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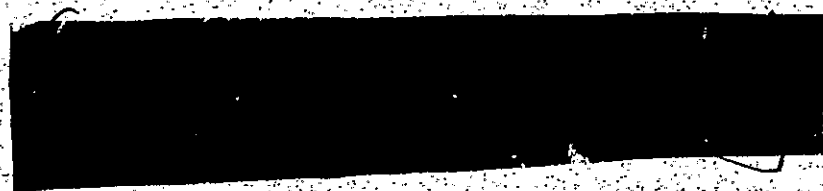
Perspectives on Growing Social Tension in China



An Intelligence Assessment

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Perspectives on Growing Social Tension in China

An Intelligence Assessment

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Perspectives on Growing Social Tension in China

Key Judgments

Information available as of 22 May 1989 was used in this report.

Events of the last several months have cast doubt on China's ability to weather the social strains that accompany reform and modernization in a backward, Communist country. Student protests in April and May 1989, with their demands for greater freedom and political accountability, are dramatic demonstrations of the widening gulf between an urban intelligentsia bent on fundamental change and a regime that appears to be backing away from its earlier reform activism. But there are other symptoms of the strains in Chinese society. These include:

- *Increases in worker protests and strikes.* In the first half of 1988, for example, there were [redacted] reported strikes [redacted] in an economy in which labor unrest officially cannot exist.
- *Serious friction between groups that have not benefited equally under reform.* Income disparities between individuals and regions have become a sensitive political issue.
- *A resurgence in the countryside of disputes over land and water rights, among other issues, and a revival, despite strong official discouragement, of traditional customs that betrays an opposition to change and a popular preference by some peasants for China's old mores.* Some of these, like elaborate weddings and funerals, are frowned on as wasteful; others, like the preference for male children, are discouraged because they reflect "feudal" attitudes that hinder modernization; and a few—such as certain millenarian cults—are seen as direct challenges to party authority.

Growing social disorder has slowed China's reform program by discrediting reform policies and providing ammunition to conservative critics of reform.

[redacted] We believe these developments

marked a setback for reform policies. Ironically, over the long run the retreat from reform is likely to exacerbate tensions by denying the populace the economic gains to which they have grown accustomed during the last decade.

The management of these tensions is complicated by the fact that reform during the last decade has cost Beijing many of its traditional levers of control. For example, increased local autonomy over financial matters, the decentralization of economic decision making, and a reduction in the number of inducements the party can offer—such as unique access to scarce consumer goods or a good job—have made it difficult for Beijing to smooth over the manifestations of social disorder by applying sanctions or offering rewards. This, and the government's inability to address the root causes of crime and corruption, has added to popular disaffection with the regime. Beijing's apparent impotence is one powerful factor in the party's loss of prestige, we believe, and challenges the party's legitimacy and ability to rule effectively over the long run.

Reformers will remain vulnerable to charges that their policies have weakened social discipline and given away party authority without installing other methods of handling social conflict.

Modernizing these institutions may take decades, however, suggesting China is headed for a long period of social unrest. Because the reformers lack the tools to ease discontent or substantially reduce corruption, the appeal of adopting more repressive measures to deal with the dissidents, unhappy workers, and students is likely to grow. At the very least, social disorder will make it increasingly difficult for reformers to carry out their policy agenda.

Although social disorder could preclude advancement of China's reform program, we do not believe any likely alternative leadership would seek to reverse the policy of opening to the outside. A more conservative leadership might seek to distance itself somewhat from the United States. Its policies would probably affect foreign investment negatively, as would heightened concern by foreign businessmen about stability and the new leadership's intentions.

With or without a new leadership, serious problems with social order could hamper Beijing's efforts to raise its international profile. Fears of the effects of instability on Chinese foreign policy making—still close to the

surface in some countries — would reawaken. China would have fewer resources to devote to building its foreign image and influence. In an extreme case, a frustrated Chinese leadership might stir up antiforeign feelings to excuse its failures and divert attention from them. Although such a tactic would probably have limited success domestically, it would have negative effects on China's dealings with the West, which is the most likely scapegoat.



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Scope Note

This paper was drafted before resolution of the siege of Beijing during May 1989. It is not intended to address the student revolt per se. Rather, it investigates the nature and scope of the social tensions with which China's leaders must deal, assesses the risk that those tensions will spawn further disorder, and examines the effect they have on leadership thinking and its policy directions. We define social tensions as encompassing not only such common indicators of popular discontent as strikes and demonstrations, but also signs of friction between social groups that have fared unequally under reform. We include in our examination not only those sources of tension that find expression in overt challenges to authority such as student protest demonstrations, but also those that pose a more subtle threat—in some cases because they provide a pretext for less reform-minded leaders to demand a retreat from reform.

