

# China faces breakup, internal report warns

by Mary Burdman

An astonishing internal report, printed by the Academy of Sciences, is now circulating in China. The report warns that, after the death of Deng Xiaoping, China could break apart as did Yugoslavia, unless the central government moves rapidly to halt the rise in regionalism, according to Agence France Presse, which has obtained a copy. The report warns of a power struggle between Beijing and the provinces, and among the provinces, after the death of Deng. The 86-page report, "Strengthening the Central Government's Leading Role Amid the Shift to a Market Economy," was written by two members of the academy, Wu Angang and Wang Shaoguang. The report was distributed to "government leaders and senior lawmakers," AFP stated, who are already relying on its analysis and putting suggestions into effect. According to Hong Kong observers, parts of the report, which first came out in May, which focus on the financial problems of the central government, have already been published by the official Xinhua news agency, although Xinhua blacked out the authors' starkest warnings.

## Another Yugoslavia

The report states that "until now, policymakers have not realized the danger of the central government's rapid decline of power, or they have, and have come up with no effective way to halt the trend. If a 'political strongman' dies, it is possible that a situation like post-Tito Yugoslavia will emerge. In years, at the soonest a few and at the latest between 10 and 20, the country will move from economic collapse to political breakup, ending with its disintegration."

The report contends that the weakening of Beijing's economic control is the "fuse" for the crisis in China, rather than ethnic divisions such as those which supposedly divided Yugoslavia, AFP reported. So much state revenue is being withheld from Beijing by the regional and local governments, that China now has a "weak center, strong localities" situation. Despite the growth of the Chinese economy, by the year 2000, state revenue would account for only 11.3% of Gross National Product, about one-third the amount it was in 1978.

Most astonishing is that Wang and Hu contend that Beijing has given too much power to the provinces since the

reforms which were initiated by Deng in 1978, and especially since the all-out drive toward a market economy began last year. This analysis amounts to a direct criticism of Deng, who personally initiated the move to the market in his famous trip to the "model" Special Economic Zone, Shenzhen, in January 1992.

"A market economy," the authors wrote, "does not mean an end to government interference."

There is no question of the report's authenticity, or its accuracy. The Chinese press has been warning for the past several years that the central government is facing bankruptcy due to both loss of regional financial support and the shrinkage of state sector industry.

Chinese banking officials, according to AFP, report that Executive Vice Prime Minister Zhu Rongji has admitted that the central government was on the verge of bankruptcy before he imposed his economic control program in early July. "Zhu said in a recent speech that at the worst moment, the central coffers had only tens of millions of yuan left. It was to the point where Beijing did not even know if it could pay wages," the officials said.

The report calls on Beijing to overhaul fiscal policy, especially the "severely flawed" taxation system, which is causing Beijing to lose more than \$17 billion a year in revenue. Every year, Beijing has to negotiate how much of the tax revenues it gets from the provinces. The report calls for separate national and local taxes, which would greatly reduce local financial power.

An article published in China's *Economic Daily* recently outlined the severity of Beijing's problems. From 1981 to 1992, China's deficit has risen *tenfold*, from \$442 million to \$4.1 billion—and that figure does not take debt into account, *Economic Daily* reported. This would push the deficit up to \$16 billion, or 3.8% of GNP in 1992, "much higher than the deficit in many industrialized nations in the West." Vital national functions are being curtailed because of the financial problems, including in the areas of defense, development of infrastructure and transport, education, public health, and science and technology. In addition, the ability of the central government to "macro-regulate" the economy "has become fragile," the article states. The key to this crisis is the taxation and financial system. The article contrasts the Chinese government's share of national revenue with Japan, where the central government financial department's proportion of the country's total revenue is 70%.

## Is Deng still there?

The very fact that the report exists raises another important question about China: In what condition is Deng Xiaoping? Every indication is that something like the "rule" of former Soviet leader Konstantin Chernenko in 1984 is now occurring in China. Deng, who turned 89 on Aug. 22 without appearing in public, has not been seen since his appearance in Shanghai in January. Deng had also not made the annual

pilgrimage made by all of China's top leaders to the seaside resort of Beidaihe this year. There were a few newspaper references to his birthday; instead, the activities of President Jiang Zemin were prominent on the front pages that day. In addition, his daughter, Xiao Rong, has just published a much-touted biography of Deng, with accounts of his associations with other Communist Party leaders and international figures, which is being distributed throughout China. Publishing such a biography of a living leader is tantamount to sacrilege in Chinese Communist practice. Xiao Rong, during a reception in Hong Kong for the local publication of her book on Sept. 17, made a point of stating that Deng is "in good health and wishes to visit Hong Kong" after China resumes sovereignty in 1997.

