The Central-Provincial Relations Under Hu Jintao

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ABSTRACT

This article deals with the central-provincial relations under Hu Jintao through a case study of the politics of cooling China's overheated economy in 2004. The central theme of the article is that the central-provincial relations under Hu Jintao have been complicated by factional politics. In addition to the typical central-local divergence in terms of interests and policy preferences, factional struggles for power between the Hu-Wen team and the Shanghai Gang also played a significant role in the assessment and implementation of the central macro-management measures.

Keywords: macro-control measures, central-provincial relations, factional politics, Shanghai Gang, Wen Jiabao

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1. Introduction

Although China's economy has evolved over the past twenty-six years from a centrallyplanned system to a market-oriented one, the central government still plays a critical role in economic management. The new leadership under Hu Jintao continues to manage the economy partly through market mechanisms and partly through administrative measures. The recent efforts to curb the overheating of the economy present an example in which the central government is attempting to cool the economy mainly through selective administrative measures.

This study is going to analyze the political dynamics of the central-provincial relations through a case study of the politics of cooling China's overheated economy in 2004. It will explain the origin of the concerns for economic overheating, introduce Premier Wen Jiabao's measures to cool the economy, and elaborate local reactions to these measures. It seeks to understand the dynamics of the central-provincial relations as well as factional politics over the issue of economic overheating.

2. The Issue of "Overheating"

China's economy exhibited signs of overheating¹ in the first quarter of 2004. Following a 9.1 percent growth in 2003, China's economy in the first quarter of 2004 went up 9.8 percent.² The manifestations of overheating were reflected in financial and physical terms. Financially, due to the performance imperative on the part of local officials, ³ there was a nation-wide overinvestment in fixed assets. The total value of investment in fixed asset increased 47.8 percent

Some academicians argue that "overheating" is not a term in economics. Yet the feeling that something is seriously wrong with the economy may justify the usage. For different arguments, see Zhang Wuchang, "Zhongguo de Jingji she Guorema?" ("Is China's economy overheated?"), *Jingjixue Xiaoxibao* (Economic Highlights), no. 596 (June 4, 2004), p. 1; and He Qinglian, "Shi Shengchannengli Guosheng Haishi Jingjiguore" ("Is it excessive productivity or economic overheating?"), *Epoch Times*, June 23, 2004, https://www.epochtimes.com/gb/4/6/23/n576583.htm.

National Bureau of Statistics of China, "Gross Domestic Product (GDP) (First Quarter of 2004)," http://www.stats.gov.cn/english/statisticaldata/monthlydata/t20031110 402152252.htm.

This performance imperative serves as a reminder of Janos Kornai's description of the typical behavior of government officials in a centrally-planned economy. In his terms, these officials usually suffer from "insatiable investment hunger" because of "expansion drive." For details, see Janos Kornai, *Economics of Shortage*, Volumes A-B, (New York: North-Holland Publishing Company, 1980), pp. 192-193.

in the first three months of 2004.⁴ Physically, due to the overinvestment, there was a nation-wide power shortage and overproduction in some industrial products.

The problems in several industrial sectors such as steel and cement were particularly worrisome. China had been no. 1 producer of steel in the world for eight consecutive years since 1996 with a total output of 222 million tons in 2003. Following the rapid expansion of investment in steel production in 2003, the first three months of 2004 witnessed further acceleration of investment in this already overheated sector. Among the projects at the 5 millionyuan level and above, the investment in steel production in 2003 went up 96.6 percent.⁶ The investment in the fixed assets in steel production increased 106 percent in the first three months of 2004 over the same period of 2003. Likewise, the investment expansion in cement was also very rapid. China had also been no. 1 producer of cement in the world with an output of 862 million tons in 2003, 18.9 percent more than in 2002.8 Among the projects involving 5 million yuan and more, those in cement increased by 121.9 percent in 2003.9 The investment expansion in cement in the first quarter of 2004 went up 118 percent over the same period of 2003. 10

3. Wen's Initiatives

According to Premier Wen Jiabao, China's government began to adopt a macro-management policy as early as August 2003 when the central leadership became concerned over the overheating of the economy. 11 In his report to the Second Session of the 10th NPC in March 2004, Wen listed

National Bureau of Statistics of China, "Investment in Fixed Assets (First Quarter of 2004)," http://www.stats.gov.cn/english/statisticaldata/monthlydata/t20031121_402153253.htm.

National Bureau of Statistics of China, "Statistical Communiqué of the People's Republic of China on the 2003 National Economic and Social Development," February 26, 2004, http://www.stats.gov.cn/english/newrelease/statisticalreports/t20040303_402133921.htm.

[&]quot;Jixujiaqiang he Gaishan Hongguantiaokong Nulishixian Yuqimubiao" ("Continue to strengthen and improve macromanagement, strive to reach the planned goals"), People's Daily online, August 9, 2004, http://wwwl.people.com.cn/GB/jingji/1037/2694650.htm. The same rate (106.4 %) is found in the investment in the fixed asset of smelting and processing of ferrous metals. See "Investment in fixed assets by industry (January-March 2004), http://www.stats.gov.cn/english/statisticaldata/monthlydata/t20031121 402153252.htm.

National Bureau of Statistics of China, "Statistical Communiqué of the People's Republic of China on the 2003 National Economic and Social Development," February 26, 2004,

http://www.stats.gov.cn/english/newrelease/statisticalreports/t20040303 402133921.htm.

People's Daily online, August 9, 2004, http://www1.people.com.cn/GB/jingji/1037/2694650.htm.

