

## Beijing regime faces breakdown crisis

by Webster G. Tarpley

The maneuvers of Beijing's wily "paramount leader" Deng Xiaoping to wring the maximum of concessions from the desperate Gorbachov Kremlin as the price for a Sino-Soviet summit, confirm Deng's status as a world-class past master of manipulation and subterfuge. Since mid-October Deng has been playing Moscow like a yo-yo, now announcing as a sure thing the first summit of the Communist giants since the Mao-Khrushchov meetings of 1959, and then sending forth his subalterns to stipulate the price he demands the Soviets pay, progressively upping the ante. Soviet diplomats, their skills perhaps vitiated by too many months of easy triumphs over the striped-pants suckers of the U.S. State Department, are getting a reminder of what the big leagues are really like.

Deng's skillfull playing of the summit-hungry Kremlin is all the more remarkable in the light of the salient fact that Deng's finesse tends to obscure: The Beijing regime is even more desperate, even more crisis-ridden than the Soviet Empire itself. Deng's 10-year-old economic reform program has now reduced the Chinese economy to utter chaos, and this final failure of the Beijing regime has torn away its last shred of political legitimacy. The facts point to a cataclysmic political-economic crisis in mainland China during the years immediately ahead, with the potential of sweeping away the post-1949 order in the world's biggest country.

But first, give the devil his due. On Oct. 13, Deng received Finnish President Mauno Koivisto and his Foreign Minister Kalevi Sorsa in the Great Hall of the People in Beijing and informed them that he would meet Gorbachov for a summit next year. Sorsa then went out to tell reporters the good news that Deng had "confirmed the forthcoming summit with the Soviet Union." Wire service reports said at the time that Gorbachov would come to Beijing for the parley. Moscow immediately accepted Deng's offer, saying that

the Russians wanted a summit "the sooner, the better." But by the very next day, all certainties had dissolved. Sorsa, talking to journalists in Hsien, northern China, emended his report of Deng's remarks. Now the quote from Deng had become that "there might be a summit next year" if the planned early-1989 visit of P.R.C. Foreign Minister Qian Qichen to Moscow were a success. Deng apparently knew exactly what he wanted, but the pro-Soviet Associated Press lost no time in attributing the "uncertainty" over the summit to the 84-year-old Deng's slurred diction. As if to show just how lucid and well-informed he in fact is, Deng then chose to make further comments about the summit on the occasion of the Oct. 17 Beijing visit of Romanian President Nicolae Ceaușescu. "A summit meeting could take place next year," Deng told Ceaușescu, whom he described as his "old friend." Deng diabolically gave the merit of having promoted the summit to Ceaușescu. It all goes back, said Deng, to a letter to Gorbachov that Deng had given Ceaușescu on the occasion of the Romanian's last visit, back in 1985. "It is happening later than expected. But never mind, history is very long and the road is very long too," commented Deng. Ceaușescu, who had just been in Moscow, said that Gorbachov had asked him to convey his best greetings to Deng. Deng then laughed and asked Ceaușescu to return the greetings. Deng stressed traditional close relations between Beijing and Bucharest.

Deng is well aware that Warsaw Pact divisions are massed on Romania's borders for the purpose of a possible short-term invasion assembled under the cover of maneuvers. Deng's ironies take on new dimensions in this context.

In order to propitiate Beijing, *Pravda* even published an account of how Mao, in December 1949, rebuffed the hegemonist Stalin by asserting Chinese sovereignty and independence through his insistence on holding a Chinese reception

in the Metropole Hotel and not in the Kremlin, the seat of the Soviet government.

What does Deng expect to gain from summitry? When dealing with the United States, the P.R.C. goes for economic and technology-transfer advantages, including in the military sphere. When dealing with Moscow, the agenda is dictated by Beijing's desire to enhance its strategic position. This means above all parrying the attempted Soviet strategic encirclement of the Chinese mainland. Thus, the three obstacles publicly declared by Deng to stand in the way of U.S.S.R.-P.R.C. normalization: the Vietnamese troops in Cambodia, the Soviet forces in Afghanistan, and the Red Army buildup along the 5,000-mile Soviet-P.R.C. border, the world's longest. During Ceausescu's visit, Chinese Communist Party chief Zhao Ziyang named Cambodia as the biggest issue influencing a possible summit. "Provided progress is made towards a solution of the Kampuchean question in forthcoming talks between the Soviet and Chinese foreign ministers, a Sino-Soviet summit would be possible at an early date," said Zhao according to the *Renmin Ribao* (*People's Daily*) of Oct. 16. Interestingly enough, on that very same day an official communiqué of the Vietnam News Agency monitored in Bangkok promised that Vietnam would complete the promised pullout of 50,000 of its troops from Cambodia by the end of December, according to the schedule already made public. "The remaining units will be withdrawn monthly from now to the end of 1988, and the last contingent of the 50,000 volunteers to be withdrawn in 1988 will be repatriated by land and water during the month of December," said the communiqué.

On Oct. 18, *Renmin Ribao* questioned whether Hanoi was actually withdrawing its troops in the manner indicated. *Renmin Ribao* accused Hanoi of trying to "trick world opinion" with its assurances that the pullout is going on. At the same time, a spokesman for the Red Chinese Foreign Ministry denied that his country was willing to grant asylum to Cambodian butcher Pol Pot, whose Khmer Rouge regime slaughtered millions, and who has to be gotten out of Cambodia if the country is to be pacified. Persistent reports had indicated that Beijing, which has always supported Pol Pot, was now willing to take him in, but this was now indignantly denied: "No Chinese official has ever made such a remark, and the report that you mention is groundless," said the spokesman by telephone.

