**Unrest in China - A dangerous year**

**Economic conditions and social media are making protests more common in China—at a delicate time for the country’s rulers**

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IN AN industrial zone near Chengdu, the capital of Sichuan province in south-west China, a sign colourfully proclaims the sprawl of factories to be a “delightful, harmonious and happy district”. Angry steelworkers must have winced as they marched past the slogan in their thousands in early January, demanding higher wages. Their three-day strike was unusually large for an enterprise owned by the central government. But, as China’s economy begins to grow more sedately, more such unrest is looming.

China’s state-controlled media kept quiet about the protest that began on January 4th in Qingbaijiang District, a 40-minute drive north-east of Chengdu on an expressway that crosses a patchwork of vegetable fields and bamboo thickets. But news of the strike quickly broke on the internet. Photographs circulated on microblogs of a large crowd of workers from Pangang Group Chengdu Steel and Vanadium being kept away from a slip road to the expressway by a phalanx of police. Word spread that police had tried to disperse the workers with tear gas. In the end, as they tend to—and undoubtedly acting on government orders—factory officials backed down, partially at least. The workers got a raise, albeit a smaller one than they wanted. Managers’ wages were frozen.

Strikes have become increasingly frequent at privately owned factories in recent years, often involving workers demanding higher wages or better conditions. Private firms, like state ones, are usually strong-armed by officials into buying off strikers. The thinking is that capitulating keeps a lid on news coverage and helps to prevent unrest from spreading. Yet the explosive growth in the use of home-grown versions of Twitter has made it easy for protesters to convey instant reports and images to huge audiences. The Communist Party’s capacity to stop ripples of unease from widening is waning—just as economic conditions are making trouble more likely.

**Anger at the bottom**

At a cheap restaurant in Qingbaijiang, opposite a dormitory compound for Pangang employees, grimy steelworkers complain that the government’s promise of an extra 260 yuan ($41) a month is hardly enough. Many of the lowest-paid earn as little as $190 monthly. But the workers know that the steel industry is struggling—and that vengeance on persistent troublemakers can be fierce. A police notice warns of legal action, including imprisonment, against any strikers who continue “disrupting public order”. Security agents follow your correspondent in an unmarked car.

All this is partly a result of the curb on China’s stimulus spending and carefree (reckless, many would say) bank lending in the wake of the global financial crisis of 2008. There are fewer new construction projects; demand for steel has flattened. Pangang’s plant in Qingbaijiang is running at a loss. The number of steel firms in the red rose from nine in September to 25 a month later. Even though the government is less worried about inflation now than it was a few months ago, and is releasing the economic brakes a little, the steel industry is expecting a lean period. Some firms might have to close.

Overall economic growth is still looking robust. In the final three months of 2011 China’s economy grew by 8.9% compared with the same period a year earlier—enviable by almost anyone else’s standards, though still the slowest since the second quarter of 2009. The slowdown has so far been gentle, and in line with government efforts to prevent overheating. But this does not stop officials worrying that the coming year could be unusually difficult.

Europe is the biggest buyer of Chinese products—and the euro zone’s travails have plunged many manufacturers into despair. Depressed demand in both Europe and America has taken its toll on factories. The steelworkers’ strike was one of many in recent months, most of them in China’s export-manufacturing heartlands near the coast (see map).

Chinese exporters do not face as big a shock now as they did in late 2008, when the financial crisis caused a sudden collapse in demand and the loss of as many as 20m migrant-labour jobs. But that time China’s recovery was rapid, helped by stimulus spending of 4 trillion yuan (more than $630 billion at today’s exchange rate), as well as developed economies’ own stimulus projects. The impact on migrant workers was further mitigated by the coincidence of the worst of the downturn with the lunar new-year holiday, when most migrants go home for lengthy periods.

This time exporters face protracted slow growth in developed economies, and the risk that the euro zone’s difficulties might worsen. China’s policymakers do not want another lending spree that might burden the financial system with more bad debt, on top of the borrowing accumulated during the previous binge. The country’s relatively low budget deficit (about 2.5% of GDP in 2010) gives it room to spend more on social housing, social security, tax cuts for small firms and consumer subsidies. These could help promote private consumption—eventually.

**Nerves at the top**

The long-term plan is for China to wean itself off its reliance on exports and investment projects such as roads, railways and overpriced property developments, and for domestic consumption of goods and services to play a much bigger role in fuelling growth. But this rebalancing will be a long, hard slog. Officials do not want shock therapy because it could threaten the jobs of many of the 160m migrants who come from the countryside to provide the cheap labour behind China’s exports.

This economic quandary has become more acute at what is a delicate political moment for the Communist Party. Later this year (probably in October or November), the party will hold its five-yearly Congress, the 18th since its founding in 1921, at which sweeping changes in the country’s top leadership will begin to unfold.

