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China's Reforms and Her External Relations

*Arthur W. Hummel, Jr.**

I. CHINA'S RELATIONS WITH FOREIGN NATIONS

Beginning with the time of the Nixon visit to Beijing in 1972 there has been a marked weakening of the rigidly triangular strategic considerations among Washington, Beijing and Moscow that brought America and China together in the first place. No longer do fine-tuned balances have to be maintained among the three. Nor does the U.S. retain its previously commanding position in the triangle, able to sustain and manipulate tolerable relations with both of the others, while they were rigidly locked into their own mutual antipathies. China's "independent foreign policy," announced during 1981 and 1982 signaled her intention to change this situation—to explore cautiously detente with the USSR, and also to loosen her strategic convergence with many U.S. policies and actions. Now the triangularity is flimsy at best, and multi-polarity is a far better description, with Japan, Western Europe, ASEAN, the Third World, and others playing more substantial roles in the strategic considerations of China and of us all.

Another change is the alteration in the character of the U.S.-China relationship. It would be an over-statement to say that mutual disillusionment has set in, but certainly we see each other more clearly and realistically, without the romanticism and unreal expectations that marked our earlier perceptions. China no longer views American policies as largely parallel to her own. And China has also learned that the executive branch does not enjoy a free hand to control foreign policy; that Congress can, and often does, force actions contrary to executive wishes, and sometimes contrary to China's interests. The Chi-

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nese have also learned that they have only limited ability to affect Washington's policies and practices.

There was an abrasive period of testing between 1981 and 1983 when I was an ambassador in Beijing, when the Chinese tried to see how far they could push us on a number of issues. They discovered that China does not bulk very large on the American horizon, and that they could not force us to change some of our longstanding legal and administrative practices to favor China. One potentially very serious wrangle involved our constitutional system, as it affected a court case involving old Chinese railway bonds dating from 1911 over which American speculators were suing the People's Republic of China (PRC). The Chinese for a long time adamantly asserted this was a problem for the American government to solve, and refused to engage representation in the court despite our many explanations that the executive branch cannot represent foreign governments in U.S. courts in such cases, and cannot dictate court decisions. The initial court judgment left the PRC open to highly disruptive American attachment of Chinese commercial assets including ships and aircraft visiting the U.S., until the Chinese side finally agreed to engage counsel to present its case in the court, supported by State Department statements. The court then ruled that the PRC should not be held liable for these ancient debts.

Another Chinese effort concerned the case of a young Chinese tennis player who elected to remain in the U.S. and not return to China. High levels of the Chinese government asked that she be returned to China against her will, a result that our longstanding policies could not and did not accommodate. Another instance challenged the U.S. worldwide system of textile quotas, demanding that China should be given very large increases in import quotas, despite the fact that more than one hundred thousand American workers in this industry were out of work. We had to refuse.

More ominous still was a demand that the U.S. must set a date for termination of all arms sales to the armed forces of Taiwan, or else there would have to be a "downgrading of diplomatic relations." This required ten months of negotiations by me in Beijing before an agreement was reached that did not set any such termination date. All these events were escalated to the highest levels of Chinese government attention and pressure, and served in the end to give the PRC a quite realistic view of

what the Americans were willing and not willing to do in accommodating Chinese desires.

For our part, we have acquired our own disillusionments about China, including more widespread understanding of the Draconian hand of the state on the lives of Chinese, the difficulties and limitations of doing business or investing in China, and the magnitude of the problems China faces in her drive toward modernization.

But while American-Chinese ties are not as close or as confidential as before, there is good reason to believe they are better rooted and more stable. They lack the euphoria and consequent disenchantment that has caused undesirable cyclical swings in our relations. We are on a more solid basis than before in our government-to-government relations, and in the private sector, our economic and cultural ties are stronger than ever and still growing.