Also on Oct. 18, the Vietnam News Agency reported further border attacks by the P.R.C. which had claimed the lives of eight Vietnamese over the past month. Several were killed by People's Liberation Army commandos 20 kilometers inside Vietnamese territory, while others were killed by some of the 4,444 shells that the People's Liberation Army had fired into Vietnam, the agency said.

Then, on Oct. 20, TASS announced that Red Chinese Deputy Foreign Minister Tien Cheng-pei arrived in Moscow for a further round of talks with his Soviet counterpart Igor

Rogachev over the two sides' border demarcation disputes. It is certain that Beijing will be looking for concessions in these talks, and there is also no doubt that Beijing is not pleased by the Soviet announcement that their troop pullout from Afghanistan has been halted. For the moment, the Kremlin is left hanging: On Oct. 20, former Communist Chinese President Li Xiannian told a group of Japanese visitors that the summit was still uncertain, and would depend on effective Soviet pressure on Hanoi to evacuate Cambodia. Li, aged 79, referred to the proposed summit as only a possibility, which was "not decided by one's own wishful thinking." "It is decided by mutual understanding and trust and by real solutions to problems," the Dengite added, stressing that the Cambodian question remained the biggest obstacle to normalization, the usual P.R.C. litany.

In the meantime, Deng has been harvesting abundant diplomatic and economic gate receipts, including the visit of Japanese Prime Minister Noboru Takeshita, who came bearing an economic aid package. Saudi Arabia, which currently has diplomatic relations with the Republic of China on Taiwan, has been making overtures to the P.R.C. in the form of a visit to Beijing by Prince Bandar Bin Sultan, the Saudi envoy to Washington, who may be buying weapons. There are persistent reports of Israeli-Beijing "academic" exchanges which seem redolent of weapons trafficking. And then there is the announcement of Rajiv Gandhi's intention to visit Beijing in December, the first time an Indian Prime Minister has done so in 26 years, since the Sino-Indian border war of Fall 1962. "We want good relations with all our neighbors, and my China visit will be a step in that direction," Gandhi told reporters in Jammu, northern India. Soviet influence in New Delhi has been very great of late.

But, despite their mastery of intrigue, Deng and his friends are profoundly desperate. Their problems have to do with the fact that the hated and discredited Chinese Communist Party (CCP) has staked its survival on its post-1978 reform program. That program is now disintegrating. And unlike Moscow, the CCP has to bear the heavy burden of comparison with a highly successful, authentically Chinese alternative to its continued misrule—the exemplary economic progress of the Kuomintang government of the R.O.C. on Taiwan.

### **Hunger, homelessness, disease**

The data concerning the cataclysmic economic dislocations going on in the P.R.C. are fragmentary, but they are most stark. According to P.R.C. figures quoted by the *Wall Street Journal*, the living standard of the average P.R.C. city-dweller has fallen by more than 21% in the last 12 months alone. Nationwide inflation, which has for some time exceeded 20%, was reported by UPI from Beijing to be estimated at a current yearly rate of "nearly 40%." Between June 1987 and June 1988, total currency in circulation increased by 35%. Retail price increases in the key industrial city of Nanking are pegged by the *Wall Street Journal* at about 23%.

Between 1987 and 1988, the retail price for pork, a staple meat in the Chinese diet, went up some 60%. Vegetable prices in the same period went up by 100%.

Given these levels of price inflation, the 17% industrial growth touted by Beijing is reduced to stagnation and perhaps even backsliding, since this figure is calculated using the prices of the goods produced, not physical units. In the view of the *Journal*, Deng's inflation is "crushing urban Chinese."

On Oct. 15, the official *China Daily* admitted that 1 in 10 mainlanders—and that means 100 million people—is suffering from serious malnutrition because of poor or improper diets. The article reported a symposium of nutrition experts held in Kwantung province, who found that protein intake is insufficient and poor in quality because it comes mainly from cereals, with not enough legumes, meat, and eggs being consumed. The experts said also that fully one-third of the children under three years old in the countryside suffer from anemia and rickets. Kao Jun-de of the Beijing Research Institute for Nutritional Resources also conceded that the number of those suffering from malnutrition might be even higher if the issue were judged according to the criteria of certain more advanced countries.

Part of the problem was attributed to four years of very disappointing harvests. This year's summer harvest has been disrupted by both flooding and by drought. The figures on this year's autumn harvest are not yet available in full, but it is expected that it will be the worst in recent times, because of the drought.

The severity of the drought can be gauged from the fact that the upper reaches of the Yellow River in northwest China have totally dried up, according to a New China News Agency dispatch of Oct. 17. Water reserves at a key reservoir in the upper Yellow River are at about one-half of their normal level. This meant among other things that 2.8 million acres of farmland had to be deprived of irrigation water, and that the region was also facing a 25% shortfall in hydroelectric power.

The *China Daily* of Oct. 12 had stated that more than 60 million mainlanders (some 5.5% of the total population) are suffering from endemic diseases such as leprosy, bubonic plague, and schistosomiasis (snail fever), and that this figure is increasing. The source was Ho Chie-sheng, vice minister of Public Health in Beijing. She said the plague, which was formerly limited to such western regions as Tibet and Tsinghai, has now penetrated Yunnan, Sinkiang, Kansu, Inner Mongolia and Heilungkiang, while schistosomiasis is spreading in southern and central China.

In north-central China, 30 million people are living in caves. In addition, there are some 50 million unemployed drifters or homeless, many of whom have been fired from their jobs in state-sector companies as a part of Deng's "reforms." Not a good record, all in all, after almost 40 years of Communist rule and 10 years of Deng's "modernization."

