Is China the Next Mexico?

Lessons from the One-Party Model

Jorge Guajardo, former Mexico ambassador to China

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UC San Diego School of International Relations and Pacific Studies

When I was invited to address this audience, the suggested topic was Is Mexico the next China? But the more I thought about it, the more I became convinced that we might have it backwards, and that we should maybe be asking, is China the next Mexico?

When people compare Mexico to China, it is usually in anticipation of an economic miracle similar to that unleashed by Deng Xiaoping with his Reform and Opening some 30 years ago. But the Mexican economic miracle has been announced before. The gushing news articles about Mexico written in the early 1990s sound very much like those written about China in the past decade. One in Forbes magazine said, "You can't any longer think of Mexico as The Third World." Most of this sparkling press coverage, however, was focusing on Mexico's economic performance and missing the larger point of its political evolution.

Though it's of course crucial – and the purpose of this conference – to study China's economy and its impact on the world, let's not lose sight of what might be the bigger story in terms of the future of the Chinese Communist Party.

In terms of political change, it has been widely reported that the Chinese Communist Party is carefully studying the fall of the USSR in order to escape the same fate. At his first meeting as president at Beidahe, Xi

Jinping made a point of referring to the errors of the Soviet Communist Party, and those of Gorbachev in particular, as examples to avoid. In Mexico I lived under the longest-ruling one-party system in the world, and I'm convinced that the Chinese are looking at the wrong model. In order to understand the future of the Chinese Communist Party, it is far more helpful to consider the history of the PRI than that of the Soviet Union.

The Chinese Communist Party has much more in common with the PRI than it ever did with the Soviet Communist Party. Other than their name and their authoritarian model, the Chinese and Soviet communist parties share little else. With the PRI, on the other hand, the Chinese Communist Party has in common the loss of its founding ideology and a clear departure from its revolutionary roots. Just as there was nothing really revolutionary about the PRI in its later days, there is not much that is "communist" anymore about the Chinese Communist Party. Both parties became, in essence, simply a vehicle for power and preoccupied mainly with their own survival.

The PRI and the Chinese Communist Party also have in common the achievement of a system with a peaceful, organized transfer of power: what Nobel Prize winner Mario Vargas Llosa famously called, in the case of the PRI, the perfect dictatorship. Where the Chinese Communist Party has

Jiang's Three Represents, the PRI had its three major sectors: the unions, the business chambers, and farmers. In contrast to the opaque Russian nomenklatura, which was known more for its drinking habits than for its competent governance, both the Chinese Communist Party and the PRI were widely hailed as "enlightened leaders" – the members of the Politburo Standing Committee and the Mexican technocrats trained at Harvard and the University of Chicago were apparently capable of solving even the most impossible problems.

In the six years I lived in China, my wife and I would very often have a feeling of deja-vu: life in China was exhilarating, mind-boggling, frustrating at times. But amidst the sense of novelty there was a frequent sense of having seen it all before.

There were the small similarities we observed daily:

• The regulations forbidding foreign words on billboards in China, which reminded me of the TV ads that used to air in Mexico, making fun of people who used Anglicisms and exhorting us to defend the Spanish tongue.

• The driving restrictions to reduce pollution in Beijing, which brought to mind Mexico City's program of *Hoy No Circula*, which bans your car from the road one day of the week.

• Price controls, foreign exchange controls, press controls.

• Huge and inefficient State-Owned Enterprises.

• A smattering of tiny, state-sanctioned opposition parties to give the impression of political plurality. Growing up in Mexico, it was hard to keep up with the various small parties sponsored by the PRI to give the appearance of democracy: the Green Party, the Labor Party, two different Socialist Parties, the Democratic Party, even a Communist Party and several parties with the word Revolutionary in their name. China's roster of parties includes no fewer than five with the word Democratic or Democracy in their names, all of them of course subservient to the Communist Party.

• Joining NAFTA; joining the WTO.

