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At a Secret Meeting, Chinese Analysts Clashed Over Reforms

By JOSEPH KAHN

BEIJING, April 6 — Officials and scholars who had been convened last month to advise senior Chinese leaders disagreed sharply on how to advance economic and legal reforms, according to minutes of the private meeting that have been leaked on the Internet. They also expressed anxiety about what one official called "unprecedented controversy and dissent" among China's elite.

The minutes offered a revealing glimpse into the policy debate among influential people who are considered core supporters of the Communist Party's market-oriented economic reforms.

Many attendees emphasized that they were alarmed by the resurgence of socialist thinkers critical of the lurch toward capitalism. Some said the governing party would face growing social and political instability unless it established genuine rule of law.

The minutes show that even as some foreign governments and scholars have touted China's development model, often called the Beijing Consensus, as a path to prosperity for poor countries, the Chinese elite fears that the consensus behind two decades of rapid economic growth is eroding.

"The past two years the media have been talking a lot about the Beijing Consensus, the reality is that there isn't one," Shi Xiaomin, a policy adviser to the State Council, or cabinet, said at the session. "There is a consensus about where we've been these past 20 years, but not where we're going."

China's economy has maintained its momentum — it is expected to expand by more than 9 percent this year — and the Communist Party shows few signs of rolling back its market-oriented policies.

But there is considerable uncertainty about the next stages: how to manage the widening gap between rich and poor, curtail the explosion of rural unrest, tackle endemic corruption and reduce pollution.

Last month, the party-controlled legislature postponed consideration of a broad property-rights measure that had been expected to become law. And officials have sent mixed signals about efforts to overhaul the state-run financial system and permit foreigners to play a larger role in the once tightly controlled banks and securities firms.

Debate over those issues was the backdrop for the forum, which was convened on March 4 by the China Society of Economic Reform, a research institute run by the State Council. About a dozen officials, senior economists and legal experts took part in the daylong session, which was intended to provide a sampling of candid views to inform government leaders, including Prime Minister Wen Jiabao.

A Web site operated by people who are harshly critical of the economic changes, called the Huayue Forum, was one of the first to post the full minutes of the session. It was unclear how the Web site obtained the minutes. A person who took part in the session said in an interview that the minutes were accurate.

A heavily edited transcript of the event was subsequently made available on the Web site of the convener, but that version left out the dialogue on the most delicate issues.

Some at the forum argued that the difficulties China faced today were political and legal rather than economic. The solution to rising social tensions, they suggested, is to put the government and the party on firmer legal footing, while allowing ordinary people a greater say in public affairs.

"My own view is that the period of economic reform has ended," said Li Shuguang, a dean at the China University of Politics and Law. "Reform itself needs to be redefined because the crux of it has left the economic sphere and entered other areas."

Mr. Li said the rise in social instability indicated that the dominant issue for common people was no longer "poverty of material resources" but "poverty of rights and power." He implied that the leaders should address those concerns with political rather than economic measures.

The most provocative comments at the session were made by He Weifang, a legal scholar at Beijing University who, unlike most of the others present, is a known critic of one-party rule.

Mr. He said the "entire party power structure" violated China's Constitution because it exempted itself from constitutional controls. He said he favored splitting the Communist Party into rival parties and stripping it of its control of the military.

Excerpts from Mr. He's talk attracted the most attention on leftist Web sites and chat rooms, which are supportive of traditional notions of Communism. The excerpts were often presented along with other quotations from the minutes as evidence that a cabal of right-wing government officials and scholars were plotting to overthrow the Communist Party, though the full minutes do not support that contention.

Some attendees did criticize what they argued was a tendency among leaders to attribute China's mounting social problems, like the wealth gap, to fast economic growth.

Zhang Weiying, a deputy dean of the Guanghua School of Management at Beijing University and a director of several major Chinese companies, said President Hu Jintao's emphasis on building a "harmonious society" implied that rapid economic development led to disharmony, which he said was wrong.

"Development is harmony," Mr. Zhang said. He added that areas of China that had grown the fastest, opened up the most to foreign investment and given the widest berth to the private sector had higher living standards and narrower wealth gaps than areas that clung to socialist controls.

He also said strengthening China's ability to compete globally should be a prerequisite for any new government policy, implying that higher taxes or tighter regulation of workers' wages would be a big mistake.

A strong defense of financial reforms was presented by the most senior official at the forum, Xie Ping, general manager of the Central Huijin Investment Company, the state-run company that oversees major banks.

Mr. Xie said the sale of minority stakes in state-run banks to foreign investors had engendered "ideological division" and even "accusations of traitorous behavior" against financial officials, mostly, critics say, because the shares were sold too cheaply.

He defended the recent sale of shares in Construction Bank, a state-run behemoth, to Bank of America before the Chinese bank obtained an overseas stock market listing. He argued that the American bank would transform the management, ensure transparency and protect the state's interest in the Chinese bank.

"A big bank like Construction Bank can buy off the China Securities Regulatory Commission with two meals," Mr. Xie said. "But they can never buy off Bank of America."

Others present argued, however, that the faster-paced reform did not address the main tensions in Chinese society.

Sun Liping, a leading sociologist at Tsinghua University, said the Chinese elite had become more like an oligarchy while the bottom rungs of society were ever more susceptible to populism. He argued that the old nostrum that fast development was good for everyone was useless in the current environment.

"Leftists in our society are saying absurd things," Mr. Sun said. "But as elite intellectuals, we cannot deny that they have a solid basis for saying them."