China Briefing, 1987
The year 1986 marked the tenth anniversary of the death of Mao Zedong and the fall of the Gang of Four. A decade after the end of the Cultural Revolution, China experienced the consolidation of rural economic reform, continued progress in urban reform, a widening of the "open door" to the west, and, perhaps most important, the seemingly irreversible impact on Chinese society and culture of Deng Xiaoping's new policies. The political consequences of reform continued to create problems, as was seen at year's end in a dramatic series of student demonstrations and the disciplining of several high party officials and intellectuals.

This annual volume reviews the events and trends of the year in foreign relations, domestic politics, the economy, foreign investment and technology transfer, defense, and culture. A separate chapter provides an overview of events in Taiwan. Complementing these essays by distinguished China scholars is a chronology of significant events and a selection of important documents published during 1986. The book is ideal for course use and is essential reading for travelers bound for China, business executives, journalists, and China watchers in general.

John S. Major is assistant director of The Asia Society's Department of Performances, Films, and Lectures. Anthony J. Kane is director of the China Council of The Asia Society.
China Briefing, 1987

edited by
John S. Major
and Anthony J. Kane

Published in cooperation with the China Council of The Asia Society
## Contents

Preface ................................................................. vii  
Map of China ............................................................ ix  

1 China in 1986: Domestic Politics .............................. 1  
   LOWELL DITTMER

2 Economy .............................................................. 27  
   THOMAS R. GOTTSCANG

3 The Evolving Role of Foreign Investment and Technology Transfer in China’s Modernization Program  
   DENIS FRED SIMON .............................................. 41

4 Foreign Relations ................................................... 69  
   SAMUEL S. KIM

5 Chinese Military Affairs in 1986 ............................... 99  
   HARLAN W. JENCKS

6 Culture ............................................................... 115  
   RICHARD KRAUS

7 Taiwan in 1986: Reforms Under Adversity .................... 131  
   HUNG-MAO TIEN

1986: A Chronology .................................................. 155  
Appendices ............................................................ 163  
About the Contributors ............................................. 187  
Index ................................................................. 189
Preface

The year 1986 is likely to be seen, in retrospect, as one of great significance in recent Chinese history. In the People’s Republic, the Dengist reform movement faced a crucial test as economic change seemed inevitably to lead to pressure for political change as well. The leadership’s sometimes halting and vacillating responses were apparently a sign of serious disagreements at the top; student unrest, the imposition of party discipline on some prominent intellectuals, and the sacking of Hu Yaobang only hinted at new struggles in the year to come. In Taiwan, a promised end to martial law and the formation of opposition political parties pointed toward a new political climate in the coming post-Chiang era; most observers saw both opportunity and danger in the relaxation of military and one-party rule. These events and many others are surveyed in the chapters of China Briefing 1987.

The China Council, a program of The Asia Society’s Contemporary Affairs Department, is a non-profit, non-partisan educational organization dedicated to providing to the American public timely, accurate and impartial information on China and US-China relations. Through the publication of an annual China Briefing, the China Council attempts to disseminate to the widest possible audience a digest of essential information on China for the year under review. The editors hope that students, businesspeople, policymakers, travellers, and others who require up-to-the-minute information on China will find each year’s China Briefing well suited to their needs.

As has been our practice in recent years, all of the chapters in this book have been specially commissioned and have not been published previously. In addition to our annual coverage of domestic politics, foreign affairs, the economy, and Taiwan, our briefing this year contains special chapters on culture, foreign investment and technology transfer, and the military. Each year’s China Briefing is intended both to stand on its own and also to form part of a series. Readers requiring special
information on such topics as agricultural reform or education are therefore advised to consult the relevant chapters in earlier volumes in the series.

With this year's volume, the title of China Briefing has been changed to reflect the year of publication rather than the year of reference. This conforms to what increasingly has become standard practice in the publication of annual surveys of this kind. China Briefing 1987 therefore follows directly upon China Briefing 1985; the series will not contain the title "China Briefing 1986." We regret any inconvenience caused to librarians and bibliographers in this transitional year.

We wish to extend our thanks to the authors of the chapters herein for producing concise and comprehensive surveys of their topics under very stringent constraints of time. We are grateful also to Patty Farr, who compiled the annual chronology and provided valuable editorial assistance, to Lorri Kaye, Chip Gagnon and Owen Crowley for their fast and accurate work in preparing the final manuscript, and to Susan McEachern of Westview Press—as always—for being everything that an author could want in an editor.

John S. Major
Anthony J. Kane
Source: U.S. Department of State, "Background Notes: China," December 1983.
China in 1986: Domestic Politics

Lowell Dittmer

For the People's Republic of China, 1986 was a year of wrenching change, no less surprising for its Chinese participants than for outside observers. Having managed to telescope into a mere eight years without serious mishap a series of reforms it took Eastern Europeans several decades to evolve, China in early 1986 seemed well on its way towards becoming a Newly Industrialized Country (NIC), quite possibly by the end of this century. The trend continued through much of 1986, as rapid economic growth was joined by ambitious plans for ideological and political structural reform. However, these sweeping projections were not immediately greeted by the legislation they seemed to require, and the ensuing climate of unmet expectation soon generated the most widespread spontaneous protests since the 1976 Tiananmen demonstrations in support of Zhou Enlai (and then-disciple Deng Xiaoping).

Concern that young Chinese were bored with politics, as indicated for example by polls showing greater interest in careers, or difficulties in recruiting new Communist Youth League members, seemed under the circumstances misplaced. Yet activist street politics proved unacceptable to the elite, who brought the year to a close with a crackdown on the demonstrations and severe organization sanctions against their putative elite backers. Seizing their day, China's Old Guard has launched a vigorous resurgence to fill the political vacuum.

At this writing it remains unclear how much of Deng's hitherto tenacious reform impulse (and how many reformers) will survive this crisis of confidence. The future of reform has become embroiled with the reopened succession issue, which once again comes down to who dies in what

*I wish to thank Tony Kane and Joe Fewsmith for their comments and criticisms on earlier drafts of this article. I am also indebted to the Woodrow Wilson Center of the Smithsonian Institution for research support.
sequence. The whole turn of events leaves the country to face at least two questions: Can effective economic reform proceed without political liberalization? If not, can Chinese political culture permit any meaningful degree of political liberalization without unleashing intolerable mass upheaval?

This review will consist of three sections. The first attempts to place the astonishing events of the past year in historical context, demonstrating their linkage to China's recent record of economic hypergrowth and growing political discord. The latest revival of the "double hundred" policy ("let a hundred flowers bloom, let a hundred schools of thought contend") will be examined in the following section, along with the reform proposals that bloomed in this hothouse atmosphere. The upshot of these proposals, both in the form of official policy and popular response, will be considered in the third section. In conclusion, I analyze some of the implications of this most recent episode of blooming and wilting for the future of political reform in China.

Coping with Excess Success

At the end of 1985 China's leaders could look back on an extraordinary series of economic accomplishments. Industrial output had increased by 14 percent in 1984, accelerating to 18 percent the following year; overall economic growth in 1985 rose by 12.3 percent. Growth accelerated most spectacularly in the least regulated sectors: whereas state-sector enterprises grew at an annual average of 10.9 percent over the 1983-1985 period, rural collective industrial output expanded by 35 percent; private industrial output increased by 118 percent over the same period (from a minuscule base). Beginning in late 1984, specifically after passage of the "Decision on the Reform of Economic Structure" in October, China had experienced a second Great Leap Forward, albeit based on quite different ideological premises than the first. The net increase in Chinese industrial output over the 1983-1985 period (ca. US$35-40 billion) was comparable to the entire annual industrial output of South Korea. Yet this astounding growth spurt was by no means an unmixed blessing; indeed, it seems to have become the object of intense controversy. Why?

First (and probably foremost), the Leap had escaped political control—the targeted rates of industrial-output growth had been a mere 5 percent in 1984 and 8 percent in 1985—which was particularly disconcerting in a system still ostensibly based upon central planning. Thus China found itself afflicted by many of the chaotic conditions Marxists habitually ascribe to capitalist economies. The government lost control over investment, as enterprises took advantage of local funding sources
to expand willy-nilly. Whereas state budgetary allocations had accounted for 90 percent of all capital-construction investment in 1957 and 83 percent in 1978, by 1984 the state budget’s share of investment had shrunk to 54.4 percent, dropping further (to 40-45 percent) the following year. Beginning in the second half of 1984 there was uncontrolled growth in the money supply, partly due to mismanagement in China’s newly reorganized banking system. Monetary expansion, in combination with rapid growth of aggregate demand in the context of retail price decontrol, precipitated inflation: the retail price index rose by more than 11 percent in urban areas and 6.4 percent in rural areas in 1985 (compared to an average price increase of 2.8 percent in 1978-1984, and a mere 0.5 percent from 1957-1978). Inflation most severely afflicted the urban professional middle classes on relatively fixed incomes, whose disaffection manifested itself *inter alia* in student demonstrations against the “second Japanese (commercial) invasion” in the fall of 1985.