[REDACTED]

That social tension has risen to dangerous levels was amply demonstrated by the breakdown in order in Beijing in May 1989 and massive protest in other Chinese cities.

[REDACTED]

there had been a sea change in the social fabric in the last year or so.

Perspectives on Growing Social Tension in China

Reactions to Reform

Rising corruption and crime, friction over income disparities, intellectual dissidence, increased rural violence, and widespread resistance—occasionally violent—to government directives all testify to increasing strains in China's social fabric.

Urban workers have held demonstrations protesting wage and, in the case of the self-employed, tax policies. Fear of inflation has sparked not only protests but also waves of panic buying and hoarding that, according to Chinese press accounts, are the worst in 40 years.

The most vivid recent example of social unrest is the wave of student protests in Beijing and several other cities following the death of reform leader Hu Yaobang in April and May 1989. Using Hu's death as a pretext, students staged several weeks of peaceful, but illegal, demonstrations. Posters appeared demanding more reform, especially political freedom and greater transparency in government, including publicizing leaders' financial records. In Beijing, workers signed a petition supporting the students, and on several occasions large crowds of onlookers cheered the students' actions—most notably when some students made an attempt to enter the guarded compound where top leaders live and work.

Even before the recent demonstrations, there was growing evidence that social disorder was slowing China's reform program. Despite repeated announcements over the past five years that it was about to tackle price reform, for example, Beijing has made little progress toward this goal.

