

Robert D. Novak

# Will China Be the Next Japan?

*For 120 million mainlanders, maybe it already is.*

“Who is this Rip Van Winkle?” asked Chen Ligang, the man from the Foreign Ministry assigned to guide me through my eight days in China.

“A character out of early American literature,” I replied, “who falls asleep for twenty years and awakens to find everything changed. That’s what I feel like coming back to China after only ten years.”

“I like that,” Chen said. “Rip Van Winkle! How do you spell it?”

The physical appearance, mood, and ambience of the world’s most populous country has been totally altered since my first trip fifteen years ago, or even my second visit ten years ago. The dreary, gray, confined China of the seventies and early eighties has given way to a bustling, gaudy, technicolor China of the 1990s. But also gone is the pulsing quest for democracy I found in 1978, when students, joined by a few workers, were prepared to risk everything for it. The country’s implacable Communist rulers and their obedient troops in the People’s Liberation Army (PLA) put an end to that at Tiananmen Square in 1989.

China is still very much a Communist country in many ways, and that rules out a reporter’s simply getting a visa and roaming around on his own. He must be invited (my host was

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the Foreign Ministry’s Information Division, which proffered an invitation at my request), and is tightly scheduled when he arrives. Nor is it appreciably easier in 1993 than it was in 1983 or in 1978 for a short-time visitor to make contact with Chinese people outside of official channels.

Moreover, there are two Chinas (and I am not referring here to Taiwan). One is a Third World country of more than 900 million peasants—poor, heavily illiterate, largely disconnected from the

boom set in motion by the proclamation of a “socialist market economy.” The other is a Japan-sized country of around 120 million, bursting with Pacific Rim energy. That is the China that my wife Geraldine and I visited for eight days.

The new—second—China must be borne in mind when one mulls over the appropriate U.S. response to the depredations of China’s rulers. Four years ago, in the wake of the events of June 1989, I thought that President Bush was wrong not to apply severe sanctions on the Chinese government. Since then I’ve come to believe that punitive measures would have been self-defeating.

*Peking, July 11-14*

This capital city of nearly 7 million is bigger by a third than the city I saw in 1978, and bears almost no resemblance to the dusty, grassless, largely treeless overgrown village of fifteen years ago. The quiet streets, then used by thousands of silent bicycles and very

few official autos, are now the site of a perpetual traffic jam. The bicyclists are still there, but are joined by a flood of taxis, used mainly by foreigners, which in turn are outnumbered by inexpensive minicabs ("orange bugs") that suddenly appeared a year ago and are widely used by ordinary Chinese.

The unisex blue-ant Mao-style costumes that were the rule are gone. The men wear T-shirts (usually with English messages) and sport shirts. On my 1978 visit, I saw not one Chinese woman wearing a dress; today, women display their charms in Western finery. The formerly omnipresent PLA men, in their baggy green uniforms, are seldom to be seen.

Gone, too, are the mammoth color photographs, always twinned, of Marx and Engels, Lenin and Stalin, Mao and Chou. Marxist slogans have been removed, though thousands of "Beijing 2000" posters plead for the Olympic games to be held here. But also missing is the "Democracy Wall," where fifteen years ago young Chinese plastered posters saying the unsayable and asking the unaskable about democracy and freedom.

Privately owned food stands and other shops now fill the streets. A skyline has emerged, with a plethora of luxury hotels. The Palace, where we stayed, is deluxe in appearance, service, and—especially—price.

**A** less welcome change was in the level of officials I was able to see. At the time of my 1978 visit, I was the only U.S. journalist present in China, and was given—without specifically asking for it—a two-hour interview with Deng Xiaoping. Five years later, I did not get the meeting with Deng that I had requested, but did interview a very senior official, First Vice Premier Yao Yallin. By 1993, an American columnist in China is no novelty.

What I perceived from formal interviews with mid-level functionaries was the irrelevance of the Communist Party to the economic explosion. That irrelevance, ironically, can be traced to the political genius of Deng, whose dedication to the Leninist dogma of the primacy of the Party has never wavered, even during the three occasions on which he was purged and disgraced. After the Tiananmen massacre, he could have maintained Party domination by reverting to orthodox Marxism-Leninism. Instead, he proclaimed the "socialist market system," combining political dictatorship with economic freedom, that has given China the world's fastest-growing economy.

