

China Briefing, 1989

Edited by
Anthony J. Kane



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Contents

Preface.	vii
Map of the People's Republic of China.	ix
Introduction	1
<i>ANTHONY J. KANE</i>	
1 Politics: Reform at the Crossroad	7
<i>ANDREW J. NATHAN</i>	
2 The Chinese Economy in 1988	27
<i>BRUCE L. REYNOLDS</i>	
3 Foreign Policy in 1988: Resolving Old Conflicts	49
<i>STEVEN I. LEVINE</i>	
4 "Going to the World": Art and Culture on the Cosmopolitan Tide	67
<i>RALPH CROIZIER</i>	
5 Taiwan in 1988: The Transition to a Post-Chiang World	87
<i>THOMAS B. GOLD</i>	
6 China and the United States: From "Special" to "Normal" Relations	109
<i>PAUL H. KREISBERG</i>	
Suggestions for Further Reading	127
1988: A Chronology	131
Glossary	139
About the Contributors	149
Index.	151



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Preface

As *China Briefing, 1989* was going to press, the People's Republic of China (PRC) was experiencing a wave of student demonstrations on a scale unprecedented in the reform era. The catalyst for the protests was the death in April 1989 of Hu Yaobang, the former general secretary of the Chinese Communist Party. Hu had long been at the center of controversy over reform, and he was forced to resign after an earlier wave of demonstrations in December 1986. The debate inside the party following Hu's fall helped to build a new consensus behind the reforms that guided Beijing's policy in 1988.

This volume analyzes the impact of severe inflation and other setbacks that have seriously tested the consensus for reform over the course of the last year. Experts examine the year's developments in politics, the economy, foreign relations, and culture in the PRC. *China Briefing, 1989* also includes a chapter on Taiwan and a special retrospective on the ten years since Sino-U.S. relations were reestablished in 1978. All of the chapters were specially commissioned for this volume, and we thank the authors for their hard work under rigorous deadlines.

China Briefing, 1989 is the ninth in a series of annual assessments of key events and trends in Chinese affairs prepared by the China Council of The Asia Society. The volume is the companion to *India Briefing*, also copublished annually by The Asia Society and Westview Press.

The China Council, a program of The Asia Society's Contemporary Affairs Department, is a nonprofit, nonpartisan educational organization committed to providing timely and accurate information on China and U.S.-China relations. Through the publication of the annual *China Briefing*, the China Council attempts to make available to a general audience a digest of the essential information on events of the previous year.

The editor wishes to thank the staff of the Contemporary Affairs Department for helping to bring this volume to press: Sarah Beckjord,

Andrea Sokerka, Patty Binns, and Ellen Lenson were all indispensable at different stages of the project. Dorothy Grant provided excellent research assistance and fact checking, and Linda Griffin Kean and Chip Gagnon assisted in the final editorial and manuscript preparation tasks. And to Susan McEachern at Westview Press, our deepest appreciation for her continued support

Anthony J. Kane



Source: U.S. Department of State, "Background Notes: China," December 1983.



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Introduction

Anthony J. Kane

As *China Briefing, 1989* was going to press, China was in the midst of an upheaval of historic proportions. More than a million people demonstrated for two days in support of student protestors in Beijing's Tiananmen Square. The government declared martial law, and an extended standoff ensued. The significance of these events will be debated for years to come, but the contributors to this year's volume analyze the early signs of trouble in politics, the economy, culture, and the society as a whole.

The past year was a difficult one for China. Inflation was high, spirals low, and everybody from the top leadership to the man in the street seemed to be angry about something. In his chapter "Politics: Reform at the Crossroad," Andrew Nathan calls it a season of discontent unique in China's post-revolutionary history. Noting that senior leader Deng Xiaoping's instincts were already being questioned over the decision to introduce, and then quickly rescind, price reform, Nathan raises the possibility that the Third Plenum of the Thirteenth Central Committee of the CCP, held in September 1988, might have marked the death knell of the reforms that were born nearly ten years earlier in the Third Plenum of the Eleventh Central Committee of December 1978.

What went wrong? As Bruce Reynolds points out in "The Chinese Economy in 1988," to a large degree China's current problems are a product of the spectacular successes achieved in a decade of reform. Emboldened by that success, the leadership attempted to push price reform ahead—with disastrous results. Double-digit inflation wiped out the increased buying power Chinese consumers had enjoyed in recent years and was compounded by panic buying. Visions of the hyperinflation that helped bring down the Nationalist government 40 years earlier loomed in the minds of many Chinese. Popular support for the reforms began to erode, and by the end of 1988, inflation had become a bigger issue than political freedom.

