Such challenges arise not only from the impact of China's growing economic strength in the international arena, but also from the reaction of the outside world to its development.

Here the immediate challenge comes from the Taiwan Strait. National reunification has been the topmost item on the foreign policy agenda for all political leaders since Deng Xiaoping. China's leaders have adhered to the basic principle of "peaceful reunification, one country, two systems" to resolve the Taiwan issue. But the process has not been smooth, and indeed, after Chen Shui-bian came to power, reunification seems to have become more difficult. The chapter by Chao Chien-min deals with the opportunities and challenges confronting the new leadership on the Taiwan issue.

Chao first identifies three major forces working towards integrating the two sides of the Taiwan Strait. First, a common culture is conducive to integration, especially as old ideology and power alignment have given way to the cultural factor in shaping the new world order. Second, economic integration can generate positive spillover effects. The expanding economic exchanges between the

mainland and Taiwan can lead to a more integrated economic community. Third, as China is becoming a dominant regional power, Taiwan can be “sucked” into China’s orbit.

While theoretically all these forces can bring the two sides of the Taiwan Strait together, in reality they can have contrary effects. Chao points out that while economic and cultural exchanges have been increasing, the two sides are not necessarily moving closer. For example, a decade ago, the majority of the Taiwanese people supported the “one China” policy, but now only a small proportion supports it. Chao argues that the main reason for this is the emergence of divergent cultures and identities on the two sides of the Taiwan Strait after a period of long separation. While the capitalist development strategy in Taiwan has laid the foundation for the growth of individualism, the socialist development strategy on the mainland has produced a “despotic and collective mentality” in China. Furthermore, political differences have divided the two sides for a long time, and mainland China’s heavy-handed policies towards Taiwan have aggravated the alienation of the Taiwanese people. It is increasingly clear that the two sides need to tackle these obstacles from the cultural perspective and work on a more congruous interpretation of various political issues. But in the total absence of a consensus between the leaderships in China and Taiwan, no one is sure when and how this process will begin.

External challenges are not confined to the reunification issue; they also arise from China’s growing economic might. In his chapter on the impact of a rising China on the ASEAN economies, John Wong discusses how China’s domestic development can affect the outside world. Wong examines the changes in China’s export structure. In 1978, when China first opened its doors to the outside world, half of its exports were made up of primary commodities like mineral and agriculture products. Indeed, before 1995, traditional labor-intensive items like textiles, clothing, and footwear dominated China’s export structure. But today manufactured products constitute about 90% of China’s exports. In recent years, the composition of manufactured exports has changed significantly, marked by the increase in nontraditional items like machinery, electronics, and other high-tech products.

The change in China's export structure has huge implications for the ASEAN economies. China's rapid expansion of such nontraditional exports poses serious challenges for the ASEAN countries competing directly with China in third-country markets. China has several advantages vis-à-vis the ASEAN countries. It has by far a much larger pool of skilled as well as nonskilled labor. It has also a large domestic market for all sorts of products, from hightech to low-tech ones, to take advantage of the economies of scale effect. This in turn means lower average cost for the Chinese products vis-à-vis the ASEAN products.

Barring any unforeseen circumstances, China's economy will continue to grow on its own momentum. All Asian countries have to accept the rise of China as a new political and economic entity. They will have to step up the reform and restructuring of their economies so as to find new niches or new opportunities in the expanding Chinese market.

Sino-Japanese relations also seem troublesome. What are the prospects for Sino-Japanese relations in the epoch of terrorism? This is the question Lam Peng Er addresses. The events of September 11 and their aftermath will have a profound impact on the post-Cold War era, the central structure of international relations, and concomitantly, Sino-US relations. This, in turn, will frame Sino-Japan relations especially when the latter is a close ally of the US. A relaxation of tension between Washington and Beijing is likely to facilitate better ties between Beijing and Tokyo. However, the US focus on wiping out global terrorism in the next few years does not mean that Washington will no longer regard China as the potential long-term challenger to US interests in East Asia. In this regard, any deterioration in relations between the US and China may well spill over to Sino-Japanese relations.

After analyzing some major conceivable challenges posed by Japan to the new Chinese leadership, Lam argues that while a military conflict between China and Japan is highly unlikely in the foreseeable future, the phenomenon of "China rising, Japan passing" may generate tension in bilateral relations. Fortunately, there are also areas of common interests between China and Japan that may mitigate

historical animosity and differences over geo-strategic outlooks and economics. For example, a more stable and predictable regional environment and greater economic interdependence will benefit both countries. Lam further points to an extremely important issue, that is, how Japan's economic recovery will help strengthen relations between the two. Therefore, a situation of "China rising, Japan recovering" will probably lead to less fear and greater confidence among the Japanese elites towards China. In short, a renaissance enjoyed by both China and Japan may well be a positive sum rather than a zero-sum game.

### CONCLUDING REMARKS

The challenges to China's fourth generation leadership can be broadly categorized into two. The first group of challenges can be dealt with by technocrats and bureaucrats, or they can be resolved through continuing economic growth and social development. As the new leadership is admittedly more technocrat-oriented than the third generation, it is competent enough to tackle these problems.

Even then, some of these challenges may require a much longer time to resolve. For example, those challenges that are the result of membership in the WTO, such as restructuring of the economy and increased unemployment, cannot be tackled in a few years. Other problems that require much time and effort to resolve include worsening corruption, crime, and social instability.

The second group of challenges refers to those of a structural nature, and it calls for a totally different set of skills. It is in this area that doubts remain over whether the existing technocrats will be able to meet such obstacles. One example of a structural problem is Party reform, which demands that leaders possess attributes that go beyond mere technocratic skills—attributes like political imagination and courage. What is also uncertain is the level of preparedness of the fourth generation leadership to deal with this set of problems. In contrast, the first and second generations of revolutionary leaders like Mao Zedong and Deng Xiaoping had the

necessary determination and the political will to handle issues of a structural nature. These leaders were “trained” in a different way given the prevailing circumstances, and they overcame seemingly insurmountable difficulties. They survived the Long March, expanded their power bases at the expense of the Kuomintang, and went on to assume power. Their boldness and ability to make tough decisions are qualities that do not come naturally to the fourth generation leaders. It will therefore be harder, if not almost impossible, for the new leaders to deal with structural issues.

Moreover, some issues, such as Taiwan, terrorism, and relations with US and its allies, are simply beyond the control of the Chinese leadership. These are nontechnocratic issues which the fourth generation leaders will have to deal with.

As some chapters in this book show, the main composition of China's political leaders since Deng Xiaoping is technocratic in nature. To be fair, the technocratic leadership has been very efficient and skillful in coping with emerging problems. This is because the technocratic leadership is not ideologically oriented and can focus objectively on a problem and resolve it pragmatically. Nevertheless, it is also true that some structural problems, especially those that are beyond the control of the leadership, have persisted for different generations of leadership. When new leaders assume power, they are likely to focus more on problems of a technocratic nature but delay those of a structural nature. However, given the drastic socioeconomic transformation taking place in the country, it is no longer possible for the new leadership to postpone indefinitely the resolution of these structural problems. Doing so will eventually weaken their legitimacy and erode the Party's monopolistic hold on power. As with the Jiang Zemin leadership, only time will tell whether the fourth generation leaders are up to the mark in coping with structural problems.