Deng employed a simple semantic change: enterprises would henceforth not be "state-operated," only "state-owned." That is not quite privatization, but its ambiguity permitted a new class of Chinese managers outside of Party cadres and opened the way for joint ventures with foreign-

ers, who more often than not would make the management decisions.

The Communist officials I interviewed seemed overwhelmed by it all, deprived of the pat ideological answers they had relied on throughout their careers. They talked about the need to redistribute income so that the poor—those 900 million in the other China—could catch up; they would use the graduated income tax. They talked about the need to cool off the overheated economy and stifle inflation by "monetary policy"; they would raise interest rates. They sounded more like John Maynard Keynes and Milton Friedman than Mao.

**B**ut these officials squirmed when I pressed them to explain how the profit motive is compatible with the teachings of Karl Marx. Although the Party line is a little fuzzy, they seem tethered to the dogma that Marx was never wrong, even if his acolytes did err. "I don't believe that we fully understood Marx in the past," said Wang Shiyuan, Deputy Director of the State Commission for Restructuring the Economy. Wei Liqun, secretary-general of the State Planning Commission, seemed a little

impatient with me when he insisted that "the system is still Marxist-Leninist," adding that China is in an early stage of socialism and that "to realize Communism is our long-time goal."

Nobody, aside from dogged Party cadres and inquiring Western reporters, cares about such theoretical questions. The future of China would seem to rest neither with the Communist ideologues nor the suppressed democratic dissenters, but with Western-educated technocrats who are working in the system and most definitely are changing it.

Mike Chinoy, CNN's Peking bureau chief, found two of them to appear on the network's "Evans and Novak" broadcast: Dr. Li Qingyuan, an economist for the State Commission for Restructuring the Economy, with a graduate degree from Columbia University, and Gao Xiqing, counsel for the Securities Regulatory Commission (in charge of overseeing the country's new stock markets), with a law degree from Duke University, as a Nixon Scholar no less.

Before the Tiananmen Square disaster, neither could have been interviewed on American television. Now, in a country where neither government officials nor private citizens dare speak their minds, these two young people were remarkably frank—especially Dr. Li.

Why is there so much corruption in China? Li cited "the lack of a legal framework and the monopoly position of many agencies."

Is she bothered because some people are getting very

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rich? "Well, it doesn't bother me," she replied. "I mean, money should be made."

Both Li and Gao asserted that political reform should follow economic reform. What kind of political reform? There, discretion prevailed. But both expressed the "hope" that by the year 2000, whether or not the Olympics are held in Peking, the rest of the world will consider China a democracy.

That is also the hope of U.S. Ambassador J. Stapleton Roy, a sensible career foreign service officer and old China hand whom I first met in Peking fifteen years ago when he was deputy chief of mission in the "liaison office." Over dinner, I found Roy to be the same level-headed diplomat that he had been in 1978. He has no illusions about the human-rights record of the Chinese Communist regime, but neither does he see the slightest sense in the U.S. cutting itself off from what is happening here. (Roy is one of the few ambassadors inherited by President Clinton who was earmarked to retain his post, but he seemed so far out of synch with the heavy human-rights tone affected by the State Department that I wondered whether his days might be numbered—which, I learned on my return to Washington, they apparently are.)

During my visit to Peking, Roy was busy dealing with fallout from President Clinton's attack on China in his speech to the Korean National Assembly in Seoul, which prompted an angry, anti-American response from the Foreign Ministry spokesman, Wu Jianmin. I had had dinner with Wu two days earlier, and he proved a far cry from the fire-eating anti-capitalist, anti-Soviet Chinese diplomats of fifteen years ago. Wu, a career diplomat who spent a decade in New York on China's United Nations delegation, comes across as reasonable and hardly warlike.

Wu describes China's modernization of its armed forces, in reaction to the impressive high-tech warfare of Desert Storm, as modest and overdue—an assessment shared by Western diplomats, despite their concerns that a well-armed China might dominate Asia. Even so, there has been friction with the U.S., particularly over shipments of missile parts to Pakistan. The Chinese claim they have not violated treaties, and there is disagreement inside the U.S. government whether or not they have. Regardless, the issue is not worth risking a rupture over, and is certainly

of far less moment than the increasingly close ties between China and Japan.

