

DEMOCRACY IN CHINA
PART I
BELJING STYLE

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Democracy in China

Part 1

Beijing Style

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I'd like to welcome you all today to The Heritage Foundation. This is the first in a two-part series on political reform in China, that will look at political liberalization on both the mainland and Taiwan. Today's discussion will center on political reform on the mainland. As you know, the term "democracy" means many things to many people. Democracy can range from mob rule to the New England town meeting to various multiparty systems such as our own. Even communist systems claim democracy.

The type of democracy being sought by some Chinese intellectuals on the mainland is, as the Chinese communists refer to it, "individual democracy": that is, a political system based upon the Western concept of individual freedom. When combined with the principles of a free market and private property, this is classical liberalism. And classical liberalism is the antithesis of the socialist democracy advocated by the People's Republic of China, whose principles include, according to the PRC Central Committee, private ownership of the means of production, a planned economy, and political power of the working class born through revolution.

The 1987 New Year's editorial in People's Daily made this distinction clear. It said: "The democracy the Chinese people need today can only be the socialist democracy known as people's democracy, rather than the individualist democracy of the bourgeoisie." This is why in the recent political crackdown on the mainland, the target has not been democracy per se, but "total Westernization" and "bourgeois liberalization." Significantly, and by way of contrast, the government of the Republic of China on Taiwan has not condemned "individual democracy" but rather seems to be moving in that direction.

The demand for political liberalization in both parts of China is a century-old effort by patriotic Chinese intellectuals to modernize China through the importation of Western techniques and concepts. Since at least the 1860s, China has wanted Western science, technology, education, management skills, and military might. But the dilemma always has been how to modernize without becoming Westernized. In general, Chinese governments have been eager to absorb Western technology but very reluctant to accept Western political culture with its emphasis on individual rights and freedom.

Democracy based on individual freedom is at last becoming a reality on Taiwan, but democracy on the mainland may have very little future since political reform there is aimed merely at keeping the Communist Party in power. This is quite apparent in the PRC press. In its New Year's editorial People's Daily said: "We must carry out reform of both the economic and political structure under the leadership of the Party, because the reforms are designed to improve the socialist system rather than abandon or weaken the Party's leadership or change the socialist system." And then in a clear warning to those who might want to press the concept of democracy too far, the editorial said: "Class struggle will exist for a long period to come. We must never forget to wage a struggle against a handful of people who are hostile to China's socialist system and who try to sabotage it. Under no circumstances shall we lay down the weapons of the people's democratic dictatorship."

And what is a "people's democratic dictatorship?" The editors of Beijing Review state that the long-term mission of the people's democratic dictatorship is to practice democracy among the people and dictatorship over the enemies. Enemies, of course, are those who dare to believe that China's national interest might best be served under a system other than communist.

Actually, the number of students and intellectuals who doubt the future of communism in China may be considerably larger than generally considered. For example, Beijing Review reported that in the spring of 1986 the Hubei Provincial Statistical Bureau surveyed 3,000 students at fifteen campuses in the Wuhan area. Only 30 percent of those students believed communism could be realized in China; some 20 percent said only time would tell, while 42 percent said communism was too hard to achieve or too idealistic a goal.

Our purpose today is to shed some light on the future of political liberalization in the PRC and to examine what political reform actually means in China under Deng Xiaoping. But a larger question is being asked as well: To what extent is economic and political reform possible on the mainland if everyone must profess the four cardinal principles of adherence to the leadership of the Chinese Communist Party, to Marxism-Leninism and Mao Zedong thought, to the people's democratic dictatorship, and to the socialist road?

Premier Zhao Ziyang defines the Communist Party line as, first and foremost, adherence to the four cardinal principles, and two, carrying out reform and the open policy and invigorating the economy. And Deng Xiaoping has stated explicitly that adherence to Party leadership lies at the core of adhering to the four cardinal principles. This is socialism with Chinese characteristics. But it is clear from the harsh backlash against bourgeois liberalism that socialism with Chinese characteristics is an untried and undefined concept. As the Secretary General of the State Council recently wrote: "China has decided to take the socialist road with its own characteristics. We have made certain things clear and are still looking for the answers to others."

To help find answers to these questions about the future of China, we have invited a distinguished panel of experts to discuss political reform in the PRC. Our starting point will be the student demonstrations that took place in over a dozen cities in December and January and resulted in the resignation of Hu Yaobang, Secretary General of the Chinese Communist Party, on January 16th.

Our first panelist will discuss the connection between these two events. He is Dr. Wang Bingzhang, Chairman of the Chinese Alliance for Democracy and an outspoken advocate of democracy as a necessary fifth modernization on the mainland. Dr. Wang's organization maintains close contact with the democratic movement in the PRC.

Dr. Wang Bingzhang

My topic is "From Student Demonstrations to Hu Yaobang's Resignation: Cost and Consequence." The motivation for the student demonstrations sweeping across China recently was well summarized by one of the big-character posters at Beijing University. It read, "The whole country is covered with dry lumber. A single spark can start a forest fire."