It seems reasonable to postulate that during the next year or two there will likely be considerable stability and continuity in international affairs surrounding China. It is true that events in Korea and Taiwan could produce severe disruptions of the present steady state. However, the majority of the other actors on the scene seem to be pursuing rational and predictable courses. Japan has so many entanglements and requirements that no drastic change of direction is foreseeable, even in the unlikely event that a Socialist Party Government should emerge. The USSR likewise has chosen a non-confrontational course, at least for the near future.

It is worth emphasizing that in the United States the Reagan Administration, after a bad start, has settled on a Chinese policy that is so acceptable to the majority of Americans that in the last two elections of 1984 and 1986 it was not an issue—there exists a state of electoral calm over China seldom seen in recent decades. There are, of course, occasional debates in Congress and the press when specific U.S. actions toward China, such as military sales and trade arrangements, are undertaken. However, these do not signify any threat to the general trends of our present relationships with China. The Administration's actions and policies toward Taiwan also seem likely to be acceptable both to Americans and Chinese.

As for China, there is good evidence that the value of the U.S. relationship has been challenged from time to time by members of the Chinese leadership who feared that it was too

close, and that the U.S. was too unreliable. However, with the gradual loosening of official Chinese-American policy convergences, it is evident that such carping from within the Chinese body politic has lessened, if not entirely disappeared. This, combined with China's carefully broader based foreign relationships (notably with Western Europe as well as the USSR), has dampened internal criticisms and produced a Chinese analogue to the consensus that exists in the U.S. about China. The Taiwan issue, of course, still has the potential to disrupt not only Sino-U.S. relations but also the peace of the region. But for the near term at least, it seems to be manageable, and in fact seems a diminishing threat.

China's reforms and her increasing integration into the Western economic system have profound implications for the future. First of all, it must be emphasized that China's reforms are by no means unique in the Communist world. One very significant thread runs through all the changes we are seeing in Leninist societies—that the theories of Marxism-Leninism simply cannot produce the results that they have promised. In country after country: Yugoslavia, Poland, Hungary, Czechoslovakia until 1968, and now in the USSR, we are witnessing parallel efforts. For example, these countries are:

(a) trying to maintain a facade of Communism while drastically changing its practical application.

(b) injecting strong elements of monetary incentives and of competition in order to raise productivity—a productivity that is low and getting lower in most Leninist states.

(c) unshackling many economic decisions from the deadening hand of Leninist central planning that puts a straitjacket on economic flexibility and growth.

Even in such fanatically Marxist states as Vietnam and North Korea we see the beginnings of non-Marxist innovations, such as opening to foreign investment and individually-operated businesses—both forbidden until just recently.

China has its own imperatives, and even enjoys some advantage because of recent Maoist failures. Because of the disasters of the Great Leap Forward of 1958 and the Cultural Revolution of 1966-76, it was clear to all Chinese that in order to begin to catch up with their neighbors—Hong Kong, Japan, and Taiwan—drastic changes and reforms were necessary. The lethargy and obstructionism that plagues Gorbachev in the USSR were not handicaps to the Dengist reformers of the early 1980s.

Chinese and Western observers alike now agree that there can be no drawing back from dependence on international trading relationships in China's drive for modernization. It follows from this that China's current policies of desiring peace and stability in the region are also likely to continue, and that her relations with those who can promote that stability (notably the U.S.) will continue to be friendly. International trading issues will naturally arise, and some could cause considerable friction, for instance if excessive protectionism should arise in the U.S., or if China's sometimes predatory trading practices should increase, or if China should fail to correct her over-dependence on textile exports as exchange earners. However, both the Chinese and the West have learned how to get along with each other, and the days of 1981-83 when every trading issue with the U.S. was escalated by the Chinese to the highest level of confrontation, are now behind us. China will continue for the foreseeable future to be short of foreign exchange, and so foreign hopes for substantial access to her vast markets are not likely to be realized. Nevertheless, trading opportunities will continue to grow, and foreigners will find new ways to accommodate China's quirks, and develop mutually satisfactory flows of technology, commodities, and funds.

