Strengthening the Center, and Premier Wen Jiabao

Barry Naughton

In recent months, several important initiatives to strengthen central government authority have been proceeding, presided over by Premier Wen Jiabao. Three particularly important efforts were apparent as of mid-2007. The decision to have central government state-owned enterprises (SOEs) begin paying dividends to the government has finally been made, in May 2007. A recent series of industrial policy measures has given the central government a more coherent, but also more intrusive position. The center has continued to strengthen its monitoring of local land use and planning. These initiatives together make up an important trend in policymaking that needs to be placed alongside the general "left" or populist tilt to policymaking in the Hu-Wen administration. These initiatives also have an impact on Wen Jiabao's political fortunes. Wen has shored up his position, and made himself nearly indispensable in the run-up to the 17th Party Congress.

Introduction

Policymaking under the Wen Jiabao State Council has tended to emphasize bureaucratic consensus-building rather than prompt decisiveness, and so policymaking has often been slow and incremental. Nevertheless, in three important areas, policy has become much more resolute, as the central government has gradually thrown its weight behind specific measures that implement broad policy directions established in the past few years. We have tracked the past development of each of these policy areas in previous issues of *CLM*. In this piece, I first describe each of the policies. In the final section, I discuss the overall political context, both in terms of policy direction and then in terms of the individual role of Premier Wen Jiabao.

SOE Dividends and the Capital Management Budget

There has been a long-running campaign to establish a system under which state-owned enterprises (SOEs) would begin to turn over a portion of their dividends (or after-tax profits) to their government owners. This idea was adopted in principle in October 2003 at the "Economic Plenum" of the CCP, but a serious effort to actually implement it was not begun until the end of 2005. The effort was packaged into the effort to create "capital management budgets," which would be made up of dividend payments as revenue, and investments, social security, and restructuring costs as expenditures for the State Asset Supervision and Administration Commission (SASAC), the government owner and supervisor of SOEs. For a while it appeared that the policy might begin to be put into practice during 2006.[1] In fact, nothing happened while SASAC and the Ministry of Finance (MoF) wrangled over implementation and control of the funds involved. Prospects for implementation even during 2007 seemed to be fading, but then abruptly, on 30 May 2007, a State Council meeting approved a compromise between SASAC and MOF that begins trial implementation in central enterprises immediately.[2]

It was always clear that implementation of this policy would be difficult and slow, but in fact even agreeing on a policy in the first place turned out to be difficult and slow. Although all the details are not yet available, on balance the agreement seems to have given primary authority to the Ministry of Finance to control the Capital Management Budget, and correspondingly less new power to SASAC. SASAC is to take the lead in drawing up a capital budget for the 159 central government enterprises under its direct authority, including a dividend remittance proposal. However, the draft capital budget would then be turned over to the MOF. MOF will then approve SASAC's budget and integrate it into an overall national State Capital Management Budget, along with the information from thousands of local firms. Thus, the Capital Budget will become part of the national budget system, parallel to the main fiscal accounts. [3] Of course, central SASAC firms are by far the largest part of state enterprise profits, and central SASAC's budget will be the most important part of the overall budget. Finally, the actual profits are to be turned over to an account controlled by MOF, which will dole out portions back to SASAC, to the Social Security Fund, and to the general fiscal budget.[4] These procedures restrain SASAC's ability to use funds to expand its own investment program, and give the final say to MOF, which presumably represents the broader national constituency.

Now that the division of authority between SASAC and MOF has been hammered out, the even thornier question of the division of revenue between the government and the SOEs will be tackled. How much profit will be remitted to the government, and how will it be determined? The answer to this question, in actual fact, will be determined over the next six months by intense politicking among interested parties. SASAC and MOF intend to set a benchmark dividend distribution rate for each sector (that is, a ratio of after-tax profits to be remitted). This rate will range from zero to around 15 percent, and in some cases as high as 25 percent. In practice, though, implementation for 2007 can only be partial, and will start with the largest, most profitable enterprises. Central SASAC's firms made 750 billion RMB in profit in 2006 (before taxes) and will make well over 800 billion in 2007, almost 4 percent of GDP. However, twelve big SOEs earned more than three-quarters of this (over 10 billion RMB each). Therefore, not surprisingly, "trial implementation" is to start with these dozen big firms, the dominant players in the petroleum, telecom, electricity, and metallurgy sectors.[5] Setting a sector-specific remittance ratio should be thought of as the opening move that SASAC hopes will give it the most bargaining leverage.