The Congress will “elect” a new 300-member central committee (in fact it will be hand-picked by senior leaders). This will immediately meet to rubber-stamp the appointment of a new Politburo, a body that currently has 25 members. All but two of the Politburo’s nine-member inner circle, the Politburo Standing Committee, will be replaced. Two appointments are all but certain: Vice-president Xi Jinping to take over from President Hu Jintao (as party chief after the Congress and as president next March); and Li Keqiang to replace his boss, the prime minister, Wen Jiabao, also next March. There will be much jockeying for the other slots.

It is a decade since China experienced a leadership changeover on this scale—and the first time since the late 1980s that the advent of a new generation of leaders has coincided with such a troubled patch for the economy. The previous time, in 1988, an outbreak of inflation threw Deng Xiaoping’s succession plans into disarray, giving conservatives ammunition with which to attack his liberal protégés. The party’s strife erupted into the open the following year as students demanding greater freedom gathered in Tiananmen Square.

The threats to the party today are very different, but fear of large-scale unrest still haunts the leadership. The past decade has seen the emergence of a big middle class—nearly 40% of the urban population, as some Chinese scholars define it—and a huge migration from the countryside into the cities. The party takes no chances. Large numbers of plainclothes police are on permanent watch in and around Tiananmen Square. (Since 2008, visitors to the vast plaza have had to undergo airport-type scanning and searches.) Early last year, when anonymous calls began circulating on the internet for citizens to gather in central Beijing in sympathy with the uprisings that were breaking out in the Arab world, the location specified was not Tiananmen but Wangfujing, a shopping street nearby. The police responded by flooding that area with officers too.

In the Pearl River Delta, which produces about a third of China’s exports, there are plenty of signs of malaise. Outside a Taiwanese-owned factory in Dongguan, a dozen or so police officers wearing helmets and carrying clubs watch a small group of angry workers complain that the owner has run away. The factory (which makes massage seats) is unable to pay its debts. They are afraid that, this time, after the lunar new year break they will have no jobs to come back to. A plainclothes policeman tries to silence them. Then a uniformed officer moves in with a video camera, and most of the workers retreat, keeping a prudent silence.

Others in the delta have been less reticent. In November thousands of employees at a Taiwanese shoe factory in Dongguan took to the streets in protest against salary cuts and sackings, purportedly caused by declining orders. Protesters overturned cars and clashed with police. Photographs of bloodied workers circulated on the internet. There have been further protests in recent weeks.

Guangdong province also saw a wave of strikes in 2010. At that time workers—mainly in factories supplying the car industry—were demanding only higher pay and improved conditions. Most of those disputes were quickly and peacefully settled, and rarely involved action on the streets. The latest spate of confrontations looks different. The steelworkers at the state-owned factory near Chengdu wanted a raise; but, these days, rather than bidding to improve their lots, workers are mostly complaining about wages and jobs being cut. The strikers seem more militant.

A report published this month by the Chinese Academy of Social Sciences (CASS) says that, compared with those in 2010, the strikes of 2011 were better organised, more confrontational and more likely to trigger copycat action. “Workers are not willing this time to accept that they have to make sacrifices for the national good because firstly they have already made enough sacrifices, and secondly, fewer are willing to just pack up and go home,” says Geoff Crothall of China Labour Bulletin, an NGO in nearby Hong Kong.

**Where the heart is**

The government hopes that jobless migrants will return to their home villages, where they or their families still enjoy a tiny land entitlement on which they can subsist, or find work closer to their hometowns. Many will: job opportunities in the interior have grown in the past few years, thanks to a surge of government investment in central and western areas, aimed at evening out economic growth.

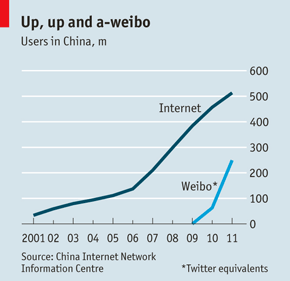
Last year Chongqing, a region in south-west China which had long exported large numbers of workers to the coast, for the first time employed more of its surplus rural workforce locally than it sent to other areas. Chongqing’s party chief, Bo Xilai, is believed to be a contender for the Politburo Standing Committee. He has been trying to turn Chongqing into a model for the absorption of rural labour into cities, a project that has involved vast spending on low-cost housing to accommodate the region’s migrants.

But rising numbers of migrant workers in big cities—more than 60% according to the National Bureau of Statistics in 2010—are themselves the offspring of migrants and have no experience of agricultural life. They regard themselves as urbanites, even if they are excluded from many of the welfare benefits to which city-dwellers are entitled. They are better educated than their parents’ generation, and more assertive. A riot by migrants last June in Dadun, another factory town in Guangdong where many of the country’s jeans are produced, hinted at the problems China could face if second-generation migrants lose hope. The manhandling of a pregnant woman by security guards prompted two days of violence, with thousands of migrants setting fire to vehicles and government buildings. Strikes in coastal factories now mainly involve second-generation migrants, according to the report by CASS.