Not even the leaders’ pet projects escaped stigma. China’s four Special Economic Zones (SEZs), launched in southern China under Deng Xiaoping’s patronage in the early 1980s to provide especially attractive conditions for foreign investment, grew rapidly indeed—particularly Shenzhen, a former fishing village just across the border from Hong Kong. But Shenzhen proved to be a source of “spiritual pollution” that imported rather than exported value. Two-thirds of all SEZ economic activity was to have been export-oriented, but in 1985 it turned out that only one-third of all output was going abroad, and the SEZs were using their special customs provisions to import consumer commodities for internal resale. In 1984 Shenzhen alone had a net foreign trade deficit of $542 million, with little improvement to be seen in 1985. Partly because of the failure of the SEZs to function according to plan, partly because of the decentralization of import-export controls in 1985, the PRC incurred its largest trade deficit since Liberation (the figure ranges from US$7.6 billion to $14.9 billion, due to different methods of computation).3

Opening to the outside world also seemed to open a window of opportunity for corruption, and those least sympathetic to the reforms took advantage of the opportunity to sensationalize a number of such cases (notably the unauthorized purchase of 89,000 motor vehicles, 2.86 million television sets, and 252,000 videocasette recorders in Hainan Island) in the spring and summer of 1985. Thus although the reform forces controlled personnel changes at the special Party Conference convened in September 1985, replacing 131 Party veterans with younger and better educated cadres, this triumph was somewhat extenuated by Chen Yun’s sharp warnings against the corrupting influence of the capitalist world and the perils of abandoning Mao’s priority on grain production.4
Thus the elite consensus entering the New Year was that the period of hypergrowth that began in the second half of 1984 must be restrained. Expansion had precipitated an energy shortage. Critical raw materials—steel and non-ferrous metals, cement, chemicals—simply ran out in some cases, sometimes triggering imports (or sub rosa procurement) to cover shortfalls. The import surge was only part of the trade imbalance problem, as Chinese exports were found to be deficient in quality. In any case the most rapid growth occurred in the collective sector whose products were least eligible for sale abroad; the government once again had to subsidize exports. Investment patterns became skewed: disproportionate priority was given to processing industries which required little construction time and promised quick earnings, or to housing, hotels, and other nonproductive fixed assets; investment in infrastructure and raw materials was correspondingly neglected.

The problem was no longer whether China’s second leap forward should be curtailed, but whether it could be. Nevertheless, when the authorities gave clear priority to slackening economic expansion, they achieved this objective without precipitating a recession, without apparent panic, without major project cancellations (as in the 1981 readjustment), and without seriously compromising reform principles. China’s central bank, the People’s Bank of China, restrained excessive bank lending by raising interest charges (to 30 percent) on out-of-plan investments and cutting back circulation funds. The rapid growth rate of fixed assets investment and consumption funds was thus brought under control. This, together with intrinsic raw material and power shortages, sufficed to restrict investment in capital construction, as industrial output growth fell to 10.2 percent in the fourth quarter of 1985, 4.4 percent in the first three months of 1986, 11.1 percent for the year. The economy as a whole grew by 9.2 percent for 1986, only slightly above the target of 7-8 percent. To restrain inflation, further price decontrol was temporarily deferred; in fact, price supervision was strengthened, price ceilings sometimes being temporarily reintroduced for vegetables and other goods.

The left’s concern for economic self-sufficiency was met by a series of policies designed to guarantee inputs to grain and expand the area sown; the 1986 grain crop thus increased by a modest 2 percent (still 50 percent below target), reversing the 7 percent 1985 contraction. To control the foreign trade deficit and staunch the hemorrhaging of reserves, foreign exchange controls were strengthened, an announced rescission of the foreign exchange certificate system was suspended, and new provisions were introduced (in February and again in October) to regulate foreign investment. On a more informal level, the government also used
Domestic Politics

state visits and other diplomatic means to induce China's most important trading partners to correct bilateral trade imbalances. Such measures succeeded in cutting the merchandise trade deficit from US$14.9 billion in 1985 to $12 billion in 1986 (according to customs figures), but the price was a diminution of total trade volume.

This general moderation of economic policy was formalized and extrapolated to the future of China's Seventh Five-Year Plan (1986-1990), ratified at the Fourth Session of the Sixth National People's Congress (March 26-April 12, 1986). The plan emphasizes consolidation of growth at a more manageable pace, with a new growth target (6.7 percent annual increase in gross value of industrial and agricultural output) higher than that of the sixth plan but lower than the growth rate actually achieved. By the end of the plan period, most Chinese enterprises were to be economically independent entities responsible for their own profits and losses. Emerging grievances over excessive income disparities would be assuaged by implementation of a progressive income tax.

Readjustment following the 1984-1985 spate of runaway growth was on the whole sensible and effective, but not entirely without adverse repercussions. Economic deceleration was unusually abrupt, as gross value of industrial output in February 1986 declined nearly 25 percent from the December 1985 peak, and total industrial output during the first half of the year fell by 18.2 percent against the corresponding period in 1985. Most severely affected in the short run were those sectors which had most benefited from the reforms: thus the collective sector grew by only 9.5 percent in the first half of 1986, less than a fourth the rate of the corresponding period in 1985; the private sector actually shrank for the first time since 1978. Due to the drop in state enterprise profits and total tax revenues, the state budget ran a deficit of several billion Rmb in 1986 (following a 1985 surplus of Rmb 2.8 billion). The crime rate increased, juvenile delinquents accounting for three-fourths of the criminals.

The attempt to retrench the SEZs and open cities while mollifying foreign investors with promotional rhetoric was only partially successful. The SEZs became demoralized, and investors complained of lengthy preliminary contract negotiations, lack of legal safeguards, meager profit margins and restricted access to the Chinese market. The only sector where foreign investments proved profitable was hotels, and a new law stipulated that foreign ownership would no longer be permitted there. Thus in 1986 foreign investment in China fell by half (from $6.3 billion in 1985 to $3.3 billion in 1986), while foreign loans doubled. The new contract system of food grain procurement seems to
have met resistance from peasants, who considered it little more than a unilateral reduction in procurement prices.

From the perspective of the reformers the shadow side of the re-trenchment was that it paralyzed the reform process and gave rise to some contrary movement. It was partly in order to eliminate these sources of resistance and frustration that the next phase of reform was launched.

Reform Gets Its Second Wind

Beginning with the special Party Conference in September of the previous year, the reformers had been thrown on the defensive by the nexus between reform and economic crime that the Party orthodox had implied in its drive against “unhealthy tendencies.” Chen Yun, for example, as chief of the Party’s Central Discipline Inspection Commission (CDIC), had taken a salient role in the crackdown on crime, while at the same time discrediting the reforms by conflating corruption with liberalization and the policy of opening to the outside world. Although the senior pillars of orthodoxy were gradually passing from the scene (e.g., Ye Jianying and Liu Bocheng died in October, General Huang Kecheng in late December), to be replaced by younger and more pragmatic cadres, the left’s control of the “commanding heights” of the “central superstructure” placed them in a strategic position to impede reform.