Setting a sector-wide remittance ratio is a relatively clumsy way to proceed. The state is the dominant shareholder in these firms, holding an overwhelming majority of shares. In principle, the better way to proceed is to have the state majority on the Board of Directors determine how large a dividend each firm should declare for all its owners, including the government. Again, in an ideal world, this decision would be driven by the

Board of Directors deciding the money needed to finance only those internal investment projects with a high enough rate of return to justify using the money, with the rest returned to the owners. However, in the real world, this more desirable procedure cannot work yet, and there is no real alternative to a clumsy sector-wide ratio. In the first place, most of the firms under central SASAC don't even have genuine Boards of Directors. Only 22 model firms have fully functioning Boards, and many firms are still organized under the old State-owned Enterprise Law (instead of the newer Company Law), so they don't even have nominal Boards of Directors, much less actually functioning ones.[6] More crucially, if each firm's Board is allowed to determine a separate remittance rate to the government, the result would be a long, drawn-out struggle in which each firm would delay and find excuses explaining why its remittances should be low. Even so, it will be a long, hard slog. Optimistic observers are predicting 40 to 70 billion in remitted dividends this year, or about 5 percent of total pre-tax profits.[7]

Dividend remittance is consistent with a number of the central government's objectives. Obviously, it provides more money to the central government, which can be used to fund the center's expanding social agenda, including education, health care, and, especially, social security. It is consistent with the effort to impose more transparency and supervision over the state-owned corporate sector. It drains off some of the excess liquidity in the state sector—especially the large-scale, semi-monopoly state sector—and thus contributes to reducing excess investment and re-balancing the overall macroeconomy. Finally, the ability to set remittance rates differentially contributes to the government's ability to carry out industrial policy. Remittance rates will be set high for firms in sectors where the government wishes to reduce investment. Remittance rates will be low or zero in sectors that the government's industrial policy is supposed to nurture. This can be harnessed to SASAC's objective of rationalizing the pattern of government ownership and concentrating public ownership in a few strategic sectors.[8]

Industrial Policy

The Chinese government has gradually increased the stress it lays on industrial policy over the past few years. A series of multi-year plans have been promulgated that offer increasingly detailed visions of economic development. The 11th Five-Year Plan, at the end of 2005, first sketched out a vision of China's future development. The plan was innovative and useful, calling for a shift of the development model away from its over-concentration on resource- and energy-consuming industry, and toward a more knowledge-intensive and environmentally friendly growth path. It put as much stress on social policy as it did on industrial development.[9] However, the side of the 11th Plan that dealt with knowledge-intensive sectors was picked up and amplified in a number of other plans. The important Medium- and Long-term Development Program (MLP) for Science and Technology Development (2006–2020) was promulgated at the beginning of 2006.[10] The MLP is in the first instance a research program. It lays out a significant increase in government funding and centralized direction for research.[11] It places great emphasis on research that is economically and nationally "strategic." It describes an essentially zero-sum relationship among nations for control of core technologies (even as it acknowledges the technological benefits China derives from economic and scientific openness). The MLP declares: "Experience shows us that we cannot buy true core technologies in the key fields that affect the lifeblood of the national economy and national security."

