

China: Set to Advance Beyond Technocratic Semi-modernization

The tempestuously unfolding economic reforms which were introduced in the late 1970s in China were accompanied by rapid social change. These changes as a whole are undoubtedly of global historical importance and the economic and political consequences which arise from them are considered to be one of the most significant challenges for the coming century by many persons in positions of responsibility in the West.

Unnoticed by the general public at the time, a few peasants in a village in the south of China one winter night at the start of 1978 divided up the hitherto collectively cultivated land among themselves. This move, which was not only tolerated from above, but expressly accepted, marked the beginning of unprecedented reforms and the abandonment of the planned economy which had dominated the People's Republic of China since its foundation in 1949. The rules and principles of a market economy have not by any means been adopted in all areas and sectors, yet even to date China's economic successes, within a relatively short period of time, are astonishing. Just a few figures to illustrate this: from 1979 to 1997 gross domestic product grew year on year by an average of 9.8 percent, from 1990 to 1997 growth even rose to an annual average of 11.6 percent. That represents top international performance. In the order of states with the highest gross national product, China ranks already as number seven. Its share in world trade rose from 0.75 percent in 1978 to 3.4 percent in 1997. This makes it one of the ten leading trading nations in the world. Economically, China is considered in the world trade organizations and the world financial institutions to be one of the most important countries in the world. Thus it is no surprise that in 1998 China was once again the second most important investment country after the US, with foreign capital flowing above all into joint ventures and into the Special Economic Zones. »Since the end of the

1970s, China has been the fastest growing economy in the world and it will most likely have caught up with the US by 2025,« the former German ambassador to Peking, Konrad Seitz, commented recently. The talk is of a »Chinese miracle« and to concern oneself with China has become fashionable.

Limits to Gradualism

In contrast to the land-slide changes, even collapses of the old systems and structures in the former Soviet Union (a real shock experience for the Chinese communists), the Chinese attempted to tread the path of gradual change in their development. It began with the reform of agriculture which relied, to start with, on the especially stable and effective family structures in the countryside and the process was introduced on a trial basis in selected poor rural areas. Thereafter, the experience which had been gained and the successes which had been achieved, which soon led to an improvement in the general supply situation, were to be applied to small businesses and the much more difficult industrial sectors, to urban areas and also to those regions which were disadvantaged by their lack of natural resources. As Deng Xiaoping expressed it, the procedure consisted of »crossing the river by feeling for the stones«. This motto revealed a very pragmatic orientation of the economic reform processes. An ideological dispute about dogmatic positions, an argument about socialism versus capitalism, was deemed to be unnecessary and pointless, indeed harmful. All sections of the population were intended to profit from the reform policy. The program was designated: »Growth with just distribution«. Political unrest and social conflict were seen not as a consequence of disparities in development but as their cause, with blame being placed

on damaging external influences. The process of economic and social change was to be led and accompanied solely by the dominant political force in China, the Communist Party. Parallel power structures were not tolerated and were to be rigorously opposed because they would inevitably lead to failure in reaching economic objectives, to instability and to the break-up of the country.

The increasing speed and depth of the reform processes have led to an escalation of the problems which the reformers had previously carefully sought to avoid. Now it has become apparent that the reform program was not a coordinated, planned act of transformation which was to take place at all levels of society. On the contrary, in the economic field the transformation took place rather on a trial-and-error basis, the process being by no means a »well-trodden path leading to a happy end« but full of contradictions and changes. Whether this represents no more than one of those fluctuations – repeatedly observed in Chinese history – in what is otherwise seen as a largely continuous development, or whether this is a deep social and political crisis is a matter of debate. A final judgment will no doubt have to wait for a future date.

The current problems are briefly described in the following sections.

The Growing Differences in Income

The economic reform process meant privatization and more market than defined by the concept of a statist socialist market economy. That meant that the Communist Party retained its monopoly of political power in all areas of the state and the economy. The result was that clever party cadres at all levels were the first to establish the most profitable private businesses in commerce, industry and the service sector. They were able to do this thanks to their good connections to the bureaucracy, which itself consisted of functionaries. They targeted consumer-oriented production above all. Often their businesses might still formally be state firms, but in fact they are privately managed. Thus many party functionaries, but also new technically and economically knowledgeable elites, belong to the top earners. Millionaires and multi-millionaires are no longer a rarity. In contrast, at least 100 million Chinese live below the poverty line.

