

Can China Build a Future on the Foundation of Its Past?

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HIGH HOPES FOR THE NEW MILLENNIUM

When the People's Republic of China celebrated its 50th birthday in 1999, it received two memorable gifts. Hong Kong was handed over by the British on July 1, 1998, and Macao, the former Portuguese colony was returned to China on December 20, 1999. For China, regaining sovereignty over Hong Kong and Macao symbolized the end of nearly two centuries of mistreatment by exploitative foreign powers. It also constituted a major step toward completing full reunification, a process that began with the proclamation of the People's Republic of China in 1949, but which will be complete only after Taiwan is returned to the mainland.

We can say in turn that China now faces the dawn of the 21st century with bright prospects. On the economic front, Hong Kong and Macao should provide synergy for an already fast-growing Chinese economy. Under the "one country, two systems" administrative regime, capitalist Hong Kong and Macao possess considerable autonomy. The two areas should become an important bridge, and a window through which China can interface her

economy with the rest of the world.¹⁾

China's economic prowess is also rapidly being translated into military might. Sensing its weakness and lack of professionalization, the People's Liberation Army (PLA) has given up its vast business empire. It has either closed down or handed over to civilian control many commercial enterprises.²⁾ Divestiture, in turn, has led to further professionalization and internal reforms of the military; these include downsizing a force of three million to a better-equipped 500,000-man army.³⁾

Events in Kosovo also reinforced the PLA's sense of weakness in the face of overwhelming American force. To counter this military imbalance, China has abandoned the old strategy of protracted guerilla warfare (where it sought to trade space for time) in favor of a doctrine of asymmetric warfare.⁴⁾ At this point China already has achieved regional predominance and is marching toward superpower status.

The rapid rise of Chinese economic power coupled with recent modernization of the Chinese military will surely disrupt the Asian balance of trade and power. In turn, arguments about the "China threat" and the need to "contain China" are receiving more attention.⁵⁾ Today, China has a major role to play in important

1) Considering the possibilities of this "Greater China," the World Bank predicts that China will become the world's largest economy by 2010.

2) The PLA and PAP (People's Armed Police) had transferred 2,937 businesses to the state and closed a further 3,928 by an initial deadline of December 1998. Susan W. Lawrence, "A Model People's Army," *Far Eastern Economic Review*, July 13, 2000.

3) *ibid.*

4) An asymmetrical war is one in which a weaker power seeks novel and cheap ways to tackle a stronger power or to keep it at bay, often by exploiting the enemy's particular weaknesses. China wants to be able to put U.S. naval and air forces at credible risk of at least some damage if they intervene in a crisis over Taiwan. By threatening even a few American lives, China believes it may be able to exploit the biggest perceived U.S. vulnerability—weak political will—in order to deter American action, *ibid.*

international issues such as nuclear proliferation talks and world trade. Moreover, it demonstrated this emerging global status in helping to stabilize the Asian currency during the financial crisis of 1997; very likely China holds the key to political stability on the Korean peninsula. It would seem only a matter of time before China sheds its supporting role and returns to the status of the great power as it once was.

Despite this popular predictions that the 21st century will become an era of Chinese ascendancy, it can also be argued that China's future is not as rosy as some expect. For China to achieve greatness in the 21st century, it will have to surmount two obstacles: the challenge of democracy and the challenge of history.

PREMISE: THE AFFINITY BETWEEN CAPITALISM AND DEMOCRACY

Recent history, including the Asian economic crisis, has demonstrated that economic growth based on mere increase of factor inputs is subject to diminishing rates of return. For growth to be sustainable, a system that pursues efficiency must be created.⁵⁾

Mankind has known no economic system that pursues efficiency better than competitive capitalism (free private enterprise exchange economy). While command economies and their variants (i.e., state-led developmental models) may prove superior to competitive capitalism in the early stages of industrialization when there is a need for fast capital accumulation, when industrialization reaches a stage where greater efficiency is needed, competitive capitalism

5) Samuel P. Huntington, "Political Conflict after the Cold War," in Arthur Melzer edited, *History and the Idea of Progress* (Ithaca: Cornell University Press, 1995); James Kurth, "America's Grand Strategy: A Pattern of History," *The National Interest* 43, Spring 1996.

