Factional conflict as Beijing prepares for major leadership change

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3 May 2002

At the 16th Congress of the Chinese Communist Party (CCP) in September, a sweeping change is expected in the public face of the Chinese government. The current CCP secretary-general and president of China, Jiang Zemin, along with most of the other main leaders of the past decade—the so-called "third generation" after Mao Zedong and Deng Xiaoping—are constitutionally barred from standing for re-election as they are over 70 years old.

Jiang, at 75, must step down from the post of party general-secretary at the upcoming conference and his term in the presidency ends at the convening of China's legislature, the National Peoples Congress (NPC), in March 2003. Four other members of the seven-member Central Committee Politburo Standing Committee are also retiring. These include the 72-year-old chairman of the NPC, Li Peng, and 73-year-old premier Zhu Rongji, the head of the executive branch of government. In all, 12 of the 22 members of the Central Committee Politburo are retiring. Dozens of senior political, bureaucratic and military functionaries are also departing during the year.

Preparations for the changes have been underway since the last party congress in 1997 and the leadership is keen for a smooth transition. Since the beginning of the year, Beijing has put considerable effort into building up the image of the "fourth generation" leaders, in particular Vice President Hu Jintao who is slated to succeed Jiang as president. Hu made a high-profile trip to a series of European countries last November and is currently in the United States where he has met with Bush and senior American officials.

Despite the attempts to present a united front, however, there are a number of signs that the leadership changes are being accompanied by a sharp factional struggle within the CCP over the policy direction to be pursued. Political figures connected to Hu Jintao are calling for limited political reforms as a means of defusing the growing unrest throughout China over rising unemployment and widening social polarisation. They have been opposed by a layer connected with the military apparatus—represented by NPC chairman Li Peng—who are insisting the state apparatus adhere to its traditional policies of repression and tight social control.

Both Li Peng and Jiang Zemin owe their positions in the 1990s to their role in the events of May-June 1989. Confronted with a working class movement against both its dictatorial methods and the social inequality caused by its pro-capitalist policies, the Stalinist regime under Deng Xiaoping unleashed brutal police-state repression. Jiang Zemin, a sycophantic functionary, was installed as party general-secretary to replace Zhao Ziyang, who was advocating concessions in order to end the student occupation of Tiananmen Square. Li Peng, then the Premier, supported Deng and gave the official order for troops to move into Beijing and carry out the massacre.

The events of 1989 were crucial for the free market agenda that was ruthlessly pushed through by the entire CCP leadership in the subsequent decade. The massacre in Tiananmen Square was a sign to international investors that Beijing would take whatever measures were necessary to suppress opposition—and billions of dollars flooded into the country.

Jiang took the post of president in 1993, while Li took the NPC chair in order to allow Zhu Rongji to become premier in 1998. The expectation in China had been that upon Li's and Jiang's official retirement, they would continue to wield the real power behind-the-scenes by exerting ongoing influence over China's military. Li Peng has numerous factional connections with leading personnel in the security forces. Jiang Zemin heads the Central Military Commission, the high command of the Peoples Liberation Army.

However, far from guaranteed influence after his retirement, Li Peng is facing a string of accusations of corruption and nepotism. Last November, the *Securities Market Weekly*, a major Chinese financial journal linked to the government, publicly accused Li Peng's wife and his son Li Xiaopeng of abuse of power stemming from their management of the state-controlled power corporation, Huaneng International Power Development. While the magazine withdrew the article and apologised, the attack on Li Peng's family did not stop. In early January, an interview by Li's wife, in which she denied any wrongdoing, was followed within days by a column in the official newspaper of the Young Communist League—a powerbase of heir-apparent Hu Jintao—denouncing "the greedy wives" of officials who used their husbands' positions for commercial gain.

Ten days later, a group of 100 wealthy Chinese investors demonstrated in Beijing and accused authorities of closing down an investigation into the bankruptcy of a brokerage firm in order to protect Li Peng's eldest son, Li Xiaoyong, a senior official in the People's Armed Police. The investors allege Li Xiaoyong, on behalf of a police investment company he directed, took $US24 million from the firm before it collapsed, while the other investors lost everything. Unlike most other protests, no attempt was made to stop it, indicating high-level support.

The effort to discredit Li Peng has not been confined to corruption allegations. Internationally, Mirror Books has published two books in Chinese purporting to be unofficial records of internal discussions within the Beijing regime. The first, the *Tiananmen Papers*, portrays Li as baying for blood in 1989. At the same time, it presents Zhao Ziyang, the party general-secretary who was removed from his position in May 1989 and replaced with Jiang Zemin, as sympathetic to the demands of the student movement.

The second book, *Zhu Rongji in 1999*, published last October, presents Zhu Rongji as opposing the crackdown on the Falun Gong religious movement. By contrast, Li Peng is portrayed as brutal and stupid, while Jiang Zemin is depicted as a weak and indecisive leader, intimidated by Li and his factional supporters. The editor of the English translation, Andrew Nathan of Columbia University, told the *New York Times*: "The materials were provided by people who care about Zhu and don't want him to go off the stage with the misapprehension lying around that he was part and parcel of everything Jiang did."

The scandal and innuendo swirling around Li Peng, and the associated

denigration of Jiang's leadership, is aimed at undermining their ability to influence both the composition of the new leadership and the future actions of the government. It has surfaced at the same time as an increasingly open discussion within ruling circles over the dangers of another anti-government upsurge. Last June, a report by the CCP's Central Committee Organisation Department—which is headed by Zeng Qinghong, a close "fourth generation" associate of Jiang Zemin—warned that unrest was at dangerous levels among industrial workers and the peasantry.