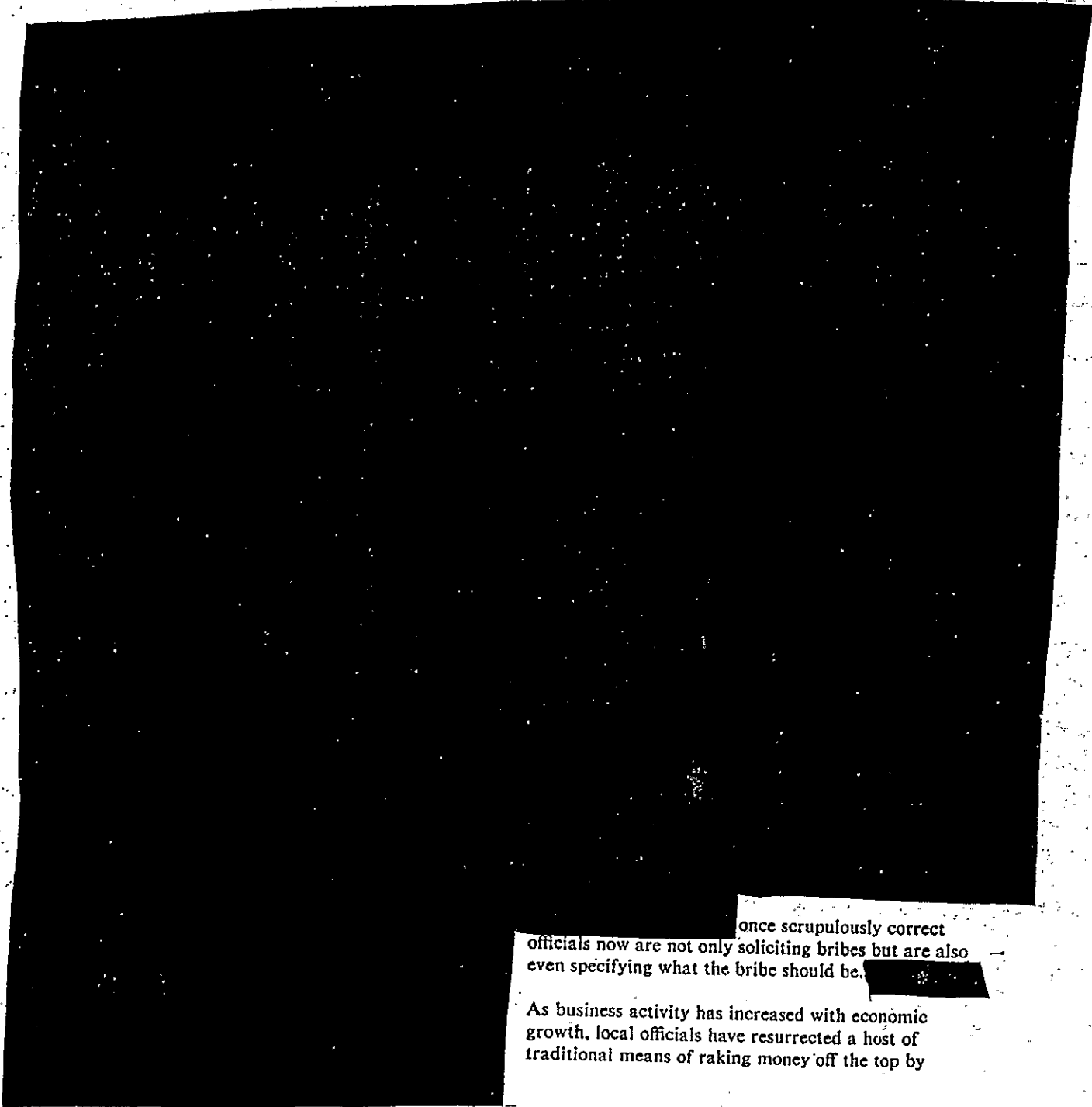
Symptoms of Social Disorder

Corruption

Pervasive corruption has emerged as perhaps the most sensitive source of popular disaffection, and it was foremost among the complaints of Beijing's student protesters.

The issue cuts across rural-urban lines in a way that other issues, such as inflation, do not. For example, higher food prices benefit peasants, and press reports indicate that peasants blame increases for many of the urban-produced items they buy—such as fertilizer—more on corruption than on inflation in the economy.

Greater opportunities to acquire and spend money—opportunities absent in prereform days—have led to an explosion in corrupt practices such as bribery, extortion, and black-marketeering, according to press reporting. One recent article quoted a black-marketeer complaining, ironically, that the cost of greasing palms was cutting into his profits.



once scrupulously correct officials now are not only soliciting bribes but are also even specifying what the bribe should be. [REDACTED]

As business activity has increased with economic growth, local officials have resurrected a host of traditional means of raking money off the top by

imposing nonexistent taxes for business licenses, transport, and the like. In April 1988 angry peasants dumped 5,000 kilograms of spoiled milk into a county government building after authorities ignored their pleas for protection against local village officials who had imposed an illegal toll of some \$27,000. In another province farmers rioted and took fertilizer from state storehouses when they discovered that a local official had diverted fertilizer supplies to his family. Numerous press articles complain that the net effect of such corrupt practices has often been to stymie local economic initiative and even force promising enterprises into bankruptcy—thus imperiling reform implementation.

Corruption is not confined to the lower levels of the party and government.

Perhaps no form of corruption is more pervasive or difficult to eradicate than nepotism, a practice well entrenched in Chinese society.

Indeed, one of the reasons we believe party elders turned on the late former party General Secretary Hu Yaobang in 1986 was that he went after members of their families for corruption. The growth of corruption, we believe, feeds public cynicism and apathy, weakening faith in and support for reform and reform leaders. Comments by both ordinary Chinese and intellectuals reflect growing doubts about the party's ability to rid itself of the corrupt.

Crime

China has experienced a sharp upswing in crime over the past few years. According to Chinese Government data, the number of major cases, such as murder and armed robbery, increased in 1988 by 66 percent over the 1987 level. Even more worrisome to officials is the increase in the proportion of crime committed by juveniles—from 31 percent in 1976 to over 60 percent in 1988. Beijing has reacted by launching another of

its periodic anticrime campaigns; in September 1988, there were 8,000 arrests and a rash of public sentencing rallies and executions. We have detected little evidence that the campaign is having much effect. The authorities' apparent inability to halt the rise in crime is another cause of popular disenchantment and, we believe, evidence of slipping social control. In our view, worsening crime and corruption result, in part, from the appearance of a class of disenfranchised people—many of them unemployed workers or peasants whom the dislocations of reform have brought to the city—who see themselves as having missed out on reform's benefits.

Security officials and some party leaders have blamed the growth in crime on reform policies—especially the opening to the outside, the loosening of controls on internal travel, and the encouragement of private economic activity.

Feeling the heat from criticism about the crime rate, reformers have felt compelled to approve repressive measures to show they are "tough on crime," which tends to alarm and alienate some supporters. China's legal code is vague, and its court system—which does not exercise control over the police and other security organs—is new and weak. Security forces, therefore, have capitalized on crime crackdowns in order to stretch the definition of crime—especially economic crime—and to enhance their own power and discourage reform initiatives, such as the layoff of surplus workers, which they fear pose a threat to public safety.

Growing income disparities, especially in the countryside, have sparked numerous attacks by mobs on prosperous farmers and their property, and the resentment is spreading to urban areas.

[REDACTED]
[REDACTED] we believe the idea that "property is theft" still has many adherents in China. We expect such tensions to increase as income disparities grow and new de facto class differences emerge.

The Chinese media have publicized the creation of SWAT teams, probably as a warning to potential protesters. In October 1988 the State Council took the extraordinary step of ordering police into some factories to help protect managers against angry workers.