### Shanghai, July 15-16

This wicked old jewel of the Orient, built by European intruders and famed as the setting for so many adventure stories popular in the West, was a disappointment to me in 1983. It then seemed to me as drab, gray, and joyless as the Peking of those days.

No more. The city of 13.5 million is alive with neon signs, gridlocked traffic (including motor bikes, which are banned in Peking), crowded stores, beautiful women, a forest of skyscrapers, expensive hotels and restaurants, gaudy discos, proliferating karaoke, and rampant commerce. Even booming Peking seems a village by comparison. An old hand who came here before the Japanese Army arrived in 1938 and never left told me that today's Shanghai reminds him of the old Shanghai of a half century ago—"the good and the bad." The good is commerce, sophistication, vitality. The bad is corruption, vice, degeneracy.

While I was in Shanghai, senior Politburo member Qiao Shi issued a nationwide call to Communist Party members "to strengthen their Party spirit and fight corruption." This is clearly what they are not doing. The corruption is publicly flaunted by nattily attired young Chinese driving new Mercedes and BMWs. These are not entrepreneurs, I am told, but the offspring of prominent Communist cadres who are lining their pockets and not concealing their wealth. State-owned enterprises are the partners of American concerns in joint ventures that are pulling in money, and more often than not the state officials prosper. One non-Communist intellectual expressed concern to me about the Party's retaining absolute power but losing its ethical standards.

But Shanghai's millions do not appear worried. There is too much business to be done—as in the Number One Department Store in downtown Shanghai one night at about 8 o'clock. "It looks like Christmas Eve at Woodie's [Washington's Woodward and Lothrop Department Store] in the old days," my wife Geraldine said as we walked through the jammed store, filled—as was every store we visited anywhere—with an abundance of goods.

The famous Bund on the Yangtze River, opposite the massive European-style buildings put up by the internation-



al community before World War II, is now lined with shops. And across the river, the new Pudong region, connected by two suspension bridges and a tunnel, has ambitions of rivalling Shanghai in size and importance.

**P**udong has attracted that pillar of American capitalism, the DuPont Co. of Wilmington, Delaware. The president of the DuPont China Holding Co., Ltd is Dick Y.H. Liu, a Chinese-American who, at 11, fled with his family to Taiwan with Chiang Kai-shek as the Communists took over in 1948. He emigrated to America as young man, earned a degree in chemical engineering, and went to work for DuPont.

Now back in his homeland, Liu is a major magnate. DuPont owns 80 percent of a herbicide factory in Pudong (the other 20 percent is shared by a Chinese research institute and a state-owned Chinese pesticide manufacturer) and has, in effect, 100 percent of the control. It works so well that Liu is planning no fewer than nineteen other joint ventures in China for DuPont.

Liu is vying with three Chinese herbicide manufacturers to sell the product to some 50,000 retail outlets around the country, which now compete with each other and are no longer controlled by the disbanded Ministry of Commerce.

The herbicide factory's 100 employees were hired through newspaper ads. They were picked by Liu after interviews, and the government has never refused him permission to hire a worker from another job. Liu described his employees as so committed that engineers want to sleep on the floor to be ready the next morning to finish a project. "I have to force them to go home," he said.

#### *Shenzhen, July 17-18*

**I**n 1978, I entered Communist China by train from Hong Kong and changed trains for Canton at the Shenzhen station. At least that's what I'm told; the little fishing village of less than 20,000 made no impression on me.

Now Shenzhen is a city of 2.7 million, with skyscrapers and luxury hotels. Contained within a restricted free-trade zone, the city is an ever-growing hub of construction projects, where workers continued on the job even over the weekend I was there, when businesses shut down. Like Shanghai, Shenzhen has its own stock exchange.

Marxist-Leninist dogma seems even more remote here than in Peking. My 42-year-old Foreign Ministry companion, Mr. Chen, amused his colleague from Shenzhen, a 24-year-old named Miss Chin, when he noted that in Peking he and his colleagues still occasionally addressed each other as "Comrade." She laughed and asked, "Do you really?"

One municipal official boasted to me that people here

were an elite group that had taken quickly to the ways of commerce, in contrast to the backward peasants in the hinterland. But Shenzhen is an example of how much the Chinese economic boom is fueled by foreign investment—in particular from overseas Chinese. Hong Kong leads in Shenzhen's foreign investment, with Taiwan second and the U.S. a poor third, having just passed Japan.