The Private Drain of State Assets

Until the economic reforms, all enterprises were state-owned and at the same time departments of state administrative organs. With the reforms, ownership and management rights were separated, enterprises were to be given greater independence to increase their efficiency. The condition of the state enterprises in »important industrial branches and key sectors« (as stated recently in a communiqué of the Communist Party Central Committee) – that includes above all the textile, mining and steel industries – has in the meantime become one of the central problems of the Chinese economy. Despite well intentioned steps towards greater independent responsibility, the state-owned enterprises remained »property of the state« under the command of the Party. Their managers secured personal advantages and high incomes, particularly also in the context of privileges granted to the enterprises (e. g. waiving tax and transfer of profit obligations, settlement of deficits through subsidies and loans, preferential access to raw materials as well as low energy and transport costs). At the same time, the losses of the state-owned enterprises placed an enormous burden on the Chinese budget while jobs were lost despite the subsidies.

The Growing Number of Unemployed

The new moneyed elite is contrasted by a growing number of unemployed people. In terms which gloss over the real situation and which verge on the cynical, they are described in official terminology as »youha« (people contributing to optimization) or »xiangang« (people who have stepped down from their positions). When it was publicly admitted for the first time in 1979 that unemployment existed, they were called »daiye«, people waiting for employment. Prime Minister Zhu Rongji said about the growing problem: »The increasing number of redundancies in state-owned enterprises is a result which is profoundly connected with the deep-reaching contradictions of the economic growth of our country ... This is an inevitable phase in the course of reform and development«. The figures indicated in the official statistics (7 percent across the country and 3 percent in the cities for 1998) are a huge understatement.

ment; independent observers estimate that at least 180 million are unemployed or underemployed, in the cities alone they estimate an unemployment rate of 10 percent. For employees in state-owned enterprises, a very modest system of unemployment insurance has been in existence since 1987, the provisions of which vary greatly from region to region. But the financial payments lie clearly below subsistence level and are by no means sufficient even to secure bare survival. The earlier promise of the state to all its citizens of the »daily bowl of rice« is no longer being kept. This is leading to mounting social tensions, violent strikes and protests.

The Disparate Development of the Regions

The population of the urban coastal regions benefits far more from the economic reforms than many of the rural inhabitants. Rapid modernization and the many-faceted liberalization processes with their new perspectives, changed above all the living conditions in the urban agglomerations in the east and south of the country. The standard of living in the western provinces clearly lagged behind. It is estimated today that more than 60 million peasants are living in extreme poverty. The economic and legal development strategies have benefited the coastal regions. This has contributed to the growing conflict between the national minorities and the dominant Han Chinese. What is described by some observers as »internal colonization« could lead to a serious threat to the unitary state – always a nightmare in the historical development of China. It is not just the decentralization of the decision-making structures which has been set in motion that needs to be continued, but a federal restructuring of the centralized state could also become necessary as well. The reintegration of Hong Kong might be a promising experiment in this respect.

Migration and Migrant Workers

In recent Chinese history there have been many reasons to leave one's home and one's ancestors. War, poverty and wretched conditions as well as natural disasters were mostly responsible and sometimes it was also a sense of adventure. Today,

millions of people are once again on the move in their own country as migrant workers (above all as unskilled construction workers), craftsmen, traders and cleaners. Most of them come from the underdeveloped rural areas. They leave neglected regions and villages in the hope of a better life in the glittering cities. The Chinese are proud that they manage to provide food for 21 percent of the world's population with only seven percent of fertile arable land, but they have overlooked their own policies whereby conversely forty percent of all peasants of the world must labor for seven percent of the non-peasant population of the earth. Work on the land has remained hard, mechanization is low, yields are declining due to an increasing degradation of the soil and water shortages, the infrastructure is often lacking, conflicts due to unresolved land ownership issues are intensifying. Anger is turning against the bureaucracy which is still bloated and ineffective in many places (administrative reforms are only proceeding hesitantly). Thus in the meantime more than 100 million people are on the road in China and are pressing towards the cities. Here they increase the social problems of those who have become unemployed due to the lack of profitability of moribund state enterprises. The migrant workers are considered as illegals in every respect, without housing entitlement and claim to health care. But they exert downward pressure on wages and salaries, the average income of the losers in the economic modernization process is sinking dramatically.