China's relations with the USSR have undergone accelerating change since their thawing began in 1982. It is logical to believe that there will be increasing cooperation between the two rivals. How far this is likely to go, and what impact there will be on U.S. interests as a result, is another subject worthy of analysis and discussion. I believe that the process will continue in a cautious but steady manner, and will produce the "normalization" that both China and the USSR desire. This is so despite the hurdles of the "Three Obstacles" that China has announced must be overcome (border troops, Vietnam, and Afghanistan) and on which it is not likely the USSR will make more than cosmetic changes. Still the process is self-limiting, with such deep suspicions and rivalries and historical disputes imbedded in the consciousness of both countries that it is not likely to be disruptive of China's other relations. The exception may be in Sino-Soviet trade, which will inevitably grow and may come to be a formidable and competitive factor in China's economic relationships with other nations.

China's current confrontational attitude toward Japan puzzles many observers because its intensity and duration does not

seem to the outsider to be commensurate with the problem. Whether China's stance is based on real nationalistic emotions, or is artificially manufactured for some hidden purpose remains to be seen. In any event, it does not seem likely to be a threat to the very real and lively economic and other relations between the two countries.

II. CHINA'S INTERNAL REFORMS

Turning to China's reforms; I would like at the outset to dispose of a non-issue: that there are "opponents of economic reform" that some commentators persist in citing who cause struggle within the top leadership. The fact is that there are no discernable opponents of economic reform among the tens of thousands of Chinese comprising the leadership of the country, or among the populace at large. There is astonishing unanimity that the basic formulas for economic advancement and development, enunciated in the Third Plenum in December 1978 and since, are essential for China. Of course this is not to say that there are no disagreements about the reforms, their content, their pace, and how to handle the problems and mistakes that inevitably occur. Such arguments are sharp indeed; they can and do cause considerable tensions and, as we saw a year ago, can lead to the removal of the highest official of the Party.

But there is wide agreement on a long list of necessary changes and adjustments, all leading away from the practices of the Mao era. These include less ideology and more pragmatism; use of monetary incentives to raise productivity; less central control and more delegation; more market forces acting on some prices; less central planning; an orderly personnel system that trains and promotes worthy people by putting them in increasingly responsible jobs commensurate with their skills and then retiring them to make room for younger people; the encouragement of the influx of foreign technology, capital, and management skills; the large-scale training of Chinese abroad, etc. The arguments are not about whether to do all these things, but about how much, and how fast to do them. Mistakes have been made, including serious ones that resulted in the troubling loss of scarce foreign exchange. More mistakes will probably occur as China proceeds with her unprecedented experiment. Vice Premier Yao Yilin's phrase is graphic: "*Mo shi du he*" meaning "groping among stones as we ford the river," and all concerned

have recognized that there are substantial risks inherent in such massive and novel measures.

But there is no such unanimity about *political* reform. In fact there is deliberate, and useful, ambiguity about what that phrase means. Certainly, it means much less than many well-intentioned Americans would hope. It is noteworthy that when students demonstrated in large numbers in December 1986, demanding liberalization of political life, they achieved no resonance or support from other groups: workers or intellectuals. The students were quickly isolated and the movement dispersed. PRC leaders promptly fell back on a set of slogans of long standing, the four cardinal principles that emphasize Marxist-Leninist ideas and controls. My reluctant view is that there is little reason to expect that China's leaders will permit the Chinese Communist Party (CCP) in any way to share power with other political forces. Some observers question whether and how China can have extraordinary economic liberalization without substantial political liberalization accompanying it. Some would insist that the one must bring the other. I do not think so, and I foresee periodic tensions over this issue as educated elements try to force some democratization while the top leadership and the bureaucracy frustrate each attempt.

It is remarkable that a society with so much built-in resistance to change has been so effectively modified in less than forty years. The power and effectiveness of the CCP, along with Mao's capacity to inspire the nation, produced extraordinary transformations. And yet we see, even in Mao's time and more today, an enormous inertia among individuals and in many parts of the system.