The Onset of the "Polish Disease," Chinese Style

The foremost worry for China's leaders is probably what they perceive as the "Polish disease"—urban discontent and a possible marriage of political convenience between workers and students of the sort that has occurred in Poland in recent years and shaken the leadership in Warsaw. Although 80 percent of China's population lives in the countryside, the cities are more sensitive politically because it is easier for discontented urbanites to express their dissatisfaction actively. Besides a concentrated population, many cities have an articulate core of dissidents whose protests can furnish a catalyst for workers—even when workers' complaints are quite different—and who can provide leadership and organization.

Perhaps nothing worries reform leaders more, in our judgment, than such protests spiraling out of control and igniting wider unrest.

[REDACTED]
This sensitivity, in our judgment, reflects fears that demonstrations could mushroom as they did in 1986 and again in April and May 1989, when a large number of workers joined students in the streets.

[REDACTED]
There are other, longer term sources of tension between Beijing and the workers. Although workers benefited from early reforms, many feel threatened by recent reforms that were designed to increase industrial efficiency and productivity by ending guaranteed lifetime employment, trimming bloated factory work forces, tying wages to productivity, and closing state enterprises that chronically operate at a loss.

[REDACTED] Not surprisingly, efforts to increase productivity under these circumstances have triggered friction between factory managers and workers.



Figure 2. Police grab student protester in 1986 (left); student leader Wuerkalxi in April 1989 (right)

Fang Lizhi, the Chinese counterpart to Soviet dissident Andrei Sakharov, has become a particular thorn in the reformers' side. His speeches on university campuses, calling for multiparty democracy, helped ignite the massive student demonstrations in 1986 that touched off a backlash and contributed to General Secretary Hu Yaobang's downfall and the campaign against "bourgeois liberalism." More recently, according to press accounts, Fang embarrassed Beijing while visiting Hong Kong by criticizing the corrupt activities of the children of some of China's top leaders—prompting authorities to revoke his travel rights, at least temporarily.

Beijing's Deteriorating Instruments of Control

Complicating the rise of corruption, crime, worker unrest, and student activism is the fact that reform has brought about changes that have undermined party control and weakened the party's ability to manage social tensions. Agricultural reforms, for example, have resulted in a decline in the number and power of rural cadres, leaving the party with fewer and less direct economic levers over the peasantry. Reform-sponsored devolution of power to local officials and businessmen has led to "economic warlordism" as localities have become increasingly independent of, and unresponsive to, central authorities. Urban party officials have also lost some influence over job and housing assignments, wages, and travel, which they have traditionally manipulated to encourage compliance. In effect, the party finds itself with fewer carrots and only big sticks to use.

China and Other Communist States—Some Differences

Unlike Eastern Europe's ruling parties, the Chinese Communist Party has not had to contend with a challenge to its authority by any well-organized group like Solidarity, nor has it been split by major ethnic divisions the way Yugoslavia has. Nor does China face the kind of threat to its internal stability from separatist nationalist groups that the Soviet Union does. China's minorities—including Tibetans, Uighurs, Mongols, and more than 50 others—are too few and isolated to pose a serious threat; they make up only about 5 percent of the population. The party does not have to compete with any established organization that could serve as a rallying point, as the Catholic Church has done in Poland. The only exception is the Buddhist priesthood in Tibet, which receives support and encouragement from the Dalai Lama's government-in-exile in India. Although periodic outbreaks of violence among minorities are likely to continue, we believe there is near unanimity among the leadership, and thus the issue, while troublesome, is not politically threatening.

China's small intellectual elite has been perhaps the most important and certainly the most vocal source of dissent during the past decade. In the late 1970s, during China's so-called democracy-wall period, a

loosely knit movement of intellectuals and workers pressed the party to introduce political reforms and greater personal freedoms, but Deng Xiaoping crushed the movement after it had served his political purposes. More recently, students and intellectuals have pushed for broad changes, and there have been major student demonstrations almost annually since 1985.

Neither the democracy-wall critics nor later dissidents, however, have been particularly well organized. Chinese security services have been very effective at identifying leaders and intimidating dissidents, especially among the students. Despite widespread discontent, urban workers have not tried to organize a labor movement like Solidarity to rival the official unions. As a consequence, labor unrest has so far been limited to sporadic, scattered strikes and work slowdowns that, while worrying to the leadership, lacks the politically threatening content of its Polish counterpart.

