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The Reshaping of Socialism in China

The collapse of Eastern European Communism and the associated dissolution of the Soviet Union have not only exposed the latent fragility of Communist mega-empires, but also the extent of the problems resulting from their demise. The question is repeatedly raised, therefore, whether similar developments can also be expected in China. In the following article, the German diplomat Volker Stanzel, who — as a qualified Sinologist — worked for three years at the embassy in Beijing and gained major insights into the nature of the country and its people, takes a closer look at the constellation. He attaches particular importance to the fact that — as customary for contributions to this journal — he solely expresses his personal assessments and views.

The Logic of Deng Xiaoping's Policy of Reform

Despite Mao's well-known dictum the political power of the Communist Party of China (CPCh) did not only come out of the barrels of guns. Rather, it repeatedly tried from the outset to cast the legitimacy of its rule in a popular mould. In 1949, the victory against the Japanese and the Guomindang sufficed for this purpose. The recurrent mobilisation of the masses during subsequent years constituted an attempt to legitimate the possession of power anew. This was required in particular when the basis of the legitimation of party rule seemed jeopardised by economic misdevelopments or social dislocations.

It was Deng Xiaoping who provided new legitimation for the rule of the CPCh in the wake of the Cultural Revolution through his economic reforms. He not only renewed the perspective of economic prosperity, but also created its administrative preconditions and thus released an economic and societal dynamic thrust which has steadily intensified to this very day. Deng, however, was unwilling to permit the exceeding of limits which protected the power of the party. This was demonstrated in the arrest of the main spokespersons of the democracy movement in 1979 and in the replacement of Hu Yaobang, the first of Deng's "heirs apparent". The subsequent CPCh General Secretary, Zhao Ziyang, tried to at least attach more importance to specialist competence in the administration through cautious reforms of a fundamental separation of the party and the state.

In the mid-Eighties, industrial production recorded a growth rate of over 20 per cent. Surprised by the momentum of market forces the leadership tried to control and moderate the boom. The lack of experience and of suitable steering instruments for this task plunged China into its first "market-economy" recession. The immediate cause of demonstrations on Tiananmen Square in spring 1989 was the

death of Hu Yaobang. Soon, however, the demonstrators also took up popular demands, whose common denominator was the desire for greater participation in economic, societal and political decision-making processes. The CPCh would never have seized and retained power in China had it not been ruthless against its enemies. Its uncompromising action on 4 June 1989 thus matches its traditional strategy. In its perception, a retrospect tragedy lies in the fact that the political repression coincided with the consequences of economic austerity. Both seemed inevitable. Together with the shots fired by the People's Liberation Army against its own people the deceleration of economic reforms led to the final collapse of the basis of legitimation for the rule of the CPCh. In retrospect, therefore, the brutal but not anti-systemic suppression of the democracy movement of the year 1989 can be viewed as a hiatus in the history of Communist China. The reverse side of the logic underlying Deng's policy of reform now surfaced. In 1978, the population gave the leaders credit for economic successes. The 1988/89 debacle, however, caused disdain, hatred or at most indifference towards a leadership regarded as incompetent and power-hungry.

The need for a new basis of legitimation for the rule of the CPCh was obvious. The "second generation" of China's leaders, such as the party's general secretary Jiang Zemin and Prime Minister Li Peng, limited its action to preventing moves towards a societal and, above all, political opening with the argument that political change would mean chaos. The defensive character of this obsession about China's "stability" *(wending)* is illustrated by Jiang Zemin's commentary on the front page of the "People's Daily" in spring 1991, which urged all Chinese people to erect a "Great Wall of Steel" in their hearts in order to protect themselves against the evil influences from the West. Due to the resolute position of the leadership the latent currents which undermined the basis of rule of the CPCh could hardly be initially identified. China appeared to have fallen into a state of paralysis.

Coping with the Post-Tiananmen Crisis

In this situation, Deng Xiaoping again showed that he was a strategist who was able to turn the tide of events. Whilst the Central Committee Plenum was discussing a more or less dynamic stimulation of the economy in December 1991 Deng visited the southern parts of the country, which had benefited most from his economic policy and which were thus keen on its continuation. His addresses concentrated on the basic idea: growth it good, fast growth is better; the political order, however, should not be jeopardised.

