



## China's Future

**T**he threat to China's future development is not lack of resources or technology, but the absence of an institutional framework that limits government and protects property rights. It has been 15 years since the Tiananmen Square massacre in June 1989, and 25 years since Deng Xiaoping embarked on economic reform in 1979. China is now one of the most open economies in the world, with exports plus imports accounting for nearly 62 percent of GDP. Yet little progress has been made in limiting the power of the Chinese Communist Party (CCP) over fundamental human rights.

Freedom of speech and assembly are guaranteed in the Chinese Constitution, but they have no substance in the law. The CCP continues to use its monopoly position to enrich insiders at the expense of the public. Small fish may be caught, but it is rare for high party officials to be ousted or penalized for corrupt behavior. Local leaders impose arbitrary taxes on farmers and confiscate land without just compensation. And developers in urban areas use party connections to fleece long-time property owners who have little recourse for legal action.

While China has normalized its trade relations, its progress in normalizing personal liberties is dismal. That failure will prevent

China from realizing its full potential—for unless people are free to pursue their dreams and exercise their natural rights to liberty and property, they cannot fully develop.

The recent amendments to the Constitution, which were approved by the National People's Congress (NPC) last March, look good on paper, but lack any credible enforcement mechanism. There is no independent judiciary or constitutional commission to safeguard either persons or property.<sup>1</sup> "Judicial review" is solely up to party leaders. Even if a constitutional commission or court were instituted, it would be meaningless so long as the CCP has a monopoly on power.

Article 13 of the Constitution, as amended, states, "The lawful private property of citizens is not to be violated," and Article 33 now reads, "The state respects and safeguards human rights."<sup>2</sup> Those two amendments signal the growing importance of the private sector to China's future development. As Wang Zhaoguo, vice chairman of the NPC standing committee said, "With economic development and the rise in living standards, many people have varying levels of private property or factors of production. So they see a strong and urgent need for their properties to be protected."<sup>3</sup>

Unfortunately, the CCP is unlikely to undermine its power by respecting property rights broadly construed. The very essence of the Communist Party is to deny others the rights it claims for itself, and only state property is deemed "sacred." The reality is that inequality of power, not equality of rights, is

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the brand name for the CCP. In the “People’s Republic,” some are more equal than others. Those who sit on the Politburo Standing Committee are more equal than local officials, and CCP members more equal than ordinary citizens.

The relation between the individual and the state is upside down. As constitutional reformer Cao Siyuan notes, the citizen should be the master and the state the servant, but it is just the opposite.<sup>4</sup> Those who try to turn China’s political system right side up will be dealt with harshly, as were the brave leaders of the democracy movement and former Communist Party General Secretary Zhao Ziyang, who is still under house arrest for merely suggesting dialogue rather than force to resolve the standoff in Tiananmen Square.

## The Legacy of Central Planning

Prior to 1989, China was beginning to liberalize both its economic and political system. Today, there can be no return to central planning, but the legacy of that era is a political apparatus that is inconsistent with private property rights and individual freedom. According to Li Shuguang, a professor at the China University of Politics and Law, China’s civil code reflects the loss of freedom that resulted from the planned economy.<sup>5</sup>

Economic liberalization has no doubt put some cracks into the edifice of the state. Individuals have more personal space than they did before the growth of the nonstate sector, and a nascent civil society is developing outside of political society. Politics does not dominate everyday life as it did during the Cultural Revolution. As Wang Dan, one of the leaders of the 1989 democracy movement, notes, “Since the early 1990s, shoots of civil society have begun to sprout within China. As more Chinese enter the private sector, the state is no longer able to control every aspect of daily life in the way it used to.”<sup>6</sup>

State-owned enterprises now account for less than one-third of industrial output-value and employ far fewer workers than even a decade ago. Individuals can own their own homes, travel abroad, use the Internet, work

in the private sector, and speak more freely. But all those freedoms are restricted: the state continues to control the media, narrowly limit investment options, and prohibit widespread privatization of state assets.

Beijing’s adherence to market socialism is understandable, given the income party officials are able to plunder by continuing to control investment spending and ration funds through politics rather than market interest rates. Allowing capital freedom and widespread privatization would depoliticize economic life and end the party’s monopoly on power.

It may be that China has no choice but to open its capital markets and allow freedom of the press if it wants to become a major player in the global financial markets. The forces of globalization and the information revolution may be China’s path to freedom. The continued shrinkage of the state sector will eventually make the CCP obsolete.

Political reform will then be from the bottom up, like economic reform.<sup>7</sup> The state can then perform its legitimate role of protecting fundamental human rights and recognize private property as the bedrock of liberty. That is a vision Chinese liberals long for and one all the Chinese people deserve. □

Walter Williams’s column will return in the January-February issue.

1. See Veron Hung, “China’s Constitutional Amendment Is Flawed,” *International Herald Tribune*, March 5, 2004.

2. For a useful listing of the new amendments, see “Constitutional Amendments Approved by the National People’s Congress in March 2004,” Congressional-Executive Commission on China ([www.cecc.gov](http://www.cecc.gov)).

3. “China’s Landmark Constitutional Change Safeguards Private Property,” March 8, 2004, [www.channelnewsasia.com/stories/eastasia/view/74416/1.html](http://www.channelnewsasia.com/stories/eastasia/view/74416/1.html).

4. Cao Siyuan is a prolific writer and commentator. He is director of the Beijing Siyuan Research Center for Social Sciences and has been a major advocate of privatization (see [www.caosy.com](http://www.caosy.com)).

5. Jia Hepeng, in an interview with Li Shuguang, reports that Li sees the present civil code, which offers little protection to persons or property, as “a result of the planned economy, giving people few rights.” “Constitutional Revision Requires Law Adjustment,” *China Business Weekly*, March 8–14, 2004, p. 23.

6. “Fifteen Years after the Massacre,” *Wall Street Journal*, June 2, 2004, p. A14.

7. Wang Dan has given up any hope of top-down political reform and now argues, “China’s democratization must be a bottom-up process, driven by forces outside the Communist system.” *Ibid.*