We believe the opening up of Chinese society—intended to win popular support for reform—has made it more difficult for Beijing to use coercion to impose its will. Over the past few years people have demonstrated a greater tendency to resist such pressure, for example, by appealing to newspapers or higher level officials and using the banner of reform to make their case. To reformers' chagrin, intellectuals, whose status Deng Xiaoping and other reform leaders have sought to enhance, have become more critical not only of party ideologues but also of the reform leadership and its policies as well. Slipping central control is evident in students' defiance of explicit prohibitions against demonstrations, for example.

Further, the party no longer commands the moral authority it once did. In our judgment, the Cultural Revolution has left a legacy of bitterness and disillusionment with the party and Communist ideology that reformers have not been able to overcome. Despite reform, we believe the party's legitimacy has been so corroded over the past few years by corruption, inept management, and abuses of privilege that the traditional tools of exhortation and persuasion have lost much of their force.

China's Intellectuals—Questioning Time-Honored Truths

In the freer intellectual atmosphere under reform, China's intellectuals have begun to ask, and to discuss publicly, a number of interesting, disturbing, and—to some in the regime—potentially threatening questions. After the initial burst of enthusiasm, reform's shortcomings, China's continuing massive problems, rising expectations, and the impatience of intellectuals have all combined to create a mood of introspection and questioning.

One question that stubbornly reappears is whether Marxism is any longer an appropriate philosophy for China. Taking reform rhetoric about adapting to present circumstances a step further than even most reformist party leaders feel comfortable with, younger intellectuals have raised the question about whether China should simply admit that Communism has had its day. Some of these radicals look to capitalism and democracy, some propose a search for a socialist solution in words that echo the reform slogan "socialism with Chinese characteristics," but what they have in common is a rejection of the political forms of Communism and the state-centered economic model inherited from the Soviet Union.

Other intellectuals are asking whether China's difficulties stem not just from misguided Communism, but rather from flaws in Chinese culture. A recent

television series, "River Elegy," explored this theme, using the Yellow River as a metaphor for Chinese culture, and struck a responsive chord among many Chinese who, it seems to us, are hungry for answers to the questions the program raised. It also precipitated strong but contradictory reactions from Chinese leaders. Zhao praised it, for example, while party elder Wang Zhen was so incensed by it he succeeded in getting it temporarily banned.

The series dramatically argues that traditional Chinese culture remains a serious obstacle to China's modernization and calls for a change in viewpoint. Over images of the river and the sea, the piece calls for China to abandon its continental, inward-looking past and open up to the world; modernize its political structure and cultural concepts, and embrace such Western ideas as capitalism. Implicitly, the series attacks 40 years of Communist rule for failing to free China of its past. "River Elegy" is perhaps the most striking and poetic expression of the dissatisfactions and doubts of many Chinese as their country enters its second decade of reform.

government officials—are increasingly willing to ignore, resist, or even challenge central policy.

press articles, and even published Chinese opinion polls indicate that many people no longer believe the party's promises, are cynical about the intentions of many party leaders, and doubt the ability of those leaders they do trust to deliver. People—including party cadres and

Dilemmas for the Reformers

The Hazard of Pushing Too Hard

On top of the problems of overhauling China's socialist system, Chinese reformers must also deal with the challenge of modernizing a poor, backward, and in



Figure 3. Fang Lizhi, one of China's leading dissidents; in March 1989, Fang led a petition drive to get amnesty for political prisoners in China.

many areas still very traditional Third World society. We believe that many in the leadership recognize that this process is difficult and dangerous.

Some reform policies clash head-on with traditional values. Strong cultural factors, as well as economic pressures, operate against efforts to control the population, for example, or to legislate improvements in the status of women. As peasants have become wealthy enough to pay the fines, many have simply ignored family-size restrictions or have resorted to a variety of stratagems to have more children—including bribing local family planning officials or having a child outside their home district. Local officials in

some areas who have been too zealous in enforcing the policy have been beaten or even murdered. Although reform leaders recognize the obvious consequences of this policy's failing, they have had no choice over the past few years but to relax restrictions in rural areas because they have proved unenforceable.

Party leaders regularly denounce these traditional attitudes as "feudal." The Sixth Plenum document on ideology in 1986 devoted considerable space to attacking them—a measure of the frustration within the leadership over the impediment traditionalism continues to pose to the modernization drive. But thus far the onslaught on traditional values appears to have generated more resentment than anything else. Paradoxically, some reforms have actually contributed to a resurgence of traditional practices—some are relatively innocuous, such as lavish spending on funerals and weddings, but others pose more serious threats to reform goals and social stability (see inset).

One traditional criterion for deciding what group should control local resources—lineage—figured in a confrontation in the early 1980s, when 600 police and soldiers had to be sent in to break up fighting between two clans in south China; the clans had even fortified and provisioned their villages. Local party cadres were ringleaders in the dispute, which probably centered on land and water rights. This kind of rural violence was once common in traditional society and—although comprehensive information on such events is hard to come by—seems to be on the rise, a result, in large part, of the growth in economic competition after the dismantling of the communes.

