

The Reluctant Dragon

Crisis Cycles

in Chinese Foreign Economic Policy

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Contents

Preface	<i>ix</i>
Introduction	3
1. The Domestic Determinants of Chinese Foreign Economic Policy	13
2. Antinomies of Chinese Development, 1949–1958	48
3. Neomercantilism versus Self-Sufficiency, 1959–1966	97
4. Chaos and the Cultural Revolution, 1966–1971	129
5. Resurrecting the Four Modernizations, 1971–1974	149
6. The Abbreviated Leftist Response, 1974–1976	167
7. The Great Leap Outward, 1977–1979	181
8. Conclusion	210
Appendix A. Note on Chinese Sources	217
Appendix B. CCP Central Committee and State Council Emergency Directive, 26 October 1959	226
Appendix C. CCP Central Committee Approval of Export Commodity Production Base Establishment, 30 June 1960	227
Appendix D. CCP Central Committee Emergency Directive on Foreign Trade, 10 August 1960	229
Abbreviations	231
Notes	233
Bibliography	307
Index	333

Introduction

The legacy of the Third Plenum of the Eleventh Chinese Communist Party (CCP) Central Committee has been extraordinary. In late 1978 the Chinese leadership initiated an unprecedented series of dramatic economic reforms, which enabled China to sustain a phenomenal growth rate. During the last two decades, China's real gross domestic product (GDP) grew between 9 percent and 13 percent annually; China's foreign trade figures increased from the trivial amount of \$1.94 billion in 1952 to \$325.06 billion in 1997.¹ By opening to the outside world and liberalizing the domestic economic structure, China transformed itself into the third-largest and fastest-growing economy in the world.² With the incorporation of Hong Kong in 1997, China became the fourth-largest global trading economy, enjoyed the second-largest foreign exchange reserves, and managed the fifth-largest global equities and financial market.³

The Integration of China into the World Economy

One of the Third Plenum's greatest legacies has been China's gradual reintegration into the global economy. In the 1980s, mainland China obtained membership in the two major international organizations that promote international financial stability (the International Monetary Fund) and development (the World Bank). By 2001, China faced its last major hurdle to acceptance into the global economy—admission to the World Trade Organization (WTO).⁴ As the primary organization dealing with international trade matters, the WTO requires all members to conform to international norms of trade behavior. The Chinese leadership accordingly approved several fundamental domestic and foreign economic reforms—such as reducing domestic protectionist measures and promoting a more transparent foreign trade system—to petition for WTO admission. If realized, compliance measures would represent for China an unprecedented, partial surrender of state autonomy to an international organization.

When initiating the opening to the outside world (*duiwai kaifang*) in the late 1970s,⁵ Chinese leaders undoubtedly never envisioned signing international

4 INTRODUCTION

covenants on human rights or ensuring regional economic stability during the 1990s Asian crisis. Yet Chinese leaders have accepted such transaction costs to realize China's "manifest destiny" of assuming an important role in the new millennium's "uni-multipolar" system.⁶ No longer do they consider themselves the "sick people of Asia" (*Dongya bingfu*), who for nearly two centuries were unable to defend their sovereignty against Western imperialist incursions. Instead, they envision a newly awakened Chinese dragon, along with their smaller Chinese siblings—Hong Kong and Taiwan—assuming a major global economic role by the early twenty-first century.

Western policy leaders have awakened to the potential power of the Chinese economic dragon, which in 1996 began to compete with a stumbling Japan to be the United States' most important foreign trade competitor.⁷ Thus the advanced industrialized states are strongly motivated to encourage Chinese cooperative behavior in the international economy to moderate future trade conflicts. For these reasons, the United States, the European Union, and other WTO nations strenuously objected to China's violations of international norms of economic behavior—such as in intellectual property rights, the dumping of low-value merchandise on the world market, and the failure to extend "national treatment" to foreign investors—during WTO negotiations.⁸ To guarantee continued compliance with such norms, WTO nations will need a greater understanding of the variables affecting Chinese foreign economic policy formation and implementation.

The Legacy of China's pre-1979 Foreign Economic Policies

Foreign academics conducting fieldwork in the People's Republic have published many valuable works on contemporary Chinese foreign economic policies.⁹ Unfortunately, many of these studies, with several notable exceptions, either ignore or take only a cursory view of pre-1978 foreign economic policy.

They thus reinforce the widely held romantic view that Chinese leaders primarily pursued an autarkic development strategy based on a strict Maoist idea of self-reliance (*zili gengsheng*). Although acknowledging that Soviet technology imports jump-started Chinese economic development in the 1950s, this interpretation emphasizes the global isolation of the Chinese economy. The Cold War—specifically the UN trade embargo of the 1950s and the Sino-Soviet split of 1960—imposed an autarkic regime upon China that resulted in low trade dependency. Foreign trade thus "played a peripheral role at best" in economic development in the 1960s and 1970s.¹⁰ The reversal of this splendid isolation occurred with the lifting of the U.S. trade embargo and the Central Committee landmark decision of late 1978, which enabled China to burst suddenly upon the world economic stage in the 1980s.

This study concurs with Perkins's argument that Chinese elites and not the

international environment made a conscious decision in the early 1950s to limit dependence on foreign trade.¹¹ Second, while the international environment (bipolar conflict, the UN and U.S. economic embargoes, the Sino-Soviet schism) limited the policy options up to the late 1970s, it did not totally isolate China from the global marketplace. Beginning in the 1950s, Chinese elites imported large-scale turnkey plants from the Eastern- and subsequently the Western-bloc nations as well as welcomed limited investment from overseas Chinese beginning in the 1950s. Even during the Cultural Revolution, the Chinese revolutionary leadership operated the Guangzhou Trade Fair and used its financial and trading connections with Hong Kong. Many of these pre-1978 foreign economic policies and attitudes did not disappear with the advent of the Third Plenum, but instead were revised and expanded. Thus as Yahuda has pointed out, the Chinese indiscriminately used the term “self-reliance” “to describe a variety of different policies from virtual autarky to the importing of a wide range of agricultural products and industrial plants.”¹²

Chinese leaders thus gained considerable knowledge and experience in dealing with the international marketplace during the pre-1978 period. By not analyzing such interactions, current Western studies unduly discount the legacy of previous interactions with the world capitalist economy. Such knowledge also can shed further light on the similarities and differences of the Chinese development model compared to the development paths of the other Asian developing economies. Most important, an understanding of China’s protectionist heritage can explain its current reluctance to adhere to international norms of economic behavior.