Thus it seemed obvious that further progress presupposed a removal of ideological barriers, which reformers set about doing with great vigor. Deng Liqun, the outspokenly orthodox chief of the Central Committee’s Propaganda Department, was finally eased out in July 1985, to be replaced by the relatively young and open-minded Zhu Houze; the ministry of culture (of the State Council) was completely restructured, introducing a new minister and four new deputy ministers, three of whom had previous career links with Western culture. Chen Yun, with seniority and prestige second only to that of Deng, could not so easily be dislodged. So at the beginning of the year the reformers simply preempted the issue. On January 6-9, 1986, the CCP convened a conference of 8,000 cadres, where they tackled the problem of corruption by establishing a new anti-corruption team, consisting of Wang Zhaoguo and Xiang Xiaochu and headed by Qiao Shi, all relatively young men, two of whom have impeccable reformist credentials. Although Party Secretary Hu Yaobang delivered a keynote speech, none of the veteran cadres—Deng, Peng Zhen, Li Xiannian, or Chen Yun—even attended, and the proceedings were dominated by younger cadres like Hu Qili.
This new team lost no time in launching a vigorous campaign against crime and corruption, for the first time daring to make arrests even when high cadres were involved. Thus on February 19 three children of senior Party officials were paraded through Shanghai and then shot for sex-related crimes in the first such punishment of \textit{gaogan zidi} (high cadre children) to be announced publicly.\textsuperscript{10} In addition, Ye Zhifeng, daughter of former army commander and deputy chairman of the NPC Standing Committee, Ye Fei, was sentenced to seventeen years in prison for economic crimes; her accomplice, Zhang Changsheng, son of the deputy director of the Foreign Affairs Bureau of the PLA General Staff, was executed by firing squad. There were unconfirmed reports that children of other top Chinese officials were in custody awaiting trial; their parents ostensibly included Jiang Hua, Ye Jianying (son-in-law), Peng Zhen and Hu Qiaomu.\textsuperscript{11} Greater emphasis was also placed on legal enforcement, as reflected in the convention of a major academic symposium (seventy papers presented) in Beijing on economic crime, issuance of \textit{Regulations Governing Offenses Against Public Order} (September 5), and, ironically, a steep increase in contract disputes and cases of illegal detentions.\textsuperscript{12}

The implicit political thrust of the campaign subtly shifted from the dangers of liberalization and the opening to the outside world to the nexus between corruption and elite privilege. Drawing from the assumptions implicit in the famous 1974 poster by Li Yizhe,\textsuperscript{13} as well as bygone campaigns against “taking the back door” and “bourgeois right,” the new leadership of the propaganda apparatus redirected public criticism to focus on China’s “feudal” bureaucratic traditions. A front page \textit{People’s Daily} commentator article on May 8 called for stepping up the “masses’ democratic supervision of cadres,” arguing that official abuses “in the final analysis can only be solved through political democratization.” A more ambitious critique of feudal tendencies in the Party appeared in an article by Shaanxi provincial Party committee secretary Bai Jinian on April 18, which focused on cadre use of connections to promote family and friends. Hu Qili gave a speech in Shanghai in April (not reported until May) as well as a May Day address, both of which weighed in against “feudalism.” The implication of such critiques was that the root of corruption, as well as the essential impediment to successful reform, was entrenched bureaucratic self-interest, which had deep historical and cultural roots, and not contact with a contaminating foreign culture.

In the spring and summer of 1986, even before the economic situation had fully stabilized at a slower growth rate, a wide-ranging discussion of the future course of reform reverberated throughout China. The above-noted reorientation of the drive against corruption opened the
way for calls in the name of democracy to monitor an officialdom whose culturally rooted elitist tendencies produced resistance to swift implementation of reforms. In addition, the eclectic, open-ended character of the reform movement itself provoked a search for a more compelling vision of the future. Finally, the overall climate of opinion seemed favorable to a relaxation. As Zhu Houze noted, the year 1986 witnessed the thirtieth anniversary of the proposal of the “double hundred,” the 20th anniversary of the publication of the “May 16 circular” (which initiated the Cultural Revolution), and the 10th anniversary of the end of the Cultural Revolution, all of which called attention to the historically troubled relationship between culture and power in China.14

Of most immediate practical relevance is the fact that the leadership clearly indicated its desire to encourage discussion, also suggesting (much less clearly) the direction in which it expected this discussion to move. At the end of 1985, at the fourth meeting of the Chinese Writers’ Association, Hu Qili had advocated “freedom of creation”; speaking to literature, art and theoretical circles in Shanghai in mid-April of 1986, he also proposed “relaxation, harmony, friendly terms, and mutual trust.” Hu Yaobang gave a still unpublished talk at the turn of the year in which he forcefully underscored the decline of the people’s faith in Marxism, not only in China but throughout the world. He called for an examination of the ideological inadequacies and political errors leading to this development, as well as for a search for innovative answers to new problems. In April, Hu evoked Mao’s distinction between antagonistic and nonantagonistic contradictions, only to criticize the late Chairman for treating differences of opinion as antagonistic contradictions.15

On June 28 Deng Xiaoping made a speech at a meeting of the Standing Committee of the Politburo, in which he called for withdrawal of the Party from excessive interference in administration of the economy (complaining that “we advocate decentralizing power but they take it back” by forming production “companies”), and called for “reform of the political structure,” asserting that “If we only carry out economic reform and not political reform we will not be able to carry the reform of economic structure through to its end.” Beyond criticizing “unwieldy and overstaffed organizations and dilatory workstyle,” Deng did not elaborate further on what he had in mind by reform of the political structure, but by making economic reform contingent upon political reform, the latter acquired a prominence it had never been accorded before.

In the course of the next several months, this small opening for discussion of further reforms quickly became a floodgate. The ideas set forth were wide ranging, with the Party journal Red Flag consistently upholding doctrinal orthodoxy and People’s Daily tending to permit
somewhat more venturesome proposals. The mainstream remained relatively cautious. Most optimistic were the forthright proponents of liberalism. Sha Yexin, for example, downplaying inauspicious precedents, argued that “now is the period when the literary and artistic climate is the most favorable since Liberation and when the Party is most sincere and earnest in implementing the ‘double hundred’ policy in the past three decades.” With their clear-cut agenda and can-do optimism, the liberals gained the intellectual momentum while remaining a minority, and it was to them that the student demonstrators would look for inspiration when they took to the streets at the end of the year.

It is difficult to categorize simply the themes and arguments set forth in the context of the debate, inasmuch as an underlying assumption was that any idea having validity within a specialized sphere should be universally applicable. Nevertheless, in this brief review it is analytically convenient to group these discussions under three general rubrics: culture, politics, and economics.

**Culture.** The most central cultural theme had to do with the “double hundred” policy, its operational definition and the rules of the game. The double hundred had been officially sanctioned since the introduction of the reform regime in the late 1970s and there was widespread consensus in its favor, but there was a general sense of dissatisfaction over the policy’s operational implementation hitherto and considerable disagreement over what it should mean. In the past, as originally defined by Mao Zedong and Lu Dingyi, the policy consisted of two parts: “Letting a hundred schools of thought contend” referred to the theoretical, ideological, and academic fields, while “letting a hundred flowers blossom” referred to literature and art. The scope of the policy was thus restricted to academic and cultural elites, its purpose to foster more creative intellectual contributions to China’s development.

In order to further enhance such intellectual creativity, many writers now proposed to extend the policy of “opening to the outside world” to the realm of ideology and culture. The prerequisite for the flowers permitted to blossom, implicit ever since Mao appended six qualifications to his authoritative speech on the subject in the spring of 1957, was that they be Marxist; i.e., they must adhere to the “four basic principles” and support the socialist road, the democratic dictatorship of the people, the leadership of the Communist Party and Marxism-Leninism-Mao Thought. “We stress the need to implement the ‘double hundred’ policy and carry out discussions freely,” as Wan Li put it in an (otherwise liberal) address. “However, that does not mean that we may deviate from the guidance of Marxist ideas. The basic theories of Marxism are objective, universal truth.”
To many, such a limitation was so sweeping as to induce intellectual paralysis. "The so-called 'hundred schools' in the final analysis are but two schools—one Marxist school and one non-Marxist school," as Deng Weizhi observed. "If certain people in authority are Marxists, and your views differ from theirs, you then are non-Marxist. If you are unwilling to be non-Marxist, well, sorry about that, and the less said the better!" In order to escape from this quandary, most liberals attempted to give Marx a more latitudinarian interpretation. One of the first to do this was a young lecturer in the philosophy department of Nanjing University named Song Longxiang, who published "Ten Major Changes in China's Economics" under the pen-name Ma Ding in November 1985. Song argued that because Marx had addressed himself primarily to capitalist economies rather than indulging in "utopian fantasies about the future," his works contained little guidance to the operation of socialist systems. Therefore "Chinese economists must free themselves from Marxist books, starting not from dogma but from living fact." Similarly, Deng Weizhi called for recognition of the "diversity of understanding and application" in Marxism. Other guidelines were also proposed. Politicians should not intervene with "big sticks and political labels," in fact politicians and scholars should be equal in political discussions. Major and minor schools of thought should also be permitted to form and to exchange arguments in equality, and above all, tolerance of dissenting views should be exercised. In their attempt to expand the range of permissible interpretations of Marxism, some again turned to Marx's early texts with their stronger emphasis on humanism. Wang Ruoshui, for example, despite having been dismissed as People's Daily editor for his unorthodox views on humanism and alienation, published a collection of his articles in August. Only a few dared suggest, in articles that appeared relatively late in the debate, that non-Marxist ideas might also be considered without prejudice or that the Four Basic Principles should be reconsidered.