This inertia is evident in the perseverance of many highly traditional traits that have been visible throughout China's history. Some have hampered reform and modernization, not only of this government but also of its predecessor the Nationalist regime. An example is the strong allegiance on the part of individuals to family and clan rather than to the interests of the state. This is quite evident in the destructive and competitive activities of the modern *dan-wei* or Units, to which everyone in China belongs and from which each derives his protection and benefits. These are close descendants of the clan and gentry-group loyalties that formed the basic underpinning of the old society. The capacity of these groups to pursue narrow and selfish interests without regard to orders from above has been noted

with dismay by local officials and central planners alike, not to mention the foreign businessman who must find his way through a maze of conflicting loyalties.

Other traditions have been co-opted by the State and now form useful underpinnings of the present system, particularly its coercive and regulatory functions. These include a tradition, well understood by all Chinese, of collective accountability reminiscent of the *bao-jia* system through many dynasties, in which all residents of an area, or persons in a work group, were and are collectively responsible for controlling all its members, and liable to punishment if they fail to do so. Other traditions alive and well in China are those elements of Confucianism that enjoin the people to serve the State; the State is traditionally considered the dispenser of largess through its power and wisdom, rather than the servant of the people responding to their demands and needs.

Another sort of inertia combining both traditional and modern elements is the way in which central government instructions and regulations requiring changes in procedures are often twisted or flouted by those supposed to carry them out, to the despair of central authorities. Clever bureaucrats, given greater autonomy under the new system, can often find loopholes in the as yet imperfect regulations, and naturally resist efforts to curtail their authority or to change cherished procedures. This is a serious problem, and the regime is attacking it in several ways, including the establishment of a legal system to govern conduct. This is an innovation in Leninist practice, where the all-seeing Party officials were supposed to make everything work and were above the reach of legal and court jurisdiction.

The downgrading of the importance of ideology, and perforce the importance of Party officials, is highly controversial, but the majority of leaders seem determined to forge a brand-new legal framework within which everyone—importantly, including Party officials—must function. A great deal has been done, but there is a long way to go before an effective legal system is in place. It will not be easy to work out a new system in which the competing interests of the Party, the new and rather feeble courts, and the individuals who seek equity and redress through the legal system can all be accommodated.

For ten whole years after the return to power of reformers under Deng Xiaoping's leadership it seemed that they had successfully initiated a new style of behavior among China's leaders.

Deng and others promised that there would be collegial and open discussions of disagreements, that decisions would be made collectively (as opposed to the dictatorial style of Mao Zedong), that personnel changes at the top would be accomplished by planned and orderly progression that emphasized the rise of younger men and the retirement of the old, and that no one would employ street demonstrations to influence policy.

By and large these precepts were carried out with admirable effect and produced a degree of continuity and consistency previously unknown in the PRC. Institutionalization seemed to be underway, and the prospects for an easy transition to a post-Deng era seemed greatly enhanced. Of course this had important implications for foreign affairs. The prospects for a China desiring peace and stability in the Far East and concentrating on its own modernization, allowed worried people in Hong Kong to relax somewhat. But then in the aftermath of the student demonstrations of December 1986 came the untidy and surprising ouster of Hu Yaobang, the highest ranking official of the country, at least by title. This cast a continuing shadow over the previous optimism. Some had predicted that Hu Yaobang would not last long in the job of Party General Secretary because of his well-known foibles, including repeated off-the-cuff public statements that were not merely ill-advised but that prevented him from being seen as the wise and sober figure that a Party chief should be. However, none foresaw that one of Deng's chief principles—that of orderly change—would be violated through the manner of Hu's removal. He was ousted unexpectedly and hastily; not, as would be normal, after long preparations which would include leaked rumors to the press culminating in a graceful withdrawal at an appropriate ceremonial occasion.