The last decade of free market restructuring has produced deep class divisions in China, as well as transforming the economy. A thin business elite, closely connected to the CCP apparatus and transnational corporate giants, has accumulated enormous wealth, and a prosperous middle class has developed in the major cities and towns. At the same time, however, the impact on the mass of the Chinese population has been dislocation and growing hardship.

In the last five years alone, at least 40 million workers have been laid-off from state-owned enterprises that have been privatised or bankrupted. Unemployment is endemic in the former industrial centers of northern and central China. The market has caused living standards to plummet in rural areas and tens of millions of peasants have been forced to leave the countryside. Large numbers have migrated to the booming export-orientated cities where they endure low pay, brutal working conditions, a lack of health and education services, and inadequate housing. Demonstrations, protests and other signs of opposition are on the rise.

Of growing alarm in Beijing is the increasing unrest in rural areas over inequality, falling living standards, high taxes and official corruption. In 1989, the protest movement was largely confined to the major cities. The rural areas remained, for the most part, supportive of the government. Significant sections of the peasantry still held illusions in the CCP due to the vast and generally beneficial changes in agrarian relations following the 1949 revolution. After military units recruited in urban areas failed to quell the unrest in Beijing, Deng Xiaoping was still able to rely on army detachments from more rural provinces to suppress the working class. A decade on, rural China is in ferment and the reduction of agricultural tariffs as part of China's entry into the World Trade Organisation (WTO) is expected to force another 20 million small peasant farmers off the land.

Amidst the mounting social instability, the primary question preoccupying the political elite is how to develop a social base that will actively support the policies of free market. The answer being given by the wing around Hu Jintao is that CCP must openly base itself on the new upper, and largely urban, middle classes who have benefited from the spread of capitalist relations. To accommodate these layers, certain limited democratic reforms are also being discussed.

One of the longest-standing spokesmen for this tendency is Pan Yue, who is a close advisor to Hu and deputy director of the government's Economic Restructuring Office. In 1991, he authored a widely read article "China's practical response and strategic choices following the sudden changes in the USSR". He called for the CCP to adopt "a social democratic perspective", based upon the support of the "middle-income class" as the "CCP's legitimacy is precarious". He said: "The party's claim that it should rule because it won the revolution is no longer adequate: time has passed and popular support has declined."

Ten years ago, he suggested a political system that, while preserving the power of the CCP, allowed other "social groups" to "participate in the distribution of national wealth and resources" by having multiple-candidate elections for official posts. The only alternative to "reform" at the top, he warned, was a "violent revolution" from below.

Among "fourth generation" leaders, such ideas now have a considerable following. The most likely next premier, Wen Jiabao, was an ally of Zhao Ziyang in 1989 and accompanied him when he visited Tiananmen Square to try to reach a deal with protesting students. After the massacre, Wen Jiabao was sidelined until 1999, when he was re-installed into senior economic posts by Zhu Rongji. Politically, he is considered one of the main advocates of "reform" within the CCP.

More significantly, the Central Party School, which is headed by Hu Jintao, has conducted studies of the European social democratic parties as a possible model for the CCP. Last year Hu personally showed considerable interest in the German Social Democratic Party. Li Ruihuan, the only member of the present Standing Committee, apart from Hu, who will remain in the inner leadership, has pushed for a broader involvement of non-party members in the country's top bodies. He is expected to replace Li Peng as National Peoples Congress chairman.

The significance of "political reform" was expressed most clearly in a proposal last July by Jiang Zemin to change the party constitution to enable business owners to become members. As Pan Yue bluntly explained to the *Far East Economic Review* at the time: "It is the technologists and entrepreneurs who represent the most advanced productive forces, not common staff and workers. The party must become the representative of their development needs."

Ever since it tore itself away from its roots in the Chinese working class in the 1920s, the CCP has been based on sections of the peasantry, which has made up the bulk of the army. Opposition to the "political reform" proposed by Hu and others has been centred on sections of the military and party bureaucracy, who, like Li Peng, were directly involved in suppressing the 1989 movement.

Last August a group of retired party leaders, headed by the former propaganda boss Deng Liqun, issued an open letter to the party attacking Jiang Zemin. "Why didn't Jiang's speech tackle the gap between rich and poor, instead of speaking for the wealthy? Why doesn't he speak for the biggest losers, such as the workers and peasants, instead of acting as a spokesman for the biggest winners, the private bosses who account for 0.3 percent of the population?" it declared.

The concern of these "hard-liners" is not the plight of the working class or peasantry. They all fully supported Beijing's free market agenda and reaped their share of the benefits. Their stance reflects fears that the CCP has lost its legitimacy in the eyes of masses of people and could face protest movements it cannot control. While the main "fourth generation" leaders are enthusiastic advocates of the WTO and the further opening of China, their critics such as Deng Liqun are calling instead for slower economic restructuring and a greater concentration on appeasing the grievances of the peasantry.

Neither of the leadership factions represent the interests of workers or the impoverished urban and rural masses. Whatever their differences, both wings recognise the need to bolster the military, which has always been the regime's main prop. Both the "reformers" and "hard-liners" share an ingrained hostility toward the working class and would rapidly come together against any challenge from below—as in fact took place in May-June 1989.