6) Paul Krugman, "The Myth of Asia's Miracle," *Foreign Affairs*, vol. 73, no. 6, 1994.

outperforms rival models.

The political institutions that best complement competitive capitalism are those of liberal democracy. Capitalism and liberal democracy are constructed around similar values: the dispersion of power; constitutional freedoms; and an enlargement of individual choices.⁷⁾ Both political freedom and economic freedom promote a dispersion of power and one tends to reinforce the other. Market economies and political democracies also operate around similar principles of consumer sovereignty and popular sovereignty. Finally, the market and democratic institutions both give value preference to individual choice.

Francis Fukuyama boldly predicts that history will ultimately evolve towards capitalism and liberal democracy. According to Fukuyama, there are two separate engines driving the historical process: economic development and the “struggle for recognition.” The progress of science and technology fosters economic development, and markets are the most efficient engines of economic development. The struggle for recognition, on the other hand, is the fundamental passion that underlies politics. The only rational form of recognition in modern politics is universal recognition of all human beings on the basis of equal dignity as moral agents. Modern liberal democracy is a set of political institutions designed to secure these universal rights.⁸⁾ Fukuyama’s argument has been criticized on various fronts, including its totalizing view of history. Nevertheless, it is difficult empirically to deny the close affinity between democracy and the market.

If we accept the premise that democracy and free markets are closely affiliated, then the following argument should apply to the future of China’s political economy. The “growing out of the plan”⁹⁾

7) Milton Friedman, *Capitalism and Freedom* (With a New Preface by the Author) (The University of Chicago Press, 1982.)

8) Francis Fukuyama, “Second Thoughts: Last Man in a Bottle,” *The National Interest* 56, Summer 1999.

approach to economic development and reform will face inevitable diminishing returns. For growth to be “sustainable,” China needs to privatize its economy further, which of course would involve the introduction of competitive capitalism. Capitalism thrives best when nourished with sound governance, the necessary components of which are accountability and transparency. And the political system that best upholds accountability and transparency is democracy. In short, if China wishes to achieve progress toward the cherished dreamland, then capitalism and democracy will be the two pillars upon which to build her future society.

ENTER THE DRAGON-1: THE CHALLENGE OF DEMOCRACY

The dilemma that China faces today is that her fast growing economy is sowing the seeds of its own destruction. In the two decades since Deng Xiaoping opened China to the world, GDP has risen 583%. Taking into account China's 31% rise in population over the same period, this means living standards have improved by 422%.¹⁰⁾ However, the open door policy did more than improve China's economy. As the pace of reform accelerated, it became obvious that economic freedom was incompatible with political monopoly, which is the exclusive control of politics by the Chinese Communist Party (CCP).

The Chinese economic reform process can be conceptualized in two parts: a “dual track-system” and “disarticulation.” The dual-

9) “Growing out of the plan” coined by Barry Naughton refers to China's gradual reform package. It is a strategy to fix the overall central government material-allocation plan in absolute terms while encouraging the growth of the market sector. As the economy grows rapidly, the relative proportion of the planning sector diminishes, hence “growing out of the plan.” Barry Naughton, *Growing Out of the Plan: Chinese Economic Reform 1978-1993* (Cambridge: Cambridge University Press, 1996), pp. 8-9.