Ecological Damage and Disasters

There have always been floods in the history of China and the effectiveness of Chinese emperors has been measured against their success in dealing with them. In recent times, the major river regions are flooded annually by exceptional floods and the destructive exploitation of natural resources is increasingly being seen as responsible. Erosion through rigorous deforestation, as well as soil which is becoming too salty and turning to steppe are on the increase. Urban settlement, new industries and the transport network are eating their way into the landscape without hindrance, favored by tremendous land speculation with no

conditions imposed to protect the environment. Natural resources are ruthlessly exploited, the last yuan is squeezed out of outdated production plants which have not been re-equipped to take ecology into account. Air and water pollution has reached levels which cause concern and Chinese cities have already become the most polluted on earth. Those in positions of responsibility still seem to proceed on the basis of the motto that there is »no development without pollution«. Thus the major ecological concerns about the gigantic Three Gorges Project, which is intended to control the catastrophic flooding of the Yangzi while promoting the economic development of the hinterland, are rejected.

The Main Problem: Omnipresent Corruption

Officials and mandarins who take bribes are well known to the Chinese from their history. But today corruption has penetrated all of Chinese society through all its pores. Because the modernization of China primarily means economic development (Deng Xiaoping's famously said: »It does not matter whether the cat is black or white as long as it catches mice«), it was followed by the development of a new system of values which was hitherto less important in Chinese tradition. Economic reforms under the leadership of the Communist Party, which remains unchallenged in the state, more than anything else turned power into an economic instrument. Party functionaries and bureaucrats on all levels responded to the unvarnished call to become rich (and thus to show themselves to be modern and progressive) primarily by »selling« the permits they had to grant. Of all the »collateral damages« caused by modernization, the population has become most angry about corruption. This triggered the hitherto most spectacular and then bloodily suppressed protest movement of 1989. Nobody has any illusions about the success of the fight against corruption despite public campaigns and harsh punishment (mostly of lower and middle-level functionaries). It cannot be fought effectively without an independent judiciary and without the strict separation of party and state structures.

Authoritarian Rule Reconfirmed

The increasing frequency of social unrest (in 1998 there are said to have been more than 25 000 public actions), the enormous economic problems in the privatization process of state-owned enterprises (transformation into stock corporations), the consequences of devastating floods as well as the effects of the Asian financial crisis have made the Chinese leadership reduce the speed of economic reforms and industrial reforms in particular. At the same time it is responding with mounting nervousness to workers' demonstrations, to civil rights activists who want to establish a new political party, to national independence aspirations which flare up every so often (the Uighurs in the north-west) and now also to the Falun Gong cult movement.

The party's claim to state leadership, but above all its ideological monopoly, was reinforced in March 1999 by the National People's Congress in the form of six amendments to the constitution. These demanded more than simple allegiance to the legal government. Alongside the foundations of Marxism-Leninism and alongside the ideas of Mao Zedong, the theories of Deng Xiaoping were also laid down as ideological reference points for state and society. The preamble of the constitution now also contains the words that the »initial stages of socialism«, in which China now finds itself would still last for a long time. The coexistence of public and private forms of ownership is expressly recognized.

It continues to be clear that modernization means economic reforms and technological transformation but that political and social changes are not on the agenda. That is another reason why the implementation of necessary additional areas of legislation are making slow progress while the economic laws demanded by foreign investors have been rapidly adopted. But a modernization strategy which includes all facets of society cannot succeed without establishing the rule of law in all areas of life. The reforms wanted by the state and party leadership have the objective of creating the so-called »post-social market economy«, the economic model aimed for is called »socialist market economy«, an economy in which the social needs and interests of the people can only be safeguarded by the power and ideological policies of the Communist Party.