The next scheduled step in the Deng reforms was to have

been "price reform," a euphemism for further gouging the urban population by permitting drastic hikes in the prices of staple commodities that have been frozen at "political" prices for many years. Most sensitive of all is the controlled price of rice, which has been frozen for some years at the U.S. equivalent of 14¢ per pound. Back in May the mainland was whipped by rumors that the price of rice was about to be jacked up, leading to panic buying in large cities. The same thing has happened recently with towels, soap, and salt. "Price reform" under these circumstances would have meant another brutal round of inflation for strapped wage-earners, perhaps setting the stage for food riots and mass strikes against the Communist regime in certain cities. Widespread runs on P.R.C. banks were reported during August in such cities as Shanghai, Canton, and Harbin, as frantic families sought to turn their savings into hard commodities before the expected price hikes hit. During that time, Deng and company decided that they could not risk the looming political upheaval, and must rather retrench.

### Central Committee plans austerity

Deliberations on what to do were undertaken in September at a meeting of the CCP Central Committee, which announced its intention of slowing down economic growth and curbing inflation. The Central Committee line was that a pause of two years would now be necessary to straighten out the strained economy. The result was a decree promulgated by the State Council, the P.R.C. cabinet, in the first week of October to take effect in the whole mainland Dec. 1. According to the decree, planned capital investment will be cut by 50 billion Jen Min Pi (JPM), equivalent to \$13.5 billion or 12% of projected investment for 1989. Projects that rely on imported raw materials or other raw materials that are in short supply are to be halted instantly, even where plants are already under production. This will strike at cotton textiles, leather and rubber goods, tractors and television sets. Projected plants that were supposed to manufacture electrical appliances like rice-cookers, vacuum cleaners, and irons, which are thought by Beijing to consume too much energy, are to be axed. The same goes for planned factories to produce goods not called for in the state plan, for infrastructure projects like highways and smaller ports, and for public buildings and stadiums. The cuts allegedly exempt foreign investments, high-tech, energy, transportation, telecommunications, and some raw materials and agricultural projects.

Price reform is not merely halted, but is being rolled back as the state attempts to reassert its ability to set prices by imposing price ceilings on essential raw materials like copper and steel that are produced over and above state quotas. Cheng Zhiping, director of the State Administration of Commodity Prices, was quoted by the official Hsinhua News Agency on Oct. 14 as saying that Beijing will establish price ceilings of important "means of production" and freeze the

prices of "daily necessities." "The situation in the last month shows that the prices of some commodities have not been reined in," said Cheng. The price caps will impact grain sold on the free market, plus the prices of chemical fertilizers and pesticides, which have been favorites of speculators and profiteers. Also, provinces can no longer set their own prices for locally produced products on the list of some 1,000 items whose prices are decreed by Beijing.

This is a sweeping retrenchment, equivalent to the junking of 10 years' tinkering with the mainland economy. It is

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also clearly an austerity program. "The scale of the rollback will be rather huge," said Deng Zhiqiang, an official of the Kwantung Province Planning Committee. Kwantung, the area around the city of Canton, is one of Deng's special coastal economic zones where the private companies allowed since 1985 and foreign investors have been active. Tong Talin, vice chairman of the Society for Research on Restructuring the Economy, described the P.R.C. quandary in a different way: "If Marx himself were in charge of the economy, I'm not sure he would know what to do," he commented.

Deng has at least one idea of what to do: Call out the riot squad. According to the *China Youth News* of Oct. 22, the regime is creating nationwide anti-riot squads of soldiers, trained in sharpshooting and hand-to-hand combat, to deal with possible political unrest unleashed by economic dislocations such as inflation. According to the paper, the People's Armed Police Force has constituted emergency riot police units in 200 mainland cities "to deal with the special characteristics of increasing numbers of sudden violent incidents." Deng has shown interest in the riot-control techniques developed recently in Poland. The new squads have already gone into action in certain cities, the paper wrote. Almost 50 strikes and other labor disturbances have been officially acknowledged by the P.R.C. over recent months

One minor consequence of the *volte-face* by Deng is the total eclipse of the secretary general of the CCP, Zhao Zi-

yang, who had been pressing for drastic price reform as well as "political reform," meaning the separation of the party and the government, including ousting the CCP from its residual dominant role in many factories and enterprises. Zhao was the true believer of Deng's "socialist commodity economy," brought in by Deng to take over after Hu Yao-bang was ousted in early 1987 in the midst of student demonstrations, because he was considered too soft on "bourgeois liberalization." After the August Politburo meeting at Peitaiho, a coastal resort near Beijing, the economics portfolio had clearly been taken out of Zhao's hands. Zhao told an American newspaper publisher that in the future he would be "studying" and doing "research" on subjects to be discussed at party meetings. Zhao's remarks recalled similar statements by Mao Zedong himself in 1953, after the (temporary) defeat of his "Three Red Banners" movement (Great Leap Forward, General Line for Building Socialism, and People's Communes) that he would spend more time reading and studying Marxism-Leninism and doing research.

Zhao's defeat, in short, was manifest.

The winner appears to be Premier Li Peng, a representative of a party stratum of technicians trained during the 1950s before the 1962 interruption of exchanges between P.R.C. and U.S.S.R., who are especially resentful of the Cultural Revolution. Li preached to the State Council in mid-October that officials had to fight overspending and inflation, since planned price increases have "made many people uneasy" and are "affecting social security and people's confidence in reform." Li promised draconian measures for "rectification": "If problems crop up, whoever will be responsible shall be held responsible. Nobody can shirk responsibility and the problems cannot be left unsettled," Li said ominously. Li told the State Planning Commission to cut investment, the Finance Ministry to cut financial deficits and limit government procurement, and ordered the Materials Ministry to punish profiteering by state-owned companies. Li has set forth 15 rules, including denial of bank credit for new projects, the formation of price inspection teams, and a suspension of building permits. Price reforms, Li stressed, are no longer on the agenda: "Price reforms must move in step with other reforms." "You don't send a single soldier deep into enemy territory without support," said Li.

