

## China Report by Michael O. Billington

### **New diplomacy, but economy crumbles**

*Beijing is taking full diplomatic advantage of the vacuum left by the Soviet collapse and U.S. economic weakness.*

**W**ithin a single week at the end of January, the communist butchers of Beijing expect to establish formal relations with the Anglo-American outpost of Israel, provide the keynote speech for one of the capitalist world's leading economic forums, and de facto reestablish relations with the United States. Meanwhile, China is rapidly expanding its influence throughout Asia, moving into the gap left by the breakdown of the Soviet Union and the depression collapse in the United States.

Israeli Foreign Minister David Levy will be in Beijing on Jan. 22, making official the longstanding relationship between the two nations based on extensive illicit arms and drug trafficking. Prime Minister Li Peng, who has over the past months strengthened his position dramatically in the Chinese leadership, will depart after the Israeli meetings for a tour of Italy, Portugal, Spain, and Switzerland, where he will speak at the opening session of the prestigious Davos World Economic Forum. From there, Li will fly to New York for the special meeting of the heads of state of the members of the U.N. Security Council.

This meeting, called by British Prime Minister John Major in an attempt to deal with the mounting resistance to the "shock therapy" being imposed on the newly freed Soviet bloc nations, has provided a convenient basis for President Bush to sit down with the man best known for carrying out Deng Xiaoping's order to massacre the demonstrators on Tiananmen Square in June 1989. Bush has an-

nounced that he will also meet privately with Li while in New York, a step that he may regret in this election year.

Bush knew that he could not get away with inviting Li to the U.S. himself, since the ever-increasing repression in China continues unabated in the full view of world opinion. He and Major have therefore used the indirect approach, both by approving the Israeli moves, and by using the guise of "U.N. business" to facilitate the private Bush/Li meeting. Bush is effectively returning the United States to pre-Tiananmen relations with China. The administration conveniently dropped trade war threats against the P.R.C. the week of Jan. 13, after an orchestrated showdown ended in a last-minute agreement.

China is taking full diplomatic advantage of the Soviet collapse and the increasing public recognition of the bankruptcy of the U.S. economy. Following Li Peng's successful trip to India last month, President Yang Shangkun traveled to Singapore and Malaysia. Arriving in Singapore with 20 high-ranking officials immediately following George Bush's visit there, Yang made no objection to the Bush announcement that the U.S. would move its naval command center to Singapore, located on the strategically crucial Malacca Straits. In Malaysia, however, Yang gave lip service to Malaysia's public opposition to U.S. attacks on national sovereignty under the guise of environmental or human rights concerns. China is playing it both ways.

The most foreboding diplomatic event was the eight-day visit to China

by the former Warsaw Pact Commander Marshal Viktor Kulikov. Kulikov, supposedly gathering material for a book on Soviet World War II casualties in China, met with People's Liberation Army Chief of Staff Gen. Chi Haotian and other military officials. General Chi had spent several weeks in the Soviet Union immediately preceding the attempted coup in August last year, meeting with those who were to lead that failed effort. The Chinese have made no secret of their preference for a return to the good old Stalinist days in Russia.

While the diplomacy escalates and Beijing officials maintain a public posture of stability, several public pronouncements on the actual state of the economy have reached the pages of the Hong Kong press, revealing that it is rapidly following the pattern of collapse seen in both the Soviet and the Anglo-American empires.

Yao Yilin, associated with "hard-liner" Chen Yun, debunked the claims of economic progress during the past five year plan. Pointing to the crucial state sector of medium and heavy industry, Yao revealed a 2.9% decline in production and a 41.7% collapse in profits. He said there was a \$7 billion fall in state revenue (state sector industry provides 80% of China's tax revenue).

The daughter of Deng Xiaoping, Deng Nan, an official in the State Science Commission, told a conference that there was no reason for optimism over the state of the economy. She revealed what many suspected—that the unemployed rural work force is now 150-200 million!

The official *China Daily*, meanwhile, admitted that 21% of Chinese children suffer from illnesses due to malnutrition. In nine of the neglected inner provinces, nearly half the children are anemic and one-third suffer from rickets.