This resurgence of "feudalism" has not only become a source of some embarrassment to reform leaders but also provides ammunition for critics seeking to reimpose tighter controls and ideological education on the population. Arguments over how much freedom to allow under reform, in our judgment, have been—and remain—at the core of many differences between reform activists and more orthodox party leaders, and have figured prominently in the political infighting in Beijing since Deng began his reforms.

The Persistence of Traditional Ways

The strength of premodern attitudes demonstrates the huge task modernizers face in China. Numerous studies of the modernization process have pointed to the severe tensions generated when a society tries to cast off tradition

The potential dangers are far more difficult to document than those of inflation, but the threat in this kind of social tension is real, in our opinion, and harder to manage.

Some customs that linger are relatively benign. Lavish weddings and funerals, although decried as wasteful, do not seriously threaten the reform program. They do, however, provide an avenue for corruption in the form of "donations" to weddings or funerals in well-connected families. A related practice, building tombs, not only uses up scarce land but can also lead to violence as villages or individuals contend for especially auspicious sites. Perhaps equally important, the popularity of such folkways is taken by some leaders as an affront to socialist values and as resistance to the scientific outlook that socialism claims for its own.

Other cultural legacies pose a more direct threat to central goals, and, in some cases, even a challenge to official authority. A case in point is the traditional attitude toward women and children. According to Chinese press, there have been at least two well-organized rings trading in women. This went beyond

prostitution to the actual selling—in at least one case, in a village market with local official approval—of women as servants or wives. There have been numerous cases of selling children as well, and in poor areas female infanticide still occurs. Beijing has tried to stop such practices through legal penalties and education, but in many areas we believe that these efforts have failed.

Chinese leaders are also much concerned about the resurgence of superstition. At various times the press has tried to explain the difference between religion and superstition, but the operative difference seems to be whether the activities are seen as a threat to either production or social order. For instance, people claiming to be reincarnations of mythical figures such as the Queen of the Western Heaven, returned to Earth to establish a new order, have been executed as counterrevolutionaries. Mindful of China's long history of peasant rebellions led by such messianic figures, Beijing does not treat these incidents lightly.

Academic research and press evidence indicate that localism, sometimes based on clan identity, has strengthened since reform. Echoes of the past, like crop-protection societies—groups of vigilantes organized to protect fields from looting—have reappeared, and intervillage clashes are on the rise

Reformers rebut these arguments by saying that the policies of the past are proven failures. Within reformist circles, a number of proposals have been floated to address some of the most serious problems, but so far no coherent approach has emerged and results are mixed at best. For example, some support the establishment of a social insurance system independent of the factories as a way of reducing worker fears of unemployment and, thus, resistance to labor reform. Funding it, however, remains a huge problem, and, therefore, some advisers hold that the establishment of

an efficient tax system, perhaps combined with ownership reform, should come first.

To reduce corruption, reformist political theorists have been trying to design an effective, and at least somewhat independent, legal system to prosecute officials. Other reformist thinkers see price reform—which would end the two-tier price system that fosters

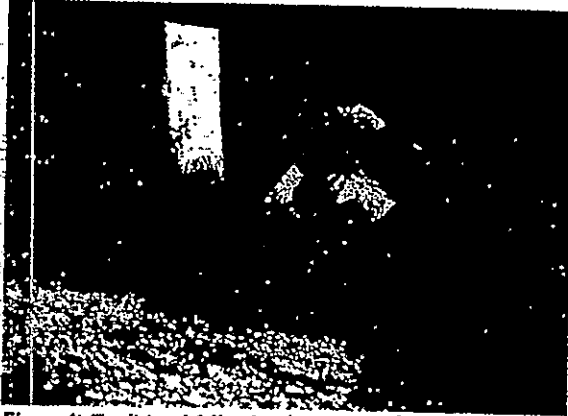


Figure 4. Traditional folk religion survives despite official discouragement. An ancestor priest prepares for a funeral (left) and a woman worships her ancestors (right).

the black market—as primary. While most reformers accept that all of these policies are desirable, there is considerable confusion over priorities. As long as the drift continues, reformers will remain vulnerable to charges of failing to control the bad effects of their programs.