Wen Jiabo, "Gongtong Tuijin Xinshiji de Yazhouhezuo" ("Jointly promote the Asia cooperation in the new century"),

the macro-management as the top priority of the Chinese government in 2004.¹² He indicated that an important task for macro-management in 2004 was to appropriately control the scale of investment in fixed assets and firmly halt haphazard investment and low-level, redundant construction in some industries and regions. Guided by market forces, the Chinese government would mainly use economic and legal means supplemented by any necessary administrative measures to strengthen guidance and control.¹³ However, he was not ready to tackle the issue of overheating right away and was reluctant to release a basket of control measures indiscriminately. He was willing to wait for a proper time and to adopt macro-management measures to an appropriate degree. "By 'at the proper time'," Wen explained, "we mean seizing the opportune moment for introducing control measures by observing small clues that may indicate what is coming in order to forestall any possible trouble. By 'to an appropriate degree,' we mean that macro-management should neither too loose nor too tight and that we must not apply the brakes too hard or apply control measures indiscriminately."

Apparently, the statistics released at the beginning of April alarmed the premier. The "proper time" had arrived. At a State Council executive meeting on April 9, 2004, Wen Jiabao called for effective measures in macro-management to ward off threatening inflation and to ensure a stable economic growth. ¹⁵ He pointed out that there were some serious problems in the economy. First, investment expansion went too fast. Second, there were too many new construction projects, the scale of on-going construction was too big, and investment structure was not rational. Third, in some industries and some regions, the problem of haphazard investment and redundant constructions was very serious. He suggested enhancing macro-management and firmly halting the investment expansion in order to ward off inflation and avoid ups and downs of the economy. ¹⁶

The Third Foreign Ministers' Meeting of the Asia Cooperation Dialog, Qingdao, China, June 22, 2004, *People's Daily* online, June 22, 2004, http://www1.people.com.cn/GB/shizheng/1024/2590451.html.

Wen Jiabao, "Zhengfu Gongzuo Baogao" ("Government Report"), the Second Session of the 10th National People's Congress, March 5, 2004, *People's Daily* online, March 16, 2004, http://www1.people.com.cn/GB/shizheng/1026/2393857.html.

¹³ Ibid.

¹⁴ Ibid.

[&]quot;Wen Jiabao Zhuchi Zhaokai Guowuyuan Changwuhuiyi" ("Wen Jiabao chairs a state council executive meeting"), People's Daily online, April 12, 2004, https://www1.people.com.cn/GB/paper464/11761/1060094.html.

¹⁶ Ibid.

4. Shanghai Gang's Defiance

As in the case of SARS (severe acute respiratory syndrome) a year earlier, Wen's initiatives were resisted by the Shanghai Gang. 17 It is reported that at a meeting of Shanghai party and government leaders in early April, Chen Liangyu, Politburo member and party secretary of the Shanghai Party Committee, claimed that although China's economy as a whole was overheated, Shanghai's economy remained normal and that the economic overheating was due to some central leaders (e.g., Wen Jiabao). 18

In a seminar with local leaders from Shanghai, Jiangsu, Zhejiang, Jiangsi, and Anhui in mid-April, Huang Ju, standing Politburo member and executive vice-premier as well as former Shanghai party boss, challenged Wen's assessment of the economy. He argued that it was debatable whether the economy was overheated. He instigated the participants to send their criticisms of the State Council (i.e., Wen Jiabao) in the name of their party committee or government to the Politburo or the Politburo Standing Committee. 19

5. Hu's Support

At this critical moment, Hu Jintao, general secretary of the CCP and president of the PRC, lent his support to Wen Jiabao. At a press conference of the annual Boao Forum For Asia conference on April 24, Hu spoke of the necessity of macro-management measures.²⁰ He

¹⁷ The Shanghai Gang refers to central leaders who have previous work experience in Shanghai and those who are currently working in Shanghai as municipal party or government leaders. For a detailed description of the Shanghai Gang, see Zhiyue Bo, "The 16th Central Committee of the Chinese Communist Party: formal institutions and factional groups," Journal of Contemporary China 13, no. 39 (May 2004): 223-256.

^{18 &}quot;Gangyu Hu Jintao Duizhegan, Huang Ju Shanfengdianhuo, Gongjizhixiang Wen Jiabao" ("Dare to challenge Hu Jintao, Huang Ju was pointing fingers at Wen Jiabao"), Wen Wei Po (Hong Kong) May 25, 2004, http://www.wenxuecity.com/BBSView.php?SubID=news&MsgID=13932.

Luo Bing, "Shanghai Bang Jieji Xiang Wen Jiabao Fanan" ("The Shanghai Gang took the opportunity to challenge Wen Jiabao"), Cheng Ming (May 2004), p. 8. See also Jiang Qing, "Huang Ju Zhaokai Wen Jiabao Pipanhui. Jiangxi Shuii Yiege Dayaibo" ("Huang Ju calls for a meeting to criticize Premier Wen Jiabao, Jiangxi party secretary is choked by his governor"), Renminbao, May 9, 2004, http://renminbao.com/rmb/articles/2004/5/9/31070.html. However, Huang Ju voiced his support for macro-management policies in his visit to Hunan between March 25 and 28. See "Huang Ju zai Hunan Kaocha shi Qiangdiao Qieshijiaqiang Jingji Yunxing Tiaojie" ("Huang Ju stressed the strengthening of economic operation control in his visit to Hunan"), People's Daily online, March 28, 2004, http://www1.people.com.cn/GB/shizheng/1024/2414514.html.

[&]quot;Hu Jintao Xianchang Huida Luntanjiabing Tiwen" ("Hu Jintao answers questions from distinguished guests of the

indicated that China's economy was doing very well in the first quarter of 2004 but was faced with some new problems such as the rapid expansion of investment in fixed assets, haphazard investment, and redundant construction and that the Chinese government was adopting macromanagement measures to solve these problems.²¹ At a study session of the Politburo two days later, Hu emphasized the importance of governing the country and managing the economy by legal means.²² On the same day, the Politburo also discussed the economic situation in China and confirmed the correctness of Wen's macro-management initiatives.²³ But it is reported that Huang Ju dissented and argued that there was no heat to be cooled.²⁴ It is also reported that the Politburo Standing Committee held a meeting on the economic situation on April 28 and reached a consensus that the economy was seriously overheated and that necessary measures should be adopted to cool the economy.²⁵

With Hu's support, Wen was determined to implement macro-management measures. At a State Council executive meeting on April 28, he dealt with a project in Jiangsu province involving unscrupulous irregularities and illicit activities. According to a joint report from the State Development and Reform Commission, Ministry of National Resources, and Ministry of Supervision, Jiangsu Tieben Iron & Steel Ltd seriously violated the laws and regulations of the state. It planned in 2002 to build giant steel plants in Changzhou and Yangzhong with a projected capacity of 8.4 million tons of steel annually. The construction began in June 2003. It was

forum at the press conference"), April 24, 2004, http://www.boaoforum.org/xinwen/zxbd/t20040424 731660.shtml.