Opponents of price reform used the consumer panic to justify curbing what they considered to be an overly ambitious reform agenda,

but the problems proved to run much deeper. Attempts to reassert central authority had little effect, and even the reformers began to worry about surrendering too much control. Widespread corruption and crime led many of those commonly described as "liberals" in the Chinese political spectrum to espouse "the new authoritarianism," a theory that advocated limiting political freedom in order to provide stability at a time of rapid economic change. Ironically, its supporters pointed to the examples of Taiwan and South Korea to justify their contention that restricting democratic rights is essential to successful economic development.

Discontent with the status quo burst forth with unexpected power in April 1989, bringing the pending succession struggle to a head. Demonstrators turned out in ever-growing numbers in response to a series of events, beginning with the death of former CCP General Secretary Hu Yaobang on April 15. In the early 1980s Hu had been seen by many activists in China (and by outside observers, including this one) as the country's chief ideological watchdog, but after his fall he became a hero to those seeking greater freedom and democracy for China. The demonstrations following his death were reminiscent of those that had led to his resignation, but this time there was an important difference. When word spread that senior leader Deng Xiaoping had issued an order to suppress the demonstrations, the number of people in the streets jumped from tens of thousands to hundreds of thousands. The people's armed police pulled back and the suppression order was rescinded, leaving the students flush with a feeling of having won an unprecedented victory.

The demand for change reached a crescendo in May when Soviet President Mikhail Gorbachev arrived in China for the first Sino-Soviet summit in 30 years. The demonstrators praised Gorbachev for initiating political reform in the Soviet Union and urged their government to do the same. Three thousand students began a hunger strike to underscore their dedication to the cause, and hundreds of thousands came out to support them. By the last day of the Gorbachev visit, a million people were in the streets, including journalists, factory workers, doctors, nurses, retirees, and even some police and army personnel.

The protests must have been a particularly bitter pill for Deng Xiaoping to swallow. Steven Levine notes in his chapter "Foreign Policy in 1988: Resolving Old Conflicts" that in the course of the year the Chinese had played an increasingly active role in the Asia-Pacific region and were satisfied with the influence they had been able to exert. Even the capitalists were pounding at the door, with South Korea seeking to wrest its share of the Chinese market from the Americans,

Europeans, and Japanese. North Korea had become increasingly isolated and could not prevent the PRC from improving relations with the South. Difficult regional relationships, such as those with India, Indonesia, and Vietnam, were slowly being resolved as well.

China's success in getting the Soviet Union to remove the "three obstacles" in order to secure a Sino-Soviet summit was to have been Deng's crowning achievement. Gorbachev went to Beijing in deference to the Chinese leader's status as the elder statesman of the socialist world. But instead the world saw a young and vigorous Soviet reformer hailed by the Chinese people as a hero of reform, while an elderly and unsteady Deng fought to retain his dignity as the demonstrators demanded his resignation.

Another "victory" that created new problems was the rapid explosion of contact between the Chinese mainland and Taiwan. In "Taiwan in 1988: The Transition to a Post-Chiang World," Thomas Gold writes that the Republic of China's "three no's" policy in dealing with the PRC was "flagrantly violated" throughout 1988, and 1989 brought the stunning announcement that the ROC Finance Minister Shirley Kuo would travel to Beijing for the next meeting of the Asian Development Bank. While this official contact is of symbolic importance, in substantive terms the tremendous upsurge of business and person-to-person contact has had even greater impact in transforming the relationship between Taipei and Beijing. It is no longer unusual to meet Taiwanese businessmen returning from China, especially in Fujian Province. Fujian hopes to use its provincial relationship and language ties (Taiwanese is similar to the dialect spoken in southern Fujian, and many Taiwanese trace their ancestral roots to the area) in much the same way that the Cantonese have exploited their ties to Hong Kong to attract overseas investors.

PRC officials in Beijing once encouraged these ties, hoping to build pressure on Taiwan to accept the proposed "one country, two systems" formula for reunification with the mainland. To their chagrin, however, the strategy may have backfired, as many visitors have returned fearful of the consequences of tying their fate to the mainland. At worst, some in Beijing are concerned that they have inadvertently strengthened the case for those who push for "one China, one Taiwan." In 1988 the PRC authorities stepped up their warnings against those who might be thinking of taking such a position within Taiwan.

For the time being, however, Taiwan is the least of Beijing's worries, and in that sense it has taken a back seat as a problem in Sino-American relations as well. As Paul Kreisberg indicates in his review of the first decade of relations between the United States and the Peo-

ple's Republic of China, the evolution of the relationship from "special" to "normal" offers important new challenges on a range of issues from trade to human rights. The "special" nature of the relationship was based on romantic memories of a large American missionary presence in China in the late nineteenth and early twentieth century, combined with much less sentimental considerations: a shared national interest in opposing the expansion of Soviet influence in Asia, especially in Indochina and Afghanistan.