The high-technology sector emphasis and the 11th Plan time period were then brought together in the "11th Five-Year Plan for High-Technology Sector Development," promulgated in April 2007.[12] The Sector Plan includes a number of targets for the year 2010, some of them unrealistic, and few of them specifying a clear set of actionable measures by the government. For example, the Plan asserts that by 2010 there should be a "batch" of large high-technology enterprises with sales over 10 billion RMB; that added value of high-tech sectors should increase from 4.4 percent of GDP in 2005 to around 10 percent in 2010; and that 15 percent of high-tech exports should be produced under indigenous property rights and with Chinese brands. In addition, the Plan specifies development priorities for a long list of sectors. In some cases—such as semiconductors, which are first on the list—there is reference to a concrete set of research goals, funded by government labs; in other case, only vague aspirations.

Both the MLP and the High Technology Sector Plan provide some specific policy instruments. These begin with a number of engineering "Projects" (*Gongcheng*). One of the most specific projects relates to the development of civilian passenger aircraft, laying out a series of interrelated initiatives that include domestic efforts, cooperation with Brazil on a regional jet, and assembly of the Airbus A320 in China (in conjunction with the European manufacturer, EADS.) Other instruments include preferential access to Policy Bank lending for those high-tech products that have commercial potential. Also, governments at the central and provincial levels may designate specific projects as "High-technology projects" and then allocate money directly, subsidize interest rates, or provide repayment guarantees in order to encourage commercial banks to support projects. Acknowledgement is also given to the need to develop venture capital funding and a diverse and broad capital market, although details are sketchy. Government agencies are encouraged to use procurement policy more aggressively to support targeted technologies, to offer corporate profit tax breaks to 15 percent rates, and to rebate VAT on high-tech exports.

From the above, it can be seen that high technology is the main focus of China's "industrial policy." While SASAC restructures the central firms that mainly provide infrastructure and energy, the National Development and Reform Commission (NDRC) casts about for ways to shape the (predominantly non-state) high-technology sector. In addition, though, NDRC controls the long-range energy planning process. Moreover, NDRC is the principal in a wide range of regional development programs as well. The Western Development Program began in 1999, and the Northeast Revitalization Program followed in 2004. As early as 2004, the government began talking up a "Rise of Central China" program as well, but only in 2007 has an Office for the Revitalization of Central China been set up in the NDRC, like those for the other two regional programs.[13]

The increased frequency and clout of industrial policies should be seen as part of the process of the NDRC clawing its way back into a position of prominence. Sidelined during much of the 1980s and 1990s, the NDRC has stepped back into the policymaking limelight. It has broken away from the extreme parochialism of the old Planning Commission, and has a smaller and higher-quality staff than ever before. This staff produces a better vision of economic development, and one in which “planning” is no longer seen as being in contradiction to the market. However, these visions have also given the NDRC a new ambitiousness, leading it to seize on multiple opportunities to reassert an interventionist role in the economy.

Land Policy and Central Control over Land

The Chinese central government has taken additional steps to heighten its supervision of land transactions and increase its control over land use.[14] The second national Land Census has been decreed for 1 July 2007 (the first land census was in 1996). This census will contribute to the clarification of property rights in rural areas and the creation of land registries. In this sense it clearly favors property rights and the development of markets.[15] But knowledge is also control. Increasingly, the land approval process is monitored by the central government. Starting this year, provincial governments must report their land conversion plans and decisions to the NDRC. When they do so they must explain that their land choices are consistent with national industrial policy, long-range planning, and market entry regulations, as well as certify that proper procedures have been followed with regard to all land use regulations.[16]

To a certain extent, the heightened control of land is part of the macroeconomic cycle, as land use controls are used as a way of slowing down investment and cooling the economy. Control over land was mentioned by Premier Wen Jiabao in his Government Work Reports of 2005 and 2007, reflecting the macroeconomic re-control policies rolled out in 2004 and 2006, respectively. In fact, the amount of land approved for construction in 2006 was down 15.6 percent from the year before.[17] Wen Jiabao also declared a “bright red line” of keeping agricultural land from falling below 1.8 billion *mou*.[18] This lower limit had already been featured as an objective in the 11th Five-Year Plan, but Wen’s most recent pronouncements suggest that cultivated land should *never* be allowed to fall below this figure.[19] Slowing the overall rate at which land is converted from agricultural to industrial and commercial uses is the main thrust of the policy.