²¹ Ibid

[&]quot;Hu Jintao zai Zhonggongzhongyang Zhengzhiju dishierci jitixuexishi qiangdiao Shizhong Jianchi Yifazhiguo Yifazhizheng Tigao Quanshihui Fazhihua Guanli Shuiping" ("At the Twelfth Group Study Session of the Politburo of the Chinese Communist Party Central Committee, Hu Jintao stressed on constantly persisting in governing the country through legal means and improving the level by which the society is managed by legal means"), People's Daily online, April 28, 2004, http://www.people.com.cn/GB/paper464/11885/1071143.html. It seems that Zeng Qinghong and Chen Liangyu were absent from this group study session because they were both in Shanghai attending the Asia-Pacific Ministerial Conference. See http://www.people.com.cn/GB/paper464/11879/1070682.html.

[&]quot;Hu Jintao Zhuchi Zhonggongzhongyang Zhengzhiju Zhaokaihuiyi Fenxi Dangqian Woguo Jingji Xingshi" ("Hu Jintao chaired a Politburo meeting to analyze China's current economic situation"), *People's Daily* online, April 26, 2004, http://peopledaily.com.cn/GB/shizheng/1026/2469483.html.

[&]quot;Gangyu Hu Jintao Duizhegan, Huang Ju Shanfengdianhuo, Gongjizhixiang Wen Jiabao" ("Dare to Challenge Hu Jintao, Huang Ju was pointing fingers at Wen Jiabao"), Wen Wei Po (Hong Kong) May 25, 2004, http://www.wenxuecity.com/BBSView.php?SubID=news&MsgID=13932.

²⁵ Ibid.

[&]quot;Wen Jiabao Zhuchihuiyi Zechengchuli Jiangsu Weiguijian Gangtiexiangmu" ("Wen Jiabao chaired a state council executive meeting to seriously deal with Jiangsu's steel plant construction project that had violated relevant regulations"), People's Daily online, April 28, 2004, http://www1.people.com.cn/GB/shizheng/1024/2474084.html.

For anyone who has studied the steel production of the Great Leap Forward, this number is outrageous. This one

discovered that the Jiangsu authorities had allowed Jiangsu Tieben to split its project of 10.6 billion yuan into twenty-two smaller projects in order to sidestep the need for central approval. Local authorities also allowed the project to be built on a piece of land of 6,541 mu (436 hectares) in violations of relevant laws. 28 Premier Wen ordered the project be halted and responsible officials investigated and punished. 29 He made it clear that his decision had been backed by the Politburo. 30

In his interview with Reuters Editor in Chief Geert Linnebank on the same day, Wen further elaborated his control measures. These measures would include 1) controlling money supply and total credit; 2) strengthening the management of land use and putting an end to the "swallowing up" of arable land; 3) strict-screening projects under construction and large new construction projects; seriously punishing the operators of illegal or irregular projects such as those that have abused arable land and those that have not been properly authorized; and 4) launching a nationwide campaign to conserve resources.³¹

Through People's Daily, the mouthpiece of the Party, Hu and Wen issued serious warnings to bureaucrats in the localities and the Center. In an editorial of April 29 on the Tieben case, they asked cadres of various levels to comply with the central directives. "The critical point at the moment," the editorial sharply warned, "is that everyone concerned, especially leading cadres at all levels, should really adhere to the Center's correct assessment of the current economic situation in thought and action, adhere to the Center's decisions and measures on the economic work, and establish a scientific development view and a correct performance view."32

company is projecting a capacity that is far more than the total output of the entire country in 1957 (5.35 million tons).

²⁸ For details, see He Yuxin and Chen Fang, "Tangled Story of Tieben," http://www.caijing.com.cn/english/2004/040520/040520tieben.htm.

²⁹ "Zhongguo youxian Daliangangrechao Wen Jiabao na 'Tieben' Jidao" ("China is engaged in another high tide for steel production, Premier Wen Jiabao punishes 'Tieben' to warn others"), Lianhe Zaobao, April 30, 2004, http://www.wenxuecity.com/BBSView.php?SubID=news&MsgID=13020.

^{30 &}quot;Guowuyuan Yansuchachu Jiangsu Tieben Gangtiegongsi Weiguijianshe Gangtiexiangmu" ("The State Council seriously dealt with Jiangsu Tieben Iron & Steel Ltd.'s steel construction project that had violated relevant regulations"), People's Daily online, April 29, 2004, http://www1.people.com.cn/GB/paper464/11893/1071761.html.

^{31 &}quot;Wen Jiabao Zongli jieshou Lutushezongbian Caifang" ("Premier Wen Jiabao was interviewed by Reuters Editor in Chief"), People's Daily online, April 29, 2004, http://wwwl.people.com.cn/GB/shizheng/1024/2475864.html. For a report in English, see "Interview: China's Premier Wen Jiabao," The New Zealand Herald, April 29, 2004, http://www.nzherald.co.nz/storydisplay.cfm?storyID=3563390&thesection=news&thesubsection=world.