Contrary to speculation, these demonstrations were not instigated by any faction of the Chinese Communist Party; rather, they arose spontaneously. The trigger was a local election of the people's representatives at the China Institute of Science and Technology in Hefei. Students at the Institute demanded free elections, and their demands were supported by the vice president, Professor Fang Lizhi, but refused by the Chinese Communist Party (CPP) authorities.

We think at least five factors contributed to the unrest that sparked the demonstrations. The factors included: 1) a crisis in the urban economic reforms; 2) nationwide inflation and work slowdowns; 3) delays in achieving political reform; 4) an awakening to the ideals of freedom, democracy, and human rights spawned by the open door policy; and 5) reaction to the legalization of an opposition party in Taiwan. Although no one in the Chinese government intended to start a forest fire, once the fire started it was natural for everyone to want to use its flames to burn down their own political opponents.

Hu Yaobang, the former General Secretary of the Chinese Communist Party, sensed danger and showed sympathy for the students and the liberal intellectuals. He realized that the student protests were really demands for speedups in the process of political reforms at the grass-roots level. Hu defended the liberal intellectuals, saying a severe attack on them would hurt the image of the Communist Party.

Unfortunately, while Hu was sympathetic to the students and the intellectuals, he did not know how to use the power of the Chinese people. Our organization, the Chinese Alliance for Democracy, believes that Hu should have mobilized the power of the people to defeat the conservative bureaucracy. If the reformers had taken advantage of their high position to mobilize this power of the people, the outcome of the crisis could have been different. Limited by his own conservative leanings, Hu vacillated between liberalization and the Party line. Although he protected many intellectuals, at certain critical moments he also sacrificed certain others, such as former deputy chief editor of People's Daily newspaper, Wang Ruoshui, and its publisher Hu Jiwei. In doing these things, Hu diminished his own power. As a result, old guard Maoist conservatives and the left-wing military leaders gained the upper hand and dealt the first blow. They exerted pressure which led to the ouster of Hu Yaobang.

But Hu's fall was not as sudden and unexpected as it appeared. As early as September 1986, some military sources in Beijing already were spreading word that Hu Yaobang and his protege, Hu Qili, were to be removed from power within two months. This suggests that the demotion of Hu Yaobang was premeditated as much as five months earlier. From December 11 to 25 last year, while the student protests were spreading throughout China, left-wing military leaders spoke out at a meeting of the Military Commission of the Central Committee of the Party in Beijing. They denounced Hu Yaobang and asserted that he should be held responsible for the student unrest. These military leaders even threatened to quell the students by declaring martial law. Eventually these leaders colluded with such conservative senior members of the Party as Peng Zhen, Chen Yun, and Hu Qiaomu to pressure Deng Xiaoping into dropping Hu Yaobang.

Hostilities between Hu Yaobang and the military go back a long time, with several motivating factors. First, the economic reforms Hu supported conferred no benefits on the military. Second, Hu strongly recommended reducing the armed forces by up to one million members, a measure aimed at reducing the power of the military. Third, Hu

pressured many elderly military leaders to retire. And fourth, Hu opposed the military by recommending against enlargement of the conflict on the Sino-Vietnamese border.

Furthermore, personal enmity between Hu Yaobang and the conservative party leaders, Peng Zhen and Hu Qiaomu, may have played a part in Hu's downfall. In addition to their ideological differences with Hu Yaobang, the two conservative leaders cannot have forgotten that it was Hu Yaobang who called for the punishment of Peng Zhen's daughter and Hu Qiaomu's son for committing economic crimes. They may have been using this as an opportunity for revenge. Another personal reason motivating Peng Zhen may have been the fact that Hu Yaobang and Zhao Ziyang opposed Peng's entry into the Standing Committee of the Politburo of the Communist Party.

The question is, what was the role of Deng Xiaoping in the political demise of Hu Yaobang? On the one hand, Deng was at risk in losing his own credibility by dropping his hand-picked successor and close ally of 40 years. He was pressured to turn against Hu. On the other hand, Deng may have realized that Hu would never win the acceptance by the army. Rather than gamble on Hu, Deng may have decided to revise the chain of succession. Another reason for Deng's turning against Hu may have been the fact that Hu tried to persuade Deng to take an early retirement, a suggestion that displeased the boss.

Hu's replacement, Zhao Ziyang, has begun criticizing Hu and bourgeois liberalism for the first time. Some say Zhao has a gun to his head and is being forced to say things against his conscience. Others say he has betrayed his old partners to protect himself at a critical moment. Whatever the reason, the fact is that Zhao's real power has been curtailed. By allowing Zhao to keep his job and even appear to be promoted, the conservatives in the party are just using him as a figurehead. Zhao's image and his credibility have been destroyed.

As a consequence of these events, China is in a state of retrogression. Politically, the power of the reformers has been reduced greatly. In addition to the collapse of Hu Yaobang's faction, Zhao Ziyang's camp also has been shaken. One example of this is that Zhao's important instrument, The World Economic Report in Shanghai, has been taken over by Deng Liqun's conservative school.

Economically, a severe recession is under way. The gate of economic reform has been closed as market prices again are being controlled centrally. Consumerism, once encouraged by Zhao Ziyang, now is being criticized publicly. The People's Congress, dominated by Peng Zhen, is calling for the return of a centrally planned economy, and the authorities are emphasizing the role of strong party leadership in economic enterprise.