Some days later, on Oct. 21, Li told the visiting Angolan President Dos Santos that the biggest mistake made by the CCP after seizing power in 1949 was its emphasis on class struggle rather than economic development. This is a standard tenet of Dengist orthodoxy. "We were not clear about the country's central task after we took power," Li stated. According to Premier Li, the confusion was not corrected and the party remained engaged in class struggle rather than economic construction until the third plenary session of the party Central Committee in 1978, which launched the Deng program.

Even Western commentators favorable to Beijing are

compelled to acknowledge that the setback to Deng is severe. Some note that the ying-yang pendulum, having gravitated for 10 years in the direction of greater decentralization, is now swinging back to the opposite pole of total centralized control whence it started out. The *Asian Wall Street Journal* of Oct. 21 quotes an unnamed P.R.C. official as saying that the entire country could be "mired in stagnation." In reality, the stakes for Deng and company are unlimited, and, transcending economics, will determine the future survival or collapse of CCP rule on the mainland over the period immediately before us.

### **The legacy of Mao Zedong**

The creation and consolidation of a Communist regime on the China mainland was made possible by a set of extraordinary circumstances, including U.S. aid to Mao during the years before 1949, as well as the bankrupt and criminal no-win policy of the Truman administration during the Korean War. British assistance to Mao through Hong Kong trade contacts also played an important role. As a result, the CCP was able to hold on to power long enough to carry out a land reform of sorts, and to nationalize the key means of production.

However, after about 1955, every undertaking of the CCP, without exception, has turned out to be an unmitigated disaster. First came Mao's 1957 campaign of smoking out internal opposition under the heading of "let a hundred flowers bloom," soon followed by bloody repression and crackdowns. Then came the Great Leap Forward of 1958, designed to secure a preeminent position among the industrial powers through voluntaristic Stakhanovism and such expedients as placing a tiny pig-iron blast furnace in the yard behind each shack. The Great Leap Forward produced a killer famine that lasted well into the early 1960s. (The Hundred Flowers and the Great Leap Forward correspond closely to their Soviet copies, *glasnost* and *perestroika*.) Then came the peasant communes, designed to solve the contradiction between city and countryside, and which also ended up as a catastrophic failure. Then came the Great Proletarian Cultural Revolution, which went on through fascist excesses until the death of Mao in September 1976. This period was punctuated by the murderous factional battles around Lin Piao's attempted coup of 1969, and ended in another bloody massacre in the settling of accounts with the ultra-left Maoist Gang of Four.

It has been estimated that the butcher's bill for the years 1949-80 is in excess of 100 million dead, including both political extermination as well as deaths caused by avoidable economic upheavals. Mao thus far outclassed Stalin as well as lesser contenders like Hitler for the rank of the greatest assassin of recorded history. But even though Mao's slaughter makes Stalin look like a Good Samaritan, Mao has never been subjected to a systematic public indictment of even the superficial type that Stalin has lately received in the U.S.S.R.

Mao built his party on the basis of "revolutionary con-

sciousness" communicated through the leadership to the party cadre. Although a professed materialist, Mao staked everything on total mind control of people. His premise was that the party had to assume leadership of all aspects of human society. Mao thus fashioned the most effective large-scale totalitarian instrument ever forged by man. Mao was thus able to act out, on the colossal stage of China, his megalomaniac dream of reincarnating the Emperor Chin Shi Huang, the book-burner of the short-lived Chin dynasty. But, after 10 years of economic collapse and declining living standards provoked in the name of Mao's insane utopia by the Red Guards and the Cultural Revolution, even the CCP was approaching the breaking point. Some months before Mao died, demonstrators congregated in Tienamen Square, ostensibly with the purpose of honoring the recently deceased Zhou Enlai. Mao sent troops to fire on these demonstrators, killing over a thousand of them. But with this incident, even Mao realized that the handwriting was on the wall: An attempt to maintain a "Maoist" CCP general line would have courted insurrection, a military coup, the emergence of regional warlords as in the 1920s, and other phenomena of violent backlash against the regime. The People's Liberation Army had long been a center of ferment against Mao: In 1959, Defense Minister Gen. Peng Teh-huai, who had commanded the Red Chinese intervention force in the Korean War, was purged from the CCP after having sent Mao a protest letter complaining that the latter's triumphant production statistics published during the Great Leap Forward were fake and that the policy was a failure.

It was during the first half of 1976 that Mao brought in Hua Kuo-feng as premier, as a sop to placate the sentiment manifested at Tienamen. Several months later Mao was dead, and shortly thereafter Deng succeeded in mopping up the Gang of Four. Post-1978 Dengism has been in effect an attempt to procure a last chance for the hated, bankrupt, and bloody-handed CCP based on the promise of better economic performance and an improved standard of living. At the same time, the CCP totalitarian apparatus was to remain substantially untouched, thus leading, as old Mao would have said, to a contradiction.

Deng envisioned reliance on the personal material incentives loudly condemned by Mao, including piecework, the profit motive, and so forth. A private sector and an associated labor market would coexist with the state sector, and although the latter would continue to be dominant, it would be subjected to liquidations of inefficient firms, bankruptcies, mass firings, layoffs, and the like. Foreign investment would be encouraged up to a point. Enterprise zones would be created along the coast, but no serious TVA-style infrastructural development of the Yellow River and the Yangtze-kiang systems and no Grand Canal would be contemplated, so as not to disturb the heartland of the peasant masses.