^{32 &}quot;Jiejueweihu Hongguantiaokong Zhenglingchangtong (shelun)" ("Editorial: Firmly implementing the central macromanagement policies"), People's Daily online, April 29, 2004, http://www.people.com.cn/GB/paper464/11893/1071760.html. This is the first of the four editorials on the issue of

To demonstrate his personal support for Wen Jiabao, Hu went to Jiangsu province on April 30. During his seven-day visit. Hu told local leaders that the Center had made a decision to curb excessive growth of fixed asset investment and that local leaders should adhere to the central decision and takes steps to implement the decision.³³ He made it clear that the local leadership would be responsible for implementing the central policies and that the local leadership would be responsible for problems in the local economic development. As he said, "leaderships and leading cadres at various levels are the key to implementing central lines, directions, policies, and directives. They are the key to all kinds of work in reform, economic development, and social stability. Therefore, we need to first pay attention to the leadership of a locality if we really care about the development of the locality; we need to first assist the locality in constructing a good leadership if we really want to support the development of the locality." ³⁴

6. Central Bandwagon

Under the pressure of Hu and Wen, Huang Ju immediately turned around and voiced his support for the macro-management measures. During his visit to Jiangxi province between April 29 and May 2, Huang advised local leaders, Meng Jianzhu (party secretary of Jiangxi) and Huang Zhiquan (governor of Jiangxi), that they should be mindful of the Party Center's assessment of the current economic situation and policy measures and that they should immediately act to implement central macro-management measures.³⁵ He urged Jiangxi leaders to build a wonderful new Jiangxi

macro-management policies in People's Daily. The other three are "Hongguantiaokong de Shizhi shi Shuli he Luoshi "Kexuefazhanguan" ("The essence of central macro-management policies is to establish and implement the scientific development view"), People's Daily online, August 5, 2004, http://www1.people.com.cn/GB/jingji/1037/2687765.html; "Chongfenrenshi Hongguantiaokong de Jianjuxing he Fuzaxing" ("Fully recognize the difficulty and complexity of implementing central macro-management policies"), People's Daily online, August 7, 2004,

http://www.people.com.cn/GB/guandian/1033/2692399.html; and "Hongguantiaokong: Tongyisixiang Zengqiang Dajuguannian he Zerenyishi" ("Macro-management: Unify Thoughts and Enhance the overall perspective and responsibility"), People's Daily online, August 8, 2004, http://www.people.com.cn/GB/guandian/1033/2693359.html.

[&]quot;Hu Jintao zai Jiangsu Kaochagongzuo shi Qiangdiao ba Kexuefazhanguan Guanchuanyu Fazhanquanguocheng Jianchi Shenhuagaige Youhuajiegou Tigaoxiaoyi" (During his visit to Jiangsu, Hu Jintao stressed on using the scientific development view throughout the whole process of development and insisting on deepening reforms, optimizing structures, an improving efficiency"), People's Daily online, May 7, 2004,

http://www.people.com.cn/GB/paper464/11936/1074802.html.

Ibid.

[&]quot;Huang Ju zai Jiangxi Kaochagongzuo shi Qiangdiao Tongyisixiang Xunsuxingdong Qieshi Guancheluoshi Hongguantiaokong Zhengcecuoshi" (During his visit to Jiangxi, Huang Ju stressed on unifying thought and taking immediate actions to seriously implement the macro-management policy measures"), People's Daily online, May 3, 2004, http://www.people.com.cn/GB/paper464/11920/1073867.html.

under the Party Center with Comrade Hu Jintao as general secretary.36

He repeated the same show in his visit to Inner Mongolia between June 10 and 13. He told Chu Bo, party secretary of Inner Mongolia, and Yang Jing, chairman of the Inner Mongolian Autonomous Regional Government, that Inner Mongolia should further implement central macromanagement measures and promote sustained social and economic development.³⁷

Jia Qinglin, Politburo standing member and chairman of the Chinese People's Political Consultative Conference (CPPCC) as well as Jiang's close associate, also joined the chorus. During his visit to Henan between May 14 and 18, Jia reminded local leaders (Li Keqiang and Li Chengyu) that they should really come to the Central Leadership's correct assessment of the current economic situation and faithfully implement the Center's macro-management policy measures.³⁸ He reiterated his support during his visit of June 9 to 16 to Sichuan.³⁹

Zeng Peiyan, Politburo member and vice premier, also jumped on the bandwagon. At seminars with local leaders from Jiangsu, Zhejiang, and Shanghai as well as those from Beijing, Tianjin, Hebei, and Henan in early May, Zeng informed local leaders of central macromanagement policies and asked them to comply with the central policies.⁴⁰ At a seminar on economic situation with local leaders from six provincial units in the West (Sichuan, Chongqing, Yunnan, Inner Mongolia, Shaanxi, and Gansu) on May 25, Zeng also made a statement about the macro-management policies and listened to the reports on the implementation of the macromanagement policies in these regions.⁴¹

Ibid.

Huang Ju, "Chujin Jingjishehui Quanmianxietiao Chixufazhan" ("Promote comprehensive, coordinated, and sustained economic and social development"), People's Daily online, June 14, 2004, http://www1.people.com.cn/GB/shizheng/1024/2567890.html.

^{38 &}quot;Jia Qinglin zai Henan Diaoyanqiangdiao Shuli he Lunshi Kexuefazhanguan" (During his visit to Henan, Jia Qinglin stressed that the scientific development view should be established and developed"), People's Daily online, May 18, 2004, http://www1.people.com.cn/GB/shizheng/1024/2506195.html.

³⁹ "Jia Qinglin zai Sichuan Diaoyanqiangdiao Fahuiyoushi Ningjuliliang Chujin Jingjishehui Quanmianfazhan" (During his visit to Sichuan, Jia Qinglin stressed that the locality should develop advantages and concentrate on the promotion of the comprehensive economic and social development"), People's Daily online, June 17, 2004, http://www.people.com.cn/GB/paper464/12248/1102445.html.

^{40 &}quot;Zeng Peiyan zai Shanghai Jiangsu Tianjin dengdi Kaochaqiangdiao Yaohenzhua Gexiang Hongguantiaokongcuosi Luoshi" (During his visits to Shanghai, Jiangsu, and Tianjin, Zeng Peiyan stressed that attention should be paid to the implementation of various macro-management measures"), People's Daily online, May 18, 2004, http://www.people.com.cn/GB/paper464/12018/1081688.html.