Culturally, the policy of sending students to study in the West is being debated. Conservatives have recommended that the government stop sponsoring students to study abroad.

In foreign policy, the ties between the Soviet Union and China are being strengthened. Conservative party leaders Chen Yun, Bo Yibo, and others have a history of pro-Soviet leanings. Li Peng, who very possibly will become China's next premier, was educated in the Soviet Union. Considering the common ideological basis, geographic proximity, the remnants of Soviet-built industry in China, and the personal backgrounds of these party

leaders, it is highly likely that the balance of the superpowers' big triangle may be shifted. The United States would be the loser.

It is suicidal for China to go back to pre-reform days. The conflict between the Chinese people and the Party authorities will only be aggravated. Internal pressure will build up like water in an overflowing dam. To prevent catastrophic flooding, the dam wall could be raised to contain the water or the water could be gradually released to save the dam. To raise the dam wall would be a short-sighted stopgap measure.

As an illustration of this folly, let us look back to an earlier event in Chinese history, the 100 days of reforms in 1898 and the palace coup that terminated it. In those days, the Emperor Wu Xu and his liberal intellectual aides sensed the inability of the Qing Dynasty court to cope with the changing world. They initiated the Wu Xu reforms, but these reforms were ended after just 100 days by the emperor's mother, the Dowager Cixi. She put the emperor under house arrest and either executed or exiled the leading intellectuals involved in the reforms. Only three years later, the Empress Dowager herself was forced to take even more drastic reform measures than had been outlined by the Wu Xu reformers, just to keep up with the mounting social pressures, but the measures came too late. The Chinese people had lost all faith and the Qing court collapsed a short time later.

Nearly a century later, as Deng Xiaoping strives to attain his goal of the four modernizations, Chinese leaders are faced with the same dilemma. They want modern technology and scientific advances, but they cling to an antiquated political system, and they are getting the same result: failure.

China is facing a crisis these days because the three factors that stabilize a society--ideology, rule of law, and credibility--are all threatened. This means the country is highly unstable, and after the death of Deng Xiaoping, turmoil could break out.

The Chinese Alliance for Democracy, or China Spring, is a small but well-organized political organization. Our ultimate goal is to establish a third force independent of the Chinese Communist Party and the Kuomintang. Our assumption is that, if political reforms take place and succeed in China, it would prove necessary to have a functional opposition party. On the other hand, if the reforms fail, China will face great disruptions. This chaos will give the movement for democracy a chance to develop rapidly and help shape the future of China.

Our organization also has a message for Americans, whose two goals in China seem to be to align China against the Soviet Union and to exploit a huge market for American products. But as long as China remains a dictatorship, these goals can never be attained. While urging the Party to reform, the U.S. also should lend a hand to the democracy movement. Ideologically, this movement is inspired by the American system of government, which makes the U.S. a natural ally.

Mr. Lasater: Thank you, Dr. Wang, for an excellent presentation. Our next speaker is Dr. Huan Guocang, who will discuss the likely effect of the conservative political backlash on China's reforms. Dr. Huan served at the Chinese Academy of Social Sciences in Beijing and recently was senior visiting fellow at the Atlantic Council here in Washington. Dr. Huan is highly respected as a specialist in Chinese political and international affairs. Dr. Huan.

Dr. Huan Guocang

I would like to discuss three aspects of the recent political developments in China. First, what happened; second, why it happened; and third, what will happen in the future.

I think the media have already pointed-out what happened, but I would like to emphasize how to look at these events. First, it is a major setback politically. Second, it is a functional crisis, in which political changes occur suddenly and personnel changes are unexpected. Third, Deng Xiaoping's personal credibility both in China and abroad has been damaged, which will lead to more troubles in the future for a succession arrangement. Fourth, this is all very serious, particularly in the cultural and educational fields, for most of the intellectuals in China.

Looking at these developments in the context of the relationship between society and state, I would say the student demonstrations in China were independent. I would also say those who were criticized by conservatives in China have received great sympathy from many other intellectuals. And I think it is important to note that the majority of the population does not like recent political developments in China. These developments show the government's inability to mobilize the majority of the population in China to follow conservative policies, as they are against the will of the majority.

Events in China during the last couple of months have had very serious international consequences. There has been a strong impact on public opinion in Hong Kong and on the people in Taiwan. And also, it has had a very serious impact on the international community at large, particularly industrial nations.

The Soviets have taken advantage of it. I was told by some American scholars who specialize in Soviet studies that the Soviet government was the only one in the world to publish some articles saying the student demonstrations in China were not good. They are in a gambling situation here, but I do not think that they will win.

Why did this happen? Most of the Sinologists in the United States have focused on the power balance inside the Chinese leadership, over the conflicts between such different institutions as the military, government, or economic factions. Others have focused on Deng himself: either Deng was forced to crack down, or he himself believed it was time to do so. But no clear evidence exists to prove those things. There are only rumors. I would like to look at something different. I think that what was important during the past few years were the fundamental changes in the society that caused the recent political events.

