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occasional paper

THE
SOUTH
AFRICAN
INSTITUTE
OF
INTERNATIONAL
AFFAIRS

THE
CHINA ORANGE
TWO
SOUTH AFRICAN
VIEWS BASED ON
RECENT VISITS
TO THE FAR EAST

COLIN EGLIN
and
EBBE DOMMISSE

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ISBN: 0-908371-91-8

June 1991

**The South African Institute
of International Affairs
Jan Smuts House
P.O. Box 31596, Braamfontein 2017
Johannesburg, South Africa**

Mr. Colin Eglin MP hardly needs introduction to the reader as a prominent member (both as leader and participant) of the largely English speaking forces of Parliamentary opposition in the South African House of Assembly for many decades. His paper is based on a visit to the region in 1990

Mr. Ebbe Dommissie is the well-known and respected Editor of Cape Town's *Die Burger*. His short paper is a synthesis of his impressions of a nine-day visit to the People's Republic of China. This translation is based on a series of articles by Mr. Dommissie that appeared in *Die Burger*, on the 9, 10 and 11 April 1991. The Institute is grateful to Mr. Dommissie for granting us permission to translate and reprint parts of the series.

Definition:

China Orange: *The sweet orange of commerce*
 (Shorter Oxford English Dictionary)

It should be noted that any opinions expressed in these articles are the responsibility of the authors and not of the Institute.

THREE IS ONE: A VISIT TO CHINA

by

Colin Eglin, M.P.

"HONG KONG" CHINA – 5½ million people, a British Colony since 1842.

THE REPUBLIC OF CHINA (ROC) "TAIWAN" – 20 million people, historically a mainland province of China, ceded to the Japanese from 1895 to 1945 and ruled by the Kuomintang Party Government since 1949 when Chiang Kai Chek was ousted from the Mainland and crossed the 200km wide Straits of Formosa to establish Taipei as the seat of government for "The Republic of China".

"MAINLAND" CHINA – 1,1 billion people, "the Middle Kingdom", first unified under the Qin Dynasty in 226 BC and, since 1949, when Mao Zedong's armies won the Civil War, "The People's Republic of China" ruled by a Communist Party government.

These three territories differ enormously in size and scenery: in lifestyles and standards of living; in economic and political systems. Yet they share a common history, common languages and a common mystique that is China.

All three are in a state of flux. Politics, ideology and the traumatic events of the 1920s, 1930s and 1940s keep them apart. Yet, international realignments, history, culture and economic imperatives are inevitably drawing them closer together.

In terms of the Sino-British Treaty of 1984, Hong Kong will revert to Chinese sovereignty in 1997. Could this be a major catalyst in the long history of China? What impact will this event have on the people of China and on the Far East?

HONG KONG

For me, Hong Kong is the jewel of the Far East. Singapore is cleaner, Shanghai is bigger and Tokyo is more sophisticated. But Hong Kong is more fascinating with its varied landscape, its throbbing vitality, its bustling harbours, its densely packed house-boats, its sandy beaches, its kaleidoscope of colour, its cacophony of sound, its glass-fronted skyscrapers, its sprawling factories, its people, its trams, its sampans and hydrofoils and its Kaitak airport where jets from around the world descend, wingtip away from laundry-festooned apartment buildings to touch down on a narrow strip of land pushed out into the sea.

Three elements make up the Colony of Hong Kong: The main Hong Kong Island: technically Victoria Island, and the scores of satellite islands which Great Britain acquired at the Treaty of Nanking, following its defeat of the Chinese Government in the Opium Wars of 1840-42, then Kowloon on the mainland opposite, subsequently acquired through negotiation, and last the New Territories beyond Kowloon, acquired in 1897 for a period of 100 years through a treaty between the British government and the Chinese of the last Qing Dynasty.

The fact that, in terms of this treaty, control over the New Territories is due to end in 1997, led to the Sino-British Treaty of 1984 in terms of which not only the New Territories, but Kowloon and the Hong Kong Island would revert to Chinese sovereignty on that date. Apart from the international considerations which weighed heavily on the Thatcher government, it would be extraordinarily difficult for Kowloon and the Hong Kong Islands to function as a separate entity were the New Territories to revert to the sovereignty of a hostile or, even surly Mainland government.

In earlier Colonial days Hong Kong was an important British naval base and deep sea harbour. But it was overshadowed economically by the great trading cities and river ports of Canton and Shanghai. In 1941, after Pearl Harbour, it was captured by the Japanese. By the time the war was over in 1945, its population had dwindled to 600 000.