10) *Far Eastern Economic Review*, “Trade on to Freedom,” July 8, 2000.

track system refers to the coexistence of plan and market coordination mechanisms, a two-tiered pricing system for goods. Under the dual-track system, most state-owned enterprises have been assigned a compulsory plan for some output, but they also have additional capacity available for production of market goods. This has allowed for a gradual introduction of state-run factories to the market.¹¹⁾ Disarticulation refers to the process of identifying economic activities that are least integrated into the planning mechanism and separating them from the planned core. This gradualist approach has seen the Chinese leadership pushing reforms first in the countryside, and then creating export-oriented enclaves (Special Economic Zones, SEZs), both of which have few links to the core economy.¹²⁾ All in all, compared to Eastern Europe's rationalizing reforms of the 1960s or the Polish "big bang" reform of 1990, China's gradualist approach has smoothed her transition to a market economy.¹³⁾

Indeed, the Chinese economy made great strides through these successful reforms. But there have been harmful side effects as well. Corruption under the dual price system was widespread during the 1980s,¹⁴⁾ while unbalanced growth between the coastal and inner areas reached its height in the 1990s. What worries the Chinese leadership more than these economic side effects, however, is the people's expectations for political freedom. In 1988 when the economy showed an inflation rate of 20 percent and the living standard of urban workers dropped, demands for political reform were unleashed. At

11) Naughton, *op. cit.*, p. 11.

12) *ibid.*, p. 11.

13) *ibid.*, pp. 13-24.

14) The two-track price system that mixes partly free, partly command economic policies led to enormous opportunities for corruption. Bribes were required routinely to get a telephone, to start a business, to hook up electricity, or even to receive medical attention. This led to a general blurring of boundaries between what was and was not legitimate economic and social behavior. Harvey Feldman, "China's Elusive Democracy," *The World & I*, July 2000.

Tiananmen Square, students and workers demanded that the leadership live up to the provisions of China's constitution, which guarantees free speech, free assembly, and popular sovereignty.

Since quashing the demands at Tiananmen, China's leadership has been able to avoid the issue of political freedom with three strategies. First, it bartered political freedom for economic freedom. Under the slogan "You're free to get rich, but stay out of politics," the Party has placed economic development above all else. The leadership has identified economic growth as the key to restoring party legitimacy. Similar to the military dictatorship in Korean politics that had for over 25 years successfully shut down political demands in exchange for double-digit growth, in today's China, legitimacy is rationalized in the name of economic effectiveness.

Second, the Communist Party has opened up village elections as proof of its support for grassroots democracy and political reform. The 1987 Organic Law of the Village Committee established, at least on paper, a system of village autonomy (*cunmin zizhi*) and self-management in which village committees consisting of about five leaders are directly elected every three years. In 1990, the village representative assembly and the village councils, which are comprised of all households, were established to complete a tripartite institutional framework for ostensible village democracy. More recently, the 1998 Organic Law of the Village Committee has mandated that China's one million villages elect their leaders from multiple candidates by direct, secret ballot, a significant step forward in that village elections were planned to conform to the norms of democratic procedure.¹⁵⁾

However, despite a decade of village democracy, questions abound as to just how democratic village elections really are and the effectiveness of the new democratic institutions. For example, reports from the Carter Center for Democracy indicate that candidates' names are made public only the day before elections, although they

15) Yingying Chi, "China's Rural Change," *Harvard International Review*, Summer 2000.

were selected by the local party committee six months earlier. The candidates are allowed to give only token speeches, some as short as 30 seconds. Very few people are able to cast ballots in secret, and people who show no documentation at all are to cast proxy votes. In some instances, the local party branch imposes a group consultation process, which results in only one candidate running for an office. The government has said that it is considering allowing this type of election process in smaller townships as well, but China is not ready to have it extended to larger towns or cities.¹⁶⁾

Third, the Chinese leadership has reconstructed an official discourse of nationalism that can strengthen its political legitimacy while maintaining sociopolitical stability. Since the early 1990s the regime has allowed the rise of nationalistic voices among different social and political groups. Dubbed as “new nationalism,” it calls for statism and argues that only through recentralization can China become a strong nation-state, both in domestic and international affairs.¹⁷⁾ New nationalism, according to Zheng, is a response to domestic modernization, the inflow of Western influences, and a perception that the West is trying to contain China. This was demonstrated during the events of 4 June 1999, the tenth anniversary of the Incident at Tiananmen, which occurred immediately after the bombing of the Chinese Embassy in Belgrade. The same students who had protested for democracy ten years earlier burned effigies of the Statue of Liberty and the American Flag.