First of all, politics. Since 1978, Chinese politics have changed dramatically. There no longer is a personal dictatorship as during the Cultural Revolution. There is a kind of multicenter power structure. No one really is in the position to order the society or the party to do anything he wants. Even Deng is not in the same position as Mao was.

There was a factional struggle, but the struggle was conducted differently than in the past. It did not allow executions, nor did it involve sending people to prison. The struggle was not for life and death; it was for power.

There is a group called the reform faction, and that group has really committed itself to reform and the open door policy. They are open-minded, many of them are well educated, and they get support from many people in the society. Agricultural reform was very successful, and they have received great support from 800 million peasants.

Of course, problems still exist. The reform faction has not done much to change party ideology. There is a contradiction between what they are saying and what they are doing, which gives leverage to conservatives to attack reform policies. I think this is a very important weakness.

Second, in terms of personnel, changes in personnel during the last few years have not been accompanied by institutional change. Older bureaucrats are replaced with younger and more well-educated people, but the political system has not changed.

A third cause of recent events is social change which is very important. Because of the information flow in China during the past few years, largely as a result of the government's open door policy, and also because people learned a deep lesson from the Cultural Revolution, there is great disillusionment over the official ideology and even the government.

What did this disillusionment do? Number one, the majority of the population became more realistic, more materialistic, and more individual interest-oriented. The majority of the population is no longer interested in party politics. They are simply interested in themselves. That is a very good, healthy development.

Secondly, social changes have created a young generation of intellectuals. They are very different from ten years ago. They have no ideological concepts in their minds. What the student demonstrations really showed was that people do things on their own. They do not follow an official ideology.

A fourth aspect is economic development, which has an important influence on politics. The annual growth rate of the GNP is between 8 and 10 percent, the living standard has risen very quickly, and the economy has been more alive than ever before. There is a private sector developing in the rural economy, though it is not very stable.

Also, China has adopted the open door policy. That means China's economy is integrating with the world economy at large. That policy has been effective, even though it has a lot of problems. China's two-way trade is about 20 percent of the country's GNP, which is very significant. Also, China has attracted foreign investment and technology from the Western industrial nations.

But the number one economic problem is economic reform itself. Reform has been very successful in rural areas but has not been successful in urban industries. There have been a number of reasons for this. First, politics have a very strong impact on economic development. Without successful political reform, there will be trouble in economic reform, particularly in the industrial sector, because all of the managers and directors are appointed by the government. Unless the government changes that policy, there will not be very effective reform, particularly in the crucial decision-making process.

Second, bureaucratic institutions have not changed very much, and third, there is a balance of power between different levels. At all levels there are power struggles, and such political interruptions strongly affect the economic reform process.

A final cause of the political crisis in China is that the reformers do not know how to reform. That has become an increasingly important fact particularly during the last couple of years. Reformers were in a position to reform the system, but they really did not know how. They are jumping from one area of economic policy change to another. They started off with management reform and then found that changes in management make something else change. Management reform affects the management in individual factories or companies, but it does not change market mechanisms. The reformers then jumped from management reform to price reform, but here they were without success. The latest statement was: "Well, if we want to reform price structure, we have also to reform other things like financial markets, financial institutions, taxation, and so forth." Then they started to establish a capital market and to reform financial institutions. People making the decisions are open-minded, but lack sufficient knowledge of how to reform effectively. This inexperience created a number of problems. For example, high inflation, enlarged income gap, a government deficit, and a drop in foreign exchange reserves. It seems to me that these critical economic and social changes are the fundamental reason for the political instability during the last two months.

What will happen in the future? The government has several options. Number one, to develop and expand an anti-rightist campaign in 1987. Number two, to moderate and then gradually cease the campaign and move back to the reforms. Number three, to separate its campaign from reform. That means to continue the campaign politically, but at a low level, without much economic reform. Finally, the government has the option of stopping the campaign immediately.

My personal judgment is that the government will take the second approach, to moderate the campaign and then to gradually cease it. The campaign is against the will of the majority of the people. In the long term it will cause instability. If the government took the option of expanding the campaign, something might happen as did in Poland where Solidarity rose against the government. The most rational choice is number two.

The reason the government is not able to stop the campaign immediately is because it has to wage a power struggle within its own ranks. Also the government has to maintain its credibility. Within the last couple of days, Premier Zhao Ziyang has come out to say he would try to limit the campaign to ideological affairs and keep it within the Party. I think that is quite a rational decision. Of course, whether or not this decision can be effective, will only be seen later.

Mr. Lasater: Thank you Dr. Huan. Our final panelist will be Eugene Martin, Deputy Director for Political Affairs on the China Desk in the Department of State. Mr. Martin is a career foreign service officer with wide experience throughout Asia. He will place the current political situation on the mainland in the international context. Mr. Martin.

Mr. Eugene Martin

I am speaking here on my own, and my remarks do not represent the views of the State Department or the U.S. government. The events of the last several months have focused

attention once again on the tremendous changes that are going on in China. Very often we tend, on a day to day basis, to look at these changes and believe that they will continue. We do not look at the underlying complications and problems that these changes have caused.