The significance of this policy legacy became apparent to me while conducting dissertation fieldwork on China’s opening policy.¹³ Theoretically, China’s post-1978 foreign economic policy should have heralded a new acceptance of the international market, which would supplant state planners in determining currency exchange rates and production, marketing, and investment decisions. China’s export processing zones (EPZs), such as the special economic zones (SEZs) first authorized in July 1979,¹⁴ should have reflected this new outwardly oriented strategy. Using their comparative advantage in labor and land to attract foreign capital, technology, and entrepreneurial expertise, the EPZs should have produced commodities competitive on the international market.

They did not. The most prominent symbol of China’s bold experimentation with outwardly oriented development, the SEZs, exhibited many inwardly oriented development characteristics. Undoubtedly, a major reason for this incongruity was the influence of past policies. The SEZs were not a new, radical experiment, but the culmination of twenty years of experimentation with EPZs that was initiated by Zhou Enlai in 1960.¹⁵

Previous Western landmark studies, such as George Crane’s *Political Economy*

of *China's Special Economic Zones* and Michael Osborne's *China's Special Economic Zones*, underemphasized the legacy of inwardly oriented development and its influence on the formation of China's EPZ policy.¹⁶ This legacy mandated strict controls on foreign direct investment and the continuation of high barriers against international environmental influences. As a result, the new Chinese EPZs were insulated from international market pressures; the domestic political and economic situation continued to determine EPZ policies. Only after 1982 did the Central Committee begin to lift the import substitution barriers and approve elements of an export-oriented strategy; not until 1995 did the Chinese leadership begin to terminate EPZ preferential policies as a precondition for WTO membership.¹⁷

Thus, an understanding of this pre-1978 legacy can explain many of the policy formation and implementation problems encountered by the EPZs and other foreign trade reform problems during the 1980s and 1990s.

Previous Interpretations of China's Foreign Economic Policies

The majority of openly published studies from mainland China provide little information about pre-1978 foreign economic policy. Like the reinterpretation of history following dynastic or ruling coalition change, Chinese studies of the pre-6.4 era (the pre-Tiananmen crisis of 4 June 1989) treat the 1978 Third Plenum as the beginning of civilized history, when Chinese reformers boldly broke "the shackles of leftist ideological tendencies, eliminated dogmatism and stagnation."¹⁸ During the post-6.4 era, the Party has attempted to rebuild respect for the Party and Mao Zedong. The Party even promoted Mao as the initiator of China's opening policy.¹⁹

Although many Western accounts have been swayed by Maoist rhetoric concerning self-reliance, certain Western economists including Alexander Eckstein and Dwight Perkins have argued that technology and equipment imports made an important contribution to overall economic development.²⁰ Nicholas Lardy put these arguments in a global perspective.²¹ Clarifying Eckstein's arguments about the importance of imports in China's early economic development strategy, Lardy argues that "the underlying strategy of import substitution adopted during the First Five-Year Plan changed relatively little right up to the eve of the reform period of the 1980s."²² Lardy concurs with World Bank findings that China's previous development strategy insulated it from international market pressures and had a detrimental effect on such matters as material pricing, production of nonindustrial goods, and per capita consumption rates.²³ Yet the analysis lacks details of China's previous import substitution strategies, the politics of their adoption, and how they have influenced the implementation of post-1978 export-oriented development strategy.

Western political scientists have produced excellent studies of elite and factional conflicts over economic policy during the pre-1978 period but have paid little attention to conflicts over the role of the global economy in China's development strategy.²⁴ Exceptions include Yahuda's chapter analyzing self-reliance during the Maoist era, which outlines Mao's views and briefly describes differences within the elite.²⁵ Vindicating the utility of content analysis, Whiting thoroughly analyzed press reports to test whether China's turnkey plant imports in the 1970s became entangled in coalition politics.²⁶ Barnett's early 1980s work on China's modernization program provides an insightful analysis of the self-reliance debates in the 1970s.²⁷ Bachman as well as Lieberthal and Oksenberg explored the influence of the heavy industry coalition and the "petroleum group" on foreign trade policy formulation.²⁸ When analyzing China's pre-1979 automotive policies, Harwit identified major disagreements between the "pragmatists," who championed "rational industrial development," and the "Maoists," who emphasized the development of an indigenous automotive industry.²⁹ Van Ness argues that three different lines of development were proffered over a thirty-year period: socialist camp (1950–57), Third World (1960–70), and a modernization line (1978–83).³⁰ Solinger elegantly describes the crisis in China's relationship to the global economy, a crisis that energized China's leaders to readjust its moribund industrial strategy in the late 1970s.³¹

Building upon these previous works, this study presents a more comprehensive picture of pre-1978 foreign economic policies and the debates that they provoked.

The Cycling of Chinese Development Policy

While the international environment undoubtedly influenced China's adoption of an inwardly oriented development regime in the early 1950s, subsystemic approaches best explain the development regime and strategy choices from the late 1950s to late 1970s.³² Chapter 1 explores why China did not embark upon a direct, evolutionary path toward outwardly oriented development like the Taiwanese and South Koreans during the 1960s and 1970s. China not only retained its inwardly oriented development regime, but alternated at various times between its traditional import substitution development strategy and a more extreme form of inwardly oriented development—semiautarky—that eliminated most economic contacts with the international economy, including the importation of foreign equipment, technology, and know-how.

To explain this antinomy of Chinese development, the study modifies the opinion-group approach originally proposed in Richard Lowenthal's seminal analysis of the "Communist dilemma."³³ Chinese inwardly oriented development strategies from the late 1950s to 1979 (dependent variable) were prima-

rily determined by the disagreement between Chinese elites over the best path to self-reliance (independent variable). After the mid-1950s, elite coalitions coalesced around competing visions of inwardly oriented development: to use foreign economic policy to achieve self-sufficiency (import substitution) or to treat foreign economic policy as a supplementary and relatively dispensable tool of development (semiautarky). This basic difference resulted in a series of non-zero sum games, in which competing elite coalitions implemented their preferred vision of development without completely vanquishing competing ideas. This series of non-zero sum games constituted the primary determinant of China's inwardly oriented development regime up to the late 1970s.