Deng is not the only "disappeared"—nothing has been reported of Chen Yun, 90, his most prominent conservative opponent among the "Gang of Ancients," for many months.

### China's unity

Whoever is ruling, or attempting to rule China, national unity is of top priority. British strategists have been publishing books predicting the breakup of China for a century, yet Chinese unity has survived the British Empire. Even during the brutal "warlord" period of the 1920s and early 1930s, every warlord of any power at all asserted that it was his mission to unify China; Chiang Kai-shek was only prevented from doing so by the Japanese invasion and 12-year war against the then-Republic of China. The Chinese are closely watching the situation in Russia and the other former East bloc nations, knowledgeable observers report. Since the dissolution of the U.S.S.R. in 1991, internal Chinese papers have focused on how to prevent disintegration in China.

If it was Deng's mission to maintain Chinese unity, however, he has failed. Convinced that the Soviet Communist Party had been too far divorced from both the Army and business interests, Deng took measures attempting to prevent similar developments in China by allowing CP officials to set up businesses. However, rampant corruption among party officials has been so bad that the attempt has backfired, and forced the party to launch a nationwide drive against corruption in an attempt to hold on to power. CP control over the military, the fundamental basis of communist power both before and after the 1949 revolution, has apparently been maintained, Chinese observers state, although it is difficult to tell what will happen in the future.

In the face of Deng's failure, his critics have another proposal. Wang and Hu, who were reportedly both educated at Yale University, call for China to adopt a U.S.-type federal system that would enable the central government to deal with the provinces, and to create a legal framework for handling conflicts of interest between Beijing and the provinces. The provinces should be allowed voting rights and veto power to participate in central government policy, but Beijing should retain final veto power, they proposed.

## NATO in Balkans would be a disaster

by Srecko Jurdana

*Srecko Jurdana, journalist and military specialist for the two main Croatian daily newspapers, Vecernij List and Slobodna Dalmacija, made the following remarks to EIR's Paolo Raimondi on Sept. 22. Jurdana is known in Croatia for his precise analyses of the geopolitical moves behind Serbia's war of aggression, and for his criticisms of the political and military decisions taken by the government of President Franjo Tudjman since July 1991. See EIR, Feb. 19, 1993, p. 36, and June 25, 1993, p. 27, for some of Jurdana's previous analyses.*

The recent military operations in the field in Croatia have demonstrated the weakness of the Serbian army, an army which is poorly motivated, ill-prepared, and structurally weak. They have good weapons and artillery, but they lack people. As I predicted before, they would not have been able to resist a systematic, simultaneous offensive both in Croatia and in Bosnia. And this is also relevant as a proof, because it is clear that a one- or two-week-long air attack from NATO forces, if they had intervened in that way, would have produced the same result. The recent operations [between Serbia and Croatia] were just a half-offensive, just an artillery exchange on an equal basis, and have already produced a total Serbian defeat in two days. Had we been able to continue the operation, also with the deployment of infantry, we would have won back our territories currently occupied by the Serbs—definitely the Knin and Krajina regions, but maybe not eastern Slavonia, directly on the border with Serbia.

But as it has happened before, the U.N. Security Council promptly prevented the Croatians from continuing. All of Serbia's allies put pressure on Croatia, and allowed the Serbs to maintain the occupied territories under the pretext of the Vance plan, which has produced the presence of the Unprofor [U.N. peacekeeping forces] in Croatia—a ridiculous plan which has only protected the Serbs.

Should Croatia obey the U.N.'s orders and retreat? Note the speed with which the 500 Canadian U.N. troops have been sent into Lika: It took only about 24 hours, proving that they can deploy very rapidly when they want to. The French commander of this contingent immediately allowed the Ser-