The reform program was launched initially in December 1978 at the Third Plenum of the party's 11th Central Committee meeting. It was based on leadership agreement on three basic issues: 1) that economic development, rather than class struggle or world revolution, should be the political priority; 2) that different points of view and disagreement must be preserved within the leadership to avoid polarizing the political situation; and 3) that party control must be maintained and strengthened in order to lead the modernization and to provide guidelines to encourage major change.

Along with this, I think Deng Xiaoping has been trying very assiduously over the last several years to institutionalize leadership change and succession policies, rather than personalize them. My initial assessment is that one major casualty of the latest developments is that this institutionalization of the leadership and succession policy has not worked. The resignation of Hu Yaobang makes a very big difference in how the leadership succession is going to take place.

The leadership consensus has been remarkably successful over the past seven or eight years, despite different emphases and perspectives on the pace and extent of reforms. The Chinese like to look at politics, including U.S. politics, in terms of factionalism. They talk about different factions within the State Department, they talk about different factions within the U.S. government, and so forth. In many cases we look at their situation in factional terms as well. I like to look at their leadership as more of a spectrum, because there are no hard and fast factions on all issues within China. People move and change alliances depending on the issue.

I think it is also suspect to call Chinese leaders reformers or conservatives. Looking back to 1978 shows that most of the people we now call conservatives, like Peng Zhen and Chen Yun, were quite strong reformers at that time and very strong supporters of Deng Xiaoping and his policies. What has happened is that some people have moved much more rapidly along the reform spectrum and now tend to be much more willing to take further steps at a faster pace than some of the others. This is where the dichotomy arises.

There seemed to be general agreement, at least until recently, that the entire leadership has been willing to agree on the economic reforms and the necessity for them. The question, I think, has arisen over the timing and the pace of those reforms.

As the economic reforms have progressed, there has been greater attention paid to the need for political change, or reforms, to further foster economic development. These things are necessary because if there are no political changes, it becomes very difficult to have further economic reforms. This is very telling in the urban factories, where if there is a factory manager, who may or may not be appointed, there is also a Party secretary. The problem arises as to who has the final decision. If there is a Party representative, it is often very difficult to make a decision solely on economic or managerial considerations.

The successes of the economic reforms of the last few years have caused a number of economic dislocations: uneven industrial production growth, burgeoning investment, high

inflation, and a large trade deficit. These allowed some of those leaders who are more comfortable with central economic planning and fiscal monetary stability to press for a period of consolidation during 1986. This was done and it was quite successful. Recent preliminary data indicate that China's economic growth in 1986 was more stable and moderate and relatively well balanced. It was fairly close to their annual targets.

During 1986 there was also greater leadership attention to new political reforms, culminating in the endorsement of major themes in the September 28 communique of the Sixth Party Plenum, which called for public discussion of political reform in preparation for the 13th Party Congress to be held this October. The official commentaries on the need for greater democracy and the calls for academic and intellectual freedoms, observation of constitutional rights, and innovative thinking raised expectations and encouraged various politically aware groups to speak out more openly. I think that the increasingly active political dialogue during the fall provided some of the impetus for leading intellectuals and subsequently student groups to express their own views.

It is, however, important to keep in mind that the entire spectrum of Chinese leaders is determined to maintain the primacy of the Communist Party. We are talking about political change and economic reforms, certainly, but political change, specifically, within the guidelines, the framework, and the limitations of a one-party system. The discussions for political reform must be within the framework of socialist democracy, which gives the Chinese Communist Party (CCP) the leading role in guiding and implementing the changes.

As these economic reforms, and particularly the political reforms, have moved along, the role of the Party has become increasingly a question. If you have decentralization, if you have localization of decision making and resource planning, particularly on the economic sphere, what is the role of the Party, both in macroeconomic and in microeconomic terms? Can the Party continue to provide ideological and political direction during a period of major and rapid changes in the economic, cultural, and material environment in China? Can the CCP encourage innovative ideas and further economic development without losing control or obstructing the necessary reforms?

Turning briefly to the international ramifications of this, I would say that at the moment we do not see a major impact of the recent developments on China's foreign relations. I think there are foreign policy issues that may have gone into the decision for Hu Yaobang's resignation; however, those are not evident at the moment.

Over the last four administrations, the U.S. has welcomed China's opening to the West and to the world and has welcomed its policies of modernization through economic reform, because these policies have had a dramatic effect on its economy and on the standard of living of its people. We believe a stable and prospering China can be a force for peace and stability in Asia and the world. The situation in Asia now is infinitely better than it was ten or fifteen years ago. China's modernization and the economic reforms its leaders have launched have brought about a significant exchange of people, ideas, and knowledge between our two countries as well as with other foreign countries. Tens of thousands of students, officials, and private citizens travel abroad every year, and an even larger number of foreigners travel to China every year. Foreigners are participating in China's economic development and have had an impact on Chinese awareness of ideas and events abroad.

But the rapid changes over the past several years have brought economic, political, and ideological dislocations. There are times when they conflict with the party's monopoly of power and authority. The U.S. has welcomed the trend toward a more open society in China, the successes of its development, and increased contacts on the outside. We hope that this will continue. Any political uncertainties on leadership and policy shifts, however, will be noticed by the business community and will certainly be weighed in decisions on investment, joint ventures, and future trade. A slowdown in the Chinese economy will have an impact on its trade ties with the U.S. as well as with other countries.