The Chinese were quick to ask whether the city did not remind me of Hong Kong, which it is modeled after. But, despite the similarities in architecture, Shenzhen's mood is more that of a boom town that has been hit by some extraordinary event such as the discovery of oil or a war. Here the event is the advent of capitalism, though it is never called by that name.

If Shanghai's old wickedness has returned, Shenzhen has the new bawdiness of a border city: prostitution, crime, pickup joints. It is still part of a police state, of course, but it just doesn't seem much like one.

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#### *Hong Kong, July 19*

**T**hrough the seventies, Hong Kong seemed an island of civilization, full of affluence and creature comforts. The contrast with Communist China was marked. Now there is not much outward difference. The idea of this little

hub of capitalism being absorbed into the Communist monolith does not appear so horrible.

Of course, the Chinese takeover in 1997 is much belated: Hong Kong, like the rest of the British Empire, would long since have ceased to be a Crown Colony had it not been for the Cold War. What is ironic, but very much in character, is Gov. Chris Patton's insistence on democracy now that the British are leaving after they resisted it here for so long.

The quarrels between London and Peking are better understood in the context of the bargain Deng has made with the Chinese reformers: let us run a one-party government and we'll let you run the economy. The problem with that tradeoff is the corruption afflicting the ruling Communists in the absence of any political opposition.

Still, Communist China and Hong Kong need each other, and in the fifty years following 1997, during which Hong Kong will retain a special status within China, it is more likely that China will come to look like Hong Kong than the other way around. Even if it is doubtful whether there is much real interest in democracy per se in either place, the hope is that democratization will eventually come about as the economic revival extends to the other China of 900 million peasants. Ultimately, that would mean a unified China—the mainland, Hong Kong and Taiwan—that is democratic, peaceful, and capitalist. Sanctions imposed by impatient Americans are not a means to that end. □

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James Oberg

# KAL 007: The Real Story

*On the tenth anniversary of the shootdown, a U.N.-sponsored report has cleared up all the lies and disinformation surrounding the flight—and the Western press has chosen to ignore it.*



For almost ten years, two battered and corroded aviation datarecording devices were hidden away deep in Soviet military archives. These were the “black boxes” from Korean Airlines Flight 007, destroyed by a Soviet jet on September 1, 1983, with the loss of 269 lives. In fact, the boxes were colored bright yellow, to make them easier to find in the event of catastrophe. Their proper titles are the Cockpit Voice Recorder (CVR), which recorded the last thirty minutes of crew voice communications, and the Digital Flight Data Recorder (DFDR), which recorded dozens of operating parameters of the airplane’s navigation and control systems over the entire flight.

Within a few weeks of the shootdown, Soviet naval forces had secretly recovered the boxes and other debris from the ocean bottom in international waters off the west coast of Sakhalin Island. And while Moscow military officials stridently insisted the airliner’s course deviation was a “CIA plot” and the Soviet military attack was justified by the airliner pilots’ not responding to signals, in private they read their own experts’ reports on the purloined data recorders—and shuddered. So damning were these conversations and instrument readings that Soviet officials

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vowed to keep the evidence secret forever.

And much of the media played into Soviet hands. As one London documentary producer put it, to be “sexy enough” to be noticed, any findings on the KAL 007 tragedy had at least to imply CIA complicity. Falsehoods, invented by KGB disinformation specialists and retailed by useful idiots in the West (see pages 38-39), cloak the origins of this particular flight. One agent kept trying to interest U.S. newsmen in a claim that this exact airliner

had been seen at Andrews AFB near Washington getting spy gear installed. Another version alleged that Richard Nixon had been booked on the flight (or even had boarded the flight) but had been “warned off.” Two more Soviet export fictions had the Korean pilot boasting to friends about his specially equipped spy plane, or privately sharing anxieties with his wife about “a particularly dangerous” mission.

A succession of Soviet leaders profited from the falsehoods, including Gorbachev, who at the height of glasnost, solemnly assured Western investigators that such records simply did not exist. “We have hidden them away where even our children won’t be able to find them,” boasted one military memo a few years after the disaster.

That memo fell into the hands of Yeltsin officials in early 1992, and it led them to the discovery of the original boxes and the top secret Soviet Defense Ministry reports