^{41 &}quot;Guowuyuan Zhaokai Xibuliushengqushi Jingjixingshi Zuotanhui" (The State Council called for a seminar with local leaders from six provincial units in the West"), People's Daily online, May 28, 2004,

Wu Yi, Politburo member and vice premier, also rendered her support for the macromanagement policies. In her visit to Jiangsu in early June, she urged Jiangsu leaders to carry out central policies with the whole country's interests in mind and to strengthen their sense of responsibility.⁴²

After another State Council executive meeting on May 21 where he stressed that the central macro-management measures were absolutely necessary and completely correct and local governments should firmly and strictly carry them out, 43 Wen Jiabao paid a special visit to Shanghai in late May. At a seminar with local leaders from Shanghai, Jiangsu, and Zhejiang on May 25, Wen urged them to follow the central policies in macro-economic controls. The East China region, as he indicated, plays a critical role in the national economy, whether it is economic growth or macro-management. Local leaders of this region should have an overall picture of the whole nation and carry out central policies.44 He later visited Hubei between June 8 and 12 and chaired a seminar with leading cadres from Anhui, Jiangxi, Henan, Hubei, and Hunan in Wuhan on June 11. He appreciated these cadres efforts to implement central macro-management policies and urged them to pay further attention to serious problems in the economy.45 He went to Shandong later in the month with the same message.46

http://www1.people.com.cn/GB/paper464/12102/1089359.html.

⁴² "Wu Yi zai Jiangsu Kaocha shi Qiangdiao Guancheluoshi Kexuefazhanguan Jinyibutigao Duiwaikaifang Shuiping" (During her visit to Jiangsu, Wu Yi stressed that attention should be paid to the implementation of scientific development view in order to further promote opening up to the outside world"), *People's Daily* online, June 12, 2004, http://www.people.com.cn/GB/paper464/12211/1098950.html.

⁴³ "Wen Jiabao zhuchi Guowuyuanchangwuhuiyi Yanjiu Xiayibu Jingjigongzuo" ("Wen Jiabao chaired a State Council executive meeting to discuss economic work of the next period"), *People's Daily* online, May 21, 2004, http://www1.people.com.cn/GB/shizheng/1024/2514134.html. Apparently, local leaders were not very enthusiastic about the central macro-management policies. As a reporter indicated three days after the State Council executive meeting, some regions or some departments were still playing game with the central leadership. They were using various means to resist the central macro-management measures. For details, see Zhou Jianchu, "Buyao he Hongguantiaokong Boyi" ("Do not play games with the center over the macro-management policies"), *Jinrong Shibao* (Financial News), no. 5311 (May 24, 2004), p. 1.

[&]quot;Wen Jiabao zai Shanghai Kaocha Zhichu Jianjueluoshi Hongguantiaokong Cuoshi" (During his visit to Shanghai, Wen Jiabao asked (local leaders) to firmly implement macro-management measures"), *People's Daily* online, May 27, 2004, http://www1.people.com.cn/GB/shizheng/1024/2527827.html.

Wen Jiabao, "Guanche Hongguantiaokong Baochijingji Pingwenkuaisufazhan" (Carry out central macro-management measures and maintain steady and rapid economic development"), *People's Daily* online, June 13, 2004, http://www1.people.com.cn/GB/shizheng/1024/2566978.html.

[&]quot;Wen Jiabao zai Shandong Kaocha shi Yaoqiu Gerenganyiliugongzuo Qiyechuangyiliupinpai Shehuizaoyiliuhuanjing" (During his visit to Shandong, Wen Jiabao instructed that individuals should do the first-class work, enterprises should produce the first-class products, and the society should create the first-class environment"), *People's Daily* online, May 24, 2004, http://www.people.com.cn/GB/paper464/12300/1106709.html.

Noticeably, Zeng Qinghong did not express his support for the macro-management policies. In late April and May, he visited Shanghai, Hubei, and Gansu but he did not mention anything about the macro-management measures. On the surface, none of the occasions were appropriate for economic issues because he was mainly concerned with other issues such as foreign affairs and Party building in these visits. Yet it seems that he might have some reservations about the macromanagement policies because he did visit several industrial enterprises in these regions including the Jiuquan Iron & Steel Corporation in Gansu but said nothing about the macro-management policies.⁴⁷ He did not talk about macro-management in his visit to Fujian in early June either.⁴⁸

To the list of central supporters at the highest levels, one may add central ministries. Ma Kai, chairman of the State Development and Reform Commission, held a teleconference on cleaning up fixed asset investment projects on April 30 and stressed the importance of using legal means to regulate fixed asset investment. 49 He targeted steel, aluminum, cement, office buildings and training centers of the party and government organs, expressways, golf courts, convention centers, commercial exchange centers, shopping centers, and all new construction projects in 2004. He asked the local governments to sincerely comply with the central policies and warned them of serious consequences if they failed to do so.50

On the same day, the China Bank Regulatory Commission, an independent monitoring body established by the Chinese government in April 2003, issued a notice on curbing excessive growth of fixed asset investment. It asked financial institutions in China to faithfully implement the Center's macro-management policies and proposed seven measures to manage lending.⁵¹

To enforce central macro-management policies, the State Development and Reform

⁴⁷ "Zeng Qinghong zai Hubei Gansu Kaochagongzuo shi Qiangdiao zai Jiaqiang Jichengdangjiazhong Luoshihao Kexuefazhanguan Rangganbu Jingchangshoujiaoyu Shinongminchangqide Shihui" ("During his visits to Hubei and Gansu, Zeng Qinghong stressed that in strengthening Party building at the grassroots level, the scientific development view should be realized so as to allow cadres to be constantly educated and to allow peasants to receive long-term benefits"), People's Daily online, May 19, 2004, http://www.people.com.cn/GB/paper464/12028/1082442.html

Zeng Qinghong, "Yizhizhengnengli Jianshe Daidong Zhenggedang de Jianshe" ("Promote Party building through building the Party's ability to govern"), People's Daily online, June 12, 2004, http://www1.people.com.cn/GB/shizheng/1024/2565675.html.