There are a large number of Chinese students in this country. We figure around 19,000. As you know from the letter they sent back to the Central Committee, many of them are concerned about what is going on in China. They may want to reconsider some of their plans to return home. Many do not have much intention of going home now, and I think more of them may have problems in the future. I think a discouragement of contacts with foreigners, which we've seen some indications of, will jeopardize business and academic people exchanging visits and working in China.

We have noted the favorable trend away from restrictions on basic human rights, and we hope that this will continue. The initial rather moderate response that the Chinese leadership took to the student demonstrations was carefully noted, and I think that it was a fairly positive response considering what might have happened ten or fifteen years ago.

We have a good bilateral relationship with China. We have a continuing dialogue and relations that are very important to both our countries. We hope that this relationship will not be jeopardized by the developments within China either now or in the future.

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Mr. Lasater: I would like now to open our discussion to the floor. Please state your name and affiliation.

Alisa Joyce with the MacNeil-Lehrer Newshour: I wanted to ask Mr. Martin about the conservative backlash pushing China closer to the Soviet Union.

Mr. Martin: There is obviously a potential that some of the leaders in China are more anxious to establish warmer ties with the Soviet Union than others. But I think China has its own national interests that will supersede warmer ties with the Soviet Union. They are certainly increasing their ties with Eastern Europe very rapidly. There may be a shift, but I think the Chinese leadership, basically, is nationalistic rather than pro-Soviet.

Gus Constantine, Washington Times: I'd like to ask the panelists how they assess the apparent contradiction between Hu Yaobang losing his General Secretaryship and yet maintaining his position on the Politburo Standing Committee?

Dr. Huan: If you look at the party constitution, major changes can be made only at the next Party Congress, which is going to take place in September. The removal of the General Secretary is an unusual action.

Bob Manning, U.S. News and World Report : I have two related questions. First, the party's idea of political reform is a lot different than the students' idea of political reform, and I am wondering why you think the Party was so vague? Second, isn't there a contradiction between the need to make these political reforms to reduce the Party's role in the economy and the need to maintain the Party's control and authority? How can the Party resolve that?

Dr. Huan: There is a contradiction between the efforts to try to reduce Party authority on the one hand and political reform on the other. Those who lose their jobs will be unhappy about it, and once you reduce Party authority too much, there probably will be a kind of social instability. There has to be a mechanism to allow members of society to express their views, to put pressure on the policy makers. That is something we do not have, at least not institutionalized. I think if in the future they still want to carry out political reform they should start from there; that is, gradually create a mechanism to allow society to express its views.

Personally, I do not consider student demonstrations that big a deal. There's no revolution. I mean, the only revolution to be expected in the future is if the government increases tensions between itself and the society. If the government forces people into the corner, then there is no way to go except revolution. But not right now.

Ralph Clough from SAIS: I'd like to ask Dr. Wang Bingzhang his views on the future of the student movement in China. It appears that the original movement in Hufei had rather a limited, fairly specific goal concerning a specific election, but the ones that followed in other cities, at least the ones we read about in the press, were very general. The students came out, they demonstrated, they marched in the streets, they wanted democracy, but it wasn't at all clear what they meant by democracy. Even individual students when asked about it were not very clear. This suggests, as you indicated, that the whole thing arose rather spontaneously, without much planning, without much organization or organizational linkage between one university and another. Is that correct? And if so, what do you think the future holds? Will there be an attempt on the part of some students to continue the movement underground, to organize themselves more efficiently to develop more specific objectives for student pressures on the government?

Dr. Wang : Generally speaking, in these demonstrations the students demanded at least three things: freedom of speech and freedom of press; free elections of the people's representatives; and in some universities, a multiparty system in China. Some big character posters in Beijing University and Nanjing University said that the Communist Party should do better than the Kuomintang Party in Taiwan.

I believe the student movement will go underground for a short time. According to our information, during the wintertime the students left the university but they never stopped their activities. They visited some factories to talk to young workers to make future plans to have more demonstrations, but the political climate right now does not allow the students to go to the street to express their ideas and opinions publicly. However, I believe that, before too long, China will have bigger demonstrations than last year because the pressure is accumulating.

Allen Birch, the American University: What exactly is the World Economic Report mentioned by Dr. Wang and what ideological importance did it have to Zhao Ziyang?

Dr. Wang: The World Economic Report is a newspaper in Shanghai. During the past few years this newspaper has introduced the market economic system of the West. It introduced ideas of free enterprise and some democratic ideas. For example, the World Economic Report published a summary of Mr. Fang Lizhi's speeches about democratic ideas and concepts. This newspaper is very popular among the Chinese people, and many young people believe that this newspaper is an important instrument of Mr. Zhao Ziyang.

There is a big debate among the Chinese leadership over the policy of sending students abroad. Some conservative senior leaders do not like to send students to the West. They argue that China should send more students to the Soviet Union and Eastern European countries. I think this debate is under way, but I don't know what the result will be. It depends on which faction gets more political power.

Alan Ryskind, Human Events: I wonder if any of you could tell us what kind of training the Communist Party cadres get in China.