Finally, the chapter argues that these non-zero sum games can be analyzed as a series of distinctive crisis cycles. Each cycle was initiated by a contending elite coalition (or contending coalitions), which used crises in domestic development to delegitimize the ruling elite coalition (or coalitions) and to readjust the previous development strategy (readjustment phase). While the previous policies were being modified or eliminated, the new ruling elite coalitions pursued novel solutions based on their preferred development vision (innovation phase). Such policies inevitably encountered problems or were perceived as creating chaos (implementation phase). If the contending elites were successful in linking the development strategy with national crisis, the ruling elite coalition (or coalitions) lost legitimacy. The crisis cycle thus started anew.

Chapter 2 empirically demonstrates that the international environment determined the PRC's initial adoption of an inwardly oriented development regime. Following the increase in bipolar tensions and the UN embargo, China sought preferential access to Soviet technology, expertise, and financing to strengthen national security. Yet beginning in the mid-1950s, certain Chinese leaders questioned the utility of the large-scale import substitution strategy. While the international environment continued to set boundaries of development strategy options, these internal debates within the Chinese leadership determined China's development path during the ensuing two decades.

Chapter 3 describes the 1959–66 crisis cycle initiated by the Great Leap Forward (GLF). After 1959, the post-GLF elite coalition gradually readjusted GLF policies by reducing production quotas and new capital investment.³⁴ During the policy readjustment phase, the post-GLF coalition introduced in 1961 the Eight-Character Plan, which was a mixture of administrative and remunerative measures. Such measures enabled China to repay its foreign debts, finance food imports, and continue its pre-GLF import substitution strategy, albeit on a far more limited scale. Having readjusted the economy, Zhou Enlai promoted his innovative views of China's long-term path of development—the Four Modernizations Program. In fall 1963, Zhou formally presented his alternative to Mao's "rash advance" approach to economic development by devis-

ing two fifteen-year plans to achieve the basic industrialization of China before the year 2000.

Chapter 4 analyzes the Cultural Revolution, which initiated the second crisis cycle (1966–71). Critical of the post-GLF's remunerative and administrative approach and the Four Modernizations Program, Mao with the help of Lin Biao's and Jiang Qing's coalitions promoted a wartime development strategy that reflected the "true meaning" of self-sufficiency. Revising Mao's GLF approach, they relied on normative means to tap the boundless energies of "Communist man." To promote a self-sufficient economy, the new leadership implemented a semiautarkic development strategy that eliminated the post-GLF's import substitution program, the foreign trade production incentive schemes, and the investment opportunities for overseas Chinese.³⁵

The third crisis cycle was initiated after 13 September 1971, when Premier Zhou Enlai's new post-Cultural Revolution coalition readjusted the previous development strategy (chapter 5).³⁶ Prior to the Sino-U.S. rapprochement and the rise in the international oil price, Premier Zhou Enlai discarded the semiautarkic strategies of the Cultural Revolution to reimplement an import substitution development strategy.³⁷ This 4-3 Plan authorized the importation of chemical fertilizer plants, petrochemical plants, coal mine facilities, and electrical generation plants whose actual value exceeded \$5 billion.³⁸ By January 1975, Zhou Enlai announced the revival of the Four Modernizations Program of 1963 that envisioned an industrialized China by 2000. To finance the strategy, the policy elites depended on higher petroleum export revenues as well as increasing export capacity. The policy elites thus issued administrative directives to improve the quality of Chinese exports,³⁹ to revive and expand the export commodity production bases (ECPBs),⁴⁰ and to reinstitute various remunerative post-GLF foreign trade policies, including the agricultural sideline bonus schemes.⁴¹

Chapter 6 describes the abbreviated fourth crisis cycle (1975–76), which was initiated by members of the CCP Political Bureau who opposed Zhou's post-1971 "normalization" policies and especially his import substitution development strategy. During the Anti-Lin, Anti-Confucius Campaign of 1974 and the subsequent November 1975 Campaign to Counterattack against Tendencies of Right-Deviation and Revocation, Jiang Qing's remaining politics-in-command⁴² coalition—more commonly known as the Gang of Four—directly criticized Zhou Enlai's import substitution development strategy. Jiang Qing's coalition gradually convinced Mao that Zhou Enlai's anointed successor, Deng Xiaoping, was laying "the material foundations for capitalism" and was a "flunky for the imperialists who sold out the country and thus a traitor."⁴³ The abbreviated fourth crisis cycle is primarily noted for its policy readjustment phase, which culminated with Deng Xiaoping's ouster from power and the denunciation of his neomercantilist policies. However, Jiang Qing's coalition could not achieve elite

consensus, and following Mao's death was replaced by a new coalition headed by Hua Guofeng in October 1976.

Chapter 7 shows how Hua Guofeng's accession to power and Jiang Qing's downfall in 1976 initiated the fifth crisis cycle (1976–78). During the policy readjustment phase, Hua immediately adopted deflationary measures and other policies to offset the economic problems in part created by Jiang Qing's bid for power. During the policy innovation phase, Hua championed his Ten-Year Plan, which mandated an import substitution program much larger in scope than Zhou's 4-3 Plan of the early 1970s.⁴⁴ To finance the new round of turnkey plant imports valued at more than \$6.5 billion, Hua permitted the use of overseas Chinese capital and approved the limited use of foreign capital. Hua's grand development strategy, never realized, was subsequently readjusted during the April 1979 work conference.

Chapter 7 also discusses the proto-experiment with outwardly oriented development, which was initiated with Deng Xiaoping's reaccession to power. Deng's elite coalition believed that the Ten-Year Plan would bankrupt China.⁴⁵ Upon assuming power, Deng's post-GLF coalition readjusted the domestic economy, as well as the import substitution program. The new program reduced foreign equipment imports and technology transfer contracts, warmly welcomed foreign investment, and transferred greater foreign trade and investment authority to some cities and provinces.