Such unrest is not about to topple the party. As Chinese officials nervously digest the implications of unrest in the Arab world, demonstrations in Russia and an easing of repression in Myanmar, they draw comfort from the consistency of Chinese opinion polls. These appear to show high levels of trust in the central leadership and of optimism about the future under party rule. Many ordinary Chinese are contemptuous of local authorities, but still believe that leaders in Beijing are benign.

**The power of weibo**

But according to Victor Yuan of Horizon, a polling company in Beijing, citizens’ satisfaction with their own lives and confidence in the government, though high, experienced a “big drop” in 2010 and didn’t recover last year. Confidence in the government has fallen by about 10 percentage points, to around 60%.



Mr Yuan says the rapid spread of microblogs has contributed to this decline. By the end of last year, *weibo*, as Chinese versions of Twitter (itself blocked in China) are known, were used by nearly half of the 513m Chinese who had accessed the internet in the previous six months (see chart). This was slightly more than the number who used e-mail and a rise of nearly fourfold over the year before, according to the government-affiliated China Internet Network Information Centre. Li Chunling of CASS estimates that 90% of urban internet users under 30 are microbloggers.

*Weibo* have transformed public discourse in China. News that three or four years ago would have been relatively easy for local officials to suppress, downplay or ignore is now instantly transmitted across the nation. Local protests or scandals to which few would once have paid attention are now avidly discussed by *weibo* users. The government tries hard, but largely ineffectively, to control this debate by blocking key words and cancelling the accounts of muckraking users. Circumventions are easily found. Since December the government has been rolling out a new rule that people must use their real names to open accounts. So far, users seem undeterred.

In the build-up to the 18th Congress, China’s leaders will become especially anxious to prevent embarrassment to the party. *Weibo* are likely to make their lives a lot more difficult—at least that was the lesson from a ten-day stand-off in December between police and residents of the coastal village of Wukan in Guangdong.

The villagers’ protest was typical of thousands that roil the Chinese countryside every year: a complaint about the seizure of agricultural land by local officials for private redevelopment. Unusually, however, in Wukan citizens took control of their village and drove out party hacks and police. Officials were alarmed by images that circulated on *weibo* of triumphant residents rallying in the centre of their village, like students in Tiananmen Square 22 years ago (see the picture at the start of this piece). They tried, unsuccessfully, to stop news spreading by ordering a block on the village’s name and location.

The villagers gave up their protest on December 21st after a rare, high-profile intervention by the Guangdong party leadership, which promised to look into their complaints. Remarkably, on January 15th the protest leader, Lin Zuluan, was appointed as the village’s new party chief (the previous one having disappeared, it is thought into custody). Even the party’s main mouthpiece in Beijing broke its silence on the issue, saying it showed that local officials should stop treating citizens as adversaries. Wang Yang, Guangdong’s party chief, who is believed to be a contender for a senior Politburo position this year, said the incident demonstrated how people’s “democratic consciousness” was getting stronger. He called on officials not to ignore citizens’ concerns.

Few regard the Wukan episode as a turning point for the party. At least one protester on Tiananmen Square has since been seen being dragged away by police in the usual fashion. But it has stirred debate, online at least, about how the party should respond to protests and other forms of public pressure. And villagers in Wukan warn that they will not be satisfied until they have reclaimed their land. One protest leader says there could be another, “even bigger” uprising.

The new leadership that will take over after the upcoming Congress will quickly face tests of its ability to handle social unrest. Even if the country does not appear on the brink of an Arab-style upheaval, many Chinese academics say the next few years could see burgeoning instability, exacerbated by slower economic growth and a widening gap between rich and poor. China’s outgoing leaders have tried to suppress debate about ways of reforming the political system to allow the public to voice their grievances more freely. But many analysts believe there is a pressing need for such reform. Today’s “China model”, as some in China and abroad were tempted to call it after Western economies fell into disarray three years ago, appears increasingly unsustainable.

**Chinese roulette**

An intriguing glimpse of how at least some in the party elite might see things was offered last April when Zhang Musheng, a prominent intellectual, published a book calling for a revival of the one-time Maoist goal of building a “new democracy”. General Liu Yuan, the son of Liu Shaoqi who was China’s president during the Mao era, openly backed the idea. Mr Zhang (himself the son of a late senior official, as are several of the new leaders-to-be) said a new democracy would involve continued party rule but with much greater freedom.

Few of China’s liberals believe there is much chance of any leader pursuing this idea in the near future. But Mr Zhang’s description of China today has struck a chord (and has been circulated widely by *weibo* users). A well-known economist, Wu Jinglian, picked up a phrase of Mr Zhang’s in an essay in *Caijing*, a Beijing magazine, in which he attacked the notion of a “China model” and called for political reform. The phrase of Mr Zhang’s that made an impression was one describing China as “playing pass the parcel with a time bomb.”