[&]quot;Guojiafazhangaigewei deng bumen Zhaokai Dianshidianhuahuiyi" ("The State Development and Reform Commission and other central organs held a teleconference"), People's Daily online, May 1, 2004, http://www1.people.com.cn/GB/paper464/11910/1073184.html.

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^{51 &}quot;Yinjianhui Tichu Qixiang Cuoshi" ("The China Bank Regulatory Commission proposed seven measures"), People's Daily online, May 1, 2004, http://www1.people.com.cn/GB/paper464/11910/1073183.html.

Commission, the People's Bank of China (the Central Bank), and the China Bank Regulatory Commission jointly issued a notice on using the combination of industrial policies and lending policies to manage the risk of credit and investment expansion.⁵² They also attached a catalog to operationalize the notice. The main industrial sectors listed in the catalog were steel, nonferrous metal, machineries, construction materials, petroleum, light industry, textile, medicine, and printing. These sectors were divided into two categories: forbidden and restricted. Projects were forbidden if they had serious safety or environmental issues, were of low quality, or consumed too much raw materials and resources. Projects were restricted if their production capacity far exceeded demand; if they did not help make the industrial structure more rational; if their technology was outdated; and if they were not conducive to resource conservation and environmental protection. ⁵³

Seven central ministries and commissions also worked together to deal with the land market. These central organs include the Ministry of Land and Resources, the State Development and Reform Commission, the Ministry of Finance, the Ministry of Agriculture, the Ministry of Construction, the Ministry of Supervision, and National Audit Office. They jointly agreed that it was time to activate a work plan on the land market.⁵⁴ They divided the labor among themselves in dealing with different aspects of the land use or abuse.⁵⁵

7. Local "Compliance"

In contrast, local governments were not enthusiastic about central macro-management policies. Only a few provinces such as Jiangsu, Shaanxi, and Hunan responded to the central call for macro-management reactively, while many others demonstrated their "compliance" in standard official discourse.

In response to the central policies, Jiangsu's leaders immediately called for a teleconference on the case of Tieben Iron & Steel Ltd on April 29. Party Secretary Li Yuanchao and Governor

[&]quot;Jiaqiang Chanyezhengce he Xindaizhengce Xietiaopeihe Kongzhixindaifengxian" ("Strengthening the coordination of industrial policies and leading policies to mitigate the risk of leading"), People's Daily online, May 14, 2004, http://www1.people.com.cn/GB/paper464/11992/1079267.html.

⁵³ Ibid

[&]quot;Guojia Qibuwei Lianshou Qidong Tudishichang Zhilizhengdun" ("Seven central ministries or commissions joined hands to implement measures on land market rectification"), *People's Daily* online, May 23, 2004, http://wwwl.people.com.cn/GB/paper464/12056/1085300.html.

⁵⁵ Ibid.

Liang Bohua urged Jiangsu cadres to learn from the Tieben incident and carry out central macromanagement measures.⁵⁶ The provincial leaders also went to Changzhou and Yangzhong to handle the aftermath of the Tieben incident.⁵⁷ They let it known through *People's Daily* that Jiangsu was taking the Tieben incident very seriously and that they were taking concrete measures to comply with central directives.58

Shaanxi provincial government cooperated with the Ministry of Land and Resources and the Ministry of Supervision in their investigation of land abuse in Zhouzhi County. It was discovered that the Zhouzhi county government had been involved in three cases of large scale land abuse and used the police to suppress protestors. In one case, the county government signed a contract with a developer in September 2002 without proper approval to develop a piece of land of 6,000 mu and collected 23.3 million yuan as payment for the first phase of development. The police were called in to arrest those who protested against the land abuse. In the second case, the county government cordoned off two areas in May 2003 and called the police against protestors. Finally, the county government destroyed the land of 191 mu and encircled another 144 mu. In none of these cases did the county government obtain proper approval.⁵⁹ As a show of its determination to strictly implement central macro-management measures, Shaanxi provincial government disciplined four former chief cadres of the county government.⁶⁰

Working with the Ministry of Construction, Hunan provincial party committee and provincial government investigated a case in Jiahe County where a real estate construction project was a result of an abuse of administrative power and violation of laws and regulations. Hunan leaders punished violators and made a report to the State Council. 61

Guangdong's response was immediate but not reflective. On May 9, 2004, Governor Huang Huahua chaired a provincial government executive meeting to discuss policies and measures on

⁵⁶ "Jiangsu Zhaokai Tieben Xiangmu Weiguijianshe Chachuqingkuang Tongbaohui" ("Jiangsu held a teleconference about the case of Tieben construction project in violation of relevant regulations"), People's Daily online, April 30, 2004, http://www.people.com.cn/GB/paper464/11906/1072800.html.

^{57 &}quot;Xiqu Tiebenxiangmu Weiguiweiji Jiaoxun" ("Learning lessons from Tieben construction project"), People's Daily online, May 15, 2004, http://www.people.com.cn/GB/paper464/11997/1079866.html.

⁵⁹ "Yansuchachu Shaanxisheng Zhouzhixian Tudiweifa Wenti" ("Investigating the illegal use of land in Zhouzhi County, Shaanxi Province"), People's Daily online, June 5, 2004,

http://www1.people.com.cn/GB/paper464/12155/1094157.html.

Ibid.