All this meant the end of the Maoist class struggle party, obsessed with utopian social upheaval, referred to by Li

Peng, and its replacement by a party focused on the practical tasks of economic development, on delivering the goods to an exhausted, cynical, and mistrustful population. Revolutionaries had to be replaced by technocrats, and civil war veterans had to yield to "experts." The top party leadership had little to fear from all this, since it was clear that the party bosses would continue to monopolize all key government posts. But at the lower levels in factories and countryside, a mass of petty CCP officials who had in effect been managing (or mismanaging) plants and collective farms, had to be junked and thrown into the labor market to fend for themselves. The factories had to be managed by qualified experts, and not by raving Maoist ideologues, Deng argued. The 1966-76 Red Guard generation also had to be junked, since Deng, given his personal tribulations at their hands, understandably had no use whatever for them.

### 'Revolutionary' pragmatism

And what do the CCP revolutionary cadres look like today? When Adi Ignatius of the *Wall Street Journal* visited a working-class family in Nanking, a local party official dropped by to check up. The official was in effect the block-watcher of the family's *danwei* or residential unit. But this CCP cadre is no longer a fire-eating ultra-left Red Guard or Gang of Four extremist, waving a copy of Mao's *Red Book*, nor yet a traditional rubbery Marxist-Leninist centrist apparatchik hack.

The CCP is now represented by one Lao Chen, "the local busybody," a woman "with fat arms and thick tortoise-shell glasses," and a set of "gleaming" false teeth. Lao Chen wages a fierce struggle against the imperialist bourgeoisie through evening visits to families to lecture them about government policy, including Deng's malthusian one-child family planning, and to reconcile family quarrels. According to Lao Chen, "there are no secrets here. Everybody in the neighborhood knows everything about everyone else." Lao Chen's revolutionary mass line is to demand that families of her *danwei* struggle sharply and protractedly—to pay their bills each month!

The result is that the 40 million-member CCP is not supposed any longer to regulate the details of everyday management of companies, but rather to devote itself to ideological work. But if the CCP's job is ideology, that ideology is universally scorned and totally meaningless. It is seen as a waste of time, something that interferes with the efficient functioning of work units. The CCP as a revolutionary organization has under Deng become totally redundant. Its previous belief structure is totally discredited, and the only thing that keeps it together is the exercise of raw power and the fanatical commitment to hang onto such power, since all other integument is gone. The CCP is simply a cartel of vested interests held by a small minority of mainland society, and if it were ever out of power, it would simply cease to exist.

## 'New line': chaos, corruption

*The China News, an English-language daily appearing in Taipei, offered the following comments on the mainland situation in an Oct. 14 editorial entitled "New Line." Extracts follow.*

But suppose the Communist dragon's flame really is going out? Almost every day new reports of unrest, chaos, and disorder surface. The mainland economy is in a shambles. Runaway inflation and banking problems have driven the party to slow down Deng's much-ballyhooed new economic policies and send them scurrying to find a scapegoat for failure.

Waves of crime and anarchy are reported in the streets. In the halls of what passes for "government," corruption is rampant, with Communist functionaries falling over each other to see who can grab the greatest amount of graft the quickest. Even Deng's own son stands accused of looting welfare funds and state corporations.

Out in the border provinces, a reported gold rush has sent thousands raging through the countryside, destroying farms and looting villages, apparently unchecked by the so-called government which is supposed to have monolithic power and control. Bankers and businessmen in Hong Kong report fear that the capitalist colony's economic infrastructure may be destroyed before the scheduled turnover—by fast-buck, profiteering Red Chinese bureaucrats carrying suitcases full of state capital (translate that as tax money).

After this much time, it's hard to seriously consider the dream of a generation that came here with President Chiang Kai-shek—that the Communist rebellion would collapse and clear the way back home. Even President Lee Teng-hui talks in terms of the Chinese nation as a state of mind, rather than a geopolitical location. Some cynics even suggest there are Westerners, and Chinese, who are uncomfortable with the idea of one-China-one government. Particularly if it is the Republic of China government.

But what if the Communist regime really is collapsing? Would it not be utter folly to form liaisons or consortia to prop it up? Should the R.O.C. breathe life into a dying monster so it can form a coalition with killers—just to prove to the world how civilized, reasonable, and cooperative we can be?

There are any number of barometers of these developments. Marlboro, Lucky Strike, and Kent are the most sought-after brands of cigarettes. Coke is going for 50¢ for a small bottle—and the ghost of Mao is one troubled spirit. The *People's Daily* has to complain that its readership is in sharp decline. *Red Flag*, the CCP theoretical organ, has simply been junked along with so much of the other ideological baggage. In fact, the CCP now avoids any theoretical discussion whatsoever. One distinguished observer has compared certain CCP organs to the Societies for the Protection of the Emperor in the late Ching dynasty, say about 1910, who were so spent and exhausted that they had no arguments to put forward. The CCP is reduced to sniping at its opponents. The CCP of the 1980s, to coin a phrase, is a paper tiger.

The CCP today is based on pragmatic socialism, or what Deng has defined as “socialism with Chinese characteristics.” The question naturally arises as to what such characteristics might be. “We don't have any preconceived ready answers,” said Hu Yao-bang in his 1984 speech marking the 90th anniversary of Mao's birth. “Practice is a great school,” argued Hu in that same appearance. “Practice is the sole criterion for testing truth,” goes a popular slogan of the CCP cadres. Post-Mao orthodoxy says take one step, and then decide on what the next step is to be. If that is the case, why does China then need the CCP, and not some other party? At this point the CCP falls back on Deng's Four Cardinal Principles: the leadership of the Communist Party, the socialist road, the dictatorship of the proletariat, and Marxism-Leninism-Mao-Zedong Thought. Upholding these principles is the essence of opposing “bourgeois liberalization.” All of this amounts of course to an unprincipled argument for staying in power at all costs.