But the civil war between Chiang Kai Chek's nationalist and Mao Zedong's communist armies and the victory of the latter in 1949, gave Hong Kong a new lease of life setting it on the road to becoming the great trading, manufacturing and financial centre that it is today.

There are three main reasons for this. Firstly, many industrialists and entrepreneurs, more especially from Shanghai, moved to Hong Kong to escape the ravages of the civil war and the economic totalitarianism of Mao Zedong's communist regime. Secondly, the political stability, the access to capital and knowhow and the free market environment, provided by the British administration together with the vast reservoir of labour on the adjoining Mainland, combined to transform Hong Kong into an important manufacturing centre. Thirdly, it was ideally situated to be the economic meeting place, the trading conduit and the accredited banker between the People's Republic of China or mainland China - communist China - and the industrial countries of Asia and the West.

And so Hong Kong grew to become one of the key trading and financial centres

in the world.

AFTER 1997?

When I first went to China in 1987 to discuss this issue with the British authorities in Hong Kong and the Chinese in Beijing, both were brimful of confidence that the Treaty would hold and that Hong Kong would continue to play a pivotal role in the economy in the post-1997 years.

The Treaty which was to cover the fifty years from 1997 to 2047 provided for Hong Kong to have continuing political and economic autonomy. Central Chinese government involvement in Hong Kong was to be limited to foreign affairs and defence matters. The Chinese Government proclaimed its commitment to the concept of 'one country with two economic systems' - Hong Kong was to be able to continue as a capitalist, free market, profit-motivated enclave in the communist Mainland.

I have no doubt that the Chinese want the Sino-British Treaty to work. They want Hong Kong to continue to succeed. Indeed they need it to succeed. For, if Hong Kong fails in the post-1997 era, not the British or the West, but China, will be the big loser. It will mean the end of foreign investments, loans and credits. It will be a mortal blow to its policy of 'opening up to the outside world' and attracting foreign capital and knowhow to the special economic and development zones. It will see the collapse of China's scarce and precious foreign currency reserves - a large portion of which is held in Hong Kong dollars. What is more, it will be a major setback to its hopes for the re-unification of the Mainland and Taiwan.

Today Hong Kong still hums with economic activity. Investment continues, new buildings rise skywards. Multi-billion dollar engineering projects, including a new international airport on the island of Lantau complete with rapid transit system, are getting under way.

Yet there is a concern. A concern for the unknown. A concern about the practicality of communism and capitalism co-existing in one country. A concern about policies which a new representative Hong Kong government might take, as the British authority withdraws and Hong Kong is 'democratised'.

Following the events in Tiananmen Square on 3/4 June 1989 and the tough line which the restructured Beijing Government has taken against so-called 'dissidents'

there is a political concern which reflected in the number of Chinese in Hong Kong trying to get British or Commonwealth passports and in an exodus of skilled persons at the rate of 1200 per week.

Yet, in spite of these and other concerns, Hong Kong is phlegmatic, and is at times even bullish about the future. Entrepreneurs realise that investment in Hong Kong might well prove to be the best way of gaining access to the vast markets and economic potential of China. At the very least people who have established businesses in Hong Kong will have a ready made economic foothold in the Mainland when Hong Kong reverts to China in 1997.

TAIWAN – THE REPUBLIC OF CHINA

It is with justification that Taiwan is often called the 'modern economic miracle'. Economic progress in this small and largely mountainous island – smaller in area than the Kruger National Park – has been phenomenal. An average economic growth rate of between 7.3% and 11.9% has been achieved over a period of forty years.

Over a ten-year period, foreign trade has grown from US\$24 billion to US\$110 billion, to make small Taiwan the world's thirteenth largest trading nation. Income per capita has risen to US\$7500.

Ninety three percent of youngsters between the ages of 12 and 14 years attend junior high school, while more than 30% go on to attend junior colleges and universities.

The credit for the 'economic miracle' must be given to the people of Taiwan and its Government, for fashioning and applying policies which made this possible. There were also circumstances which were helpful. In the years 1948 and 1949, between 2 to 3 million people, many of them educated and skilled, came from the Mainland as did the Chiang Kai Chek government, bringing with it as much of the gold, treasures and reserves of China as it could transport across the Straits of Formosa.

In the Cold War years of the 1960s and 70s, Taiwan was an important focus of United States far eastern policy. In addition to recognising Chiang Kai Chek's government as the legitimate government of China, the USA assisted militarily against a possible invasion by the Mainland and assisted it economically to become

a bastion against communism.

And in subsequent years, when an economically revitalised Japan started looking for foreign investment opportunities, it turned quite naturally to Taiwan, which it had administered as a Japanese possession for the 50 years from 1895 to 1945. Today, just on 50% of all new foreign investment in Taiwan is from Japan.