Since Hu's removal the leadership has closed ranks and there has been no evidence of violation of the other precepts of collegial and orderly behavior at the top. Policy pronouncements have emphasized adherence to principles of democratic centralism and Marxist leadership, deriding the ideas and practices of Western democracy Hu Yaobang had been tolerating. Some Chinese intellectuals have felt threatened, but by and large their contacts with each other and with Western friends do not seem to have been diminished. Nor has there been any perceptible effect on China's business practices and the "opening to the outside." It is true that foreign investments in the form of joint ventures continue to be very slow because of Chinese structures,

but this is nothing new. I have long held that there is some ambivalence in China about foreign investment, despite the authorities' continued insistence that it is needed in large amounts. The fact that conditions for investment have not been substantially liberalized, even though China knows this will be necessary if there is to be large scale foreign investment in production enterprises, seems a rather clear indication of hesitation at the top. Here again, perhaps, we see that the traditional reluctance to admit too many foreign influences is still a significant factor in Chinese thinking.

For the future, there will be further concerted efforts to maintain solidarity and minimize differences, probably with considerable success. The Thirteenth Party Congress, held in November of 1986 was remarkable as an occasion for repairing damage and maximizing consensus. Even the delicate task of achieving the retirement of the last of the Long March revolutionaries was accomplished. The top jobs in the government are on the way to being filled. This will end the present acting status of Zhao Ziyang as Party chief by naming a successor to him, Li Peng, as premier. Deng himself has taken steps to retire farther into the background by relinquishing one of his two committee chairmanships. Zhao Ziyang has been named his successor on the Military Affairs Commission through appointment as Deng's first vice-chairman. Hu Yaobang was not acceptable to the military and so never achieved that appointment despite the fact that in CCP tradition the position is usually held by the Party chief.

The power and position of the military in the Party and government was greatly expanded during and after the Cultural Revolution, but has been progressively reduced during the 1980's, apparently with no significant resistance from the top military leaders. It is logical to surmise that the price for the People's Liberation Army (PLA) acquiescence that the reforms should concentrate on putting money and resources into the civilian rather than military sectors of the economy, was agreement that the only security threat to China, that from the USSR, would be reduced through cautious negotiations with the Soviets of the sort now going on. Retirement of large numbers of the senior military personnel has proceeded smoothly, to the apparent satisfaction of the younger officers taking their place. Reduction of authorized manpower in the military by nearly a quarter is also taking place smoothly. The purpose is not only to

save money for augmenting the PLA's backward weapons systems, but also to upgrade the quality of personnel after the leadership found serious deficiencies in skills and training of previous leaders. While the military is thought to be on the cautious side in debates about the pace of reform, there is no evidence that they want to follow any other course than that already set down for the economic reformation.

Debates and tensions within the leadership are bound to continue, of course. Mostly, these will involve the familiar disagreements about how to handle the problems of economic reform including how to maintain the spectacular momentum of progress without allowing undesirable expectations or practices to emerge that challenge the basic tenets of socialism and the monopoly of political power by the Party. Given the general consensus that exists about the economic ends to be achieved, collegial compromises will, as in the past, produce temporary agreements about the means to be used, although such debates will inevitably continue.

But it is in the realm of "political reform" where there is still tension and disagreement behind the scenes, both before and since the Thirteenth Party Congress. It has been announced that new documents will be produced that define what is meant by the term and which will set guidelines, but no one should expect too much from this process. There will be a good deal said about the role and organization of the CCP, but there will be very little about moves toward more pluralistic democracy of the sort that students and others were demanding at the end of 1986. In other words, political liberalization is not likely to occur except in relatively cosmetic fashion such as ensuring that electoral processes actually do carry out the existing precepts of having substantially more candidates on the ballot than offices to fill, so that there is a greater element of choice. But the CCP will keep its effective monopoly of power, and will have the final say about who can be on the ballots. Lower level elections have already become more free, so that in villages and townships people are often elected by really free voting regardless of what the CCP thinks of them. But in all important elections, and in the proceedings of all significant governmental bodies, the CCP's hand will not be diminished.