Deng's other *vademecum* is his Four Modernizations, touching industry, agriculture, defense, and science-technology. More than one observer, including some friendly to Deng (see for example, Charles Burton, “China's Post-Mao Transformation,” in *Pacific Affairs*, Fall 1987), has pointed out that Deng's Four Cardinal Principles and his Four Modernizations are totally incompatible and contradictory. That is, of course, the conclusion that must be drawn from the crisis now exploding.

Totalitarianism and the insane quest for world domination are not a good development strategy. Many mainland Chinese are reasoning that if practice is the sole criterion for testing truth, the fact that the CCP economic reform program is disintegrating, shows that the party has no access to truth and no concept for developing China.

## **Influence of Taiwan**

It is thus no exaggeration to state that if free elections were held in mainland China tomorrow, the Kuomintang would win the absolute majority. Today an urban working-class mainland household in which both husband and wife have jobs can perhaps hope for a monthly income of U.S.

\$50. University deans, whose position has still not been restored from the ravages of the Cultural Revolution, must get along on \$30 per month. On Taiwan, any unskilled laborer can immediately earn more than \$350 per month by getting a job working on any of thousands of assembly lines. When the Kuomintang retreated to Taiwan, the per capita income was less than \$150. The 20 million Chinese on Taiwan enjoy an average per capita income of \$6,000, which is several dozen times that of the mainland. Taiwan's foreign trade is in excess of \$100 billion per year, much of it funneled through the southern port city of Kaohsiung, which is one of the 10 busiest harbors in the world. The R.O.C. has virtually no unemployment, but rather has 300,000 jobs going begging, which are beginning to attract guestworkers from the Philippines and Thailand. As seen at the recent Taipei International Electronics Fair, the R.O.C. firm Acer is beginning to challenge IBM and Compaq in certain areas.

In sum, Taiwan is the most prosperous province in over 5,000 years of Chinese history. And although trade ties to Japan are intense, Taiwan's economic progress can in no way be regarded as an automatic reflex of the Japanese economic miracle. Mere proximity to Japan means nothing, as the contrasting cases of the Philippines and Thailand demonstrate.

With the recent relaxation of R.O.C. rules on mainland visits, some of the 600,000 soldiers who followed Generalissimo Chiang Kaishek to Taiwan in 1949 are now returning to the mainland for the first time to visit families and the graves of their ancestors. The people they meet on the mainland are astounded to find that these veterans, many of them from humble occupations, are able to bring with them color television sets, refrigerators, washing machines, and other consumer goods which cost the equivalent of a year's salary or more on the mainland. Many mainlanders are beginning to wonder why they have so long tolerated an oppressive regime that cannot deliver the goods. Similar conclusions are being increasingly drawn among the 5.7 million inhabitants of Hong Kong, the British colony that London has agreed to hand over to Beijing in 1997. With nine years left to go before the Reds take over, a serious “brain drain” out of Hong Kong has already developed, involving the flight of professional people, skilled workers, and anyone else who can afford to get out and buy a residence permit in a free world country.

Speaking in Taipei on Oct. 10, the Kuomintang's “Ten-Ten Day” national holiday commemorating Dr. Sun Yat-sen's 1911 overthrow of the last Manchu emperor, R.O.C. President Lee Teng-hui repeated the Kuomintang's policy of promoting the reunification of China on the basis of Sun's Three Principles of the People (national sovereignty, democratic republic, and economic development). The R.O.C. is currently embroiled in a highly emotional political debate about how this policy is to be pursued.

One obvious option for Deng is war, an external adventure to deflect attention from his economic failure. Deng

stated on Jan. 16, 1980: "Taiwan's return to the fatherland is one of the three major tasks of the 1980s." From Jan. 1, 1979 to Sept. 1 of this year, P.R.C. government officials have repeated the threat of invading Taiwan on at least 84 separate occasions. To be militarily feasible, a P.R.C. invasion would depend on thoroughgoing subversion of the R.O.C. in advance of a formal attack. But this is precisely what one would expect from the heirs of Mao and Lin Piao, who, although

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*It is no exaggeration to state that if free elections were held in mainland China tomorrow, the Kuomintang would win the absolute majority. Today an urban working-class mainland household in which both husband and wife have jobs can perhaps hope for a monthly income of \$50.*

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failures at nation-building, have generally been more adept at armed aggression.

The next two to three years will decide whether Beijing or Taipei will govern China in the next century, and the outcome will touch every human being on this planet.

### **Chaos behind the Bamboo Curtain**

Deng Xiaoping's "Open Door" economic policy can best be understood as a cunning policy of primitive accumulation against the Chinese population, in order to procure hard currency needed for technology to promote a limited modernization of the P.R.C. economy, especially in the military sector. Deng started by creating coastal free enterprise zones modeled on Hong Kong: Here sweatshop labor under speedup conditions plus child labor exploitation could produce for export. Many of the firms were joint ventures with Trust-linked foreign investors. In 1985, private companies with more than eight workers were allowed for the first time. Wages in the zones could be kept down by "market forces," that is to say by liquidating enough state companies and firing enough employees of others in order to keep a permanent reserve army of jobless at the gates of free enterprise cities like Shenzhen, on the Hong Kong border in Kwantung province. The regime would keep the price paid to farmers for grain and rice low, gouging the peasantry to keep food cheap for the sweatshop workers.

An integral part of Deng's scheme was the coexistence

of a dominant state sector with a subsidiary but considerable private sector. These were to be linked by a two-track pricing system. On the one hand, goods produced as a matter of obligation to the Communist state under the compulsory state plan quotas would be transferred according to low, fixed prices. Goods produced over and above the plan quotas could trade at free market prices. The coastal enterprise zones had even more leeway, with Kwantung enjoying a margin of 20% above or below the state price on 1,000 basic commodities.