As awareness of China has grown through increased press coverage and tourism, the romantic images have faded in the harsh light of reality. Repeated violent repression of demonstrations in Tibet, leading to the imposition of martial law in the Tibetan capital of Lhasa in March 1989, has become a matter of growing concern in the U.S. Congress, in the activities of international human rights organizations, and in the minds of ordinary Americans. The Chinese react angrily to criticism of their handling of the Tibet situation and view it as interference in their internal affairs. These kinds of tensions are to be expected in a relationship between nations with cultural and political differences; the challenge is to keep the lines of communication open in order to overcome those differences for the sake of a relationship that is of great importance to both sides.

As Kreisberg points out, the strength of mutual interests should be enough to keep the Sino-American relationship on an even keel, but the nature of those interests are also in a state of flux. This was brought home to the American public most powerfully in the course of the recent summit meeting between Deng Xiaoping and Mikhail Gorbachev in Beijing. Many observers have noted that the China "card" no longer exists (if it ever did) as the Sino-Soviet relationship improves. But Americans reacted with shock to the sight of Chinese students' hailing of Gorbachev as a hero of democratic reform, a sharp contrast to the silent reception afforded U.S. President George Bush when he visited China in February. It is likely that Gorbachev's treatment was a matter of timing and that he benefitted from the students' opposition to Deng Xiaoping. However, it should also remind us that even those who admire the U.S. system are willing to look elsewhere for inspiration as well. They do not necessarily believe that Western liberal democracy can or should be imitated in China.

When historians look back on the demonstrations of 1989, they might well focus on the celebration of the seventieth anniversary of the May Fourth Movement. The demonstrations recalled an earlier time when China was in a state of political disintegration following the collapse of the ancient imperial system. No effective national government had emerged, and local warlords and aggressive foreign

powers were fighting for influence and territory. On May 4, 1919 the news reached Beijing that the Versailles Treaty had awarded Shandong Province (territory controlled by the Germans before the war) to the Japanese, rather than returning it to Chinese control. Demonstrations erupted first in Beijing and later in other cities, forcing the government to renounce the treaty. This incident helped give birth to a period in which intellectuals questioned tradition and sought to provide new and viable answers to the challenges posed by the Western powers and their imperialist ambitions. The crucial goal of that movement, to reunify China and expel the foreign powers, was achieved in 1949. But a second unfinished agenda remained: to modernize China and make it a great nation once again by reforming not just the political system, but the entire cultural tradition.

As Ralph Crozier indicates in his chapter “‘Going to the World’: Art and Culture on the Cosmopolitan Tide,” a return to that agenda in recent years has reawakened a sense of cultural crisis in China. Although students may want to make China’s political system more akin to the democracies of the West, the creative arts in China are exploring even deeper questions that go to the root of what it means to be Chinese in the modern world. With many of the political barriers to free expression removed, creative artists are now testing the limits of their imagination; having greater freedom of speech at home, they yearn for international recognition.

The list of problems facing the Chinese people and their leaders is truly daunting and will not disappear once the current leadership crisis is resolved. Inflation, corruption, and the demands for a more inclusive political system will not subside with the demonstrations. Any leadership configuration must make difficult choices if it is to succeed both in solving the nation’s problems and in rebuilding popular support.



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Politics: Reform at the Crossroad

Andrew J. Nathan

The politics of 1988 were dominated by the relationship between Deng Xiaoping, at age 84 still China's top decision-maker despite his semi-retirement, and Zhao Ziyang, the 69-year-old party general secretary, Deng's heir apparent. The year opened with Zhao's influence at a high point. He demonstrated his position as Deng's chief reform strategist by sponsoring a bold initiative to establish an export-oriented economy along China's coast. At year's end, when price reform suffered a setback, it seemed that Zhao's political career might also suffer, but he emerged from the crisis with his power intact—although his grip on the succession remained uncertain.

The broad commitment to economic reform was no longer at issue among the Party leaders, but controversy attended efforts to work out the details of reform and efforts to manage the social and ideological consequences of "opening up" the economy and social life. Deng's remained the only voice that could authoritatively settle such controversies among the leaders. Although both Zhao Ziyang and 60-year-old Prime Minister Li Peng, Zhao's chief rival for power among the younger leaders, relied increasingly on experts and specialists to frame policy options, China's policy-making process still remained personalistic: Deng's nod determined major policy decisions and power relationships. And Deng continued to rely on his intuitive style of "crossing the river by feeling the way from rock to rock."

Deng's impulsive mid-year decision to implement a still-embryonic proposal for price-system reform illustrated both his unquestioned personal authority and the limits that this authority placed on the influence of the rising technocracy. The episode also demonstrated the risks of such a decision-making style, as Deng's instincts proved flawed. Accelerating inflation generated a strong popular reaction that forced the government quickly to reverse the price-reform policy, which had been announced with much fanfare. In addition, since price reform was apparently a prerequisite for further reform of in-