Over a forty-year period, the Taiwanese Government and the private sector have worked together to achieve rapid and balanced economic growth. The productive thrust of a market-orientated economic system has been recognised to the full. Private ownership, the profit motive and reward for productivity has been crucial. Yet, the economic system which achieved the miracle has been far from one of laissez-faire capitalism.

The government, by providing an excellent educational system and an infrastructure of basic services to assist the economy in its various stages of development until market forces could sustain it, by undertaking economically strategic development projects and by engaging in regional planning in conjunction with the private sector, has assisted the country through successive phases of planned economic growth. These started with agricultural reform, continuing with labour-intensive industry, and then on, to light, heavy and high-tech industry with the emphasis shifting at each phase from the local to the international market, until today. "Made in Taiwan" is found on goods in countries around the world.

But, as so often happens, success produces problems. The economy has over-heated. There is a shortage of labour. There is over-crowding, transportation bottlenecks and pollution. Added to these, the Taiwan stock market in common with others around the world, has crashed. The Gulf crisis has added new elements of cost and of economic uncertainty. The countries that have provided markets for Taiwan's manufactured products are heading for a recession.

And looming ever large is the relationship with Mainland China - the governments in Taiwan and Beijing both claiming that they are the legitimate heirs to the whole of China. Paradoxically, while Taiwan has been growing in international economic stature it has been Mainland China as one of the 'big five' on the UN's Security Council, that has been growing in diplomatic recognition.

Although some 28 countries including South Korea and South Africa still recognise the Government in Taipei, the rest including all the world's industrial countries, recognise the Government in Beijing. And in this field the pressure is on Taiwan.

RE-UNIFICATION/INTEGRATION

Can Taiwan and Mainland China be reconciled? Will China become one again?

If one were to answer this question on the basis of statements by Republic of China politicians in Taiwan, the answer would be "no". Or at least "not for many years". The memories of the Civil War and Chiang Kai Chek's defeat in 1949 lingers on amongst the older generation. There are differences in political ideology, in economic systems and living standards. Added to these, the Government in Beijing is showing no signs of recognising the Government in Taipei - one of the Taipei Government's pre-conditions for talks about re-unification.

Nevertheless, beyond formal government positions, there is movement at the level of the people and the economy. Amongst the ordinary people, a more relaxed attitude is developing. Over the past three years no fewer than a million Taiwanese Chinese have visited the Mainland strengthening the emotional and cultural bond that unites people as 'Chinese'.

In August 1990 a Kuomintang Member of Parliament from Taipei had a discussion with Jiang Zenin, the Secretary-General of the Communist Party in Beijing. In September an athletic team from Taiwan competed in the Asian Games in Beijing.

And on the economic front, Taiwanese businessmen, routing their money through financial institutions in Hong Kong and Singapore, have already invested billions of dollars in factories and other economic ventures on the Mainland. Simultaneously Taiwan's export trade with the Mainland is growing. As economic and human forces start operating and the antagonisms associated with the Cold War lose their cutting edge, many Taiwanese see the re-unification of China merely as a matter of time. But, it takes two to tango. What about the Mainland?

THE PEOPLE'S REPUBLIC OF CHINA

The grizzly events associated with the suppression of the pro-democracy demonstrations in Beijing's Tiananmen Square on the night of 3/4 June 1989 sent shudders of shock and concern around the world.

Potential investors and Government's of western countries in particular, had been watching with fascination as China, in the aftermath of the disastrous cultural revolution of 1966-76, applied its new twin policies of economic reform and of

'opening up to the outside world'.

For close on twelve years China had been remarkably successful in increasing agricultural production, stimulating industrial growth and attracting more than US\$20 billion worth of foreign capital for investment in a variety of foreign-owned enterprises and joint ventures.

What is more, Zhao Ziyang, General Secretary of the Communist Party and Chairman of the Politburo at that time, had made it clear that political reform had to follow in the wake of economic reform.

Then came Tiananmen Square. Did this event mark the start of another era of oppression, or was it a painful part of the process of democratisation? The ousting of Zhao Ziyang has been followed by a clampdown on dissidents and an attempt to tighten Party control over the society as a whole. The events on Tiananmen Square also had an immediate effect on the Chinese economy. The USA and other western governments froze further investment in China. Many potential investors held back waiting to see whether the situation stabilised and whether confidence returned.

Some eighteen months after Tiananmen Square the tough political line is still being followed. But the economy shows signs of moving ahead again. Foreign investment is picking up as the Chinese Government goes out of its way to reassure foreigners that their investments in China will be secure. Some of the new investment is direct from Japan and Singapore and countries in the West. Other investment is routed indirectly through banks and investment houses in Hong Kong.