To finance the remaining large import substitution projects and future technology and equipment imports, the new leadership coalition strengthened the foreign trade support measures implemented at various times since the early 1960s. These measures included priority access to production inputs for all export production units (Five-Priorities Policy),⁴⁶ various subsidized financial programs to provide liquidity to export industries (Foreign Trade Circulating Funds to Promote Export Commodity Production,⁴⁷ Investment Fund for Export Commodity Production,⁴⁸ Specialized Loan Program for Industrial Export Production,⁴⁹ and the Short-Term Foreign Exchange Loan Program);⁵⁰ the Foreign Exchange Retention Program to increase export industries' access to foreign exchange (*waihui fencheng*);⁵¹ a program for increasing the processing and assembly of imported materials for export (*yijin yangchu*);⁵² and a program for expanding China's export processing zones.⁵³

In light of the readjustment of the national development strategy and the reduction in the state's capital investment funding, the leadership coalition substituted foreign capital for domestic investment. In addition to overseas Chinese capital, the new coalition expanded Hua Guofeng's experiment with foreign capital investment by tapping funds from commercial sources, foreign governments, and international organizations; promulgating State Council document 79.220, which among other measures included detailed regulations on

processing and assembly and compensation trade; and adopting the joint venture law.

The new leadership also attempted to enliven the export sector to finance its import program by allowing some localities, enterprises, or individuals to “become better off before others.” The new leadership hoped to “bring into full play” the strengths of China’s major export regions by adopting State Council document 79.202, which outlined various export support and foreign trade decentralization policies to be nationally implemented; State Council document 79.233, which granted special foreign trade rights to Beijing, Tianjin, and Shanghai; and Central Committee document 79.50, which delegated greater authority to Guangdong and Fujian in the domestic economic and foreign trade sectors, including the establishment of SEZs in Shenzhen and Zhuhai.⁵⁴

The study concludes that Chinese leaders enjoyed a high degree of policy autonomy and the capacity to carry out an inwardly oriented development regime, which was very similar to the East Asian experience. Yet the cycling between semiautarky and import substitution of the pre-1979 period was a uniquely Chinese experience. The cycling of development strategies delayed China’s opening to the outside world and the adoption of an outwardly oriented development regime (chapter 7), thus qualifying any comparison with the “Asian miracle” paradigm.

While the cycling delayed China’s adoption of a more outwardly oriented development regime, it did not condemn China to an unchanging loop of history. Elites incrementally learned from their policy successes and failures and implemented these changes when they had the opportunity. Mao’s thinking gradually progressed from initially welcoming all foreign trade and investment, to restricting economic relations to the Soviet bloc, to minimizing foreign economic relations, and finally to acquiescing to greater connections with the Western marketplace. The post-GLF coalition incrementally learned over three decades that the inwardly oriented import substitution strategy suffered from diminishing returns on China’s development. Thus, the economic policy initiatives proposed after 1978 are indicative of an outwardly oriented development regime akin to the Asian growth model.

An in-depth discussion of the primary and secondary sources, including an explanation for the various types of Chinese policy nomenclature has been included in appendix A and chapter 1. Unless otherwise specified, I have translated Chinese materials adopting the pinyin form of romanization; for Taiwanese names and places I use the Wade-Giles system.

Conclusion

Changes in the International Environment

Changes in the international environment initially determined China's development strategy. Yet by the mid-1950s, although the international environment determined the parameters within which Chinese policy makers could maneuver, domestic debates over the proper pathway of Chinese development became the primary determinant of foreign economic policy. Deng Xiaoping commented during his Jilin work-conference speech of 16 September 1978¹ and his Four Basic Principles speech of 30 March 1979 that the international environment had become favorable to China. Proof was found in the international community's reaction to the February–March 1979 Chinese invasion of Vietnam. Deng remarked in his 30 March 1979 speech that “looking at the international reaction to the recent counterattack in self-defense, most people are sympathetic to us.”²

Such an optimistic view of the international environment was the result of China's normalization of relations with many Western countries by the late 1970s, especially with Japan and the United States. Japan had established diplomatic relations with the PRC following the “Nixon shock” of July 1971. With the conclusion of the Sino-Japanese Peace and Friendship Treaty in 1978, China officially exorcised its profound feelings of enmity toward Japan (though China will never forget nor forgive Japan for World War II, especially in light of Japan's failure to sign a more complete apology in 1998).

The normalization of relations with the United States in 1979 was even more profound. During his visit to the United States in January 1979, Deng Xiaoping set aside the Taiwan problem³ and encouraged an increase in political and economic cooperation. For instance, Deng encouraged an increase of U.S.-China trade, including the use of compensation trade. China would permit trade in coal, mineral ores, and light textiles in exchange for capital or technology. In return, Deng sought MFN status for China. In addition, a process of clearing unresolved claims and assets was undertaken.⁴ As a result, the United States removed its

objections to China's participation in the International Monetary Fund and the World Bank.

Accompanying this normalization of diplomatic and economic relations, government officials and businessmen on three continents again contracted "China fever." The Japanese, who had begun trading with the Chinese as early as 1954 with the tacit approval of the United States, signed a long-term trade agreement with the Chinese on 26 February 1978. The agreement guaranteed the sale of \$7–8 billion of Japanese plants and technology and \$2–3 billion in Japanese machinery and construction materials; China would finance the acquisitions by exporting \$10 billion worth of crude oil and coal.⁵

After breaking the UN embargo after 1957 and expanding trade with the Chinese in the early 1960s and early 1970s, the Europeans were next to sign long-term trade agreements with China in 1978 and subsequently extended MFN status to China in 1980.⁶ The French signed a \$13.6 billion agreement in December 1978, and the British signed a \$14 billion agreement in March 1979.⁷ Characteristic of its foreign trade policy, the United States never concluded such an agreement and was one of the last major trading partners to provide export financing (in April 1980).⁸ While the U.S. government was immune to China fever, American businesspeople and their counterparts in Japan and Europe swarmed into Beijing with unrealistic visions of inflated profit margins.

Normalization of relations with the major Western countries allowed China to discard many remaining shreds of its "pariah" status. The Chinese leadership thus operated within newly expanded political and economic parameters without many of the Cold War restrictions. Yet restrictions remained, especially in the technology transfer area, China's relationship with the Soviet Union and its allies, and China's relationship with anti-Communist regimes such as Taiwan and South Korea. Such restrictions would require a longer period to resolve.