In March 1992, prior to the session of the National People's Congress, the Politburo came out in favour of continuing "the policy of reform and opening for 100 years"; this was confirmed by the 14th Party Congress in autumn. Looking back, Deng's trip, which is now called "spring storm", would appear to have been the starting signal for a renewed release of all the private enterprise activities, which officially had been hardly or unwillingly noticed since 1989, comparable to a renewed beginning of the policy of reform. During the course of the year 1992, the

economic stiuation changed fundamentally. In 1993, the growth rate moved to roughly 13 per cent, industrial production soared by 33 per cent. Foreign direct investments increased markedly. The average income in urban areas in 1993 increased by 28 per cent, in rural areas by 18 per cent. The self-confident certainty this successful development gave to the Chinese leadership that it was on the right road should not be underrated. To "grip" the rebellious elements in the population "with both hands" — in Deng Xiaoping's words — and, at the same time, to give scope to private initiative in industry would appear to be the medicine which has cured China of its paralysis.

This perspective enables a better understanding of China's foreign policy. It has apparently changed in comparison with the period when the People's Republic still waged war against the majority of its neighbours. The basic line of approach within the leadership following Tiananmen was undoubtedly not disputed: to regain international respectability, to improve the country's own status, and to safeguard the foundations for China's leap into the role of a second world power — a role to which China already lays claim today without the corresponding means of realisation. During an initial post-Tiananmen phase, therefore, China created a more friendly environment in the region by establishing diplomatic relations with Indonesia and Singapore. Further efforts focused on the goal of eliminating superfluous areas of tension. China also sought diplomatic relations with Israel, Saudi Arabia, South Korea, and — as yet unsuccessfully — South Africa. It concluded cooperation agreements with Russia and India. Beneficial established alliances, for example, with Pakistan and Iran, were intensified.

This created a basis for the second phase, the normalisation of relations with the West. China adjusted with circumspection to Western positions on major international issues, for example, through its restrained support of the Gulf War. China's most far-reaching move in this policy was to abstain from voting when the decision was taken on the UN Security Council resolution relating to the assignment of international armed forces to protect Iraqi Kurds, thus assisting the resolution's acceptance. For the first time, Beijing allowed the international community to intervene in the internal affairs of a sovereign state. The interaction between a demonstratively presented international sense of responsibility and the renewed fascination of the Chinese market induced by economic success fostered the process of a *rapprochement* to Western states. The symbolic culmination of this process of normalisation was the meeting between the presidents of the USA and China in Seattle in November 1993.

A third phase is now gradually becoming discernible, in which China voices its interests more offensively and is also developing much more conflict-oriented strategies. This tendency first emerged in the increasingly tough stance adopted by Chinese diplomacy in the conflict with Vietnam over the Paracel and Spratley Islands. Taking advantage of any possible weaknesses its adversary may have Beijing its trying to create *faits accomplis*. This is reflected, for example, in the commissioning of international oil exploration companies, regardless of prior

declarations of support for the principle of "common exploitation", or in the tacit approval of the pirate activities of the Chinese navy in this region. Another striking aspect is the fact that China is taking advantage of Burma's foreign policy weakness, caused by its human rights policy, to induce it to engage in economic and military cooperation. It is possible that China may set up a military base in the Indian Ocean in the not too distant future in order to observe Indian naval activities from here and to also control naval routes to the sources of oil in the Middle East.

Of the numerous aspects of Chinese-West relations only that of Chinese human rights policy will be singled out here. This was initially laid down in the year 1991 through the publication of the Chinese "White Paper on Human Rights". It was emphasised that in the case of human rights in China there were also no problems in accordance with the Western concept: political prisoners did not exist, the freedom of speech and other rights were guaranteed. The line of argument shifted in 1993 towards a more offensive position. The questions — only addressed by the West — were not important: human rights were a matter subject to the sovereignty of the country concerned. They could not provide a reason for external intervention. Furthermore, the right to life was the most important of all human rights, and state sovereignty was the basis for this right. In early summer 1993, China cooperation with like-minded states to prepare for the Vienna World Conference on Human Rights and ensured that this thesis found its expression in the final document. China thus moves behind the level reached during the Zhao Ziyang period, during which "individual human rights" were also accepted part of international law. What is apparent is that official Chinese statements on the human rights situation in China and on the country's own human rights concepts centre on politically motivated, not on objectively grounded, lines of argument: political and religious minorities are persecuted — particularly in Tibet —, arbitrary judicial procedure, torture, and an inhumane penal system are on the agenda; a look towards Japan, the Philippines, Hong Kong and Taiwan proves that this cannot be justified by "cultural traditions". In March 1994, at a time when there was a renewed increase in the number of political prisoners, China rejected further barter deals — release of prisoners in exchange for the continued granting of most-favoured-nation status by the USA — through the reference of its foreign minister that China could quite easily do without the American market; not China, but the USA would suffer as a result. This would indicate that a more conflict-oriented Chinese foreign policy can also be expected in other fields.