However, the nature of control has become much more specific and detailed in the past year. It is no longer just an attempt to reduce the overall pace of land conversion. In the six months since November 2006, when the new central review provisions came into force, some 6 percent of the projects reviewed by the NDRC have been rejected and send back to the provinces for correction. Projects have been rejected because local governments exceeded their authority (approving mid-sized reservoirs or limited access highways),didn’t follow procedures properly (approving individual coal mines without a regional coal industrial development plan in place), or had extravagant standards (especially roadways with overly wide roadbeds). From this baseline, the NDRC is shifting its overview to give *greater* stress to national development planning, industrial policy, and sectoral entry requirements. The NDRC has announced its intentions to send projects back to the province for reconsideration if it disagrees with the need for the project.[20] Clearly, at a minimum, this approach adds a layer of regulatory delay to the investment approval process. At a maximum, it could signal an increasing central government interference with every aspect of investment.

Overall Policy Environment

All the policies described above have the effect of strengthening central government agencies. SASAC, MOF, and especially NDRC gain resources and tools. To a certain extent, this is probably inevitable. China's economy, powered by tremendous dynamism and driven predominantly by market forces, has developed sustained imbalances that could eventually compromise growth. Even the short list is alarming: a huge current account surplus, an investment rate so high as to be unprecedented, a rapidly emerging stock market bubble, and an explosive growth of heavy industry that is pushing up energy usage rapidly and increasing emissions of pollutants and greenhouse gases. Since China has so far been unwilling to rectify these imbalances by dramatic changes in prices, exchange rates, and interest rates, the only available alternative is to strengthen central government instruments to directly steer the economy.

Each of the measures described here adds to the government's toolbox. The government has the potential to combine credit, land, and tax policies into a coherent package that will affect the economy, and specifically one that restrains investment growth slightly in the short run. Moreover, as the various industrial policy initiatives are increasingly coordinated, they add up to a more consistent approach to economic development patterns. In this emerging policy framework, the central government runs the energy and infrastructure sector itself (through SASAC), while fostering the mostly non-state high-technology sector through tax breaks and government investments. Other manufacturing sectors, such as steel, autos, and machinery, fall in between and are the subject of contending interest groups. But while the tools are becoming slightly more muscular, and the policy direction more coherent, there is still little evidence that this complex really does shape the economy in the way envisioned by NDRC planners. So far, planners have been able to keep up with the explosive demands of the growing economy (for energy, for example), but are hardly in the position of leading it.

Personal Prominence of Wen Jiabao

All of the above measures have been developed with the direct personal involvement of Premier Wen Jiabao. Indeed, it is remarkable how consistently Premier Wen stays involved with multiple aspects of policymaking. Each of the policies described in this piece was developed in the bureaucracy, but then passed up the hierarchy and ultimately approved (or not) by Wen Jiabao. By all accounts, the process is gradual and consensual, but ultimately it depends on Wen to sign on the bottom line. At the same time, he has often been front and center with respect to China's "left tilt," the general reassertion of redistributive and social insurance policies that has been a distinctive characteristic of the past five years.[21] Wen Jiabao began the New Year with poor farmers in northern Jiangsu Province, visited shantytown dwellers in Fushun in the northeast in February, and on 26 May visited a child in Shaanxi Province who was left to be raised by his grandparents when both his parents migrated to the coast (Fujian, in this case). Wen Jiabao has indeed sustained a remarkably high profile in recent months.

In the midst of this busy policymaking and public-relations calendar, Wen found time to make a visit to Japan on 11–13 April that turned into a major charm offensive. Wen visited ordinary people and sounded flexible and friendly notes on most issues of contention between China and Japan. Perhaps most important, Wen made an important speech on the "primary stage of socialism" at the end of February.[22] This was the kind of speech normally made by the Communist Party chief, defining the nature of China's overall economic and strategic environment. Since it was linked to foreign policy, it was not outside the premier's formal area of authority, but it still took on an unusually broad and all-encompassing look at China's situation.