The obvious problem posed by the two-track price system is the very great temptation for individuals, including impoverished government officials, to acquire goods at low state prices, and then sell them on the speculative free market, pocketing the difference. And sure enough, Deng's scheme has indeed turned out to be a recipe for monstrous distortions.

### **Grain wars, commodity speculation**

The first is that under conditions of food scarcity, the high-price coastal enterprise zones are attempting to buy up the grain, rice, and sugar available in the interior, starting a grain war among the provinces. Private and official traders and speculators from coastal Kwantung, Fukien, and Kwangsi have been showing up in inland Hupei, Hunan, and Kiangsi, virtually denuding the latter of food stocks.

In mid-October, Beijing Commerce Minister Hu Ping expostulated that the country "must absolutely end profiteering, speculation, and hoarding and stop the grain wars." Hu announced that rice was henceforth under the control of the state grain department, making it illegal for traders to buy rice directly from farmers. The speculators were quick to find a way around that one: They appealed to the greed of state-sector officials. On Oct. 21, the *People's Daily* complained that four state-owned companies in Hunan had conspired to send 1,000 tons of rice and corn to Kwantung against payment of high, free market prices, in defiance of orders from Beijing.

In theory, Beijing could raise the grain price to a parity level, but that would mean less chance to accumulate against the farmers. Zu Qiren, an official of the Beijing State Council's Research Center for Rural Development, acknowledged that 1988 "is the fourth consecutive year the harvest has not reached the 1984 record." He described low production as "a form of passive resistance by our farmers against the low prices" set by the state. He described self-defense measures by the poorer food-producing areas as follows: "For them, self-sufficiency is paramount. So they took measures like banning the carrying of grain in freight cars out of the province, forcing traders to use lorries, which is more expensive."

Beijing authorities are also reluctant to attempt to buy grain on the world market, even if they could find it, because they are reserving their precious foreign exchange for purposes more germane to their imperial theme. Another obvious way for profiteers to beat the system is to take advantage of the ability of the coastal zones to keep all the foreign



exchange they earn by exporting. Other parts of the country must pay Beijing 20% of their foreign exchange earnings. The solution: Transfer your goods to a company in the zones before exporting, pay off an official of that company, and then keep 100% of the foreign exchange.

Even more remunerative ways of beating the Deng system involve straight commodity speculation. The *People's Daily* recently attacked the management of one state factory in north China which totally halted production and laid off all its workers, and then held a party for management to celebrate increased profitability. The secret of the plant's success was to procure tons of its principal raw material, polythene, at low state-sector prices, and then sit tight. Since the price of polythene has been rising at more than 100% per year, reselling the chemical after many months was far more profitable than using it to make goods.

Similarly, in north China's Hopeh province, party officials and civil servants in an area that traditionally grows medicinal herbs have left their offices to speculate in the market for the herbs, which are in short supply. According to other mainland media, "bureaucrat profiteers" have disrupted industries that need steel and aluminum, by illegally buying huge amounts of these materials at the "back doors" of state-sector supply bureaus at the low fixed price, and then selling them on the speculative free market. One result is that state plants needing these commodities cannot procure them. This is the realm of the "briefcase companies," many run by officials of state-sponsored trading groups. Using their political connections, some of these officials have attempted to corner the free market on certain commodities, establishing virtual monopolies in their supply.

The New China News Agency has cited the example of an Army paratroop officer who entered the "wholesale business" by using military trucks and an Army warehouse to hoard illegally \$540,000 worth of raw silk as a subcontractor for a south China private company. Silk is supposed to be a state monopoly in the P.R.C.

### **Unraveling of the social fabric**

The "socialist commodity economy" boom town of Shenchen has seen the influx of some 300,000 migrant workers, attracted by wages of over \$50 per month, in contrast to the mainland average of about \$20. Nine female workers of one large electronics factory are living in a small room of 22 square meters, according to Cinty Li of the Associated Press. In a factory making silk flowers, 12-year-old girls work 15-hour shifts, and sleep two or three to a bed in a tent that serves as a dormitory. Promiscuity and prostitution are widespread among the female workers, who heavily outnumber the men working in Shenchen. Unwanted pregnancies are increasing. This has upset the "one child per family" malthusian bureaucrats of the CCP. According to Thomas S.S. Dunn of the *Free China Journal*, "the meddling Marxists are actually keeping such close tabs on the menstrual cycles of 250,000

women workers in Shenchen on the Hong Kong border that the women can only obtain sanitary napkins through a government accounting office."

Dunn also points out that within a few years, there may be no universities left on the mainland, with grim implications for future scientific and technological development there. Professors and other intellectuals were labeled "the stinking ninth category" during the Cultural Revolution. Currently a university professor has to teach for two years to earn 3,000 JMP (about \$750), which is what a taxi driver can now earn in a month. Medical doctors are not much better off. Some professors are making ends meet by moonlighting as waiters. More and more faculty wives are running off with wealthy taxi drivers and affluent hotel bellboys, says Dunn, citing reports in the *Hongkong Mirror*.

Beijing Public Security Minister Wang Fang has called the attention of the government to the unraveling social fabric, including growth in gambling, prostitution, pornography, violent crimes, and economic crimes. According to Wang, the cause of these problems is the "corrosive influence of decadent bourgeois ideology in culture and lifestyles."

But foreign capitalists are also not happy. U.S. Assistant Secretary of Commerce James P. Moore, Jr. told Beijing journalists over a Worldnet hook-up that U.S. investors are worried about "tariffs increased overnight" and about the "uncertainties, confusion, and disincentives that exist for a lot of U.S. businessmen dealing with China." He gave examples of one U.S. investor who completed a plant on the mainland and was then told that the products could only be sold in a limited part of the country. Another exporter was surprised by a 350% increase in tariffs involved with his product when Beijing signed a joint venture deal with one of his competitors.

