

holiday to mark his gargantuan contributions (*New York Times*, September 28; *China Daily*, September 29).

For quite a number of liberal intellectuals and party members, however, the most thought-provoking image from last week's parade was that of former premier Zhu Rongji. The camera caught the 81-year-old Zhu standing silently at the Tiananmen Square rostrum together with two fellow former PSC members, Song Ping, a former mentor of President Hu's, and Wei Jianxing, who used to be in charge of the CCP's anti-graft watchdog. Unlike almost all CCP dignitaries, who were putting on red ties, Zhu wore a black cravat—in addition to a pair of dark glasses and a poker face. Unlike Jiang, Zhu faded totally out of the limelight the moment he ceased to be head of government in March 2003. Speculation that he is not exactly happy with either Jiang or Hu seems to have been confirmed when he recently published *Zhu Rongji in Press Conference*, an anthology of his media interviews, which became an instant bestseller. Several provincial newspapers as well as bloggers have cited one of Zhu's best-known sayings, "My only hope is that after retirement, the people will say 'he is a Mr. Clean'—and I'll be satisfied" (Chinaelections.org, September 24; China News Service, September 6). Given the opacity of Chinese politics, whatever went through Zhu's mind on October 1, or what message Jiang wanted to send with his high-profile reappearance—may only be revealed by posterity.

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## Obama's China Trip: Forging Middle Class Ties

By Cheng Li and Jordan Lee

Last April, in a press conference capping his first one hundred days in office, President Obama remarked that the "ship of state" is an ocean liner, not a speedboat," and that even a small shift in direction could have far-reaching consequences even a decade or two later [1]. When the President travels to Beijing next month on his maiden China trip, it may serve the President's purposes

to come up with a modern analogy befitting the Chinese regime. While President Obama is doing his utmost to steer the lumbering U.S.S. America in a slightly new direction, the Chinese leadership is performing a delicate balancing act, seeking to harness the powerful social forces below without letting them escape their control.

Among the many forces shaping China's course of development, none will prove more significant in the long run than the emergence of a Chinese middle class. China's ongoing economic transition from that of a relatively poor developing nation to a middle class country like the United States could have wide-ranging implications for every domain of Chinese life, especially for the country's economy, politics, internal social cohesion and environment. From the party's perspective, of course, an economically aspirant population can be a double-edged sword. The Chinese Communist Party (CCP) seems well aware that in other countries (e.g. South Korea, Indonesia) the middle classes have been known to push the envelope politically in favor of democratization. Yet the more important historical lesson for the party, ingrained over three decades of incremental reform, is that markets are here to stay and that only broadly shared prosperity can ensure social stability.

The challenge for U.S.-China relations is to prevent both sides from losing sight of their common aspirations, some lofty and others mundane. There are still many sticking points in the relationship—the Taiwan issue, ethnic tensions in Tibet and Xinjiang, religious freedom, trade disputes, environmental degradation, and overall U.S. unease with the prospect of a non-liberal, non-democratic superpower, among others—but areas of mutual interest and common opportunity are more numerous. The list includes global economic recovery, anti-terrorism and non-proliferation, and a wide range of regional and global strategic issues. Even climate change, certain to be near the top of the agenda during Obama's visit, is a global challenge that the two sides are beginning to consider as an opportunity for cooperation. Moreover, in each of these areas, an increasingly diverse and pluralistic Chinese middle class may play a larger role in the policymaking process, both from within the party and through the application of external pressure. Fundamentally, 21<sup>st</sup> century China's national aspiration—the construction of a *xiaokang shehui* (a reasonably well-off society), or what might be called a middle class nation—is a vision of historical progress not far from the American dream.

### FORECASTING THE GROWTH OF CHINA'S MIDDLE CLASS

Lest we forget, it was only eight years ago this summer, in July 2001, that Jiang Zemin proposed the formal

admittance of capitalists into the party. By 2007, within the span of a single U.S. presidency, the percentage of China's private entrepreneurs with CCP membership had soared to 37.8 percent (from an unofficial 13 percent in the late 1990s) [2]. Given that the party's current membership is roughly 76 million, a mere 5 to 6 percent of China's general population, private entrepreneurs already appear to be dramatically overrepresented [3]. For a nominally Communist country whose political structure still resembles Cuba's and Vietnam's, these are counterintuitive numbers.

Estimates vary widely on the exact size and composition of today's Chinese middle class, but the consensus view is that it does exist and that it is expanding at a rapid clip. Among Western analysts, opinions tend to fall along a spectrum, the optimistic extreme marked by a strain of wishful thinking focused on China's massive emerging consumer market, and the pessimistic one marked by ideological dogma or a gloomy sort of myopia. Emblematic of the former are analyses like a 2006 report by the McKinsey Global Institute, a research unit of McKinsey & Company, which forecasted 100 million middle class households in China by 2009 (45 percent of the urban population) and 520-612 million by 2025 (over 76 percent of the urban population) [4]. In recent years other firms and banks, including Merrill Lynch (2006) [5], HSBC and Master Card (2007), and the Deutsche Bank Research team (2009) [7], have made similarly upbeat, if usually more modest, predictions. These studies define the middle class according to income and tend to adopt best-case scenario models.