I visited the Minhang Economic and Technological Development Zone on the outskirts of Shanghai. There such well known companies as Ingersoll-Rand, Coca Cola, Pepsi Cola, Johnson & Johnson, Zerox, John Deere, Union Carbide, General Electric, Squibb and Mitsubishi Elevators are operating from newly constructed premises. And to give the Shanghai area another economic boost, General Secretary Jiang Zenin - who incidentally was a former mayor of Shanghai - recently announced that Pudong, a 350 square kilometre area across the Huampo River from downtown Shanghai is to become a "Special Economic Zone" - complete with tax and trading concessions, profit-making incentives, marketable land-usage rights and considerable economic autonomy.

YET CHINA REMAINS AN ENIGMA

Its political leaders want economic development. They want foreign investment. They want capitalist Hong Kong to continue to succeed after 1997. They look forward to the day when Taiwan with its social market economic system will be reunited with the Mainland. In pursuit of these objectives they are prepared to bend some of the old socialist rules and make some concessions to the concept of a market economy.

In Economic Development and Special Economic Zones they are prepared to move away from the socialist system and in the case of Hong Kong and Taiwan they are prepared to have it bypassed altogether. Yet, these leaders, partly because of their ideological commitment and partly because of a fear of weakening their political power base, balk at going the whole way and opening the Chinese economy to the productive thrust of personal achievement, entrepreneurial initiative, private ownership, the profit motive and market forces.

A report from Beijing says that the party's top brass charged with drawing up the economic five-year plan for 1991-95, is deadlocked as political ideology clashes head on with economic reality. The deadlock can be traced to a simple paradox. Unless China's leaders continue innovative economic reform, the economy may crumble; but if economic reform continues, the conservative Marxists who were resurrected by the June 1988 crackdown on pro-democracy protests could lose power. 'They have come to the realisation that reform is the only way', says a Chinese economist. 'But they are trying very hard to ensure that the party retains power in this process, and this is impossible'.

Will China, in spite of the politicians, move substantially in the direction of a market economy? And with this, in the direction of democracy? It may take some time, nevertheless, I believe that it will.

In spite of Tiananmen Square the internal groundswell as well as the external influences for accelerated economic reform and more democracy are becoming stronger.

A growing number of Chinese, even within the Party, are coming to realise that the system of all eating from 'the big iron pot' is inefficient and inhibiting and deprives the economy of the thrust that comes from incentive-motivated individuals. Many Chinese are observing, and a few even tasting, the advantages of an economic system which permits private ownership and rewards personal initiative.

Over the past twelve years there has been substantial economic growth and with economic growth comes growth in the desire amongst the people for more personal freedom and more political democracy. Added to this is the impact of the outside world.

In the August 1990 issue of "Issues and Studies" a journal published by Taiwan's Institute of International Affairs, researcher Fan Li-Min, writes:

"Although there have been many obstacles to the course of democratization in mainland China, the people's aspirations for freedom, equality, and democracy have been kindled by the democracy movements in the past years. While these movements failed in their immediate goal of bringing democracy to mainland China, they have instilled the concept of democracy into the minds of the people.... With the trend toward democracy visible throughout the world, the process of mainland China's democratization will doubtlessly accelerate".

Stresses within the Party and dents in the authoritarian socialist monolith constructed by Mao Zedong way back in 1949 are clearly visible. There can be no doubt that the hardliners are going to come under ever-increasing pressure to introduce reforms that will accelerate the growth of the Chinese economy whatever political consequences these might bring.

Evidence of this pressure was the recent speech in which Premier Li Peng, one of the hardliners, surprised businessmen attending a conference organised by the World Economic Forum by pledging "major changes" and "drastic reforms" in the Chinese economy over the next ten years.

CONCLUSION

China will change – economically at first, and politically in due course. Economic forces in particular will continue to draw Taiwan and the Mainland closer together. The reversion of Hong Kong to Chinese sovereignty will accelerate both these processes.

A combination of Taiwan's entrepreneurial skills, Hong Kong's financial expertise and the Mainland's vast human and natural resources will create a potent new factor not only in the economy of the region but also that of the world.