So far, the political leadership has only understood that the *economic* system always encounters a crisis when it is no longer allowed to follow its internal laws of efficiency and profit but must obey political wishes and orders. It vehemently resists the insight that a rational economy together with modern science, medicine and technology will only survive in the long term if there is also qualified democracy. Even if divergent views are no longer rigorously pursued, any form of organized opposition is banned. In contrast, unrestricted consumption, new status symbols, a greater differentiation in society, luxury lifestyles, nationalism, the demonstration of military strength, severe action against internal trouble makers and the idealization of the unitary state are used as pacification instruments in the face of serious shortages, problems and conflicts in the socialist market economy which represents a technocratic semi-modernization. It is not surprising that many Chinese respond to these whirlwind developments with a crisis of consciousness, hoping for an increase in spiritual energy from the irrational promises of salvation peddled by new cult movements which see science as the root of all evil.

Renewal Movements

The economic reforms which were introduced in 1978 were accompanied by a certain liberation in the thinking bound by 30 years of Marxist dogma according to which socialism and capitalism were implacable enemies. Deng Xiaoping formulated it approximately like this: »The planned economy does not equal socialism, for capitalism too contains elements of the planned economy. Similarly, market economy does not equal capitalism and socialism can contain elements of the market economy.« This thought process represents an almost revolutionary liberation of forces, energies and ideas which had hitherto remained suppressed. The proverbial ant-like hard work of the Chinese and their modest way of life could now be rewarded through an ambitious entrepreneurial spirit. A hitherto suppressed desire to act on one's own initiative and individual self-determination inspired people, the hunger for consumption but also for education could be sated, the curiosity to travel could be satisfied.

Liberalization was not restricted to the economy but expanded into other areas of society (philosophy, science, art, music, literature, fashion) and noticeably changed people's lifestyles, particularly that of the young. Today, a second liberation of thinking is necessary if the social problems arising from political stagnation and stalled economic reforms are to be managed. Its course and its influence on the modernization of society will depend to a great deal on developments in the main intellectual currents in China. For theoretical debates have been an essential part of the political discourse throughout Chinese history. In recent years, five major intellectual currents can be identified.

Neo-authoritarianism

This current of thought started to develop in the early 1980s and is growing in political importance. In contrast to the authority claimed by Communism, which is linked to the theoretical argument postulating the need for a dictatorship of the proletariat, neo-authoritarianism argues for the free development of the individual, which, most of all however, means self-determination of lifestyles. The argument goes as follows: An authoritarian government is necessary to ensure that such liberalization benefits economic progress. Further economic liberalization is the necessary precondition for political and social change. The masses were still lacking an understanding of autonomy and most certainly of the necessity and benefit of social contractual relationships. Individual self-determination should not lead to chaos. Thus, each demand for rapid democratization had to be evaluated no differently from the historical experience of Mao's »Great Leap Forward« which ended in economic chaos after a gigantic waste of material resources and human lives. The necessary transformation of Chinese society is only possible in the context of political stability to be safeguarded by an authoritarian centralized state – in other words, reform from the top. It is obvious that Chinese neo-authoritarianism takes its orientation from the economic successes of the four »little tigers« in East Asia (South Korea, Taiwan, Hong Kong, Singapore) of which (after financial and economic crises as well as democratic changes)

the model of Singapore, whose rulers have Chinese origins, remains as an example today. This current of thought is most easily combined with the claim to power of the respective rulers – today with the Communist Party of China.

Criticism of Blind Belief in Institutions

This way of thinking emerged from the observation and analysis of the collapse of the USSR. The failure of the transformation process in the former Soviet Union is attributed to the fact that only the institutions were restructured (perestroika), irrespective of the social situation and cultural traditions. The result was that the introduction of capitalist economic institutions was confused with the adoption of a market economic system as a whole. Social and democratic structures could certainly not be created in this way. The fiscal structures tested in western industrialized nations (solid public finances, tax law) and the associated economic legislation (e.g. property rights, company law, labor code, copyright, bankruptcy law as well as commercial regulations and consumer protection) had broken like a flood over structures which had developed in quite different ways and had exposed domestic resources to the exploitation of foreign interests. The only people to benefit from this outflow had been the domestic Mafia who now belonged to the global players on the international financial markets.