Despite the Party’s efforts to thwart growing pressures for democracy, if we accept the premises that economic development requires competitive capitalism to be efficient, and that competitive capitalism, in turn, is closely intertwined with liberal democracy, then the Communist Party reigning over a de facto capitalist system bears its own contradictions. The reason is simple: if the Party

16) Feldman, *op. cit.*

17) Yongnian Zheng, *Discovering Chinese Nationalism in China: Modernization, Identity, and International Relations* (Cambridge: Cambridge University Press, 1999).

decides to open up its political system, it could be ousted from power. If it doesn't, then growth will stagnate and its basis for legitimacy will crumble.

ENTER THE DRAGON-2: THE CHALLENGE OF HISTORY

The challenge posed by stemming from ethnic minorities—a challenge of history—is another obstacle that the Chinese leadership must overcome in the 21st century. In 1949, China, a multi-ethnic country composed of 55 ethnic minorities, was able to form a strong nation-state that had the elements of sovereignty, territoriality, and legitimate use of force. Despite Deng Xiaoping's prediction that ethnic minorities would present China a major problem after his death, Chinese historians have refuted Deng's prediction on the following grounds¹⁸⁾

- In Chinese history the period of unification has been much longer than division.
- Unification is the main current, while division is a detour of history.
- Unification is progressive, conforming to the law of historical development, while division is reactionary and unsuitable for historical development.

The basis of this argument can be traced to the way history is interpreted among the Chinese. According to Duara, the history that modern states write is enmeshed in the linear, teleological model of the Enlightenment and firmly tied to national concerns over a “record of progress of the superior races”; this type of history also

18) Gal Gum-woong (Korean pronunciation of Chinese author), *Chinese Unification, Chinese Division* (translated from Chinese into Korean by Sookmyung University History Research Group) (Seoul: Shinseowon, 1996), p. 47.

privileges the “present over the past.”¹⁹⁾ Under this conception of history, he continues, the nation state appears as a newly realized, sovereign subject embodying a moral and political force that has overcome the “dark period” of dynasties, aristocracies, and ruling mandarins.²⁰⁾ The nation is a collective historical subject, always evolving towards the modern state that guarantees individual freedom and rights.

Modern Chinese history fully accepts this perspective of the nation-state, which privileges the master Han race and treats as trivial or marginal the diverse identities of ethnic minorities. A good example is the work of Liang Qichao, an imperial scholar during the last days of the Qing Dynasty, the first to write Chinese history in this mode. Here, I extensively quote Duara.

In Liang's periodization, ancient Chinese history extended from the sage emperors till the Qin unification (221 B.C.). This was a China of China. This was the period when the Chinese people developed themselves, competed among themselves and organized among themselves. They were victorious over the barbarian races. The medieval period was the history of a China of Asia that would extend until the Qianlong era (1796). This was a time when China had interactions with other Asian people and developed its centralized autocracy. While the Han people were often actually overwhelmed by central Asian races, spiritually, the Han overcame them, and, by the end of the period, the races of Asia came together to form a great race facing the outsiders. The modern period was one of China in the world where the Chinese would, together with other Asian people, rid themselves of autocracy and compete with the Western nations.²¹⁾

19) Prasenjit Duara, “Historicizing National Identity, or Who Imagines What and When,” in Geoff Eley and Ronald Grigor Suny edited, *Becoming National: A Reader* (Oxford: Oxford University Press, 1996), p. 22.

20) Prasenjit Duara, *Rescuing History From the Nation: Questioning Narratives of Modern China* (Chicago: The University of Chicago Press, 1995), p. 4.

21) *ibid.*, p. 35.