DISPATCHES FROM CHINA

by

Mr. Ebbe Dommissé

RELATIONS WITH SOUTH AFRICA

The government of the People's Republic of China (PRC) is keen to establish diplomatic relations with South Africa, subject to certain conditions. This emerged from a visit - under the auspices of the Chinese Association of International Understanding (CAIFU) - to that country by Mr. Ebbe Dommissé, editor of *Die Burger*. Mr. Dommissé held wide-ranging talks with government officials - among them Chinese deputy-minister of Foreign Affairs, Mr. Yong Fuchang - academics and businessmen. The major impediments in the way of normal relations between the two countries are apartheid and, although not explicitly mentioned by the deputy minister, South Africa's diplomatic relations with the Republic of China (ROC). Since China's reintegration into the world, unofficial contacts between the two countries have increased. South African tourists are welcome in China and there has also been a growth in indirect trade between the two countries.

Mr. Jiang Guanghua, deputy chairman of the international liaison department of the Chinese Communist Party, was more explicit about South Africa's *diplomatic relations* with Taiwan. Provided South Africa terminates its diplomatic relations with Taiwan - like Saudi Arabia among other countries have done - the PRC would have no objection to Pretoria maintaining trade and cultural links with Taiwan.

The PRC with a population of 1200 million people (one quarter of the world's population), is the only permanent member of the UN Security Council with which South Africa has no formal relations. Pretoria has ambassadors in three of the other four permanent members of the UN Security Council - the United States, the

United Kingdom and France. Recently, South Africa established an Interest office in the Soviet Union. Moscow reciprocated with a similar arrangement in South Africa.

The PRC has a deep and long standing interest in the Third World. In Africa, the PRC enjoys diplomatic representation in 48 out of a total of 51 states. As far as

relations with South Africa are concerned, the Chinese deputy-minister of foreign affairs, Mr. Yang Fuchang (he has special responsibility for African affairs), and his colleague, Mr. Zheng Yaowen, director of the Africa department within the foreign ministry and formerly China's ambassador in Zimbabwe, indicted that President F.W. de Klerk's reforms may provide the catalyst needed to establish economic and trade relations between the two countries.

Premier Li Peng, recently reacted positively to developments in South Africa when he addressed the People's Congress in Beijing. More generally, the PRC attaches special importance to its relations with Africa and the Third World. Deputy-minister Yang, was quick to point out that Egypt (1956) was the first Third World country to recognise the communist government following the take-over on the mainland in 1949. In southern Africa the PRC has no relations with South Africa, Malawi and with Swaziland – all three countries that have diplomatic relations with the ROC.

In 1990 the PRC's trade with Africa amounted to US\$2 billion – out of a total figure of US\$115 billion. Indirect trade with South Africa is likely to increase marginally this year.

The PRC takes a non-partisan stance on South African domestic developments, and enjoys no special relationship with any one of the political formations inside the country. However, the Chinese Communist Party has 'political and moral relations' with the PAC, ANC and the SACP. Beijing does however, enjoy a special relationship with President Robert Mugabe of Zimbabwe, and supports closer regional co-operation and trade between the countries of southern Africa.

TRANSFORMATION

The PRC's staggering population of 1200 million – there is an annual population increase of between 15–16 million – poses the principal challenge to the government of Mr. Deng Xiao-ping. The legacies of the anti-intellectual Cultural Revolution of the 1970s made matters worse, for these made effective population policy virtually impossible.

The PRC's programme of restructuring initiated by Deng Xiao-ping started (as in neighbouring Taiwan) with agricultural reform and small-scale peasant farming. In the coastal provinces – Sjanghai and Guangdong (formerly Canton) – provision was made for industrial development, principally in the form of joint-venture

schemes and high-tech enterprises. For example, the capital city of Guangzhou (capital of Guangdong province) boasts a technopark equal to any in Singapore, Hong Kong, Japan or South Korea.

The government also promotes tourism. South Africans have been visiting there since 1986. Beijing, the capital city, has more than 180 hotels. Despite impressive development in its coastal provinces however, China is a poor country – with an average annual income of US\$300. This rates poorly with Taiwan (US\$7500) and with Japan (US\$16000).

Inadequate and out-moded physical infrastructure and environmental pollution are two additional factors retarding economic development. Political and business leaders admit to this, especially in relation to the cooling, storage and transport of agricultural produce. The metropolitan-centres – Beijing (11 million), Sjanghai (13 million) and Guangzhou (6 million) – simply do not compare with the hyper-modern cities of Japan.

China with its 22 provinces, 6 self-governing areas and 3 special cities (Beijing, Sjanghai and Tientsin), increasingly experiences the difficulties of governing such a vast country with its rich history and culture. The pace of change is accelerating – as the American writer Alvin Toffler predicted – and the PRC too, will not escape this reality. Reportedly, the Communist Party has some 30 million members and the future of this enigmatic country will depend, in no small measure, on the capacity of the party to control events, as well as on its octogenarian leader, Mr. Deng Xiao-ping.