^{61 &}quot;Wen Jiabao Zhuchi Zhaokai Guowuyuan Changwuhuiyi" ("Wen Jiabao chaired a State Council executive meeting"), People's Daily online, June 5, 2004, http://www1.people.com.cn/GB/paper464/12155/1094171.html.

implementing central policies in Guangdong. It was decided that Guangdong would implement central macro-management policies with a particular focus on halting the rapid expansion of investment, preventing inflation, and avoiding the ups and downs of the economy.⁶² Yet the meeting did not specifically identify issues in Guangdong's economy that required macro-management measures, what measures Guangdong was planning to take, and how to implement them.

After Wen's visit, Shanghai's party committee held a standing member meeting on May 29, 2004, to discuss "the spirit of Premier Wen's important speech." Chen Liangyu expressed his public support for the central policy, 63 but he was not specific about how Shanghai would implement macro-management measures.

8. Hu-Wen's Victory

At a State Council executive meeting on June 16, 2004, Wen Jiabao declared that the macro-economic measures had achieved their short-term goals of cooling the economy. According to the report, the meeting decided that the Chinese economy in general was doing fairly well; the macro-management measures had achieved tangible results; instable and unhealthy factors in the economy had been placed under control; and the Chinese economy continued its trend of rapid growth with steady improvement in economic efficiency.⁶⁴

According to Cao Yushu, spokesman for the State Development and Reform Commission, the macro-management measures had achieved tangible results in seven areas. First, the investment slowed. The urban fixed assets in the first five months of 2004 increased by 34.8 percent over the same period last year, but the growth rate in May declined by 8 percent compared to the previous four months. The growth rates of investment in the steel, nonferrous metals, and cement industries in May 2004 were reduced by 22.5 percent, 9.7 percent, and 23.7 percent than those of the previous four months respectively. Second, the money and loans slowed their pace of growth. Third, the expansion of prices for basic products had been placed under control. Fourth,

⁶² "Huang Huahua Shengzhang Zhuchizhaokai Shengzhengfu Changwuhuiyi" ("Governor Huang Huahua chaired a provincial government executive meeting"), http://www.gd.gov.cn/gov files/zw title.asp?id=1096.

⁶³ Chen Liangyu, "Jiaqiang Hongguantiaokong Zuowei Fazhanqiji" ("Taking macro-management measures as an opportunity for development"), May 31, 2004, http://info.china.alibaba.com/news/detail/v1-d5344213.html.

[&]quot;Wen Jiabao Zhuchi Zhaokai Guowuyuan Changwuhuiyi" ("Wen Jiabao chaired a State Council executive meeting"), People's Daily online, June 16, 2004, http://www1.people.com.cn/GB/shizheng/1024/2576830.html.

summer harvest was expected to be good. Fifth, some overheated industries were beginning to cool. Sixth, consumer markets had been stabilized. Seventh, foreign trade continued its trend of rapid growth. The total value of imports and exports for May 2004 was US\$ 87.63 billion, 34.1 percent over the same period last year. It was the first month in 2004 that China had realized trade surpluses.65

In sharp contrast to their previous reticence, local leaders became excited about the news that the macro-management measures had produced "tangible results." They immediately matched the good news from the Center with their local good news. Less than one month after Wen's visit, Shanghai declared a major victory: by skillfully applying central macro-management policies, the Shanghai leadership had engineered a soft-landing for Shanghai's economy. 66 According to two reporters, the central macro-management policies had presented Shanghai, a region with double digit growth for twelve consecutive years, with both challenges and opportunities. But the Shanghai leadership was never hesitant about implementing central policies because Shanghai leaders knew that the central macro-management policies had been based on serious deliberations and scientific decision-making. After serious analyses and investigations, the Shanghai leadership decided to implement the central policies in accordance to Shanghai's economic reality: applying brakes selectively; making adjustments in the control; and optimizing the economic structure in the adjustment. As a result, the development zones had been reduced to 79 from 176, with a reduction rate of 55.1 percent; development areas had been reduced by 379 square kilometers; the growth rate of lending had slowed, with the month of May being the month in which loans were increased least; and the total fixed asset investment in May was 26.2 percent, 3.4 percent slower than the previous four months. Moreover, the economic structure of Shanghai was becoming more optimized: exports of the first five months increased by 54.3 percent over the same period last year; the retail of social consumption goods increased by 12.1 percent over the same period last year; and key industries such as telecommunication and automobiles experienced rapid growth.⁶⁷

Four days later, good news also came from Fujian where, as a result of macro-management, its industrial sector had reportedly become consolidated with good effects. According to a report in

^{65 &}quot;Guojia Hongguantiaokong Qudeqidachengxiao" ("The central macro-management measures have produced seven achievements"), People's Daily online, June 24, 2004, http://www.people.com.cn/GB/paper464/12300/1106712.html.

^{66 &}quot;Bugaojisha Shanghaijingji Chuxian Ruanzhaolu Kexitaishi" ("Without applying emergency brakes, Shanghai's economy has witnessed the encouraging signs of soft-landing"), Xinhuanet, June 23, 2004,

http://www.sh.xinhuanet.com/2004-06/23/content 2367512.htm.

Ibid.

People's Daily, Fujian's industrial efficiency had increased 11 percent faster than its industrial production growth; the overall industrial efficiency index had reached 154.48, 8 percent higher than the same period in 2003; and the total profits were 13.53 billion yuan, 38.5 percent more than the same period in 2003. Moreover, Fujian removed 17 development zones of the provincial level, 40 development zones of the municipal level, and 139 development zones of the county level or below. Consequently, different localities in Fujian consolidated their industrial parks and improved efficiency.⁶⁸

Most amazingly, Zhejiang had already achieved preliminary results of the macro-management one month ahead of the rest of the country. On May 28, 2004, a piece of news from *Zhejiang Daily* appeared in *People's Daily* that hailed Zhejiang's achievement in implementing central macro-management policies. According to the report, Zhejiang's investment in the first four months was slowing; Zhejiang was consolidating development zones with the government taking measures to solve the bottleneck problems of infrastructure and key elements of electricity, water, land, and raw materials.⁶⁹

9. Concluding Remarks

As in the case of combat against the SARS one year earlier, the new leadership under Hu Jintao again demonstrated its effectiveness in dealing with central-local relations in 2004. Once Premier Wen Jiabao identified the problem of economic overheating in China, General Secretary Hu Jintao immediately lent his support. After the Politburo formed a consensus, the State Council and central organs (ministries and commissions) joined hands in implementation. Provincial leaders, though somewhat reluctantly, tagged along. In one way or another, they all expressed their support for the central macro-management measures and indicated their willingness to implement central policies. Hu-Wen declared victory as soon as the economy had the appearance of cooling, making themselves and their supporters winners.