The real meaning of the promise of political reform is that it will tackle the difficult and divisive task of setting guidelines for differentiating between administrative and Party functions.

Stemming from the adage "seek truth from facts" (not a Communist invention, but a slogan of reformers in China's dynastic past) the reforms have exacerbated the tensions inherent in any Socialist state, those that exist between political and administrative powers. Pragmatism has been given primacy over ideology, and the real authority of Party officials in local situations has been sharply cut back. This has not been accomplished completely, and not without a great deal of foot-dragging. The real intended role of the Party has become unclear at the local levels, where the factory manager is told he does not have to take direction from the Party official who used to have final say over factory operations. Likewise, the dissolution of the communes and the splitting off of governmental functions from agricultural management decisions has also diminished the functions of local party officials. Furthermore, the new liberalizations of personal life—dress, makeup, dancing, boy-girl relations, what is permissible to read and to say—have brought profound problems and considerable disquiet to Party officials both at the local level and at the Center.

That ultimate and final authority over China resides at the top levels of the Party is not challenged. Beijing is where party and government mesh most smoothly and closely, and where tensions between administrators and ideologues is least severe, in part because all senior officials at the Center are both members of the Party and also administrators. But this does not blind the top officials to the problems they face in defining the Party's ideologically-stabilizing role in a society that is in rapid change, and that needs even more change. Everyone in China knows that there is vastly less public confidence in the Party than in the heady 1950's when Mao could command unquestioning adherence to his every mass campaign through his leadership of the Party. How to restore some of this confidence is one part of the problem. How to keep the Party from contributing to the destructive inertia at middle levels that impedes reforms is another. Over all is the absolute necessity to keep the Party alive and functioning so it can perform its essential role of giving and preserving Socialist legitimacy.

The stakes are high indeed. So far the progress has been phenomenal: an average of 10-12% real growth in both industry and agriculture, making it possible that the announced goal of quadrupling the GNP between 1980 and the year 2000 will be achieved.

But there are very significant obstacles that require careful management. Inflation is a real and growing problem as subsidies are reduced and costs are passed on to consumers. Weak infrastructure in energy, transportation and other areas including the supplying of materials hampers further growth. Just staying ahead of popular expectations can be difficult. In terms of individuals and their livelihoods, China faces the immense task of finding jobs in an already overpopulated country. The country is tragically short of trained managers at all levels. The work ethic—badly eroded by Mao's excessive egalitarianism where quality of work did not affect rewards—still needs rebuilding in industry and in white collar jobs, although it has been restored in the agricultural field through an effective incentive system.

However it is evident that China's leaders understand very well what their problems are. Most do not have easy solutions. But the fact that they can and do debate all of them, both in private and in public, gives hope for stability and progress. The Thirteenth Party Congress was a heartening event in that it showed the steadiness of the leadership—outlining in advance what would be deliberated and then doing an excellent job of producing both results and new plans.

China took the next steps at the National Peoples Congress which was smoothly and successfully convened in April, 1988. The Congress streamlined the organization of the central government and reaffirmed and strengthened the basic policies of the reforms, and retired a number of older top officials. More recently, in September, 1988, the top leadership has announced a cautious slowing-down of price reforms because of unexpectedly high inflationary results. There are no indications of deviation from the fundamental directions of the modernization programs that have prevailed for the past decade.

III. CONCLUSION

The indications seem favorable for further development along the road toward a freer and more productive economic system. In the process, China's attitudes toward class struggle, toward world revolution, and toward disruptions of the economic and political environment have all changed dramatically. It seems likely that China's goals will be increasingly compatible with the goals of Western nations. Therefore, for the United States to encourage and cooperate with this process will be good

for China's people, for China's stability, for China's peaceful relations with the outside world, and for world peace.