At the pessimistic end of the spectrum lie the more skeptical assessments of the Chinese middle class. Some Western analysts beholden to ideological biases simply refuse to accept that Communist China could produce a middle class structurally similar to its Western peers. In their estimation, economic freedom goes hand in hand with political freedom, and any definition of political freedom includes multiple parties and free elections. Others adopt a more sophisticated, if equally pessimistic, view that the true beneficiaries of the China boom have been the entrenched party elite—those able to translate political capital into economic capital. It is through an unholy alliance of wealth and power, what the Chinese sociologist Sun Liping calls a “wicked coalition,” that a small, well-connected minority gets rich while the average citizen suffers [8]. Lang Xianping, a U.S.-educated, Hong Kong-based economist known as Larry Lang on his popular talk show, has lent his voice to these popular frustrations by coining the term “black collar class,” a social stratum of urbanites who dress in black, drive black luxury sedans, have hidden incomes and ties to criminal elements, live secret lives with mistresses, and generally operate in an opaque manner [9].

At each extreme there is a grain of truth, but the stories of rampant corruption, in all of their gory detail, risk clouding out the reform period's more mundane achievements. China's emerging middle class is a complex mosaic of groups and individuals, some undoubtedly the clients of political patrons, but the overwhelming majority are the spitting image of self-made success. According to several recent surveys of the middle class conducted by well-regarded Chinese sociologists, a significant proportion of rural and urban private entrepreneurs came from peasant backgrounds and/or received very little education. A Chinese Academy of Social Sciences (CASS) survey conducted by Lu Xueyi and others found that 69 percent of the entrepreneurs in rural areas came from peasant backgrounds, and 54 percent were themselves former peasants [10]. In the late 1990s two studies of private entrepreneurs in Shanghai found that a majority of entrepreneurs—83 percent in one study and 44 percent in the other—received *at most* a middle school education [11]. Corruption and issues of fairness and opportunity are certainly among the country's most serious problems, but unlike in the Russian case China's market transition has avoided a wholesale transfer of wealth and power to a small oligarchy.

#### U.S.-CHINA RELATIONS: FORGING MIDDLE CLASS TIES

In the context of the global financial crisis, China's domestic consumption has taken on new meaning. With the U.S. economy still bleeding jobs and the U.S. savings rate inching upward, the entire world is hoping that China might fill the demand vacuum and lead a global economic recovery. Just as the highly acquisitive U.S. middle class fueled global growth for many years, it stands to reason that a burgeoning Chinese middle class could help to catalyze economic recovery and lay the groundwork for a more balanced global economy in the future. In his address to the U.N. General Assembly last month Chinese President Hu Jintao reiterated the PRC's commitment to raising China's domestic demand, and highlighted the importance of its domestic consumption [12]. Beyond helping to drive the world economy, a universal consideration, this development would clearly be of commercial interest to U.S. corporations.

On the many issues likely to define the 21<sup>st</sup> century—a global fight against climate change, increasing worldwide demand for dwindling natural resources, and an ever more complex and interconnected global economy—China will need to play an increasingly proactive and constructive leadership role. Given the enormous environmental costs of the American middle class lifestyle, the Chinese should implement smart policies to ensure that its middle class develops in a more sustainable fashion. The U.S. should

keep in mind that China's ability to play this role, to truly become a "responsible stakeholder" in the international order, will depend on its evolving domestic circumstances. Perhaps the most serious threat to social stability in China today—the yawning gap between the rich and poor—might dissipate as a middle class takes shape in between. As for the prospect of political change, whether or not the party relinquishes its "leading role" in society, an economically comfortable Chinese population is certain to demand greater voice and an acceleration of improvements in governance already under way.

#### CONCLUSION

Focusing on the middle class may be a way to find more common ground in U.S.-China relations. As mundane as it may be to promote the bourgeois way of life, commodious living is, as Thomas Hobbes observed centuries ago, a common aspiration that transcends our cultural and political differences. Moreover, a deeper understanding of the true motive force of China's rise—an ancient civilization's yearning to provide for its people and flourish once again—may dispel some of the alarmist views of a rising China. In the coming years, as the United States and China are called on to collaborate more frequently, leaders on both sides would do well to keep the shared aspirations of their people in mind.

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#### NOTES

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## War Talk: Perceptual Gaps in "Chindia" Relations

By Mohan Malik

Until 2005, Chinese public perceptions of India were generally benign, even bordering on benign neglect. Yet, a radical change in Chinese public attitudes toward India has noticeably taken place since then and it can be attributed in part to an increasing number of Chinese strategic experts, bloggers, retired diplomats, and even officially sanctioned websites and PLA-linked think tanks ratcheting up an "India threat" scenario. Beginning in early 2006, some strategic journals and pro-Beijing Hong Kong media published commentaries discussing the possibilities of a "partial border war" to "teach India a lesson" again. The Tibetan riots of March 2008—which refocused the world's attention on Tibet as China was preparing for Olympic glory—were a major catalyst [1].