To the more "fundamentalist" participants in the debate, led by Hu Qiaomu, Wang Zhen and other senior Party leaders, a literal interpretation of the classic texts was the only acceptable one. Rising to the defense of Marxism, which they conceived to be endangered more by revisionist reinterpretation than by fossilization, they responded indignantly to any implied criticism. Hu went as far afield as a New York Chinese-language newspaper to find an editorial critical of Ma Ding to reprint. Deng Weizhi's articles advocating a broader understanding of Marxism were met by scholarly counterarguments, and Yu Qiuli (director of the Political Department of the PLA) himself penned an article reasserting the need for doctrine to guide literature. Orthodox voices thus remained articulate throughout the debate, but what was
noteworthy was their inability to silence their opponents, as a wide variety of viewpoints continued to manifest themselves.

Politics. The ambition to reform China's political structure dates at least as far back as Deng Xiaoping's August 1980 speech, which introduced the ideas of the elimination of life-time tenure, check-and-balance relations among central political organs, and reform of the people's congress system. Yet the emphasis on political reform had fallen into disuse for the past several years as economic restructuring took pride of place. The assumption had been that political reform presupposed prior economic development, a proposition that many continued to defend in this debate. Nevertheless, Deng's own remarks tended to give the edge to those who wished to restore politics to its wonted position as an independent rather than a dependent variable.

Two fundamentally different visions of political reform eventually emerged. Both agreed that political restructuring should include some form of administrative reform plus a "high level of socialist democracy," but there was considerable disagreement about precisely what this entailed.

The first school was essentially Leninist with a high-tech patina, placing greatest emphasis on administrative reform for the sake of enhanced efficiency. Administratively it sought to separate the powers of the Party from those of the government, particularly at the local levels, where the Party committee should allow much greater autonomy to the professionally qualified factory manager and give the township more responsibility in lieu of the defunct communes. The cadre system should be reformed to establish terms of office for Party and governmental leaders at all levels, with duties specified for each position so that a cadre could be recruited on the basis of examination and dismissed for cause. In other words, there should be a horizontal division of function as well as a vertical division of power, as CASS Institute of Political Science Director Yan Jiaqi put it. To ensure compliance, it would be optimal (eventually) to establish perfect conduct norms for the political system, i.e., a perfect legal system (viz., "The political structure reform will help bring about a situation in which people throughout the country do everything according to law.").\(^{22}\) Democratization must be "socialist," the precise characteristics of which were not entirely clear except that they were distinguished from, and immensely superior to, Western "bourgeois" democracy. Included for example were radical changes in class relations without which political freedom would be a sham.\(^{23}\)

In the "perfection" (not reform) of socialist democracy, democratic centralism receives high priority, consisting for example of establishing standing committees for people's congresses at various levels and

---

\(^{22}\) Tseming, "Dalai Lama," p. 10.

creating a sort of "brain trust" that would provide Party leaders with a more comprehensive data base through a "support system, consultancy system, appraisal system, supervision system, and feedback system," making use of what the Chinese call "soft science" (ruan kexue) to foster more objective and scientific policy decision-making.

The liberals placed greater emphasis on democracy and less on administrative efficiency. They tended to be bolder in their reform proposals. To them, the essential problem was "overconcentration of power," which was closely related to China's "long-standing feudal, despotic tradition." In the course of unfolding the debate on the "double hundred" policy, by the end of June many had shifted to the position that this could not be a purely academic affair, that "only when the problem of political democracy is solved will it be possible to solve fundamentally the problem of the 'double hundred' policy."

This proposal envisaged transcending the magic circle of the Party elite for some form of mass democracy. Implicit was the assumption that the sovereignty rested in the people, not the Party. Fang Lizhi, vice-president of the Chinese University of Science and Technology in Hefei and a well-known astrophysicist, made this explicit in a debate with Vice Premier Wan Li and again in a speech at Shandong's Jiaotong University in November. Fang criticized the notion that democracy consists of the elite permitting the people to speak (contrasted to his own conviction that the people have the inherent right), calling it a legacy of "feudalism" which implied that "officials are superior to people."

Thus liberal reform proposals gave greater scope to elections than to merit-based appointment. The people's congress system should indeed be reformed, but more radically, to make it the true power organ of the people; the government should be elected by the NPC delegates and other government officials should include Party and non-Party members; and the latter should be under no obligation to accept Party leadership.

Whereas the fundamentalists drew a sharp line between bourgeois and socialist political institutions, the liberals sought to minimize that distinction in order to legitimize cultural borrowing. Even bourgeois political institutions might be profitably incorporated into socialist reforms rather than "trying to build a political Shangri-la from scratch." Freedom of speech and press, hitherto tarnished by "bourgeois" associations, were obviously deemed highly desirable. Fang based his support for these values on an implicit theory of natural right; others cited the 1982 Constitution (Article 35), which guaranteed the right to freedom of speech and publication. Freedom of the press should go much further; the "uniformity of public opinion" that resulted when all papers were orchestrated to say the same thing now ranked
with the Gang of Four as one of the leading “feudal” sources of “cultural autocracy.” To secure these freedoms, formulation of a publication and press law (reportedly Hu Jiwei had been engaged in drafting one since 1983) was necessary but not sufficient; proper implementation would also be essential. Not only should responsibility for what is published lie with the writer alone, some of the present newspapers and journals should be turned over to civilians for publication. (Only three of the PRC’s 1,700 newspapers are now run by democratic parties, all without any shade of independence.)

**Economic.** The economic reform proposals tended to be more precise and elaborate than the cultural and political proposals, although moving in the same general direction. All were guided by the same essential model of market rationality, more or less alleviated by consideration for socialist value. A strain tended to develop only in the case of a clear contradiction between efficiency and welfare, or between market model and Marxist doctrine. Those reforms in which such a contradiction was not apparent occasioned little controversy. For example, the February NPC session issued a call for more “horizontal” links in the economy to ease the rigidity of the present “vertical” organization of industry under government ministries. Banks would aid the process with loans and credits, and the associations would enjoy tax concessions. Although this reform threatened to shift power from middle to enterprise level management, it occasioned no public controversy. (Whether it will be successfully implemented is another question.) Similarly, the attempt to extend the factory director responsibility system to 27,000 additional enterprises directly threatens the power of the Party committees in the enterprises affected. Although there were numerous indications of Party resistance to this directive, sometimes via lawsuit, no public controversy arose.

In the case of the attempt to promote and expand the contract labor system, which had been implemented in selected areas on an experimental basis since 1979, a controversy arose over the apparent contradiction between doctrine and market rationality. Previously workers had been assigned to jobs for life by a central placement agency; now they would be recruited by each enterprise through advertising and examinations, under renewable contracts of three to five years. The employment security of the worker would thereby be undermined for the sake of greater managerial flexibility in the utilization of labor and greater career mobility for workers. Theoretically, the issue was whether this constitutes a “labor market,” which Marx had criticized for the hardships it inflicts on the work force. But the issue was not merely theoretical, for in the past (i.e., during the early 1960s), contract workers not only faced the threat of unemployment but were dis-
criminated against in terms of insurance coverage and other benefits. In
the ensuing debate, the more euphemistic construal was that contract
labor under socialism does not constitute a labor market, because labor is
not a commodity; although workers can be hired and fired at will, they
own the means of production, as they do not under capitalism. The real-
ist argument, on the other hand, was that the labor force under social-
ism is still a type of commodity, for the labor force owns its labor,
which it can sell to enterprises at market value and which will vary
according to the balance between demand and supply of labor. Yet it is
not a pure market, for wage levels are set administratively rather than
on the market. This should also change eventually, in order more fully
to realize a "socialist commodity economy." 28

The attempt to introduce provisions for enterprise bankruptcy also
conflicted with doctrine but more importantly raised a stark contradic-
tion between efficiency and welfare. The proposal, limited for the time
being to state enterprises, stemmed from the fact that some 20 percent of
such enterprises were found to be operating at a loss, whereas the
smaller cooperative enterprises, with greater responsibility for their
economic performance, had been thriving and multiplying. If the mar-
ket were to function rationally, enterprises must be subject to negative as
well as positive reinforcement. Yet it was difficult to gainsay the fact
that what was good for the economy as a whole was catastrophic for
the enterprise: assets would be auctioned off, and staff and work force
would be unemployed in an economy ill-prepared to deal with unem-
ployment. Moreover, the 1982 Constitution (Art. 42) states that
"Citizens of the PRC have the right as well as the duty to work." 29