In this mode of writing, we can see a progressive national consciousness replacing traditional dynastic-oriented cyclical history. We also witness a threefold periodization of the ancient, medieval, and modern that operates in a dialectic logic: the ancient age represents the creation of culture by the Han race (thesis); the medieval period is one of decay (anti-thesis); while the modern period is one of renewal (synthesis). The Chinese spirit, despite all adversity and oppression, survives and finally revives with the modern state. At the same time this spirit connects a homogenous community from the past to the present and future.²²⁾

Gal points out that periods of unification and division have alternated and he accepts the notion that China is a multi-ethnic nation. "From pre-historic period on, the agricultural Han race and the northern nomadic races confronted each other to form the China of today. In this process, the nomadic races have played equal if not bigger roles compared to the Han race." However, he simultaneously adds, "because the Han race has always treated other races equally, those other races lost their distinctiveness and dissolved into Han culture."²³⁾ We can see that the history of the nation-state is the documentation of a "superior" master race.

If the history of the nation-state is the recording of a superior

22) The same argument can be made with the Dankun mythology, the founding mythology of Korea. The Dankun mythology continuously links our community of the past to the present and the future. Therefore, as soon as the Dankun narrative is revived, all the events and people that ever existed in the Korean peninsula from B.C. 2333 to the present immediately become not only a part of Korean history, but also become inevitable occurrences for the Korean community to exist. Thus, the unification of the Three Kingdoms by Shilla, the Koryo and Chosun Dynasties become requisite for the existence of Modern Koreans. And because history progresses endlessly, the divided Korean peninsula of today—as long as the national spiritual essence survives—will be reunified.

23) Gal, *op. cit.*, p. 42.

race via the imposition of a master narrative, then what happens to the histories of other races that, by accident or contingency, are included within the same boundaries? According to the nation-state's historical perspective, the "inferior" races do not have history or a nationality of their own since they cannot construct a nation-state. Once we take for granted that the histories we study are the histories of modern nation-states (China, Japan, and the United States for example), then the sub-units of the nation such as diverse localities, peoples, cultures or even diverse spaces and times are immediately appropriated as part of "national history." The history of the nation selectively uses the past to justify the present; the present then gains moral superiority over the past.

GLOBALIZATION, THE INTERNET, AND THE RISE OF ALTERNATIVE POLITICAL IDENTITIES

Scholars have tended to emphasize the role of the state in shaping nationalism through technology and mass media. Ernest Gellner sees nationalism in terms of a logic of industrialism; the state desires to create a homogeneous and mobile workforce required by industrializing societies. According to Benedict Anderson,²⁴⁾ the spread of print media in the capitalist market ("print capitalism") permitted an unprecedented mode of apprehending time that was "empty" and "homogenous." This was expressed as imagining the simultaneous existence of one's conationals moving from the past to the present and the future.

Despite the reality that history is under the possession and manipulation of the state, the state itself is under constant debate because the agents who constitute the state—citizens, politicians, and regime officials—possess quite different identities and views of the

24) Benedict Anderson, *Imagined Communities: Reflections on the Origin and Spread of Nationalism*, revised ed. (London: Verso, 1991).

meaning and scope of the state. If we accept the notion that political identities are not fixed, then the same technology and mass media allow opportunities for aspiring identities to express representations of their nations. For example, the Internet and the globalization of the economy, often depicted as twin forces of universalism, may actually generate opposed results: advanced information societies such as the U.S. and Western Europe are utilizing the networks to form transnational confederations, strengthening interdependence and universalism. On the other hand, regions that are excluded from the global alliance can go in the opposite direction with the Internet. They may become even more nationalistic or more torn by violence. This is because the Internet provides space to express and share alternative sub-political identities based on the “particularity” of gender, region, religion, or tribe.

Today, Basque, Quebecker, and Tibetan Web Pages abound, concentrating the power of breakaway elements.²⁵⁾ For example, search results for “Tibet” at Yahoo produced 25 categories and 722 sites. This was a much larger search result compared to Myanmar (16 categories and 120 sites), Laos (13 categories and 162 sites), or Cambodia (21 categories and 211 sites), all of which are nation-states (search conducted on 6 July 2000).²⁶⁾ We could say that the Internet has put Tibet on the world map.