Risk Factors

If the fate of the CPCh depends on its ability to legitimate its rule over China through economic success the again favourable economic data, the still sustained political stability, and, finally, the foreign policy successes back the thesis that the party has found the right strategy. Nevertheless, there is disagreement among China observers. Do the available figures indicate a sustainable development? Or are they perhaps merely symptoms of the "overheating" against which conservative Chinese

politicians constantly warn? What does the increase in gross national product by 13.4 per cent in 1993, of state capital consumption by 17 per cent, of inflation during the first months of 1994 by a national average of 20 per cent (of 40 per cent in the cities), and of external debt by 36.5 per cent mean? Ironically, Deputy Prime Minister Zhu Rongji of all people, who stands for the implementation of Deng's policy of rapid reforms ("Slow development is not socialism" — Deng Xiaoping), has been trying to rectify such undesired developments. Through measures which, in some cases, complied with demands by the World Bank he negotiated a taxation law with the provinces which ensures additional tax revenue, dependent on the development of incomes in the provinces, for the central government, initiated the greater independence of a future central bank, and effected direct countercyclical measures, such as diverting the flow of cash from payments for imports into inner-Chinese projects.

The advocates of more rapid growth fear that resolute measures to prevent overheating would lead to a recession as in 1988. Up to now, therefore, the Chinese leadership has not shown the same austerity-friendliness as six years ago. Instead, we are witnessing economic measures effected in quick succession but hardly coordinated, which do not resolve the decisive task of reforming state-owned industry and liberalising factor markets but only rectify individual aspects. China's economic policy rolls to and fro between contradictions: between the desire to tap the benefits of free markets, and efforts to preserve the security embedded in centralist control. The fact that neither overheating nor a recession have materialised so far is not, therefore, the result of a course pursued in full command of the situation, but, rather, of a "stop-and-go" policy geared to immediate requirements — not a sign of crisis-proof robustness, but of a persistent fragility of reforms.

The uncertainy of the government and of the administrative apparatus about which course to steer, however, is even more far-reaching, has deeper roots, and is sufficiently plausible. It is based, above all, on social risks, which are increasing as the policy of reform continues. Through the exposure of previously disguised unemployment by privatisation large sections of the population run the risk of losing more than they stand to gain in the initial phase. Up to now, the reformers have been unable to find a concept to cushion the costs of social restructuring. The elimination of all the certainties of former socialist existence through spreading inflation, short-time employment, unemployment, and the disintegration of social order beneath the destructive force of corruption and crime (annual rate of increase: 20 per cent) has serious repercussions. Special risks exist in rural areas, which was the main beneficiary of the first phase of reform policy. The urban-rural income ratio shifted from 10:17 in 1985 to 10:24 in 1993, since the productivity of the agricultural sector declines and absolute poverty increases in rural regions due to growing unemployment. The setting up of so-called rural industry constantly lags behind the population increase. This leads to pressure to migrate both inside China (approx. 100 million "migrant workers") and from China (according to official

Chinese sources, 2 million illegal emigrants since 1990). Even the country's most homogeneous power, which has so far always provided the CPCh with support, has been affected by these social disruptions: the People's Liberation Army. For over ten years, it only benefitted indirectly from economic reforms, which means that the supply situation for members of the army and their equipment arsenals have deteriorated. The army has started to improve the situation in both fields — through arms exports and through army-financed civilian enterprises.

In the medium term, further factors which represent risks for China's future development, such as the consequences of population growth (currently, 16 to 17 million per annum) will surface more clearly. A one-child policy may be more or less accepted in urban areas, but farmers oppose this regulation. The reason is the continuing tradition that a son must be born, but also the missing alternative in the state old-age pension scheme, with a labour market which tends to become smaller and a falling re-employment rate. Particularly the farmers who have become richer find it easier to oppose the policy, which means that the successes of reforms in rural areas tend to cancel themselves out. The situation is worsened by the conspicuous process of ageing in China: in 1990, 8.9 per cent of the population of 1.1 billion persons were over 60; in the year 2025, the corresponding figure will be 19.1 per cent of 1.5 billion.