The attempt to redefine ownership relations in such a way that so-
cialism becomes compatible with the issuance and even possible trading
of shares is perhaps most surprising from a Marxist perspective. Discus-
sion was opened in 1979 by the well-known economist Dong Fureng, who
proposed that ownership be distinguished from management. This
would facilitate tapping new sources of capital while providing the fi-
nancial wherewithal for decentralization, also tying enterprise man-
agement to those with an incentive to run it on a cost-efficient basis.
The first step was taken in the "Decision on Reform of the Economic
Structure" in 1984, and in the course of the year public fund-raising
through share issues totaled US$6.25 million, equivalent to 27 percent
of the total capital construction investment by state-owned units. In
most cases, share issues (usually not stocks, but non-negotiable deben-
tures at fixed interest) were restricted to staff and workers, other asso-
ciated enterprises within the township or villages, and the township/
village government. However, in 1985 Dong wrote another article in
which he suggested that the 1984 decision had not gone far enough, and
he called for new, more penetrating discussion of the ownership issue. This unleashed an avalanche of articles on the subject and a surge of experimentation with new forms of ownership, so that by 1986 it could be said that "various types of ownership systems coexist and develop together."30

The fundamental cleavage in discussions of the ownership issue seemed to be between those who wished to forge ahead to joint-stock communism and those who remained skeptical, pointing out that this would leave the state with no mechanism to regulate enterprise performance (beyond the macroeconomic levers used by capitalist states, of course). By the end of the year, a tiny stock exchange selling two stocks had opened in the city of Shanghai, and stock exchanges equally limited in scope had opened in several other Chinese cities. A delegation from the New York Stock Exchange visited Beijing in November to explain the American system.

Outcomes

The period of blooming and contending had two outcomes, occurring seriatim. First, the policymaking apparatus went into gear, transforming the demands that had been made on the political system into policy outputs. Second, the students mobilized to reiterate and popularize many of these same demands on a grassroots level. Or, to adopt the CCP's reconstruction of developments, the leaders of the liberal grouping within the hundred flowers movement, upon finding their expectations disappointed at the hands of Party and government policymakers, turned in frustration to the mobilization of sympathetic students. Whichever version one prefers, the outcome of this second stage of demand articulation was even more dismaying than the first, at least in the short run.

At the policymaking level, those proposals that received no public discussion (e.g., military reform)31 often passed with less difficulty than those which had been discussed a great deal. It is therefore hard to see how the public discussion of proposals contributed very much to their approval.

To deal with the economic proposals first, where the results were perhaps most encouraging, the NPC did pass new provisional regulations (which took effect October 1) extending the labor-contract system to all new workers at state enterprises (while denying that this constituted a labor market or that labor was a commodity). As a result, by the end of 1986 the number of contract workers reached 5.18 million (or about 4 percent of the workforce). However, the NPC Standing Com-
mittee refused to consider the bankruptcy legislation. This was the first time on record that the NPC Standing Committee had exercised its veto prerogative, and it did so even after the reformers had launched a major public campaign and trial-implemented the legislation in sixteen cities. Indeed, in Liaoning Province a “bankrupt” factory held the first property auction in China since Liberation just before the Standing Committee acted. Not until the legislation had been amended (and significantly weakened) did the Standing Committee finally see fit to approve it two months later. The management-responsibility system, which vested enterprise responsibility in the factory director rather than the unit Party secretary, was extended in the course of the year to some 23,000 of the 54,000 state industrial enterprises. Ownership restructuring remained at the level of discussion and trial-implementation, with no new legislation in the offing.

For the impact of the liberal cultural and political proposals upon policy we must turn from the governmental apparatus to the Party, where such issues are considered, and specifically to the Sixth Plenum of the Eleventh Central Committee, which met in September 1986. To judge from the conference documents, that meeting seems to have resulted in a compromise. Although originally four major items were to have been on the agenda, the discussion of “spiritual civilization” resulted in such controversy that none of the others could be considered. The draft of the “Resolution of the Central Committee of the CCP on the Guiding Principles for Building a Socialist Society with an Advanced Culture and Ideology” was changed on nine occasions in the course of its nine-month, strife-ridden drafting. The subject of “spiritual civilization” was not inherently favorable to the reformers, as this concept embodied a concern with preservation of fundamentalist values that in the past had been used against them. However, they endeavored to reconstrue it to their advantage. Rather than banning foreign ideas, the emphasis in the document is on raising educational and scientific levels, helping citizens improve standards of professional ethics, and otherwise cultivating “lofty ideals and moral integrity.”

The document reaffirmed the “double hundred” policy: “There are not—and cannot be—any ready-made formulas, and it is only natural that differences of opinion should often arise in both theoretical and practical work.” Moreover, the policy of opening to the outside world, now broadened to include cultural and ideological elements, was embraced as “basic state policy.” On the other hand, whereas “socialist democracy” and the “socialist legal system” were endorsed, it was added that “democracy cannot be separated from legality and discipline.” Political reform is deferred, as “a very complex task. After exhaustive investigation and study, the Central Committee will work out plans for
accomplishing it, so that political reform may proceed step-by-step and with proper guidance.” The leadership of the Party cannot be questioned.

Finally and perhaps most significantly, the fundamentalists appear to have frustrated the liberals’ attempt to redefine the source of “unhealthy tendencies” as “feudalism” rather than “bourgeois liberalization.” The resolution fails to single out feudalism for any particular opprobrium, though it issues a pointed criticism of liberalization: “Engaging in bourgeois liberalization, that is, negating the socialist system and favoring the capitalist system, is fundamentally contrary to the people’s interests and is therefore firmly opposed by the vast numbers of the people.” When Lu Dingyi called for deletion of this denunciation, he was reportedly refuted by none other than Deng Xiaoping. The document also endorses the controversial concept of “socialist humanism” that had been championed by veteran Party theorist Hu Qiaomu. Revision of the electoral law that passed the NPC at about this same time also continued the process of eviscerating electoral choice that had begun soon after the first elections of 1980-81. The number of necessary candidates for a given position was further reduced, and the quorum needed for nominations from the non-Party masses trebled.32

It was in this ambiguous context—on the one hand, euphoria over the summer’s relatively untrammeled exchange of ideas, on the other, disappointment and frustration over their inefficacy in the real world of politics—that the student protests were launched. The largest demonstrations to shake China since the Tiananmen riots of ten years past began on December 5 and 9 on college campuses in Hefei and Wuhan, the demonstrators using the pretext of the celebration of the December 9th [1935] Movement to launch their initial march on government headquarters. Over the next two weeks, despite the official news blackout, demonstrations, often accompanied by the now illegal big-character posters, spread to about seventeen additional cities and more than 150 campuses, sometimes stemming from specific local grievances. In Shenzhen students protested a tuition fee issue and in Changsha they demonstrated on behalf of a teacher who had been beaten in a housing dispute. At times there was no discernible cause, but all espoused the abstract ideals of democracy and political reform. In this they differed from the smaller and more short-lived student demonstrations of the fall of 1985, which had arisen from setbacks in the reform and could be interpreted as being opposed to the opening policy.

In Hefei and Wuhan, inasmuch as the demonstrations coincided with district elections to the people’s congress, the students demanded the right to participate in the nominating process. In Hefei, Fang Lizhi
forthrightly supported this demand, even arranging to have elections postponed to allow student participation in the nominating process. As a result, one student and Fang himself were actually elected. Local authorities were not usually so forthcoming, but they typically responded with unusual restraint—perhaps because they were disarmed by the students' reformist slogans, perhaps because they actually hoped to capitalize from the demonstrations.

As the momentum mounted, as workers began to join with the students, and as demonstrations spread to the capital, disrupting traffic and sometimes (according to police) resulting in violence and destruction of property, the authorities became alarmed. Sidestepping the constitutional guarantees accorded Chinese citizens to protest, Shanghai, Beijing and other cities passed local ordinances making that right contingent on various procedural formalities that left plenty of discretion for refusal. Newspapers broke their silence to write editorials denouncing the protests and ascribing sinister motives to them (Taiwan agents, a secret political party). Police started to take pictures of demonstrators, infiltrate their ranks and "detain" ringleaders. Still, consecutive marches in Shanghai that took place from December 19 through 21 drew from 50,000 to 70,000 participants, according to eyewitnesses, allegedly resulting in two capsized cars and scores of police injuries.

The wave of protests came to a head when several thousand students and their supporters assembled in the central square of the hitherto quiescent capital on the morning of New Year's Day, despite a ban on unauthorized demonstrations and stern warnings in the official press. About 300 people broke through a police cordon, shouting slogans and unfolding banners in support of democracy, press freedom and reform. In their explicit defiance of the authority of the CCP and their impatient demands for political transformation, these young people seemed to the Party leadership to resemble the Red Guards of the preceding generation—and no more so than when they burned the newspapers that raised this analogy. Thus the Party leadership began to adopt a harder line. A New Year's Day People's Daily commentary raised the issue of "bourgeois liberalization," which an editorial in the same paper five days later blamed for the student unrest. Gone was the media pluralism that had reigned throughout the summer, as all newspapers joined in lambasting "bourgeois liberalization" and demanding adherence to the "four basic principles."