As of mid-October, Beijing Finance Minister Wang Bingqian was dispatching 27 special teams of red "G-men" into the provinces for a four-month mission of combatting graft, corruption, and "financial irregularities." The snoopers' orders are "to expose big scandals and punish severely those who are found guilty, 'no matter who they turn out to be."

But on Oct. 23, *People's Daily* reported that inspectors from the National Industrial and Commerce Bureau in Beijing sent to probe profiteering and speculation were being surrounded by speculators and severely beaten up, with the perpetrators escaping punishment. Alternatively, inspectors were being regaled with banquets, gifts, and bribes. The CCP has expelled some 25,000 members, one-third of them for various economic crimes. Some 306 high-ranking Reds were purged for what the CCP called "serious bureaucracy," a euphemism for disobeying and sabotaging orders issued from Beijing.

On Oct. 14, Zhao Ziyang proclaimed that the public would no longer tolerate profiteering: "There is some corruption among party and government workers . . . this is one of the problems the people resent most," he announced.

## Corruption at the top

Accusations have been raised even against the family of Deng, who once said that "to get rich is glorious," thereby consciously or unconsciously quoting Nikolai Bukharin. Too bad for Deng that he is not as good at economic policy as he is at bamboozling the Russians.

On Oct. 15 the *People's Daily* announced that a large mainland corporation had been ordered to cut its links with a welfare fund for the handicapped headed by Deng's son, Deng Pu-fang. The younger Deng has been paralyzed since being thrown out of a window by Red Guards during the Cultural Revolution. The Kang Hua Development Corp. was told to stop all dealings with Deng Pu-fang's China Welfare Fund for the Handicapped. Kang Hua Development Corp. is a state-run investment and development concern which controls over 200 mainland facilities. According to Hong Kong press reports, Kang Hua officials have been using their ties to Deng's welfare fund to obtain illegal tax privileges and abusive import permits. *People's Daily* said that Kang Hua will lose tax privileges, be forced to close its Hong Kong office, and be banned from further middleman trading. Kang Hua was also ordered to stop selling production materials that are not directly necessary for its production lines. It is widely reported that Kang Hua was profiteering in imported and scarce materials.

Rumors persist in dissident circles that the entire top CCP leadership, including Deng, are the holders of large bank accounts in foreign banks.

## Famine looms

On Oct. 28, the *China News* and other Taipei papers reported a series of extraordinary statements made by top Communist Chinese authorities and diffused by official Beijing news organs. The most dramatic of these was the admission by the Peking Ministry of Civil Affairs that 80 million P.R.C. citizens are facing famine in the coming winter. According to Peking's official English-language *China Daily*, which printed the report, the Ministry of Civil Affairs had identified 60 million Chinese as facing serious food shortages, with an additional 20 million in the countryside described as "facing possible starvation."

The *China Daily* account attributed the cause of the looming famine to crop damage caused by frost, drought, and floods that struck eastern China during the spring and summer of this year. The famine victims are said to be concentrated among peasants in rural areas in northeast and southeast China. The *China Daily* said that the Peking government has allocated "more than \$10 million" from a special relief fund to avert widespread food shortages in these areas. This is less than a drop in the bucket.

The Peking government shows no sign of any serious effort to halt death by starvation in the afflicted areas. Quite the contrary. In a speech made to CCP cadres at the end of September and quoted on Oct. 27 in the official Peking press,

Communist Party Secretary General Zhao Ziyang stated that "it would not be wise for China to import large amounts of grain at this time."

Zhao reported that, whereas the official target for the grain harvest had been set at 410 million tons, that figure would not be reached. Worse, said Zhao, this year's total could be less than last year's 401 million tons. Some months ago, Lyndon LaRouche ventured the prediction that, if faced with serious food penury, the Peking leadership might respond by writing off 200 million P.R.C. inhabitants, consigning them to death by starvation. Zhao's remarks are a confirmation that this is, indeed, the Peking policy.

In the course of that same late September speech to CCP cadres Zhao openly admitted that the current economic crisis in China has opened the question of whether the CCP can stay in power. According to Associated Press, Zhao stated that the Communist Party's ability to rule will be measured by whether it can significantly reduce inflation next year. According to the same version, Zhao also warned the party that if widespread corruption among public officials is not ended, "we'll lose the support of the people."

According to the Reuters version of Zhao's speech published in the *Hongkong Standard*, the Communist Party boss says that "the government must see to it that inflation next year is conspicuously lower than this year." "If the rate goes above double digits, social and economic stability could be affected. A series of measures will be taken to stabilize the financial situation and control the money supply." Note that Zhao is conceding that inflation might rise above 100%. Recent press accounts have now confirmed that P.R.C. retail prices in August stood 40% higher than in the same month a year before. Grain, pork, sugar, and eggs are currently rationed in larger P.R.C. cities.

In a desperate bid to stave off unrest among urban workers who have been hit the hardest by Dengism, Yuan Mu, spokesman for the State Council, announced wage increases for industrial and office workers sometime next year. Yuan could not say when the wage increases would come, or how much they might be. At the same time, he hinted that prices for agricultural products, including rice, would be raised slightly. This is a sop to farmers, who have been suffering under low state prices for their grain quotas.

At the same time, Trust-linked foreign investors in the P.R.C. have been stunned by the Peking regime's admission that it may cancel contracts for joint ventures with foreign partners. Wang Zhaoguo, governor of the province of Fukien, said in late October: "With regard to Sino-foreign joint ventures on which contracts have been signed, we must honor these contracts - with the exception of a few." These remarks, which call into the question the sanctity of contracts and contradict earlier P.R.C. assurances that Peking would meet all its obligations to foreign parties, have terrified foreign investors. A number of joint ventures are already being reported as canceled.