Wen's February talk attracted a lot of attention in the West. Wen stressed that China was in the "primary stage of socialism," and (quoting Deng Xiaoping) would be for another 100 years. The overwhelming emphasis was on the fact that China was still poor, and that it should continue to give priority to economic growth. All the other objectives China seeks—particularly a robust and influential foreign policy—depend on economic development. This speech was interpreted in many accounts in the West as putting a damper on hopes for immediate democratization.[23] But while there is a paragraph on democracy in the speech, democracy was certainly not the primary subject of the speech. The primary subject was economic growth.[24]

The re-emphasis of the primacy of economic growth was rather directed at two issues. Most important, it was directed at establishing that China's "left tilt," had limits and should be kept subordinate to the needs of growth. That is, although China has been increasing the share of its budget going to redistribution, regional transfer, and welfare over the past few years, this effort would be premature if it undermined growth. China cannot yet afford a comprehensive social welfare system because it is still in the primary stages of its development process, and the primary stage of socialism. Similarly, Wen was clearly arguing that it was premature for China to be too assertive on the international scene. Poor countries are "invariably despised and bullied." Escaping from poverty is thus the essential pre-requisite, and development "is the only hard truth." This was a damper, all right, but not a democracy damper; it was a damper on redistribution (in economy policy) and adventurism (in foreign policy). It was also a "return to orthodoxy," but the orthodoxy is the primacy of economic growth asserted by Deng Xiaoping.

Wen's activities over the past year, including this speech, need to be seen in the context of a certain undercurrent of dissatisfaction with Wen's performance. This may seem peculiar. Wen is immensely popular with the broad masses. He has presided over a period of explosive economic growth. He coordinates an enormous range of economic and social policy, and he does so while showing respect for his subordinates. And he has presided over two major economic policy achievements, the bail-out and restructuring of the banking system, and the reorientation of rural tax policy.

Yet despite this, Wen is viewed less favorably in a number of quarters. In part, this is because of his strong emphasis on the plight of the poor and disadvantaged. Businessmen, even domestic businessmen, found that they didn't have the kind of access at the top they had come to expect under Zhu Rongji and, especially, Jiang Zemin. The thrust of Wen's policymaking seemed to have shifted toward redistribution, aid to the rural poor, and social security. This tilt toward redistribution proceeded far enough that, to some critics, it began to look like a departure from the economic-growth orientation that has been the mainstream of China's policy through Deng Xiaoping and Jiang Zemin. It is in this primary context that Wen's speech should be interpreted. Wen was reassuring those critics that he had not lost sight of the primacy of economic growth. The speech was a very clear and well-defined statement of government priorities.

In the less concrete and more impressionistic area of public image, Wen is sometimes seen as being "too soft." One frequently hears references to the number of times he has been shown on television shedding a tear when meeting people confronted with tragic or poignant circumstances. Many people appreciate this empathy, but some say: "Once is enough; the premier should maintain his dignity." Some even grumble that Wen should exert more control over his own family, since both his wife and son have been involved in slightly shady business deals (diamond trading, and getting cut in on an IPO, respectively). Such grumblings have more substantive significance when they refer to Wen's management of his bureaucratic subordinates. After years of Zhu Rongji's brusque and supremely self-confident management style, Wen's respectful and consensual approach to decision making was welcomed. But some now worry that this process leads to insufficiently decisive policymaking and delays as bureaucratic insiders argue over policy, and many wait for the top person to impose a decision on recalcitrant bureaucrats. Sometimes policy decisions are made in principle, but nothing actually happens. Sometimes the top leader has to knock heads together.