Then, on January 16, at an enlarged meeting of the Politburo, it became clear just how seriously the leadership took the student unrest. Hu Yaobang, Party General Secretary and Deng Xiaoping's long-time protégée and heir apparent, resigned from his position, acknowledging that he had made "mistakes." We have already observed that the
authorities were in fact less effective in muting the outcry than they had been one year earlier in dealing with the anti-Japanese demonstrators. Whether or not Hu Yaobang and his supporters were responsible for the lenient handling of the student unrest, Hu became the lightning rod for the wrath of the senior cadres (including Deng Xiaoping) when they felt the situation had gotten out of hand.

Since Hu's purge, two political impulses have been contending: (1) a strong tendency to continue the purge to root out Hu's supporters, mobilize a campaign to criticize "bourgeois liberalization," and reevaluate many reform policies; and (2) another tendency to try to hold these impulses within relatively narrow bounds, cut losses and salvage the economic core of the reform program. The contention between these two impulses is naturally exacerbated by preparations for the Thirteenth Party Congress, scheduled for fall 1987, and by a pre-mortem struggle for succession to Deng Xiaoping. So far, the purge has been extended to the CC's Propaganda Department, where Zhu Houze was replaced by Wang Renzhi, former deputy editor of Red Flag (and firm opponent of liberalism). Zhong Peizhang has been replaced by Wang Furu as director of the department's Information Bureau, with Liu Guoxing and Liu Zuyu as new vice directors. Ruan Chongwu (fifty-four) has been replaced as minister of public security.

There has also been a major crackdown on liberal intellectuals. First to go were Guan Weiyan and Fang Lizhi, president and vice president, respectively, of the University of Science and Technology, and critical writers Wang Ruowang and Liu Binyan, all of whom have been purged from the CCP. This may be only the tip of the iceberg, as the investigation of the "black materials" in other dossiers is still ongoing. The Party's commitment to the "double hundred," to "opening to the outside world" and other reform policies has been reaffirmed, but in this still unsettled context it is unclear what this means.

Conclusion

The events of 1986 are redolent of at least two previous experiences with the "double hundred" policy in recent Chinese political history: Mao's inauguration of the experiment in 1957, and the "small blooming" that occurred in the aftermath of the Great Leap Forward in the early 1960s. In all three cases the policy was motivated by extravagant ambitions for unleashing intellectual creativity together with an incapacity to cope with or even imagine the consequences of that unleashing. The parallels among the three experiences, in each case occurring in the course of retrenchment from feverish economic hypergrowth, in each
case going through roughly identical phases—cautious early budding, luxuriant florescence, buoyant and ultimately chaotic contending, followed by repression—leads one to suspect that the personalities of the participants and the particulars of the debates are less important than the overall pattern of the event. Although the 1987 crackdown does not yet approach the 1957 anti-rightist movement in severity, that pattern, because it appears to be cyclical, leading to no permanent solution, inspires deep concern.

Is liberalization possible in the context of Chinese political culture? Or does liberalization inevitably lead to chaos? If the latter is the case, it seems reasonable to predict that the crackdown against bourgeois liberalization may last for some time. Rather than risk another such eruption, the PRC regime seems likely to draw a clear line of distinction between economic rationalization and political/cultural liberalization, and to attempt to foster the former without permitting the latter. Taking a cue from certain of her successful neighboring East Asian NICs, China may elect to pursue a politically repressive but economically liberal developmental strategy (hoping to postpone the political explosions some of these same NICs have recently experienced until some measure of development has been achieved).

This however raises the additional question whether an economically liberal form of modernization can be pursued in the context of political and cultural repression. Are economics and politics so clearly distinguishable? Another relevant parallel worth examining in this context is that of Poland. In its post-Solidarity military-enforced retrenchment, economic performance has nose-dived, largely as a consequence of a sort of national political malaise rather than any specifiable economic cause. Can China crack down on her intellectuals and students without risking such painful demoralization?

In the past it must be conceded this seems to have been feasible. The Chinese people, including the intellectuals, could always be relied upon to continue to work regardless of whether they were lauded or censured. Perhaps their labor might vary in enthusiasm or intensity to some degree, but then labor was always abundant. Is this still the case? Or have China’s intellectuals started to occupy a more integral place in the nation’s advancing modernization efforts, such that their enthusiasm cannot so easily be dispensed with? If this is so, and the likelihood seems apt to increase in the course of China’s modernization, will the new CCP leadership manage to find some way to balance controlled political liberalization with economic and social stability? These are some of the questions the most recent turn of events raises on the eve of the Thirteenth Party Congress.
Notes

1. Opinion polls conducted in high schools by Chinese social scientists discovered that when asked about the goal and motivation for their studies, only twenty-seven of 883 students interviewed (about 3 percent) answered "communism," or "to serve the people." What they were interested in was rather to increase their personal knowledge, shape their own future, and improve their standard of living. Thus eighty students at Beijing University registered for an advanced special cadre course on capitalist economics, but only eight for a course on Marxist economics. Andreas Kohlschuetter, "Von Marx und Mao zu Markt und Mammon," *Die Zeit* (Hamburg), August 15, 1986, pp. 3-4. Concerning China Youth League recruitment difficulties, see the exchange, "Why Has the CYL Failed to Attract Membership Applicants?" *Zhongguo Qingnian Bao* (Chinese youth news) (Beijing), July 30, 1986, p. 3.


3. *FEER*, February 6, 1986, p. 55. The previous record deficit was US$2 billion in 1980, which had contributed to the fall of Hua Guofeng.

4. After a number of years of allowing the acreage sown to grain to dwindle without immediate impact on output due to more intensive cultivation of existing acreage, grain output declined substantially for the first time in 1985.

5. In the first half of 1986, the number of private enterprises registered with China's State Administration for Industry and Commerce dropped by 301,000 to 11.34 million. In contrast, between 1978 and 1985, this sector had grown spectacularly, from 180,000 to 11.64 million units. *FEER*, November 20, 1986, pp. 68-69. But the collective and private sectors also rebounded quickly: collectively owned industries (representing about 30 percent of total industrial output) gained 16.7 percent in 1986 (about half the 1985 growth rate), while individually operated industrial enterprises grew even faster, with output up 60.6 percent by value (still less than 1 percent of total industrial-output value).

6. Major economic crimes more than doubled in 1986. About 50,000 economic crimes were handled by people's procuratorates at various levels in 1986, about 13,000 of which were major swindling cases (i.e., involving at least Rmb 1,000 each). Crimes committed by or implicating government functionaries are on the rise, as are cases involving Party and government institutions, enterprises, and other "legal persons." *Xinhua* (Beijing), March 5, 1987, as translated in *Foreign Broadcast Information*

As he had warned in September 1985, “one must note that opening to the world will inevitably be accompanied by capitalist ideology and its style of work, both of which are detrimental to our socialist cause.” Chen Yun, “Speech at the Sixth Plenum of the Central Commission for Inspection of Discipline” (September 24, 1985).

Minister of Culture Wang Meng, one of China’s most eminent living writers, was known (and criticized during the Spiritual Pollution campaign) for having borrowed “stream of consciousness” (yishi liu) techniques from Virginia Woolf and James Joyce; Liu Deyou, first deputy minister, was a translator of Japanese literature, formerly the leading Xinhua correspondent in Japan; and Ying Ruocheng, an actor and director (who recently staged “Death of a Salesman” in Beijing in collaboration with Arthur Miller, also starring as Willy Loman), graduated from the Western languages department of Qinghua University.

The two were Hu Xiaoyang, son of Hu Lijiao, chairman of the Shanghai People’s Congress and member of the NPC, who retired at the Party Conference in September 1985; and Chen Xiaomeng, son of the late deputy chief of Shanghai’s propaganda department, Chen Qiwu, who died in 1984 (it will be noted that neither father was in a position to retaliate). FEER, March 6, 1986, p. 34; also see January 23, pp. 28-29; May 29, pp. 43-45; and January 30, pp. 22-24.


See Zhao Bingzhi and Jiang Wei, “A Summary of the Symposium on ‘Reforming the Economic System and Cracking Down on Economic Crime,’” Zhongguo Fazhi Bao (Chinese legal journal), September 5, 1986, p. 3; and September 8, 1986, p. 3; and “Regulations Governing Offenses Against Public Order in the People’s Republic of China,” Xinhua (Beijing), September 5, 1986, adopted by the seventeenth session of the Standing Committee of the Sixth NPC on September 5, 1986. On illegal detentions, see the AFP Hong Kong report of September 17, 1986.

