

Center-Local Relations

THE LIMITS ON CENTRAL AUTHORITY IN CHINA

CHINA
BALANCE
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Background

THE MOUNTAINS ARE HIGH,
THE EMPEROR IS FAR AWAY.
—CHINESE PROVERB

- Beijing's ability to impose its will unilaterally throughout China is highly limited. The leadership has to gauge carefully what it can and cannot get away with vis-à-vis local authorities; how much political capital will be required to enact controversial policies at local levels; and how much discretion to allow local authorities in policies set at the national level—recognizing that the center has no capacity to enforce absolute obedience to its edicts.
- In the 1980s a radical program of decentralization was introduced in China to jump-start economic development. With the central government no longer directly overseeing services provided in local areas, local officials gained significant autonomy from Beijing.
- While jump-starting the economy, decentralization also engendered institutional conflict between the central and local governments, helped foster local protectionism and corruption, and limited the central government's capacity to use fiscal policy to manage the economy as a whole.
- Recentralization in the mid-1990s, particularly the 1994 tax reforms, increased the center's fiscal power—its share of total government revenue went from 22 percent in 1993 to nearly 50 percent three years later.
- When local officials uncover environmental, intellectual property rights (IPR), or consumer safety violations, they often turn a blind eye to avoid facing the dangers from job losses and decreased revenue, including social unrest, destabilization, and possible demotion. Local officials' job performance evaluations and promotions continue to rest largely on the achievement of "hard" targets such as GDP growth.
- Government agencies that are excessively dependent on local governments due to the latter's continued funding and oversight of personnel appointments at the local level, such as environmental bureaus, are at the same time often relied on to enforce central edicts at odds with local priorities. The significant control that local officials exert over court officials and judges means that these state agents are often more loyal to their local bosses than the central government.
- The central government has recently launched many initiatives to reassert its power at the local level, particularly in reducing trade violations, safeguarding farmer's lands, and protecting workers. In 2006, it raised to 50 the number of IPR service centers, which receive complaints, offer consulting services, and streamline cooperation between central ministries, law enforcement, and judicial departments. In addition to the establishment of a national Land Superintendency to oversee land sales, in January 2007 new laws were implemented restricting land sales and raising compensation for those displaced, aimed at reducing opportunities for local officials to requisition villager's lands and sell them to developers below their market value. In May 2008, China's Labor Contract Law also came into force, aimed at protecting the rights of workers and combating abuses such as those uncovered in the brick kiln scandal (see text box on following page).

Current Situation

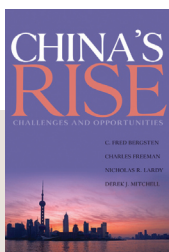
- By 2004, local governments received only 45 percent of total government revenue but were responsible for 72 percent of total government spending. The financial pressure on local governments, coupled with a "growth at any cost" mandate, is responsible for many of China's policy implementation shortcomings.

Implications

- The center is on a collision course with existing tensions in center-local relations. To implement its “rebalancing” campaign, Beijing will have to exert its will on local authorities in ways that have been particularly challenging for the past few years.
- To ensure local government compliance with central-government laws, China will have to stop venerating “growth at any cost,” increase funding of local social programs, and recalibrate job performance assessments of local government officials.
- The central government’s ability to make good on its policies and assurances is of great importance to the United States, particularly when key U.S. trade, consumer safety, and environmental interests are involved.
- It may be premature for U.S. trade negotiators to declare victory at the passage of a new law without accounting for the center-local disconnect. A more successful strategy may require Americans to build longer-term benchmarks and a process to verify implementation at all layers of government. That, in turn, may require the U.S. government to deepen its reach into Chinese provinces and spend time cultivating political relationships outside China’s bigger cities.

LOCAL-LEVEL MALFEASANCE: THE BRICK KILN SCANDAL

In June 2007, Chinese police detained 168 people accused of holding workers in virtual slavery in appalling conditions at brick kilns in Henan and Shanxi provinces. More than 500 forced laborers, including children abducted from their families, were freed from the unlicensed, privately run kilns. The scandal came to light after parents looking for their children posted an appeal for help on the Internet. The local authorities, including the police, were reportedly aware of the situation but turned a blind eye. In several cases, local officials had business interests in the kiln operations.



FOR FURTHER INFORMATION:
SEE CHAPTER 4: “CENTER-LOCAL RELATIONS: HU’S IN CHARGE HERE”
IN *CHINA’S RISE: CHALLENGES & OPPORTUNITIES*
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