Comparatively unfettered by international constraints, the Chinese leadership was now free to trade with whomever it pleased, including the United States, and to follow the other East Asian economies' example of adopting an outwardly oriented development regime that regarded the international environment as a potential partner.

Changes in the Domestic Development Regime

With the accession of the post-GLF elite coalition in late 1978, the basic contradiction in inwardly oriented development strategies was resolved. As Lowenthal had predicted in 1970, Mao's emphasis on normative approach to development strategy was discredited and forgotten—except by the likes of Deng Liqun. Free of ideological constraints imposed by the Maoist xenophobes and the international constraints imposed by the United States, the new post-GLF

coalition redefined the term “self-reliance.” Retaining its polemical value to strengthen nationalism and justify its legitimacy, the post-GLF coalition championed the goal of self-reliance achieved through limited cooperation with the outside world.

This did not imply that the new leadership coalition suddenly adopted an outwardly oriented development regime. The initial opening strategy championed by the new elite was in reality a more flexible approach to the import substitution strategy implemented since the 1950s. To finance the remaining large-scale import substitution projects such as Baoshan and to expand the importation of foreign advanced technology, the State Council strengthened many of the export promotion strategies of the 1950s and 1960s, including the Five-Priorities Policy, various export loan programs, and a new foreign exchange retention scheme; the council also legalized the *yijin yangchu* idea, which was first proposed in 1957 and implemented in earnest in 1961. Finally, the State Council expanded the number of export commodity processing bases, which had first been approved by Premier Zhou Enlai in 1960.

These programs were all included within the state plan. The Chinese export sector continued to be managed by the state behind a highly protectionist wall of high tariffs, an overvalued exchange rate, and other administrative barriers to free economic exchange. The new elite’s opening strategy as perceived in 1979 thus did not require China’s economic policies to be responsive to the international market. Insulated from such international pressures, the domestic political and economic situation continued to be the primary variable affecting the domestic development strategy and its foreign economic policy component, which included the SEZ policy.

Yet the opening policy did diverge from past strategies by legalizing limited forms of foreign direct investment, with which Hua Guofeng had first experimented in 1978. The expansion of the processing and assembly agreements (*santalai yibu*), the establishment of the special economic zones, and the joint ventures with foreign investors heralded an initial step to adopting an outwardly oriented strategy. By the mid-1980s, this proto-experiment with an outwardly oriented regime would be considered a success, although problems encountered during the experimentation period contributed to Chen Yun’s break with the post-GLF coalition starting in 1982.⁹

Despite certain setbacks, Deng and others realized that an outwardly oriented strategy could fuel a dramatic growth in domestic economic development with minimal political costs. Thus during the thirty-fifth anniversary of the PRC in October 1984, one of the most talked about floats in the Tiananmen parade came from within the Shenzhen Special Economic Zone with the capitalistic slogan “Time is money, efficiency is life.” Seventeen years before, millions of Red Guards and the PLA had deliriously chanted Mao’s Little Red Book parading

in front of the Chairman; in 1984, Peking University students joyously ran past Mao's picture chanting Deng Xiaoping's name. Emboldened by the success of the initial outwardly oriented experiments, Deng and the remaining elite coalition embarked upon a coastal development strategy. The coastal areas would gradually be integrated with the international economy, while the less-developed interior areas would be shielded behind various administrative barriers.

Whereas many of the East Asian economies had made the decision to start experimenting with outwardly oriented development by the late 1950s, it took the Chinese twenty years to resolve their internal debate over the role the international market should play in domestic development. During these two decades, the outwardly oriented development strategies implemented by the East Asian economies accelerated growth in the domestic economy and the foreign trade sector, improved economic efficiency, and fostered technical transfer.¹⁰ While the Chinese dragon continued to chase its tail in search of the elusive goal of self-reliance, the mini-dragons became international economic powerhouses. Not until the mid-1980s did the Chinese leadership begin to mirror the policy actions of the East Asian economies by promoting limited integration with the international market while promoting protection of specific industrial sectors.

As a result of the Chinese attempt to become full-fledged members of the international economic community in the 1990s, the Chinese bureaucracies and state-owned enterprises are paying the high costs involved with global economic integration. They have not enjoyed the moratorium on certain transaction costs previously enjoyed by the Asian economies during the Cold War. For decades, the Asian economies discriminated against foreign goods and services and engaged in a high degree of counterfeiting to build up their domestic economies. In the past, the United States tolerated such behavior to build a strong Asian bulwark against communism. In the post-Cold War world, China will not enjoy the luxury of such a long free ride. The member countries of the World Trade Organization have demanded that China adhere to the international economic norms of a developed economy; this demand will adversely affect the weakest components of the Chinese juggernaut—the state sector.¹¹

Implications of the Study

This study has argued that Chinese elite politics in general cannot be considered as a zero-sum game, but as a non-zero sum game. Individual elites might lose an argument because of the apparent failure of their preferred policy pathway. Such failure often is followed by a closing of the elite ranks, or, in Goldstein's systemic view, bandwagoning. Yet such bandwagoning was a strategic, short-term ploy. Despite their self-criticisms and mea culpas, elites did not abandon their particular Weltanschauungs. They waited for the most opportune time to

discredit current policy and to reimplement their own solutions. Policy analysts can observe the results of such interrelated, non-zero sum games as a repetition or cycling of policy initiatives throughout the late 1950s, 1960s, and 1970s. Empowered by the perception of crisis, dominant policy elites readjusted the former strategy and introduced their own preferred pathway of development.

This cycling of policies—which has been described as Chinese crisis cycles—is a tempting heuristic device to explain changes in Chinese development strategy before 1979. A cycle approach does not need to treat the antinomy of policies as contributing to a “static” policy environment as Nathan earlier posited. Concerned that Western theories continued to impose this dialectic view of the policy development process, Nathan argued for a learning model in which policy options were “so multiform and complex that the choices are really more than two, and might best be regarded as infinite.”¹² In other words, Chinese elites have the ability to learn from their experiences; they are not caught in an unchanging looping of history.