If the Internet provides space for expressing alternative political identities, then the global economy also provides inexpensive alternatives for maintaining newly born political communities. With free and open trade, countries with something valuable to sell can break away from the “motherland” and support themselves. Newly

25) Stephen Baker, “Should Kurdistan Be a Nation? Scotland? How about New York City?” *Business Week*, August 30, 1999, Iss. 3644, p. 86.

26) I have listed other selected countries for reference. 94 categories and 3266 sites for China; 121 categories and 1830 sites for Korea; 63 categories and 598 sites for Taiwan; 61 categories and 1330 sites for Germany; 226 categories and 5513 sites for Japan; 62 categories and 984 sites for Thailand; 5 categories and 83 sites for Palestine.

born countries do not need their own currencies or armed forces if they can become a member of a regional trade-security bloc such as the European Union.²⁷⁾ Political alternatives to the nation-state are fast emerging in this on-line age.

Globalization and the information revolution provide a preview of the future political economy of China. In the politically closed society of today's China, people are accustomed to viewing history from an evolutionary, Hegelian point of view. Under this teleological worldview, history is understood as progressive, while the nation, the agent of history, is viewed as a homogenous entity evolving through time. Under this logic, then, the reversion of Hong Kong and Macao—and eventually Taiwan—is interpreted as a “correction of the historical record” for the Chinese, while separatist movements such as the Tibetan independence demonstrations in 1989 are interpreted as obstacles to historical progress. However, because a change in observational position always provides a new line of sight (“parallax”), the “destined community” from the “master” race’s viewpoint can be a “contingent community” from the “subjugated” race’s point of view.

If we accept the notion that the nation is not an expression of some original essence but rather a “historical configuration designed to include certain groups and exclude or marginalize others,”²⁸⁾ the real test as to whether the history of the Chinese nation-state is persuasive or not will start as soon as China decides to open its political marketplace. Under the newly born pluralist world of the 21st century, China’s ethnic minorities—Tibetans, Inner Mongolians, and Uighur Muslims that have been oppressed and forced to accept the China-centered imagined community—may write their own histories. One only needs to witness the multiple versions of “history” written after the collapse of the Soviet Union. It is doubtful that a politically open China will be immune from the nationalistic

27) Baker, *op. cit.*

28) Duara, *op. cit.*, p. 15.

fervor sweeping the post-Cold War world.

CONCLUSION: WILL CHINESE HISTORY REPEAT ITSELF?

In the late 19th century, the Qing reformers saw the mighty nations of the West primarily as military and economic powers with strong defense capability, a powerful class of military-political leaders, and modern production techniques. They became convinced that their country should develop similar features²⁹⁾ and set out to strengthen it, primarily through military modernization programs, but without reforming the Qing dynasty's outdated political system. This "self-strengthening" movement, however, was a total failure because the world order was dominated by a small number of sovereign nations whose source of military and economic might came from the integration of subjects in the nation-state through popular sovereignty. Without a centralized modern state capable of bridging the distance between the sovereign and the people, military modernization alone could not save China.

The modern expression of China's "self-strengthening" movement is the economic reforms that have taken place since 1978. Unfortunately for China, today's world is marching in the direction of globalization and democracy, not nation-states. Marx noted in jest that important events and personages in world history occur twice, the first time as tragedy, the second as farce.³⁰⁾ Chinese reforms of the late 19th century obviously ended in tragedy. If the modern day Chinese reforms are not accompanied by political reforms, then it seems that 19th century history will repeat itself in the 21st century not as a tragedy, since it was forewarned, but as a

29) Akira Iriye, *China and Japan in the Global Setting* (Harvard: Harvard University Press, 1992), pp. 8-9.

30) Karl Marx, *The 18th Brumaire of Louis Bonaparte*, 18th ed. (New York: International Publishers, 1987), p. 15.

mere comedy to the outside world.

If we conclude, based on optimism, that history is evolutionary and progressive, then the reversion of Hong Kong and Macao will signify a glorious crowning moment for China of the 21st century. However, if we accept the view that history is composed of contingencies, it history is an outcome of complex transactions between past and present, and between rulers and the oppressed, then we must conclude that China, unfortunately, cannot go into the future by merely preserving the past.