The deteriorating environmental situation is closely linked with the growth of the population. The inadequate infrastructure (which only meets about 60 per cent of the requirements), the shortage of raw materials, the wastage of resources, growing consumption (which will make China an oil importer this century), China's already existent scarcity of water (which is exacerbated by non-rational agricultural and industrial methods), the decline in cultivable soil through erosion, desertification and industrialisation, the pollution of the atmosphere by antiquated industrial facilities, growing industrialisation and motorisation, and the uncontrolled use of chemical fertilisers and insecticides — all these factors cause problems whose extent is unpredictable. Some provinces will find it easier to solve these problems than others. Economic growth varies regionally from minus to over plus 20 per cent. Provinces with low national income stabilise their levels of consumption and the level of their welfare benefits by saving or investing less and, in addition, by receiving money from the central government. At the expense of the profitability of the large state-owned enterprises, which have to supply the growth centres at the established low prices, central planning ensures that obsolete industries, raw materials and agricultural production are protected from market forces. The export successes of the privileged provinces are often due to the fact that they can count on procurement sources in disadvantaged provinces which are kept artificially cheap.

The Loss of Intellectual Orientation

In view of all these risks how certain can China's leadership be that its post-Tiananmen policy has successfully renewed the legtimation of its rule? There are

signs that the CPCh, regardless of all demonstrative self-confidence, is at a loss as to what to do and uncertain.

The term used to describe the party's goal today is the expression "socialist market economy" incorporated into the constitution in 1992. The official definition runs as follows: industry stays in the hands of the state, but must operate on a market-economy basis. The term, however, could also be taken to denote a prosperity comparable to that in industrialised countries. China has not abandoned the search for its own path to development, but definitely the search for its own goal. The aim is no longer the new — socialist — individual, but the prosperous individual, who should be at least as rich as in Hong Kong, Taiwan, Japan or the USA. The declaration of support for the "market economy" means nothing other than the capitulation of the Chinese Communists to the economic value concepts of the West. The adjective "socialist" now only describes the condition the Chinese leadership lays down for this capitulation: the preservation of its power. The CPCh has repeatedly demonstrated its will to retain this power, the last time in 1989. In view of the growing uncertainty about China's role in a changing world the CPCh claims to be the indispensable factor of stability — contrary, therefore, to Western considerations, that economic reforms must necessarily trigger political reforms.

However, doesn't the introduction of norms other than the heeding of party directives — profit maximisation and increased productivity — trigger the undermining of the party's claim to infallibility? Aware of this risk, the party leadership is trying to link political and economic control. The decisive executive posts, in the economy too, are therefore assigned to the party cadres. Political decision-makers, therefore, determine how labour and capital are allocated; the participatory possibilities for experts competent in their specific fields remain limited. Between the party and its beneficiaries channels have developed for the regulation and allotment of profitable prerogatives. Conflict with the reason of the market is obvious: mafia-style and oligarchic structures of rule are counterproductive for the efficiency of economic development.

For this reason, especially those who benefit most from the policy of reform and opening and who have successfully grasped the opportunity to engage in private enterprise thanks to their expertise are most reluctant to accept the country's leadership and the Communist system. The day-to-day behaviour of many Chinese people indicates hidden or open opposition rather than fear of state repression. This applies to intellectuals and artists, in particular to the representatives of the various smaller democracy and trade union groups, which are constantly also forming anew — albeit not as a rule for long — in the provinces. Among those who are unable to live from the abundant rice alone the search for alternatives to the formerly prevalent dogma has become an urgent concern in view of the party's loss of authority and spreading opposition. More and more frequently, eyes turn to other countries rather than to Chinese traditions. The revolutions in the former East Bloc would appear to confirm the fears state socialism has of the subversive force of

"change through *rapprochement*". Reformers discuss concepts of democracy; neo-Maoists call for the alleged social balance of the former People's Republic; fascists demand a China which finds itself in military conflict with its enemies. For the "cynical profiteers of reform" the tradition of the enjoyment of wine (Xo), women (concubinage), singing (Karaoke) and games of chance is re-emerging in a manner known from the pre-revolutionary era. Apart from faltering social standards and a "privatisation" of day-to-day life, hedonistic elements are appearing in intellectual life; these are swamping film, television, music and literary productions. The underlying lack of orientation also affects the "political class". Viewed positively, all this can be interpreted as pluralism; negatively, as the decay of intellectual structures.