Yet there need not be an artificial separation between cyclic and linear views of the Chinese policy process.¹³ The repetition of certain patterns and phases of the policy process does not preclude the evolutionary development of policy initiatives. While Chinese elites can learn from past policy successes and failures, their ability to implement progressive change can be interrupted by recurring policy patterns initiated by a change in the ruling elite coalition. A victorious elite coalition not only reintroduces policies that have been criticized by the previous leadership coalitions, but improves and expands the concepts. Under such conditions, policy learning can occur over time, but at an incremental pace.¹⁴

Although further research must be done on the elites’ actual process of learning,¹⁵ experimentation appears to be a key tool of the Chinese policy maker. Policy makers learn from earlier experimentation and use this knowledge to improve new policy initiatives. Although the learning process was irregular because elites were often in conflict, learning did take place. During the proto-experiment with autarky during the Great Leap Forward, Mao experimented with a purely domestic development strategy that relied on indigenous technology, including backyard steel furnaces to replace certain imported steels. Although the proto-experiment ended in disaster, Mao learned that he needed to rely less on administrative tools and to emphasize normative tools to tap the underlying potential of the Chinese workforce. The perception of international threat in 1964 was thus an important opportunity for Mao to tap the unbridled energies of Chinese nationalism and mobilize the people to promote self-reliance.

Documenting Mao’s learning curve in regard to foreign economic policy is difficult because of the lack of direct documentation. However, one can infer from Mao’s associated writings and by the actual foreign economic policy adopted that a learning process took place. Mao rejected the large-scale import

substitution strategy of the 1950s as being too Soviet-centric and hobbling China's independence. During the Cultural Revolution Mao learned that he could not rely solely on indigenous technology and raw materials and thereafter implemented only a semiautarkic strategy. Discovering that China needed to depend more heavily on the Western marketplace for modernization, Mao acquiesced to Zhou Enlai's call to resurrect China's import substitution development strategy in the early 1970s. Assuming such a two-decade-long learning process took place, it thus could be argued that Mao eventually returned to his pre-1949 ideas about foreign trade. Yet there is little evidence that Jiang Qing's coalition supporting Mao agreed to follow Mao's path. Instead, they unsuccessfully attempted to implement a far more orthodox version of autarky than implemented during the Cultural Revolution.

The learning process in foreign economic policy is far easier to document for those elites supporting the remunerative-administrative approach to Chinese development. In the case of the export processing zones policy, Zhou Enlai and others were faced with a dwindling supply of production inputs used in export production during the Great Leap. Zhou initially solved the problem in the early 1960s by establishing a simple processing zone. After Zhou regained control of the state in 1971, the new economic leadership reviewed the experiences of the 1960s and determined to expand the EPZ concept to include comprehensive export production bases by the 1970s. Joseph Nye would define the incremental learning of the pre-1978 period as "simple learning," which "uses new information merely to adapt the means, without altering any deeper goals in the ends-mean chain. The actor simply uses a different instrument to attain the same goal."¹⁶

In a certain perverse fashion, one could also argue that Deng Xiaoping and the other members of the post-GLF coalition learned a lesson or two from the Cultural Revolution. While the post-GLF had recentralized foreign economic policy in the early 1960s, Mao had completely reversed the process by the mid- to late 1960s. Such decentralization allowed the localities to rely on their own initiatives to establish a self-sufficient economy. Deng Xiaoping followed a similar policy when he decentralized certain domestic and foreign economic powers to Guangdong and Fujian Provinces in 1979. Because Beijing did not have the money to develop the southeast coastal areas, the two provinces would have to become self-sufficient. And they did—spectacularly!

Yet after 1978 the post-GLF coalition also was involved in a more profound learning process. The leaders had discovered the limitations of inwardly oriented development and would never again adopt a large-scale import substitution strategy. Instead, after 1978 they began to experiment with outwardly oriented development. This "simple learning" process was now replaced by "complex learning," which "involves recognition of conflicts among means and goals in causally complicated situations, and leads to new priorities and trade-offs."¹⁷

For instance, after gaining experience from running the EPZs for nearly twenty years, Chinese leaders decided to transform the concept into the special economic zones, which became the key component of the proto-experiment with an outwardly oriented development regime. It was within the zones that the Chinese experimented with many of the Western-style management techniques and other “capitalist” forms that were gradually integrated into the mainstream Chinese economy.

Nathan’s other criticism concerning policy interdependence, however, is applicable to this study, which has primarily focused on the changes in foreign economic policy during the pre-1979 period. To prove that policy elite coalitions held conflicting views of development strategy, further studies must investigate other policy areas such as agriculture or commercial policy. While this study briefly touched on other policy areas,¹⁸ further investigation must demonstrate some semblance of policy interdependence or synchronism to prove the suitability of the opinion-group/crisis-cycle approach.

Finally, this study is based on two basic assumptions. It has assumed that the pre-1979 policy elites enjoyed autonomy when formulating foreign economic policy. Second, though lacking more concrete evidence of the existence of coherent coalitions coalescing around shared visions of the development process, this study has analyzed the policies actually adopted to determine whether policies share similar characteristics—such as remunerative or normative qualities. Such assumptions have been made because the China field continues to be plagued by a lack of primary sources. Until the Walls of Jericho—or the Great Wall—come tumbling down, China specialists will continue to grope for reliable measures—as well as endure the barbs of self-deluding positivists who allege that “area studies have failed to generate scientific knowledge.”¹⁹

China is no longer the reluctant dragon. After several centuries of relative dormancy, China is once again making its presence felt on the world stage—both politically and economically. A detailed knowledge of China’s past behavior must be the foundation of any future policy to persuade the Chinese dragon to accept international norms of behavior, whether they are in human rights, nuclear proliferation, or economic exchange.

Notes

PREFACE

1. Oksenberg, "Politics Takes Command," 543–90.

2. For instance, Gao Yu, the former deputy editor of *Jingjixue zhoubao* and later a reporter for the Hong Kong monthly *Ching pao*, was sentenced to six years in prison for "illegally providing state secrets to people outside the borders" in November 1994. For more information, see *Hsin pao*, 27 March 1995, trans. in FBIS, *China*, 27 March 1995.