• A cocky kind of rhetoric toward the United States that claims the upper hand in the bilateral relationship – In the eyes of the PRI, the U.S. was supposedly beholden to Mexico because of our deep oil reserves, as if we really had a choice about exporting our oil; Chinese leaders like to boast about their trillions in U.S. treasury bonds, as if they had any other options of where to sanitize their currency.

• A foreign policy based on complicity with rogue states – Mexico and Cuba, China and North Korea.

• Uprising in Chiapas, violence in XinJiang: in both cases the government at risk of overreacting.

• The high-profile arrests that were ostensibly about cracking down on corruption but were really about getting rid of political adversaries. In China it was targets such as the party bosses of Beijing and Shanghai; in Mexico it was Jorge Diaz Serrano, director of PEMEX, or La Quina, head of the petroleum workers' union, both of whom were corrupt but whose real crime was being in the wrong political camp. In China they were going after "flies and tigers;" in Mexico they went after the big fish or "peces gordos."

The surface similarities are many, but there were two seminal events in Mexico's transition to democracy that have had recent echoes in China and that I think deserve particular attention. One was the earthquake that devastated Mexico City in 1985. This event marked the beginning of the end for the PRI. The tragedy laid bare the PRI's corruption, lack of transparency and inefficiency and was the tipping point for the creation of a true civil society in Mexico. The earthquake was later identified by scholars as a turning point in Mexico's transition to democracy. The poorly constructed buildings were not the only things that collapsed in the earthquake – Mexicans lost what little faith they still had in their government and from that moment on became increasingly less tolerant of bad governance and more emboldened to voice dissent.

I see important similarities between the Mexico City earthquake of 1985 and the Sichuan earthquake of 2008. As was the case in Mexico, the tragedy evidenced a clear shift in the Chinese public's expectations of their government, in the way they voiced their dissatisfaction and demanded accountability. The effect in China was perhaps swifter and more pronounced, probably because we did not have social media in 1985 and citizens had less immediate channels for criticism and debate. What was remarkable in both cases was how people took rescue efforts into their own hands. Volunteers rushed to Sichuan to help, whether by train or car or even bicycle, and were for the first time ahead of the government, following their own lead instead of waiting for official direction. As in Mexico, this kind of civilian empowerment may end up becoming a turning point for China and setting the foundations for a civil society. In Mexico it was perhaps not obvious at the time, but the earthquake set in motion the transformation that led ultimately to the PRI's demise.

The other key event in the democratic transition of Mexico was the splintering within the PRI led by Cuauhtemoc Cárdenas, son of Lázaro Cárdenas, the revered president famous for nationalizing the Mexican oil industry in 1938. Cuauhtemoc Cárdenas represented the left wing of the PRI, the factions who believed the party had lost sight of its revolutionary roots.

He founded his own party in 1987 after having been passed over as presidential candidate in favor of Carlos Salinas. Although the actual end of one-party rule did not happen in Mexico until 2000 with the PAN's Vicente Fox, it was in effect a postponed transition, one that should have taken place in 1988 when Cárdenas ran against Salinas and by all accounts won the presidential election. After a massive electoral fraud, Salinas emerged the victor after all, but by then the PRI's eventual fate was already sealed.

Again, I see a similar turn of events in China, with a princeling of a higher order challenging the appointed successor, splintering left-of-center and harking back to the party's socialist roots. Of course, China has no real opposition party, no version of Mexico's PAN. Yet in Mexico, it was the division within the ruling party itself that paved the way for the democratic transition: with the internal political strife, the unions and vested interests that were the traditional backbone of the PRI's support started hedging, just as in China there emerged strong dissenting factions within the Politburo. This is why Bo Xilai was such a threat, and why the aftermath of his arrest and trial, including the pending case of former security chief Zhou Yongkang, are worth watching.

There was a third event that hastened the fall of the PRI in Mexico that does not yet have a parallel in China, but could very well be in the

making. In the late 1990s Mexican banks failed spectacularly in a non-performing loans crisis, and the resulting government bailout drove the last nail into the PRI's coffin. Michael Pettis of Peking University has explained this much better than I can, but any time you have non-performing loans, it's the people who least afford it who end up footing the bill. In Mexico, people had had enough, and it's not surprising that they finally voted to oust the PRI a few years later, in the 2000 presidential election.