The Hazard of Pushing Too Little

Damned if they push too hard, reformers are also damned if insufficient results generate widespread disappointment among a population now used to the benefits of economic growth. Even though most Chinese are better off today than 10 years ago, a variety of press articles suggest they now expect continued improvements. However, gains have leveled off and, in some cases, have even been lost. Chinese officials acknowledged in July 1988 that the standard of living of over 20 percent of the urban population had dropped over the year because of

rising inflation—itsself fueled, in part, by reformers' promotion of high-growth policies—and urban protests evoked memories of the results of the hyperinflation of the 1940s that helped end Nationalist rule in China. The authorities moved quickly to rein in prices and reassure city dwellers, and their actions have had some calming effect.

In some cases, moreover, people have come to resent what they perceive as inequities in reform. Urban workers, reacting to stories in the press about wealthy peasants building houses, for example, grumble that they—the proletariat upon whom the revolution is theoretically based—are suffering while peasants get rich. In fact, Chinese academic research shows that the urban-rural income disparity is actually greater

now, at 2.33:1, than it was in 1981. What is important politically, however, is not the fact but the perception that reform is not benefiting urban residents. One recent poll found a persistent belief that "reform has only benefited peddlers." A dropoff in urban support for reform threatens to deprive its advocates of one of their most powerful arguments for moving forward.

Short-Term Outlook

In recent months the leadership has at critical points adopted a cautious, go-slow approach to reform because of popular discontent. In public speeches numerous leaders expressed the fear that stability is at risk. Obviously these worries are now both more intense and more generally shared than ever before; the urgency with which Beijing has sought to quell inflation, assuage outrage over corruption, and boost security measures has been an expression of these fears.

Beijing reacted to the threat of disorder first of all by retreating from some of the more controversial reforms, especially price reform—which would entail a jump in prices. After the events of the summer of 1988, a media campaign sought to reassure Chinese, especially city dwellers, that they would be shielded from the worst effects of inflation. According to press reports, the authorities are now planning wage hikes, increased subsidies, and a two-year moratorium on raising prices of key goods in response to the protests over inflation. Liberalizing press laws and increasing the use of local people's congresses as soundingboards for popular concerns—steps reformers have been pushing—could help vent public frustrations.

Using popular discontent as a lever, other reformers may push to open the political system further, giving people a greater sense of participation and, thus, a stake in reform.

Is China Up to Modernization?

In our view, however, the leadership faces a rough and potentially lengthy period of instability. Student protests have occurred annually since 1985, and the creation of stronger student organizations suggests they are almost certain to resurface in the future. The sour mood of urban workers is likely to worsen as their living standards slip. Discontent among peasant farmers and rural enterprise workers, who stand to be hurt by Beijing's current austerity policies, may also increase. Unless Beijing can curb inflation and sustain rapid economic growth—which is doubtful—it will probably have to contend with increasing worker protests and strikes, new student protests, and sporadic outbreaks of violence.

We are not optimistic that the leadership can agree on a course of action that would ameliorate economic problems, or even has the political will to take on the powerful vested interests that would oppose recentralizing authority. Provincial leaders are unlikely to voluntarily give up the enormous power Beijing has granted them over the past decade. And we expect local party cadres to do little more than pay lip service to Beijing's campaign against corruption. Urban workers, in our judgment, are also likely to resist any government attempt to impose a ceiling on wages and bonuses.

We believe the most likely threat to reforms under these conditions is that continued intractable discontent, combined with pervasive disillusionment and widespread indifference and passive resistance to government initiatives, will weaken reformers' political position and provide ammunition to their opponents. Whether economic troubles undercut the reformers politically or force them to water down their program, severe social tensions are likely to become a permanent feature of the Chinese political landscape.

China has a history, both under the Communists and before, of upheavals in reaction to social tensions. Even if the current turmoil subsided, bad judgment on the part of the leaders, perhaps combined with an event beyond their control such as a serious international recession, could trigger another upheaval.

Impact on the West

We consider it extremely unlikely that unrest in China would get so out of hand that it would bring in a leadership interested in returning to the isolationist policies of the past; the "open policy" is, we believe, a permanent part of all leaders' foreign policy. But it is conceivable that disorder could bring about a political realignment in China that would affect the interpretation of the policy. Many of the leaders whom we place on the more conservative side of the political spectrum share a distrust of Western ideas and intentions that, we believe, could lead them to seek greater distance from the United States. Under these leaders, military and diplomatic relations could cool, although the strength of Western technology, markets, and educational institutions would act as a brake on this tendency.

Under a more traditional leadership, changes in the economic climate could adversely affect trade and the investment picture for US firms. Li Peng, for example, has suggested instituting official controls on foreign investments to ensure that they are sufficiently favorable to China. Several of the more traditional leaders are lukewarm toward the strategy of coastal development that has fostered much of the foreign investment in China.