3. Reardon, "Learning," 479–511.

4. R. Bernstein, *Beyond Objectivism*, 140.

5. According to Gadamer,

The horizon is the range of vision that includes everything that can be seen from a particular vantage point. . . . The horizon is, rather, something into which we move and that moves with us. Horizons change for a person who is moving. Thus the horizon of the past, out of which all human life lives and which exists in the form of tradition, is always in motion. It is not historical consciousness that first sets the surrounding horizon in motion. But in it this motion becomes aware of itself.

Quoted in R. Bernstein, *Beyond Objectivism*, 142–44.

6. Gadamer, "The Problem of Historical Consciousness," 152.

7. R. Bernstein, *Beyond Objectivism*, 173.

INTRODUCTION

1. National Bureau on Statistics, *China Statistical Yearbook*, 537; idem, *China Foreign Economic Statistical Yearbook, 1998*, 23. All dollar figures are U.S. dollars unless otherwise noted.

2. Based on purchasing-power parity, the International Monetary Fund concluded in May 1993 that the Chinese economy was the third-largest in the world, following the United States and Japan. Using a slightly different measurement technique, the World Bank determined that China was the world's second-largest economy in 1990. For a general description, see the *New York Times*, 20 May 1993 and the *Washington Post*, 4 July 1993.

3. *Wall Street Journal*, 9 June 1997.

4. For a detailed analysis, see Jacobson and Oksenberg, *China's Participation*; Zhang Tianyu, ed., *Shiji zhijiao de zhongxing zhanlüe*, 38–58; *Washington Post*, 16 November 1999; Prybyla, "On the PRC and the WTO."

5. English-language publications generally have translated the phrase "duiwai kai-

fang" as the "open door" policy. Many Chinese scholars hold that this translation has a nineteenth-century imperialist overtone, with connotations of foreign trade concessions and a loss of Chinese sovereignty. The Chinese consider translations such as "opening to the outside" or "opening" as more appropriate.

6. Toffler, *Third Wave*; *Wall Street Journal*, 23 June 1995; Rozman, "China's Quest," 383-402; Huntington, "Lonely Superpower," 35-49.

7. *New York Times*, 19 November 1996. On China's potential power, see Kim, "China as a Great Power," 245-51; Segal, "Does China matter?" 24-36.

8. For instance, see the *Wall Street Journal*, 27 December 1994, 30 December 1994; and the *Washington Post*, 1 January 1994, 5 January 1994.

9. For instance, see Barnett, *China's Economy*; Crane, *Political Economy*; Harwit, *China's Automobile Industry*, 15-42; Howell, *China Opens Its Doors*; Hsu, *China's Foreign Trade Reforms*, 2-22; Jacobson and Oksenberg, *China's Participation*; Kleinberg, *China's "Opening"*, 7-12; Lardy, *Foreign Trade*, 16-36; Lieberthal and Oksenberg, *Policy Making*; Pearson, *Joint Ventures*; Riskin, *China's Political Economy*; Shirk, *How China Opened Its Door*, 8-11; World Bank, *China: External Trade*, 95-100; Woetzel, *China's Economic Opening*, 26-37.

10. On the effect of the embargo on Chinese trade during the 1960s, see Lardy, "Economic Development," 187; on foreign trade's contribution to domestic development, see Riskin, *China's Political Economy*, 317; on the impression that China previously pursued autarky, see *The Economist*, 28 June 1997.

11. Perkins, "China's Economic Policy," 488-90.

12. Yahuda, *Towards the End of Isolationism*, 52.

13. Reardon, "Bird."

14. See Zhonggong Zhongyang, Guowuyuan Pizhuan Guangdong Shengwei, Fujian Shengwei, "Guanyu duiwai jingji huodong shixing texu zhengce he linghuo cuoshi de liangge baogao" [Two reports concerning the implementation of special policies and flexible measures in foreign trade activities], Central Committee/State Council document 79.50, approved and transmitted on 15 July 1979, trans. in Reardon, ed., "China's Coastal Development Strategy, 1979-1984, I," 19-44.

15. *WFSS*, 164.

16. Crane, *Political Economy*; Osborne, *China's Special Economic Zones*.

17. Reardon, "Rise," 301.

18. Zhou Xiaoquan and Ma Jianqun, *Zouxiang kaifangxing jingji*, 1-2.

19. For instance, see Liu Xiangdong, "Jicheng Mao Zedong."

20. Perkins, "Central Features," 130-33; idem, "Reforming China's Economic System," 627-82; Eckstein, *Communist China's Economic Growth*, 117-30.

21. Lardy, *Foreign Trade*, chap. 2.

22. *Ibid.*, 31; idem, "Economic Development," 180-97.

23. World Bank, *China: External Trade*; idem, *China, Socialist Economic Development*, 2:411-17.

24. For instance, see Ahn, *Chinese Politics*; Bachman, *Bureaucracy*; idem, *Chen Yun*; MacFarquhar, *Origins*, vols. 1-3; Teiwes, *Politics*.

