

## China's New Long March

China has launched on a course of "modernisation", a new policy that can have major repercussions on the balance of economic and political forces of the entire world and Asia in particular. Its diplomatic offensive between May and August, with no fewer than five key members of the Chinese hierarchy embarking on extended tours covering every major continent, climaxed by the signing of the China-Japan Peace and Friendship Treaty on August 12; its shopping for new military hardware in the capitals of Europe; its ambitious targets for agricultural mechanisation which it hopes would help eventually in providing surpluses for exports which will in turn pay for other programmes; its large scale import of foreign technology and virtual invitation to foreigners to develop the country on the party's behalf; and its open acceptance of the profit motive in banking and other business sectors are all clear indications that China intends moving quickly out of its earlier isolation from the mainstream of the world economy.

When China's Chairman Hua Kuo-feng addressed the Fifth National People's Congress in Peking in March this year he visualised a Chinese economy in the year 2,000 where

"the output per unit for major agricultural products would reach or surpass advanced world levels, and the output of major industrial products approach, equal or outstrip that of most developed capitalist countries". Such ambitious goals and the path China would take to reach them have been the subject of much discussion and interpretation ever since. Sceptics keep asking whether "revisionist socialism is really right for China" or whether it was possible for China "to buy its way towards a vision of self-reliance".

Chairman Hua Kuo-feng in his report to the Fifth National People's Congress thus set out quite clearly his new targets:

in agricultural production, the highest possible degree of mechanisation, electrification and irrigation will be achieved. There will be automation

in the main industrial processes, a major increase in rapid transport and communications services and a considerable rise in labour productivity. The results of modern science and technology on a broad scale will be applied, extensive use of new materials and sources of energy will be made, and the major products and the processes of production will be modernised. The economic and technical norms must approach, equal or surpass advanced world levels.

The ten years from 1976 to 1985 are crucial for accomplishing these gigantic tasks. In this interval, China is to produce 400 billion kilogrammes of grain and 60 million tons of steel. Every year between 1978 and 1985, the value of agricultural output is to increase by 4 to 5 percent and industrial output value by over 10 percent. The increase in the output of major industrial products during this time is expected to far exceed that of the past 28 years.... The state expects to have built or completed 120 large-scale projects, including ten iron and steel complexes, nine non-ferrous metal complexes, eight coal mines, ten oil and gas fields, thirty power stations, six new trunk railways and five key harbours".

"There are only 22 years left to the year 2,000. In such a short period of time, can this formidable task be accomplished", he asked.

Where speculation has been most rife is how far this task could be accomplished; and even more what its repercussions would be not so much for the rest of the world as for China. Chairman Hua, emphasising what has come to be known as the "drive for the four modernisations", stated that China's goal was to modernise agriculture, industry, national defence and science and technology, catch up with advanced world levels and surpass them, both economically and technically. There is no doubt that China is today in the midst of a major modernising movement and emerging from a period of self-imposed isolation. In its drive for the four modernisations China is calling for universal education, urging the people to write letters to newspapers and to government if they wish to voice their grievances. An indication of this policy

came in the Chairman's call to raise the scientific and cultural levels of the entire Chinese nation. In his address at China's National Science Conference on March 24, Chairman Hua commented,

"the most powerful base and inexhaustible source of strength for the modernisation of science and technology in our country are the masses of the people in their hundreds of millions who, fired with enthusiasm, are determined to do away with blind faith, emancipate their minds, rid themselves of inferiority complex, call up the courage to break new ground and to think, speak and act, and exert themselves in study and work."

China's modernisation drive has moved on to sending out innumerable technical delegations overseas and welcoming foreign technicians, and to paying emphasis to the need for rules and regulations in enterprises, and stressing the importance of developing a legal code. All this and more have been done in the name of the "four modernisations" of agriculture, industry, defence and science and technology. How China hopes to meet the challenges, as visualised by Chairman Hua of propelling his country into the ranks of modern industrialised nations by the end of the century, appears to be through select borrowing from the capitalist countries.

Capital equipment imports from abroad will certainly play a major role in China's new production drive. Following its early initiative in this direction there is speculation that China's shopping list would range from transport equipment to power plants including various types of Western gadgetry. For instance, its recent purchases of off-shore drilling rigs from U.S. companies and its commitments of more than U.S. \$ 5 billion for imports which includes several steel mills, one of which is a 6 million ton Japanese facility to be built near Shanghai; and also West German skills and equipment needed to build five new deep coal mines and modernise another, plus two large opencast mines, together with the factories to build the machinery for these projects estimated to all cost nearly \$ 4 billion, seem only the beginning.