Measures taken to control disorder could also smother economic initiative. Their turbulent recent history has conditioned Chinese to see a clampdown in one area

as presaging more sweeping measures or even a policy reversal. A clampdown often leads to a slowdown in business activity.

A rise in social disorder would mean a decline in investment as foreign businessmen reacted to fears of instability. Unrest, especially in the cities where most investment is centered, would exacerbate what is already a difficult investment environment.

Persistent serious disturbances and the draconian measures China might take to clamp down on them could reawaken fears about China's stability and predictability that would hamper China's initiatives in the region. We judge it probable that some Southeast Asian states, such as Malaysia and Indonesia—which are already leery of Chinese intentions—would worry that China's problems might be transmitted to their ethnic Chinese populations.

It is conceivable that under extreme conditions a frustrated leadership could deliberately stir up xenophobia both to distract the populace and to transfer blame for China's problems. Chinese complaints that foreigners have incited trouble in Tibet and have encouraged Chinese dissidents such as Fang Lizhi exemplify this tendency. Although we doubt that such a strategy would be very effective or persuasive today—particularly in diverting attention from domestic problems—that would not necessarily prevent it from affecting China's foreign relations.

Appendix

A Sampler of Social Tensions

The list below is not exhaustive but is intended to give a sampling of incidents reflecting social tensions.

1988

March

As many as 2,000 people riot in Lhasa during religious festival.

April

Authorities arrest a Daoist "witch" in Shenyang for inciting her followers to murder.

Hundreds of workers attack passenger train in Guangdong.

Peasants in Hunan push 50 carts of vegetables into municipal government building, protesting broken contracts.

May

Mob of Guangdong peasants storms public security bureau, freeing prisoners and burning files.

Two hundred persons in Henan attack a court, beating up 17 police officers.

June

Local authorities move against pirates on the coast of Zhejiang Province.

Students demonstrate at Beijing University for political change.

Police break up a ring of 66 people involved in kidnapping young girls and selling them into slavery; peasants who purchased one girl object that they used legitimately earned money to buy her and, therefore, should not have to give her up.

Soccer riot in Sichuan erupts, police take eight hours to restore order.

Thousands of armed police break up demonstration by 1,000 peasants protesting pollution of water supply for their fields.

Xi'an taxi drivers parade against corruption and discrimination against private operators.

Strike in Liaoning results in removal of incompetent factory manager.

July

Mob in Guangdong attacks tax collectors sent to inspect local jewelry shops.

Public security Vice Minister cites rise in ethnic clashes and smuggling in border regions.

More than 100 intellectuals attend meeting criticizing limited political and intellectual freedoms and call for rehabilitation of Hu Yaobang.

Security guard kills family-planning official who penalized him for having too many children.

August

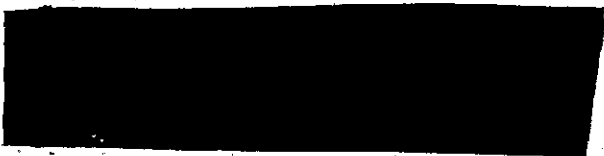
Spending sprees, hoarding, bank runs, and protests against inflation force change in economic policy at leadership meetings.

Four farmers are killed when police intervene to break up attack by farmers on local land office.

September

Land dispute between local peasants and mining enterprise in Liaoning halts production.

Liaoning paper claims illegal "taxes" force closure of 14,000 small businesses.



The Chinese People's Political Consultative Committee Women's Committee reveals evidence of widespread female slavery, including involvement of village committees in approving contracts.

December

Protests by Tibetan dissidents in Lhasa and Beijing.

Students at several campuses demonstrate against African students and special privileges for foreign students.

Enraged depositors attack post offices in several areas after being denied cash withdrawals because of new money-tightening measures ordered by Beijing.

1989

January

Clash between grain farmers and Anhui provincial officials attempting to block export of grain to wealthier coastal provinces leaves one farmer dead, two officials injured.

February

Group of prominent intellectuals sign letter calling for amnesty for political prisoners.

Homemade bomb reportedly explodes on train in Henan, kills 12.

March

Massive proindependence demonstrations in Tibet lead to imposition of martial law there.

April

Student demonstrations, beginning with the death of Hu Yaobang on the 15th, continue for a month. Protests in Beijing bring 150,000 students to the streets; other demonstrations occur throughout China.

Police arrest more than 50 members of a "counterrevolutionary" sect called the "Universal Sycee Dynasty." The group claimed to be followers of the founder of the Ming dynasty and planned to establish a new kingdom.

May

Student demonstrations continue.

Reporters, including from the official *People's Daily*, present a petition protesting controls on their ability to report the demonstrations accurately, call for press freedom.

Martial law is required to restore order to Beijing.