Scenarios

The loss of authority, opposition, the search for alternatives — these signs of restructuring which Chinese socialism is currently experiencing may develop at an unhurried and "evolutionary" pace, they may also peter out or compound to form a revolutionary momentum. This can be influenced by the policy of the Chinese leadership. One decisive factor, however, cannot be influenced: the foreseeable death of Deng Xiaoping. Deng is still the only authority to which the entire Chinese leadership turns when landmark decisions are required. The desperate attempts by the party to demonstrate at least once a year (the last time on 9 February 1994) that the country's seniormost ruler is still alive and able to give approval, even if this is in the form of a deep sigh (which is translated by his daughters), essentially prove that the question of succession is still unanswered. The future death of Deng Xiaoping, therefore, is regarded, not without reason, as the probable catalyst of as yet unforeseeable new developments.

The current distribution of power may be retained until a new structure of rule has evolved which can replace the old one in a "smooth transition". A cohesion of the leadership would serve the interests of the stability of inner structures of power and thus of the continuation of the rule of the CPCh. Perhaps, however, the last two fairly healthy veterans of the Deng generation may make an attempt to translate their remaining authority into actual power: the "leftist" Chen Yun and the member of the military Yang Shangkun. Under Chen Yun, who, in accordance with his own often-cited dictum, only intends giving the market economy as much freedom as a bird in a cage, the pace of reform would initially slow down markedly. Yang Shangkun could also give the military greater influence. The temptation to try to get to grips with economic and social uncertainties with the help of a military dictatorship will probably be great. For health reasons, however, neither Chen Yun nor Yang Shangkun would probably be able to determine China's course for a longer period. Even during their presence the struggle for succession will probably flare up.

Insofar as economic successes make it possible for Zhu Rongji to occupy the centre of power he could probably lastingly safeguard his position. From a stabilised situation, dominated by the reformer group in administration, China could then

gradually become a state with sufficient participatory possibilities for the population; this would be the best possible development. However, if economic difficulties worsen Zhu Rongji with his rather unconventional-unhesitating economic policy will hardly be able to assert his position against the other members of the party oligarchy, such as Li Peng, Jiang Zemin and the traditional-cautious technocrats. Parliamentary president Qiao Shi and the chairman of the second chamber of deputies, Li Ruihuan, may for their part try to form a constellation which is relatively liberal and receptive to political reforms. It would then be most probable that the former party and government leader Zhao Ziyang, who was ousted in 1989, would return as a high-ranking candidate of compromise, who would shape the transition and make the struggle for power acceptable.

The recollection of 1989 opens up a further possibility. A popular uprising in China could be successful, but it must have a leader. During the course of a post-Deng power struggle a spokesman of a new "democracy movement" could try to mobilise the population. The question would then be just what would such a populist do with power once he has seized it. Violent conflict between the military and the party over the acceptance of a "democratic" leadership also seem possible. It would then be most probable that, as often discussed in the West, China would experience a political disintegration. In the event of endless political or military conflicts it is conceivable that the prosperous southeastern provinces would try to keep out of the conflict in order to be able to continue their economic success. Taiwan may then feel that the right time has come for intervention. Analogous attempts by other territories, first and foremost Sinkiang and Tibet, could only be expected following a successful separation by these provinces. There is no need to outline the effects of such a development in China on the outside world. In comparison, today's situation in the former Soviet Union would look stable and peaceful.

Even in the most favourable case, the following applies: whereas there is general agreement that a "healthy" economic development in China would take place in line with the model of the "small tiger" of Asia even this would be problematic. This would lead to environmental damage on an as yet unforeseeable scale and, furthermore, to China's role as a major demand state on the food and raw materials markets of the world. At the same time, the population growth would repeatedly produce a situation in which human labour is cheaper than rationalised industry — with the result that there would be a constant disincentive for further industrial development and modernisation. This would trigger waves of emigration. The constantly increasing risk to China growing yet regionally disparate prosperity would involve corresponds to the situation in other major Third World states. In view of all these factors which hamper economic development it is improbable that China has found the most suitable pace of modernisation in the form of the current "stop-and-go" approach. This would mean that economic progress and dramatic setbacks, attempts at political stabilisation and longer power struggles, would be on the agenda in future. The perspective that today's mixture of hope and doubt, growth and

backwardness, optimism and fear will continue and combine with the eventuality of violent domestic and foreign policy conflicts is the most probable scenario for China during the next few decades: neither a rapidly expanding industrial and superpower nor an anarchic country torn apart by civil war, but a "normal" country of the Third World with simultaneous positive and negative development, growing poverty and growing prosperity — which, due to its size, will have incomparably greater implications for the rest of the world.