Therefore, China could not develop into a wealthy and free modern nation by copying successful Western systems. On the contrary, only the special traditions and cultural heritage formed a stable basis for domestic changes without triggering a crisis. The reformist circles of this provenience advocate a »democratization of economic styles,« meaning a mixed economy, a plurality of ownership forms but not a direct introduction of political democracy. They are against a policy which equates comprehensive privatization of the economy and economic liberalism with the development of society as a whole. They point to the success of the so-called »commune and village-owned enterprises« which in some instances have become an important pillar of rural prosperity. Only when people saw themselves as economic subjects, were they capable of political democracy in society as a whole. In their respective social

groups, they became familiar with basic community rules, such as the rule of equality, the rule of impartiality, important procedural rules (the other side should also be given a hearing), the recognition of objects of legal protection such as property, good name (honor), life and limb. These were deeply rooted in the cultural traditions of mankind as a whole and not specific to China. But, through the value they placed on work, their entrepreneurial spirit and their adeptness at acquiring technical skills, the Chinese possessed favorable conditions for a social and cultural renewal of the country.

Good-bye to Radical Utopias

The optimism which was founded on the belief in progress and oriented at western modernity, which still inspired the student movement of the 1980s and which came to expression in very radical liberal forms and claims, is no longer evident today. On the contrary, a conservative atmosphere has spread in intellectual circles. This is connected with a fundamental »reflection on history«, a critique and re-evaluation of Hegel's philosophy of history and its idea of progress which was then popularized by Marxism. The Chinese revolutionaries, including those of the Cultural Revolution, always equated the idea of modernization in theoretical Marxism, its specific concept of liberation and the associated victory over traditional relations of production, authority and consciousness, with social progress, even with the narrower technological and industrial progress of mankind. Tradition and conservative values were branded as resistance to progress which had to be eliminated. The Marxist idea, molded to Chinese conditions by Mao, that change was possible and needed both in subjective behavior and in the objective conditions which govern human actions, had released tremendous energies but had also turned out to be a trap which in promoting progress had once again created a new totalitarian power. History is no longer understood as an inevitable process, almost determined by destiny, in which the individual can be ignored. The development of individuals is now seen in the context of their culture, of traditional views and formed spaces; that is, as part of reality and the opportunities it provides.

China Must Say »No«

Widely felt resentment against the political, economic and cultural superiority of the West, above all the USA, came together in populist form in the book »China Can Say No – Political and Emotional Options in the Post-Cold War Era«. The book was published in 1996 and millions of copies were sold. Its rather unsubtle advice »in a time of change« is: pride in one's own long cultural history, reflection on one's national honor, giving up inferiority complexes (still evident in the servility shown towards the »long noses«) emphasis on one's own power and strength and position in the world, confidence in the reawakening of eastern civilization. The first and most important step into the modern age as determined by China was a decisive »No« to all agreements proposed by the West under the leadership of the USA. This polemic against the uncritical fixation on the West, which is undoubtedly widespread in China, has nothing to do with the results of a »modernization policy guided by the standards of economic and administrative reasoning which increasingly intervenes in the ecology of grown life forms, in the communicative internal structure of historical environments« (Habermas) which are increasingly questioned in the developed industrial nations. It is, rather, the jealous protest against a form of civilization which is spreading world-wide without any struggle worth speaking of. The global civilization which comes from the West today is seen as humiliating cultural, scientific, technological and military imperialism and is, indeed, often experienced as such. In this form it cannot be reconciled with the universal justice to which the global form of civilization makes moral and practical claim. This Euro-American-centered appearance of modern civilization is countered with a no less arrogant attitude of Sino-centrality.