Nevertheless, many problems remain. Jianlong Iron & Steel Corporation in Zhejiang, for

[&]quot;Fujiangongyejingji Xianxian Jijuxiaoying" ("Fujian's industrial sector has demonstrated scale effect as a result of macro-management measures"), *People's Daily* online, June 27, 2004, http://wwwl.people.com.cn/GB/paper464/12321/1108628.html.

^{69 &}quot;Zhejiangsheng Hongguantiaokong Chuxianchengxiao" ("The central macro-management measures have produced initial results in Zhejiang Province"), *People's Daily* online, May 28, 2004, http://unn.people.com.cn/GB/14803/21818/2529269.html.

instance, has been recently discovered engaged in an unauthorized giant construction project. According to a CCTV report, the Ningbo Economic and Technological Development Zone Management Committee approved on January 29, 2002 Ningbo Jianlong Iron & Steel Corporation's proposal to build a steel plant with a total investment of US\$30 million and an expected annual production of 1.5 million tons of broad thick plate. Jianlong Iron & Steel Corporation later increased the total investment to US\$1.2 billion (about 10 billion yuan) with the expected production of 6 million tons. The officials from the Ningbo Economic and Technological Development Zone Management Committee admitted that this project was not approved by the State Development and Reform Commission.⁷⁰ According to a report released on May 30, 2004, this company was also under investigation by the State Development and Reform Commission. Thowever, it seems that Jianlong Iron & Steel Corporation is getting away with its violations. Although Tieben's Chairman Dai Guofang was jailed, Jianlong's Chairman Zhang Zhixiang, a deputy to the 10th National People's Congress, moved his headquarters to Beijing.⁷²

Another case is in Shanghai.⁷³ According to a report on April 8, 2004, Baoshan Iron & Steel Corporation was planning to expand its capacity by 50 percent over the next five years. It was going to spend up to 60 billion yuan (US\$700 million) by 2010 to expand milling from its forecast of 20 million tons in 2004 to 30 million tons.⁷⁴ It is not clear whether the central government is applying a different set of policies toward major steel makers such as Baoshan Iron & Steel Corporation⁷⁵ and Wuhan Iron & Steel Corporation.⁷⁶

Although Shanghai Gang members such as Chen Liangyu and Huang Ju tried to undermine

Xiao Jingdong, "'Ningbo Jianlong Weigui' Baiyi Liangang" ("Ningbo Jianlong Iron & Steel Company's 10-billionyuan construction project for steel production in violation of relevant regulations") http://www.cmgsl.com.cn/images/jy4/px300.htm.

Ning Hua, "The Cold Current of Private Enterprise towards Heavy Industries," The Economic Observer, May 30, 2004, http://www.eobserver.com.cn/english/readnews.asp?ID=180.

⁷² Tang Yun, "Tiao Kong' Ao Yun," ("Macro-manage' the Olympics"), People's Daily online, September 6, 2004, http://www.people.com.cn/GB/paper1631/12870/1157173.html.

Chen Liangyu reportedly attacked Wen Jiabao at a Politburo meeting in early July 2004 over the alleged negative consequences of the macro-management policies. See Leslie Fong, "Leadership dispute over China growth: Premier Wen has heated debate with Shanghai party secretary over stringent measures to cool economy," http://straitstimes.asia1.com.sg/eyeoneastasia/story/0,4395,260770,00.html.

[&]quot;Baoshan Steel to Boost Capacity," April 8, 2004, http://www1.china.org.cn/english/BAT/92425.htm.

⁷⁵ "Steel Sector Surge Shows No Sign of Cooling Down," China Daily, April 27, 2004, http://www1.china.org.cn/english/BAT/94161.htm.

⁷⁶ "Tiaokong de Haochu Shishizaizai" ("The benefits of the central macro-management measures are concrete and real"), People's Daily online, May 31, 2004, http://www.people.com.cn/GB/paper464/12114/1090209.html.

Wen Jiabao's leadership by attacking Wen's policies, they ended up voicing their support for the central macro-management policies under the pressure. Now that Jiang Zemin finally stepped down as chairman of the Central Military Commission and Hu Jintao succeeded him at the Fourth Plenum of the 16th Central Committee on September 19, 2004,⁷⁷ the Hu-Wen team is likely to deal with the Shanghai Gang in due time.

[&]quot;Sizhongquanhui Jueding Jiaqiang Zhizheng Nengli Jiang Zemin ci Junwei Zhuxizhi Hu Jintao Jieren" ("The Fourth Plenum decided to strengthen the CCP's ability to govern, Jiang Zemin resigned as chairman of the Central Military Commission, and Hu Jintao succeeded him"), *People's Daily* online, September 19, 2004, http://www.people.com.cn/GB/shizheng/1024/2793897.html.

胡錦濤主政下的中共中央與省的關係

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摍 要

本文主要在探討胡錦濤擔任中共國家主席之後的中共中央與省之間的關係, 文中係以 2004 年中共中央面臨經濟過熱現象所做的政治處理為案例加以分析。本 文認為,胡錦濤主政下的中央與省的關係因派系政治而格外複雜,中央與地方之 間,除了典型的因利益與政策偏好不同而產生分歧之外,還有胡溫體制與上海幫 之間的派系爭權,對於中央提出種種宏觀調控手段的評估與執行,也扮演著重要 角色。

關鍵詞:宏觀調控手段、中央與省的關係、派系政治、上海幫、胡錦濤、溫家寶

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