With all these activities on the import front many important issues could arise. According to some observers, "Peking's long standing posture of rigid fiscal conservatism will almost certainly be incapable of dealing with the large financial burdens imposed by multi-billion dollar buying. And the country's technological infrastructure, long neglected in the wake of the post-Cultural Revolution emphasis on ideological purity and economic egalitarianism, seems similarly unable to cope with the requirements of a large influx of sophisticated plant and technology." There is little doubt that the manner in which China's leadership meets these twin challenges will decide the precise direction the import programme would take, and in the end the result of the entire modernisation drive.

Following three consecutive deficit of trade years Peking registered two impressive surpluses and this perhaps has given China's leadership sufficient confidence to move forward on the import front. A major part of the U.S. \$ 8 billion capital equipment to be purchased from Japan will be financed through its exports of oil and coal. But there would yet be a part of its imports upto 1985 that would have to be paid for by other means. The Chinese Import and Export Corporation has therefore adopted international practices, in trading with other countries. China's Foreign Minister Lee Chiang was very specific about China's method of payment when he said recently: "our imports should be based on the ability to pay. Only if we have the ability to pay can we increase our imports. That is to say, only if we increase our exports simultaneously can we import more goods. No matter what forms of payment we adopt cash, instalment, fairly long-term deferred payments, compensation by our own products, or other prevailing forms in international trade, we hold that all these forms should be based upon our ability to pay immediately or within a specified period of time. Other forms which deviate from this principle are unacceptable to us". In several cases the Chinese shopping missions have hinted that they may be prepared to adopt more conventional forms of financing and possibly pay in hard cash through foreign banks.

As important as financing arrangements will be the problems

associated with the absorption of modern and advanced technology. China by some estimates is said to be nearly two decades behind industrialised countries in certain advanced branches of science. One explanation is that educational disruptions over the past decade have eliminated an entire generation of young people from the technology man-power pool and many of those from the previous generation who have to fill the middle and senior management positions find themselves out of touch with international developments over the last decade. Furthermore, with shortages and obsolescence of equipment the gap has widened. One solution is the sending of more Chinese abroad for training and the increasing of scientific and technological exchanges with the industrialised countries. But as contacts increase between Chinese and foreign scientists, Chinese and foreign students, Chinese and foreign officials, inevitably doubts will be raised about various features of the Chinese system. The new leaders are now moving in the direction of giving scientists a free hand in their work, and are encouraging intellectuals to give vent to their creativity, freedom to study religion and philosophy, to discuss the merits of capitalist features, to read previously forbidden books — this is bound to lead to questioning of previously un-

ideological stance behind the imports. Striking similarities in events towards the end of the last century have been noted by some observers. The current events seem reminiscent of measures proposed back in 1898 by the reformer Kang Yu-wei. At that time, Kang acting as Emperor Kuang-hsu's adviser, called for a reform of the educational system, with separate schools being set up to study overseas subjects, politics and medicine. One decree encouraged private citizens to make suggestions to the government. Another called for high officials to tour foreign countries. A third called for the improvement and simplification of legal codes. Kang also called for promotion of agriculture, industrial and commercial development.

The proposed solutions, too, are said to be similar, but Kang's reform movement failed because the Empress Dowager, Tshuhsi, felt that the measures were too drastic, and threatened China's cultural heritage and cultural values. She stepped in, seized the reins of power from the young emperor and Kang had to flee for his life. That reform movement was aborted. The outlook for China's present-day modernisation drive, however, appears to be much brighter. Though there are people who undoubtedly feel that the post-Mao leadership may be going too far or too fast, there is no Empress

#### TENG FOR FACING REALITIES

*At a news conference in Tokyo, China's Vice-Chairman Teng Hsiao-ping, asked for "help from all industrialized countries in the modernization of China".*

*...Mr. Teng said, "we are backward and we must not close our eyes to the truth. It is a stupid person who behaves as if he were handsome when in fact his face is ugly".*

*Mr. Teng said the \$ 29 billion, eight-year trade agreement with Japan concluded earlier this year is just the beginning.*

*That sum must be doubled and tripled", he said.*

(Reported in the Asian Wall Street Journal)

questioned tenets. These modernisation measures in China today contrast strongly with the inward looking attitudes that prevailed during most of the last decade.

Analysts point to a repetition of history when reviewing the periods during which China has introduced foreign technology and new industrial plants. Such periods have always been either preceded or followed by political struggle favouring or opposing the

Dowager who can seize power. Mao's widow, Chiang Ching, who could have played such a role, was arrested and will not be in a position to exert any political influence. The only forces that could emerge to oppose China's present policies are the essentially conservative ones who see the present policy direction as a threat to the country's Marxist - Leninist-Maoist heritage.

Another particular area where the new policy could have a sig-

nificant impact is the emphasis on the need to increase profits and accumulate more funds, spelt out thus in a recent address by China's Chairman:

"In the struggle to eliminate the pernicious influence of Lin Piao and the "gang of four", we must carry out widespread education throughout the Party and among all economic, financial and trade workers on the need to strengthen economic accounting, pay attention to economic results, increase profits and exercise strict financial supervision, so as to stimulate production greatly and accumulate more funds for socialist construction".