Dr. Huan: I am not a Party member, but I have learned that political education to ordinary Party members has not been that strong during the past few years. Ideological education was not strong because the Party itself had not been able to identify what its ideology should be.

There also have been many changes. The changes particularly have to do with economic reform and the open door policy. During the past few years, more and more liberal ideas have been introduced into the party education.

Richard Sewell, Friends of Free China: What impact are political developments in the PRC having on Hong Kong and Taiwan?

Mr. Martin: I think that the changes in China have made a big impression on both Hong Kong and Taipei. The Hong Kong stockmarket dropped considerably the day after Hu Yaobang resigned: but since that time, it has come back up and things are more stable now. Hong Kong is going through a great deal of uncertainty and concern about what is going to happen between now and 1997. It is not yet clear as to how all of this is going to work. Obviously, stability, moderate policies, and future trends in China are going to make a good deal of difference to the people in Hong Kong, particularly as they continue drafting the Basic Law which will set out the governmental structure for the future of the Hong Kong Special Administrative Region after 1997.

Taiwan, as well, is very much concerned with what is going to happen on the mainland and the direction of economic and political modernization. Whether or not political events on the mainland will generate greater pressure over the Taiwan issue is hard to say. We have taken a consistent policy over the last decade and a half, since 1972, and we intend to maintain that.

Miles Costick, Institute on Strategic Trade: From the very beginning one has assigned certain hopes, perhaps exaggerated hopes, to changes and developments on the Chinese mainland. We talk about Deng's pragmatism, but that pragmatism is really nothing but a Leninist type of a pragmatism. To a great extent, the changes that have occurred in China

follow the trends of Lenin's New Economic Policies. At that time there were political liberalizations in the Soviet Union. In terms of private enterprises, there were private factories, an influx of foreign capital, joint ventures, development of mining, and all sorts of things that seemed like liberalization. All actually fell on their faces after 1924 with the coming of Stalin. Stalin was worried about the trend, not in terms of what it was going to do economically to the country but what it was going to do politically to the dominant power of the Communist Party, the Bolsheviks. I tend to see Deng more from the perspective of a Leninist pragmatist than anything else.

A second thing: From my contacts with high PRC military officials, including military intelligence officers, I found out that conversation in Russian is much smoother. Also, proper knowledge of Marxism-Leninism is a great help in leading discussions about anything, whether international or national security affairs, internal policies, and so on.

Now, in 1978, after the movement for the free labor unions and liberalization in Poland, Chinese authorities became greatly concerned. There were attempts by labor in China, particularly in Shanghai, to organize on a similar model as Solidarity. This was driving the Chinese authorities, at least those with whom I had contact, into a state of neurosis. They said developments in Poland were negative, and socialism had to be saved at any price. When I brought the strategic moment into the conversation, namely that changes in Poland will tend to destabilize the Soviet Union, keep it preoccupied, and lessen the pressure the Soviet Union exerts on China, they said that, while this would be true, the preservation of socialism in Poland was more important.

As for the question of labor in the PRC, obviously one of the major concerns of the Chinese authorities on the mainland was the possibility of linkage between the students and labor. As a matter of fact, the crackdown in the first place was directed against the laborers who tried to join hands with the students. The Chinese press clearly stated that the laborers had no business being out and joining student demonstrations. I think you gentlemen in your presentation ignored the role of labor and its linkage to the students in terms of creating opposition to the present government and demanding changes. Would you care to comment?

Dr. Huan: There are several differences between China and the Soviet Union in the 1970s. First, the historical context of China is very different from that of the Soviet Union. After the Cultural Revolution, the government was under strong pressure by the majority of the population to raise living standards and to improve individual rights. Second, China has a leadership that survived the Cultural Revolution. They know what is wrong and what is right, even though many of them still want to go back to older ways. Third, the majority of the population is different from that of the Soviet Union in the 1920s. The Han Chinese are the majority of the population and its younger generation is very different. They are totally open-minded. Fourth, China is different in that it has broad overseas contacts. Hong Kong is an issue. Unless China is able to modernize itself politically, Hong Kong is going to be lost in 1997. The crucial issue for maintaining the stability and prosperity in Hong Kong is reform in China. Unless there is reform and an open door policy, Hong Kong is going to be lost.

Yet another factor is Taiwan. After thirty years of separation, the political structure, economic structure, and even the culture on the two sides of the Taiwan Strait are very

diverse. The issue of democracy on Taiwan differs totally from the issue of democracy on the mainland.

The issue here is, if the government in Beijing wanted to reduce the gap, to not allow Taiwan to go away, Beijing has to maintain political stability, it has to maintain an open door policy. That is fundamental. That is the basis for its policy toward Taiwan. Unless Hong Kong and Taiwan are taken into account, a comparison between China in 1986 and the Soviet Union in 1920 seems not very relevant.

Regarding the question of labor. I agree that the government has been very careful about labor and student cooperation. Students between ages 18 and 25 are younger, they are less experienced, and they certainly have less to worry about in the long term. That's why in every country student movements always start first. When labor gets involved, it is much more complicated.