Wen Jiabao's intense schedule of activities in the past six months should be seen, in part, as a response to some of these grumblings. Wen turns 65 in September, before the 17th Party Congress, so he could be thought of as approaching retirement age. Of course, there is no rule, or even expectation, that he should retire at this time. But the potential for Wen Jiabao to be pressured into retirement has encouraged potential successors to grumble, testing to see if there is any momentum for an anti-Wen movement. Wen has turned back this challenge. The policy outcomes have become more frequent and more concrete. For example, Wen pushing through the long-delayed dividend remittance policy displays him driving two competing agencies (SASAC and MoF) into a final decision. He has stronger instruments to penalize and reward political rivals. Moreover, Wen Jiabao has maintained his high profile internationally. All this has the effect of making it much more costly to remove him at the 17th Party Congress. Wen is well known in the West. He is viewed as a moderate and reliable leader, and also a humane and compassionate one. He might even be seen as being sympathetic to democracy, at least in spirit. Removing him would send a costly signal to the world. Turning aside these challenges, Wen can point to an excellent overall record of accomplishment, and should step smoothly into a second term as premier.

Notes

[1] Naughton, "Claiming Profit for the State: SASAC and the Capital Management Budget," *China Leadership Monitor* 18 (Spring 2006).

[2]Sun Liyun "Guowuyuan jueding jinnian shidian xiang guoqi tiqu fenhong" [The State Council decides to implement state enterprises profit remittance this year on a trial basis], *Dongfang Zaobao*, 31 May 2007, accessed at http://news.sina.com.cn/c/2007-05-31/044413116318.shtml.

[3] Chen Mo, "Guoqi fenhong wenjian yishangbao guowuyuan; jiben mingque caizhengbu zhudao" [The documents on SOE dividends have been sent to the State Council; basically affirms that MOF runs the show], *Ershiyi shiji daobao* [21st-century herald], 22 May 2007, accessed at http://finance.sina.com.cn/g/20070522/10083616889.shtml; Duan Xiaoyan, "Guoqi hongli shangjiao jianzaixuan; liangbuwei gejiu gewei" [SOE dividend remittance is ready to go; both MOF and SASAC are playing their roles] *Ershiyi shiji daobao* [21st-century herald], 2 June 2007, accessed at http://finance.sina.com.cn/g/20070602/13563655773.shtml.

[4] This is according to Li Shuguang, a member of the State Asset Law Drafting Group. See Wang Biqiang, "Yangqi jinnianqi shangjiao lirun guimou 400–700 yi" [This year central enterprises will remit profits of around 40–70 billion], *Jingji guanchabao* [Economic observer], 2 June 2007, accessed at http://finance.sina.com.cn/g/20070602/00203654357.shtml.

[5] Wang Biqiang, *op. cit.;* Chen Mo, *op. cit.*

[6] Duan Xiaoyan, *op. cit.*

[7] Wang Biqiang, *op. cit.*

[8] Wang Hongshu, "Guowuyuan jinnian shidian xiang guoqi tiqu fenhong" [State Council will collect dividends this year on a trial basis], *Zhongguo jingji zhoukan* [China economics weekly], 31 May 2007, accessed at http://news.xinhuanet.com/fortune/2007-05/31/content_6178781.htm.

[9] See sources cited in Barry Naughton, "The New Common Economic Program: China's Eleventh Five Year Plan and What It Means." *China Leadership Monitor* 16 (Fall). Available at http://media.hoover.org/documents/clm16_bn.pdf.

[10] State Council, "Guidelines for the Medium- and Long-Term National Science and Technology Development Programme (2006–2020)," (Beijing: PRC State Council, 2006). Xinhua Domestic Service, 9 February 2006, in FBIS, 9 Feb 2006.

[11] The centralized direction of some components of the research has triggered some sharp criticism. Hao Xin and Gong Yidong, "China Bets Big on Big Science," *Science*, Vol. 311, No. 5767, 16 March 2006, pp. 1548–1549. Cong Cao, Richard P. Suttmeier & Denis Fred Simon, "China's 15-Year Science and Technology Plan", *Physics Today*, December 2006, pp 38–43. See also Cheung, Tai Ming, *Leaping Tiger, Hybrid Dragon: Nurturing Innovation, Forging Integration Between China's Defense and Civilian Economies*, (Ithaca: Cornell University Press, forthcoming, 2008).