Li Yizhe was the pseudonym for three young rebels who posted a long big-character poster in Canton in 1974, attributing Lin Biao’s betrayal to a recrudescence of feudal tendencies. Under state feudalism, China had been redivided into fiefs in which powerful lords extracted surplus value from modern serfs tied to the land or assigned to labor for
life, a system defined by personalistic relations of lord and vassal. *FEER*, May 29, 1986, p. 45.


15. Hu’s speech, delivered on April 9, 1986, was published in summary form as “On the Problem of the Correct Handling of the Two Different Kinds of Contradiction Within the Party,” in *Renmin Ribao*, July 1, 1986.


17. See Yi Qiu, “Renewal of Traditional Culture and Opening to the Outside World,” *Gongren Ribao* (Beijing), June 13, 1986, p. 3.


21. One example consists of a letter by Zhang Xianliang (author of the work, “Half a Man is a Woman”) to Wen Yuankai, a well-known reformer, published as “Social Reform and Flourishing Literature” in *Wenyi Bao* (Beijing), August 23, 1986, p. 2, which notes that in the final analysis, a hundred schools can be boiled down to only two schools—bourgeois and proletariat—only one of which can be permitted to bloom. He then however makes the startling suggestion that the mouthpieces of bourgeois ideology should also have the right to speak openly. “All men are equal before the truth, and all men are equal before the law.” Zhang’s article was criticized in articles by Chen Danchen and Hu Sheng in later editions of the same journal, and in a critical article in *Jingji Ribao*. Another consists of a much more cautious discourse by propaganda director Zhu Houze, published in *China Daily* on August 11. Using a *reductio ad absurdum*, he points out that Marx himself did not derive his thinking from Marxist sources, but from German classical philosophy, French utopian socialism and British classical economics, and that therefore Marxists after Marx should not limit themselves to the Marxist classics, but also keep up with scholarly
developments outside Marxism-Leninism. Liu Binyan, a well-known investigative reporter, is said to have protested the repressive impact of the Four Basic Principles in a November 1986 speech which has not, however, been published in full.


23. See the important article by Wu Jiangguo, "Reflections on the Problem of Freedom," Hongqi, September 1, 1986. Hu Qiaomu reportedly selected this article as an antidote to Wang Ruoshui’s book and encouraged various newspapers to republish it.

24. Chen Chujia and Wu Ming, "Wan Li Addresses National Soft Science Symposium," Xinhua (Beijing), July 31, 1986, in FBIS-China, August 4, pp. K8-11. This speech seems to have been widely admired, receiving many citations from other reformers.

25. Feng Shujun, "Reforming the Political System Should Aim at Doing Away with Overconcentration of Power as the General Root Cause of Bureaucracy," Guangming Ribao (Beijing), September 22, 1986, p. 3; in FBIS-China, October 9, p. K2.


31. The major purpose of the current military reform is modernization of the training system. Officers, previously selected from the ranks, will in future have to attend a military school. The country’s ca. 100 military schools are being integrated into a three-tier system for lower, medium and upper-level cadres. At the top is the National Defense
University, which integrates the previous top-level schools of the three central military organizations—the Military Academy, the Political Academy and the Logistics Academy. This military "think tank" is also to engage in research concerning the modernization of Mao's theory of "people's war" and develop a strategy for the future of China. Below the NDU are the specialized academies, expanded to train around 10,000 officers every year. At the bottom level is a systematic and centralized training system for teaching new recruits (who were previously posted directly into units for basic training).


33. Deng himself mentioned the Polish analogy in his remarks to a January 1987 meeting that were subsequently released to the press. But he did so in the context of expressing his conviction that Jaruzelski had done the right thing in invoking martial law, and that mass dissent will soon blow over if the leadership maintains a firm hand.
of this writing the chief designers of the reform program—the heads of the economic research institutes in Beijing, the think tanks established by Premier Zhao Ziyang, and Zhao and Deng Xiaoping themselves—remain in their positions and there is no indication of a wider leadership purge.

Given the dramatic rise in the material well-being of the Chinese population since 1979, it seems unlikely that a wholesale renunciation of the reform program will take place in the near future. Indeed, it is probable that the great majority of Chinese families have benefited directly from some aspect of the reforms and stand to gain further if they continue. Nonetheless, the forces calling for restraint in the program are clearly powerful. We can certainly expect to see further symbolic concessions, such as the calls for opposition to "bourgeois liberalism," and it is entirely possible that more substantive concessions could emerge, such as a degree of recentralization of investment decision-making or a renunciation of further steps toward price reform.

Notes

1. Unless otherwise noted, statistical information is from the following sources: Beijing Review, China Daily, Statistical Yearbook of China 1985, and Zhongguo tongji zhaiyao, 1986 (Statistical abstract of China, 1986).


4. The Economist, October 25, 1986, p. 70, “Foreign Investment in Asia.”

venture projects have already been singled out from among all projects to receive these special "perks." Given such a state of affairs, the quid pro quo for being successful in China will be much clearer for everyone—a situation that could prove to help transform the current somewhat zero-sum environment for foreign investment into more of a "win–win" type of investment setting.

Notes

6. Moreover, many American firms, in particular, were also considering ways, especially through the development of new technologies and production processes, to bring certain parts of the manufacturing process back on-shore as a means to avoid the complexities of doing business in places such as the PRC.
9. Sun Guanhua and Wang Yuan, "We Must Attach Importance to Summing Up the Experience Acquired from Joint Ventures: An Investigation of the Fujian Hitachi Television Company," Jingji Guanli, Number 3, March 5, 1984, pp. 38-41, 45.


25. These figures are approved joint ventures; some of these projects have been stalled for various reasons and have yet to go into operation.

26. One can gain a good appreciation for the skepticism within the Japanese business community by reading assorted issues of *The China Newsletter* published by JETRO in Tokyo.


30. There are eleven departments represented on the leading group: State Economic Commission, State Planning Commission, Office of the
SEZs under the State Council, MOFERT, Ministry of Urban and Rural Construction and Environmental Protection, Ministry of Labor and Personnel, People's Bank of China, Bank of China, Customs Department, State Administration of Exchange Control, and the General Administration of Industry and Commerce.


40. For a report on the progress of this program in Chengdu see Chen Ding, et al., "Investment and Technological Progress in the Course of the System Transformation," Jingji Yanjiu, Number 7, July 20, 1986, pp. 50-54.

41. See "Excerpts of Seventh Five Year Plan Released," Xinhua, April 14, 1986 translated in FBIS-PRC, April 18, 1986, pp. K29-30. Monies provided for technical transformation in the Sixth Five-Year Plan were increased 66.6 percent over monies contained in the Fifth Five-Year Plan, which is further testimony to the importance attached to this program.


47. The new regulations specifically limit the inclusion of nine such clauses, including any restrictions on the buyer's/licensee's freedom to buy raw materials or components from sources other than the technology supplier; restrictions on the recipient's freedom to further develop and improve the acquired technology; unreasonable restrictions on markets that can be serviced by the recipient's products that employ the imported technology, etc.


50. Song Jiwen, "Digestion and Absorption of Imported Technology is a Shortcut to Technological Progress," Jingji Guanli, September 5, 1985, pp. 4-8.

Appendix

Forms of Foreign Investment in China

Foreign participation in the Chinese economy takes various forms. Below are listed the types of foreign involvement that heretofore have been the most popular. For purposes of this paper, the term foreign investment is used to refer mainly to equity-based foreign participation as in a joint venture or a 100 percent wholly foreign-owned firm.

Equity-based Ventures (hezi jingying): A business venture where foreign firm(s) and Chinese entities have a shared equity position in terms of ownership and operation.

Cooperative Ventures (hezuo jingying): A business venture, sometimes referred to as a contractual joint venture, whereby foreign firm(s) and a Chinese entity will cooperate in the manufacture of a product or service operation. In most cases the Chinese side provides the land, building and workforce, while the foreign firm provides the know-how,
Notes


3. For the complete text of Hu’s speech, see RMRB, June 12, 1986, p. 1. That the speech was published in its entirety on the front page of the domestic edition of the People’s Daily suggests that it was not just for foreign consumption.