But I would say two things. Number one, right now Chinese laborers are not ready to have something like Solidarity, because people still have a certain hope. Secondly the Chinese government did have deep concern when Solidarity came out. The tone changed in the Chinese press. The first few months it was the working class against the repressive government. But after a few months, the tone changed, because the PRC was worried about the possible impact of Solidarity on Chinese labor.

Dr. Wang: If I could comment. Your statement on the labor issue is very important. My organization [Chinese Alliance for Democracy] also pays attention to this key issue. During the student demonstration, we distributed some articles in some Chinese universities to ask the students to join hands with the workers. In Shanghai, young workers did join the student demonstrations. I think the communist authorities are afraid of this kind of situation. So, Deng Xiaoping at an emergency meeting of the Party Politburo said, "If the workers get involved in the demonstration we will declare martial law." This is why Beijing authorities arrested many young workers but not many students.

Some people think that our organization is revolutionary. This is not true. Our organization is just a pressure group. We want to influence the policy of the Beijing government. In terms of revolution, I would like to quote Attorney General Robert Kennedy who said, "If the rulers make reforms impossible, that will trigger revolution."

It is our concern that, if the Beijing leaders only take steps on economic reform but not political and ideological reform, then the conflict between the Party and the people will increase. This may trigger more and bigger demonstrations and perhaps even trigger a revolution. We prefer reform and evolution, not revolution. But if a revolution happens in the future, we must accept it. This is our basic view.

Norman Fu, China Times of Taipei. I have a question for Mr. Martin. You mentioned that many of the Chinese students in this country have no intention of going back and that those who have signed a letter addressed to the Central Committee might have trouble later on. My question is whether the U.S. is prepared to address this issue of asylum-seeking by a large number of Chinese students who do not wish to go back. It seems to me, by permitting them to study in this country and exposing them to American ideas and the democratic system, the United States has a moral obligation, if not a legal

one, to protect them when they are in trouble. Is there any discussion at all within the State Department or within the Administration as to how to deal with this problem?

Mr. Martin: Well, we haven't seen the problem yet, but it might be the case in the future. Of the some 19,000 or 20,000 students who have been in the United States, many are now coming to the end of their study period. Many of them are going back. Others are not going back for various reasons. It is certainly not only because of the political climate in China. Many of them are finding it much more remunerative to stay here and work rather than go back to their original work units.

Mr. Fu: Have you detected a rise in the number of applications for political asylum since the demonstrations?

Mr. Martin: No.

Dr. Costick : About 10 percent of the students asked for political asylum under one form or another. You have had a rather negative stance trying to discourage them through deportations and so on. So your answer is not quite satisfactory.

Mr. Martin: We do not have a policy of discouraging or encouraging. We review each case individually. That is how the law reads.

Terry Emerson, local attorney: I think it is fair to say that one of the developments on which the success of economic reform on the mainland would depend is labor mobility. Last September, I believe, the State Council issued a set of new regulations that in theory, at least, would allow local managers to enter into contracts with workers for a set period of time and would even provide managers with authority to fire workers. Has this law been implemented in practice to any significant degree?

Dr. Huan: The law has been passed. More and more people have been employed recently under contract. That means they are not permanent employees for the government, because most factories are owned by the government. People also have grown tired of their jobs. They want to leave. Now they can leave if they find some other work place. You can even open your own small business. But the last option, it would seem to me, might be strongly affected by recent political changes.

Jim Feinerman, Georgetown University Law Center: I would like to ask Dr. Huan to comment on the measured response of Chinese officials to the student demonstrations. The feeling one gets is that this was necessary to distance their response from actions taken during the Cultural Revolution and the anti-rightist movements. Do people see the government's reaction as being different from these responses of the past?

Dr. Huan: What students did, it seems to me, is not against the constitution. And even though the Beijing government passed a regulation governing demonstrations, the regulation was never implemented. I just met some friends of mine from Beijing University. They said that, after the regulation was passed, a few students went to the Public Security Bureau in Beijing and said, "We want to have a demonstration on a certain day. We'd like to have permission." The people at Public Security checked and found no one was responsible for issuing demonstration permits. After Beijing passed the regulation,

the officials assumed no one would come to register for demonstration. But people did come. There was an underestimation of what the students were willing to risk.

Dr. Wang: I'd like to ask a hard question for Mr. Martin. As you know, The Washington Post and The New York Times have reported that one U.S.-educated student, named Yang Wei, was arrested just after the student demonstrations in Shanghai. His wife, daughter, and brother-in-law had a press conference in New York to announce the event. They will ask the State Department and the U.S. government to do something about this case. What is the reaction of the State Department?

Mr. Martin: We are certainly aware of the reports of his detention or arrest. But he is not a U.S. citizen, and the United States government really has no legal right to inquire about a citizen of another country arrested or detained in his own country.

Mr. Lasater: Our time is up, and so I would like to thank the panelists and all of you for coming today. We obviously have not covered all the ground on this subject. But as I try to monitor whether the leadership is becoming more or less orthodoxly Marxist, I look at who is being appointed to what position. In terms of propaganda departments, the hard line Marxists are beginning to take the roles of main spokesmen of the state. And if you assume that the spokesman of the state reflects the direction of the Communist Party, then you have direction toward slower and more limited reform and more Marxist orthodoxy.