The *ASIAWEEK* of July 21, 1978 commented cynically on the impact this policy was having on the financial sector in Hongkong when it stated:

Deals deemed consistent with socialist ideals were most favoured by Peking's thirteen banks in the free enterprise British territory. Now, profit, it seems, is the main priority — by order of the Chinese government.

Reports circulating in Hongkong last week made it clear that Peking is giving its banking comrades in the international financial centre much more flexibility on their capitalist operations. News of that development emerged only days after statements at the top levels of the Chinese government which indicated strongly that Peking is ready to accept some form of foreign loans instead of relying on deferred payments for overseas capital purchases..... China's tiptoeing down the road of financial revisionism to help fund its ambitious modernisation programmes comes as no surprise to capitalist cousins in Hongkong. And such news, of course, is welcome, particularly by the stock market which is in the midst of its biggest rally since the 1973 share boom went bang.

What caused most excitement — and a prompt eight-point gain on the Hang Seng Index — was the initial report that Peking had actually issued a directive to its financiers in the colony to adopt "capitalist methods" to boost profits. Whether Peking was so explicit is not clear. Certainly, the banks were urged to raise earnings and implement more efficient cost control to contribute to the "four modernisations" programme which China has set itself for the rest of this century".

One fact stands out in the whole process and that is by taking too China down the road to moder-

isation, the present leadership is, in effect travelling down a path from which there seems to be no turning back. Many crucial questions keep coming up, however, as China's drive to acquire the trappings of modernisation get under way.

Foreign technology is respectable again, but will there be a backlash if progress is not swift?

In turning its farms towards mechanisation and the rush to modernise will Chairman Mao's fears of China's poorer peasants being left behind finally materialise?

How exactly does the Chinese leadership plan to finance its innumerable modernisation projects?

In implementing the new policies will the agricultural and industrial workers get caught out by the new ideological shifts?

As the economy develops and education becomes more widespread will the Chinese people, like those in other countries, expect a higher standard of living (a greater share of the cake), more material comforts, free time, travel and a greater say in the way decisions that affect their lives are made?

China's entry into the mainstream of the international economy could also provide a much needed boost to a currently sagging world economic and monetary system. There appears to be greater hope that the havoc the Japanese

**SIGNS OF THE TIMES  
SOME RECENT NEWSPAPER  
HEADLINES:**

*"The Bank of China to open a branch at Luxemburg".*

*"France secures \$ 700 million missile order from China".*

*"Shanghai Curio and Antique Shop resumes business".*

*"Unit of PANAM, Intercontinental Hotels, to build chain of hotels in China."*

yen has been creating for international currencies, particularly the U.S. dollar, may now be curbed. U.S. pressures compelled Japan to cut back on her exports of industrial products. Japan's answer was to confine her exports largely to plant and technology and now she is first on the scene in the enormous Chinese market where there exists the world's largest concentration of potential consumers. For the other industrialised nations that hope to follow suit the prospects seem bright.

The hierarchy in power in China today is certainly aware of

the problems and implications of their new policy and appear confident that the solutions are within their grasp.

In Peking Vice Premier Keng Piao, a member of the Politburo, talked of them candidly with a group of visiting American journalists. Vermont Royster, a Wall Street journalist who accompanied the delegation states in a report that Keng agreed for example, that China would have the problem of rising expectations, the more so the more it succeeded in raising the standard of living. The Vice Premier conceded quite frankly that such moves as sending young Chinese students abroad carried with it some "risks". They expect to "lose" some of them, who once abroad will not return. But it is a risk that must be accepted, he said, if China is to move forward. He thinks the risk is minimal because great care will be taken in choosing the students from among those with a proven loyalty to China and patriotism for their country.

As for those rising expectations among consumers, he expressed confidence that China's production can keep up with them if the modernization program, for both industry and agriculture, does not slacken. Unlike the Soviets, he said, the Chinese are not overemphasizing the development of heavy industry at the expense of either agriculture or light industry.

They are all tied together, he explained, if agriculture is not run well it will hurt industrial development and agriculture cannot be improved without industrial development: neither can it be improved if the people who must work hard to bring that about do not see some rewards for their labour in improved living conditions.

The major task for China, in his view, is to catch up everywhere and to accept whatever risks are necessary.

The problem of class divisions — i.e. the separation of intellectuals, government functionaries and managerial personnel from the mass of people — is to be resolved by one of the practices left over from the Cultural Revolution. That is the practice of government officials, college professors, managerial personnel and the like being forced to spend periodic times working among the people as farm or factory workers. "To go to May 7th schools", as the catch-phrase has it, referring to those first launched by Chairman Mao.