5. See Xue Mouhong, “The New Situation of Our Country’s Foreign Policy,” Hongqi (Red Flag), No. 6 (1986), pp. 19-24. Xue was a leading academic policy advisor in the Foreign Ministry at the time, and he admitted, in a personal interview granted to me on April 10, 1986 in Beijing, that this article had gone through a half dozen revisions before its publication in Hongqi. Premier Zhao Ziyang, in his report on the Seventh Five-Year Plan delivered at the Fourth Session of the Sixth National People’s Congress, on March 25, 1986, makes the same assertion: “So far as our foreign relations are concerned, it may be said that we have opened up new prospects and that this is the best period since the founding of the People’s Republic.” Zhao Ziyang, “Report on the Seventh Five-Year Plan,” in Beijing Review (hereafter cited as BR,) No. 16 (April 21, 1986), p. xvii.

6. On December 17, 1985 the People’s Daily published an article entitled, “The Explorers of the Peace Path.” To the best of my knowledge, this is the first article on the status of peace research in the West, and it has been followed by more articles and commentaries in 1986. See RMRB, December 17, 1985, p. 7. For the first time, the World Conference on Religion and Peace was held in Beijing in June 1986. During the course of my residence in Beijing from August 1985 to June 1986, I witnessed firsthand a stream of peace researchers and organizations from the United States, Japan, and Western Europe visiting China at the invitation of various newly established peace NGOs in China.

7. For this line of reasoning, see She Duanzhi, “United Nations: Rallying Around Common Interests,” BR, No. 38 (September 22, 1986), p. 12; see also Chen Qiman, “Tentative Discussion on Postwar Changes in International Relations and the Possibility of Winning Lasting World


9. This argument was made by the Director of the Institute of Marxism-Leninism-Mao Zedong Thought before a seminar audience in June 1986. See South China Morning Post, June 21, 1986.


17. See ibid., p. 219 (Table 11. 6) for 1977-1985 and BR, No. 20 (May 19, 1986), pp. vii-viii for the 1986 figures.


19. I am indebted to Allen Whiting for pointing out the significance of Rogachev’s promotion and his China visit in 1986.


22. For the Japanese press report on this, see FBIS-China, October 15, 1986, p. E1. Pol Pot is reported to be terminally ill in China. A major power struggle within the Khmer Rouge faction of the Cambodian exile movement is now underway. See New York Times, December 7, 1986, p. 3.


27. BR, No. 28 (July 15, 1985), p. 6.


29. This is what I was told in the wake of the student demonstrations in Beijing by a number of Chinese academic friends and colleagues on a "background" basis.


33. In his "secret" speech at the Third Plenary Session of the Central Advisory Committee on October 22, 1984, and published a few months later, Deng asked his audience not to exaggerate his role in the inauguration of urban reform, for it would only raise doubts in people's minds that China's developmental course will change again once Deng is gone. It should be made clear to the entire world, Deng argued, that nobody can alter the principles, policies, and strategies worked out in the post-Mao era. See Deng Xiaoping, "Talk at the Third Plenary Session of the Central Advisory Commission on October 22, 1984," RMRB, January 1, 1985, pp. 1-2.


pp. 2-6. This interdependence argument has now become a recurring theme in the Chinese policy statements in international organizations.

36. This is the definition given by the comprehensive Chinese-English Dictionary (Hanying cidian), which was compiled by the Chinese-English Dictionary Editorial Committee of the Beijing Foreign Languages Institute during the period beginning in 1971 and ending in the summer of 1978 (p. 464).


38. For detailed reports on the conference published in Hong Kong, see FBIS-China, November 18, 1986, pp.K1-K9.
aircraft, are more questionable. Few of the new types have been sold at all, though many have been on the market since 1984-1985.23

Conclusion

Nineteen eighty-four and, especially, 1985 were years of new departures and new initiatives in the PLA. Nineteen eighty-six was a year of implementation and consolidation. Reorganization of the combat forces is well underway, and reorganization of the overall army structure appears to be nearing completion. Rejuvenation and contraction of the officer corps is proceeding, and the main opposition may have been overcome. There remain, however, some “conservative” older military cadres, both retired and active, who disapprove of the more far-reaching reforms. They have accepted technological modernization, reorganization, a revised national strategy and even “opening” to the outside. They remain, however, an influential conservative voice in terms of domestic politics, particularly in the cultural and political spheres. The student demonstrations that marked the end of 1986 provided a rationale for these men to voice their deep concerns about “spiritual pollution” and “bourgeois liberalism” in Chinese society. They speak for “conservatives” in party and government, as well as the PLA, so their views do matter. None of this, however, means that there is likely to be much reversal, or even delay, in the course of military modernization and restructuring. That will probably continue into 1987 and beyond.

Notes


2. Author’s estimates based on official PRC budgets and IISS figures in Military Balance 1986-1987, p. 142. Since the PRC’s official defense budget hides as much as it reveals, these figures are useful only for comparison.


Military Affairs

13. ibid.
23. For a complete catalog of Chinese-made ground forces ordnance offered on the international market, see the special supplement to the November 1986 issue of Military Technology (West Germany).
demonstrations and protest rallies. Feelings of mutual antagonism derived from these mass movements may not be easily overcome. As long as the KMT conservatives and the DPP militants remain active, stability and harmony are threatened. The transition of Taiwan’s political system will not be totally free from either repression or confrontational politics. Political change last year was real, but the results were by no means conclusive.

Taiwan’s external relations encountered no serious diplomatic setbacks. That in itself had to be a blessing to Taiwan in view of the island’s deteriorating diplomatic status since the early 1970s. Relations with the United States were stable even in the face of the toughening American stand on trade issues. The twenty-three nations still holding diplomatic ties with Taipei remained faithful. With the exception of the Asian Development Bank membership issue, Taiwan’s overall external standing showed a holding pattern. In the field of non-official “substantive relations” such as trade, athletic competition, and cultural exchange, there were signs of new initiative. The decisions to enter direct negotiations with Beijing’s aviation agency, to send a basketball team to Moscow, and to agree on using “China-Taipei” rather than “ROC” in certain international organizations are but the most conspicuous evidence of the authorities’ new political realism.

Behind all of these new initiatives, reforms and demonstrations of flexibility lies the stewardship of Chiang Ching-kuo. The crucial question is: at seventy-six and in ailing health, how much longer can he stay in charge?

Notes


5. See interview with KMT Secretary General Ma Soo-lay, CYJP, international edition, November 9, 1986, p. 1.

6. Ibid.

7. FCJ, October 20, 1986, p. 1. For more details about the task force and its proposals, see Lin Chin-k'un, "Chieh yen, ch'uan-mien ke-hsin te k'ai-shih" (Suspension of emergency decrees, the beginning of full scale reforms). SPHC, N. 21 (October 27, 1986), pp. 12-16.

8. Chang Shu-ming, "Ch'uan-li ho-hsin cha hsien hsin-chü" (Sudden appearance of new situation in the power center,) SPCK, (June 22, 1986), p. 7. In another personnel reshuffle in April 1987, Wang Tao-yen was appointed Vice President of Judicial Yuan. General Chang Kuo-ying succeeded him as minister of defense.


14. LHP, op. cit.


17. Lin Chin-k'un, "T'iao t'iao yu li t'iao t'iao kao" (Each article must have reason behind it; each article must be examined). SPCK, N. 31 (December 30, 1986), p. 58.


24. All four of them are regarded in Taiwan as men of considerable integrity and fairness.

25. Chang Shu-ming and Lin Chin-k'un, "Lung-shan-shih ch'iang li ch'iang wai" (Inside and outside the Lung Shan temple), SPCK, N. 65


27. Ibid.


29. Ibid., p. 3.


31. For a detailed account, see Lin Chin-k'un, "Tang-wai tsu tang tien shan lei pen" (formation of a new party at thundering speed). SPCK, N. 84 (October 4, 1986), pp. 7-9.

32. Ibid.


35. CYJP, October 31, 1986, p. 1; Carl Goldstein, "The opposition's party, the newly organized DPP holds its first national convention." FEER, November 22, 1986, p. 36; MCJP, October 31, 1986, p. 2.

36. For more details, see SPCK, N. 90 (November 15, 1986), pp. 6-9; Goldstein, Ibid.


41. For details see Nicholas D. Kristof, "Protesters in Taiwan battle the police," The New York Times, December 1, 1986, p. 4.


47. Ibid.


59. For more details, see *SPCK*, N. 80 (September 7, 1986) pp. 10-11; N. 81 (September 13, 1986), pp. 8-10; N. 95 (December 20, 1986) pp. 6-9; also *Ibid.*
68. *CP*, June 24, 1986 p. 1. Teng reiterated this point when he conversed with the visiting Vice President Laurel of the Philippines in June.
69. See *RMRP*, November 10, 11, 12, and 13.