There is of course disagreement on whether China faces an imminent banking crisis. Some analysts say the coming crisis will be like Mexico's or worse, while others think China's debt is manageable. I am not an expert on the subject, but I simply do not buy the theory that China's enlightened leadership will once again know just what to do in order to weather the crisis. When I think of the Chinese leadership, I can't help thinking of what they say in financial circles: past performance is no indicator of future performance.

Of course the comparison between Mexico's PRI and China's Communist Party is not perfect and can only take us so far. Perhaps the most significant difference is that the Chinese can learn from the Mexican example, whereas the PRI had none to follow.

Having in mind the history of the PRI, if I were a Chinese Communist Party leader I would be concerned about two major problems which could prove disastrous: State Owned Enterprises and official corruption. One of the reforms announced at the 3rd Party Plenum is the privatization of state-owned-enterprises in non-strategic sectors. There are virtually no examples of successful mass privatizations, but China should look especially carefully at the precedent in Mexico, where the privatization of state-owned giants including banks and telecommunications resulted in crony capitalism and huge monopolies, which in turn have meant higher prices for Mexicans and greater income inequality.

Corruption is as endemic in China as it was under the PRI. Whether it ends up bringing down the Communist Party depends on how it deals with the problem. Yet how does it tackle its greatest threat when it is at the same time the basic underpinning of its power? Like Mexico's under the PRI, the entire political system in China is predicated on corruption, complicity and cover-up, and it is virtually impossible to rise through the ranks if you are not corrupt or at least complicit in the system. If you are not corrupt, the system boots you out. So the very thing that is necessary for the party's survival may be what ultimately brings it down.

The vicious cycle of corruption can keep going for decades, but as it did with the PRI, it eventually breaks down. The greater the corruption, the higher the distrust of government, the deeper the cynicism about anti-corruption campaigns and the lower the tolerance of wayward officials. In Mexico, it seemed that the stronger the public outrage, the more brazen the corruption, and the more closely the offenders were tied to the top leadership. Recent stories in the New York Times and Bloomberg revealing the huge fortunes of the families of Wen Jiabao and Xi Jinping bring to mind the embezzlement case of President Carlos Salinas de Gortari's brother Raúl, which involved hundreds of millions of dollars in kickbacks and ties to organized crime. In this context, it is worth noting that for all his unexplained wealth, Bo Xilai was charged only with petty corruption; his trial was mainly about abuse of power. Charges of corruption at the highest level make the Chinese leadership uneasy; they can quickly backfire and raise suspicion in an already highly skeptical and volatile public. It will be interesting to see how they deal with Zhou Yongkang, who is being investigated for corruption.

The danger of corruption is that when trust in the government breaks down completely, people begin to question even basic things and see conspiracies everywhere. When Bo Xilai's wife Gu Kailai appeared for her

criminal trial, her noticeable weight gain had people seriously wondering whether it was indeed her. Similarly, in 1994 many Mexicans believed that Mario Aburto, the killer of PRI presidential candidate Luis Donaldo Colosio, was not actually the man who was presented in court. The headlines at the time cried: ¡Aburto no es Aburto!

There are evident similarities between the Chinese Communist Party and the PRI. But China is obviously a much larger country, and its problems today are much more complex than the ones confronting Mexico in the 1980s and 90s. China faces an environmental crisis of enormous proportions, including not just air pollution but contaminated water and soil. It must address serious problems of income inequality, health care and education, among others. To tackle these issues, the Communist Party will need the support of the Chinese public, which it increasingly lacks, or it runs the risk of sudden radicalization stemming from a single volatile issue such as food safety. In the event of a banking crisis, the resulting bailout would be so expensive that it would divert urgently-needed investment in sectors such as health and education.

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I am not here to say that the China will necessarily follow Mexico's path. But I do believe that in order to understand the future of China and its Communist Party, it is useful to study the case of the PRI and ask whether China might become the next Mexico.

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