The Renaissance of Confucianism

The intellectual representatives of this direction critically examine the rather superficial ideas of democracy against the background of Confucian values. They fear that too much liberalization as well as the participation by everyone in public

affairs would lead to the lowest cultural common denominator. They point to the cultural devastation produced by mass movements such as in the Cultural Revolution. They also reject Marxism which they see as fundamentally anti-culture, anti-tradition and responsible for the degeneration of Chinese thinking. They complain about the loss of the meaning and value of life, the collapse of traditional ethics, the alienation of people in all spheres of life, their commodity status as subjects and objects of consumption, the lack of connection between people, the antagonistic relationship between people and nature. They blame it all on secular, culturally neutral, indifferent, rational and normative modernization, on a global civilization which absorbed Chinese culture without a trace. They, in contrast, demand a development of Chinese society which is completely separated from European thinking, which is the subject of historical action but which also retains its traditional structures. Being embedded in an infinite, wise, moral sphere, however that is understood, is seen as providing the only condition for and guarantee of human rights and freedoms. Modernization and adherence to tradition were not a contradiction. Only the preservation and awareness of tradition made modernization possible. With their thinking, the neo-Confucians are significantly contributing to the »Culture China« stream which is so popular among the international Chinese community.

Becoming Part of a Global Modern Civilization

A look at the history of China in this century shows that it is the history of the endeavor to modernize. All efforts, also in their totalitarian form, served this end. In this respect, there is no difference between China and the historical processes and events in the West or between China and the European nations in the 20th century. But what is often overlooked in China is that modernization means internationalization for all nations, if only because there are world financial markets, world trade and uniformity of industrial production. Much more clearly than before, it should be understood that modernization means participation in the continued development of world civilization which must, however, be freed

of all centralizing reasoning (also on the Chinese side) and pressures for uniformity.

It must also be understood that such modernization must not be restricted to economic changes. Even if economics is increasingly taking over politics by attacking and undermining its leadership claims and all natural and human developments appear to be subject to economic laws, many more areas of human cultural expression are involved in the globalization process. These are the sciences, medicine, technology, art, music, literature, sports but also traditions, religious convictions, values and mentalities. Their constructive coexistence and productive competition is regulated by public authority, at first within nations, but increasingly on a global level. But it only does so legally and justly if it is democratically organized and legitimized.

No nation, and certainly no nation the size of China, can escape globalization. In order to ensure that the development towards a global community – which is, after all, also a community which shares a common fate – is not shaped by primal forces, chaos and destruction, a wealth of various orders have been created and agreements been concluded at an international level. International organizations enforce them and develop them further. Each nation which faces up to the challenges of modernization thus not only subjects itself to the control of the global community, it takes on responsibilities and duties and also has a claim to active help and support. This requires all kinds of integration, not only into the world economic order. It is also sensible and useful to be integrated into the network of non-governmental organizations. Here it must be pointed out that China with its well thought out exchange-rate policy prevented the further escalation of the so-called Asian crisis. By signing the Civil Pact in 1998, the most important addition to the Universal Declaration of Human Rights of 1948, China has made clear that human rights must be accorded greater importance. The international integration of China and its participation in globally applicable rules and orders must be consistently continued. The suggestion of the German Chancellor, Gerhard Schröder, that China ought to be included among the G8 states should definitely be taken up. The West, on the other hand, must approach China neither defensively nor arrogantly, neither with an

attitude of superiority nor with bad conscience or even fear. The reason why China is taken seriously should not be because its size and the enormity of the problems associated with it pose a threat to world civilization.

China is in the process of modernization even if some observers would like to predict its collapse which would amount to a world historical catastrophe. China will change, the changes which have already happened in such a short time are themselves astonishing. Even if global civilization has in recent times been determined by the West, it exercises such fascination on many Chinese precisely because it does appear so open and flexible. That can be experienced and tested, par excellence, with the new communications technologies that bypass state influence and censorship. Young people in particular will not allow themselves to be pushed away from these developments of global civilization. It will vocally demand participation from the political leaders and the older generation each time an attempt is made to exclude them. This is a common cross-cultural feature in all regions of the earth which inspires hope. ◀