[12] NDRC (National Development and Reform Commission) "Gaojishu chanye fazhan 'Shiyiwu' Guihua (Gongkaigao)" [The 11th Five-Year Plan for High-Technology Sector Development (Public Version)], Fagai gaoji [2007] 911, 28 April. Accessed at http://www.ndrc.gov.cn/zcfb/zcfbtz/2007tongzhi/W020070514615556997089.pdf.

[13] http://en.ndrc.gov.cn/newsrelease/t20070410_128098.htm; Hongyi Lai, "Developing Central China: A New Regional Programme," *China: An International Journal*, Volume 5, Number 1 (March 2007), pp. 109–28.

[14] For an account of earlier stages, see Naughton, Barry, "The Assertive Center: Beijing Moves Against Local Government Control of Land," *China Leadership Monitor* 20 (Winter 2007).

[15] Xinhua News Agency, "Guowuyuan qidong dierci quanguo tudi diaocha gonzuo; Zeng Peiyan zhuchi huiyi" [The State Council launches work on the second national land census; Zeng Peiyan chairs a meeting] 14 May 2007, accessed at http://news.xinhuanet.com/politics/2007-05/14/content_6098418.htm.

[16] Li Heyu, "Fagaiwei yancha xinceng jianshe yongdi; Yi baopi xiangmu cun san da wenti" [NDRC rigorously checks newly approved construction land; three big problems found with already approved projects], *Shanghai zhengzhuanbao* [Shanghai securities daily], 10 May 2007. Accessed at http://news.xinhuanet.com/house/2007-05/10/content_6078310.htm.

[17] Xinhua News Agency, "Guotubu: 06 nian quanguo pizhun xinceng jianshe yongdi tongbi jianshao 15.6%" [Ministry of Land: The amount of land approved for construction decreased 15.6% in 2006], 11 April 2007, accessed at http://news.xinhuanet.com/house/2007-04/11/content_5959934.htm.

[18] There are 15 mou to a hectare, so this equals 120 million hectares, compared to an estimated 127 million hectares under cultivation in 2001.

[19] Chen Wenya, "2007 Tudi tiaokong jidiao; yanshou 18 yimou gengdi dixian" [Basis for 2007 land control adjusted; rigorously maintain the 1.8 billion mou minimum], *Jingji guanchabao* [Economic observer], 11 March 2007, accessed at http://finance.sina.com.cn/g/20070311/05163395333.shtml.

[20] Li Heyu, *op. cit.*

[21] Naughton, Barry, "China's Left Tilt: Pendulum Swing or Mid-course Correction?" in Cheng Li, ed., *China's Changing Political Landscape: Prospects for Democracy* (Washington, DC: Brookings Institution Press, forthcoming, 2007).

[22] The English translation of the title of Wen's speech is "Our Historical Tasks at the Primary Stage of Socialism and Several Issues Concerning China's Foreign Policy," *China Daily*, 3 March 2007, at http://www.chinaelections.org/en/readnews.asp?newsid={EA5FA2E5-AC4B-4E0B-B424-330EA336D144}&classname=News%20Highlights; original at http://www.chinaelections.org/NewsInfo.asp?NewsID=103559.

[23] Edward Cody, "China's Premier Calls Democracy a Distant Goal; Remarks an Answer to Reform Debate," *Washington Post*, 28 February 2007, A13 at http://www.washingtonpost.com/wp-dyn/content/article/2007/02/27/AR2007022700502.html?referrer=emailarticle; Ting Shih, "Economy before democracy, says premier," *South China Morning Post*, 27 February 2007, p. 1.

[24] In fact, the discussion of democracy was folded into a discussion of the diversity of cultures and economic systems in the world. The democracy under discussion clearly does not correspond to our usual definition of elections contested by competing parties. Rather, it corresponds to the more circumscribed definition that is traditional in Communist Party documents, in which elements of democracy are found to be compatible with socialism, and implicitly with continued rule by the Communisty Party.