25. Yahuda, *Towards the End of Isolationism*, chap. 2.

26. Whiting, *Chinese Domestic Politics*, 53-85.

27. Barnett, *China's Economy*, 12-13, chap. 2.

28. Bachman, *Bureaucracy*, 96-132; Lieberthal and Oksenberg, *Policy Making*, 169-268.

29. Harwit, *China's Automobile Industry*, 41.
30. Van Ness, "Three Lines," 113-42.
31. Solinger, *From Lathes to Looms*.
32. This study considers three separate levels of analysis: the international environment (systemic), domestic determinants, and decision-making levels (subsystemic). For a basic discussion of the "levels of analysis" issue, see Jervis, *Perception*, chap. 1; Singer, "Level-of-Analysis Problem"; Waltz, *Man*; and Allison, "Conceptual Models."
33. Lowenthal, "Development," 33-116.
34. For instance, see "Guanyu nongye de wu tiao jinji zhishi" [Five emergency directives on agriculture], issued by the CCP Central Committee on 7 May 1959, in *ZRGJGD*, 126.
35. For policies related to the bonus schemes, see "Guanyu yijuliuba niandu shougou nongfu chanpin jiangshou biao zhun de tongzhi" [Circular on 1968 bonus standards in agricultural sideline production procurement], issued by the State Council on 16 June 1968, *ibid.*, 248; for elimination of the foreign exchange retention schemes, see "Guanyu quxiao feimaoyi waihui fencheng banfa de tongzhi" [Circular on abolishing the method of apportioning foreign exchange for nontrade channels], issued by the State Council on 9 May 1967, *ibid.*, 240.
36. See *Renmin ribao*, 14 October 1972; and *ZRGJD*, 499-500.
37. "Guanyu zengjia shebei jinkou, kuoda jingji jiaoliu de qingshi baogao" [Report and request for instructions concerning the increase of equipment imports and the expansion of economic exchange], submitted by the State Planning Commission to the State Council and approved in principle on 22 March 1973, in *ZRGJGD*, 272, 275.
38. *ZRGJD*, 496-98; *ZRGJGD*, 270.
39. *ZRGJD*, 492-93.
40. "Jianli chukou nongfu shengchan jidi shixing banfa" [Trial procedures for establishing export production bases for agricultural or sideline export commodities], issued by the State Planning Commission on 20 March 1973, in *WFSS* 123-27.
41. "Guanyu shixing nongfu chanpin tongyi jiangshou banfa de qingshi baogao" [Report and request for instructions for implementing a unified bonus scheme for agricultural or sideline products], submitted by the State Planning Commission and approved and transmitted by the State Council on 19 March 1973, in *ZRGJGD*, 275.
42. The coalition name's derived from the Opinion on Putting Politics in Command submitted by Wang Renzhong to the CCP Central Committee, which subsequently approved and transmitted it on 10 April 1966. See chap. 4.
43. Quoted from Jiang Qing's 2 March 1976 speech to the Conference of Twelve Provinces and Self-Autonomous Regions, cited in *ZRGJD* 561, and, *ZRGJGD*, 295.
44. Zhang Zerong, ed., *Zhongguo jingji tizhi gaige jishi*, 139; Hua Guofeng, "Report on the Work of the Government," 7-41.
45. Li Xiannian, "Zai zhongyang gongzuo huiyishang de jianghua," in *SOYZWX*, 117.
46. "Lizheng wancheng dangnian duiwai maoyi de shougou he chukou renwu de jinji zhishi" [Emergency directive to exert utmost effort to meet foreign trade procurement and export responsibilities], issued by the CCP Central Committee and the State Council, 26 October 1959, in *ZRGJGD*, 131.
47. Waimao fuchi chukou shangpin shengchan zhouzhuang zijin was first implemented in 1975. See *WFSS* 83; Duiwai Jingji Maoyibu Renshi, *Chukou huoyuan gailun*, 87.
48. Chukou chanpin shengchan cuoshi touzi originated in 1973. See *WFSS*, 111; Duiwai Jingji Maoyibu Renshi, *Chukou huoyuan gailun*, 91.

49. Chukou gongyepin shengchan zhuanxiang daikuan was instituted in 1964 to increase industrial export quality and variety and to improve packaging. See *WFSS*, 69; Duiwai Jingji Maoyibu Renshi, *Chukou huoyuan gailun* 86.

50. "Duanqi waihui daikuan shixing banfa" [Trial procedures for short-term foreign exchange loans], *Jishengzi* 73.196, approved by the State Revolutionary Planning Committee on 28 May 1973, as cited in "Guanyu zhuanfa 'Duanqi waihui daikuan shixing banfa' xi zunzhao zhixing" [Hoping that one complies with the 'implementation of the trial procedures for short-term foreign exchange loans'], *Maochudaierzi* 73.99/Yinwazi 73.135, issued by the Ministry of Foreign Trade and the People's Bank of China on 16 June 1973, in *Zhongguo Renmin Yinhang Jihuasi, Lili*, 378-79.

51. See *WFSS*, 67.

52. See "Guanyu fangzhi gongye fazhan fangzhen de qingshi baogao" [Report and request for instructions on the textile industry development plans], issued by the Ministry of Textile Industry and approved and transmitted by the CCP Central Committee on 1 September 1960, in *ZRGJGD*, 146.

53. "Guanyu jianli chukou shangpin shengchan jidi de qingshi baogao" [Report and request for instructions on establishing an export commodity production base], submitted by the Ministry of Foreign Trade and approved by the CCP Central Committee on 30 June 1960, in *ZRGJGD*, 143.

54. For translations of these documents, see Reardon, "China's Coastal Development Strategy," 1979-1984, II," 79-82, 39-42; idem, "China's Coastal Development Strategy, 1979-1982, I," 9-18, 19-44.

1. The Domestic Determinants of Chinese Foreign Economic Policy

1. Krueger, "Why Trade Liberalization Is Good," 1514-17.
2. Gillis, Perkins, Roemer, and Snodgrass, *Economics of Development*, chap. 15; Krueger, *Trade Policy and Developing Nations*, 6; Luedde-Neurath, *Import Controls*, as cited in Grabowski, "Import Substitution," 535.
3. Robert Keohane defines regimes as agreed-upon principles, rules, and norms that govern policy behavior. See Keohane, *After Hegemony*, 59-60.
4. For an interesting, contrasting view, see Grabowski, "Import Substitution," 541.
5. Weisskopf, "Patterns," 61-63.
6. Yahuda, *Towards the End of Isolationism*, 63; Nai-Ruenn Chen, "China's Foreign Trade in Global Perspective," 124.
7. Balassa, *Process*, 5-11.
8. The "infant industry" argument is part of the larger debate between the mercantilist approach of state intervention in the marketplace (List and Hamilton) and the neo-classical economic approach of nonmarket intervention (Smith, Ricardo). For more information, see Roll, *History of Economic Thought*, 63, 149, 228-30.
9. Myint, *Exports*, 105.
10. World Bank, *China: External Trade*, 5.
11. Balassa, *Process*, 5-18. For Balassa's discussion on the role of the market in determining inwardly versus outwardly oriented development, see 18-22.
12. Krueger, "Trade Policy and Economic Development," 3-5, 11-12.
13. Fei, Ohkawa, and Ranis, "Economic Development," 35-64; for the similar "flying geese" explanation, see Bernard and Ravenhill, "Beyond Product Cycles and Flying Geese," 171-209.

14. Grabowski, "Import Substitution," 544.
15. Prebisch, *Economic Development*; H. Singer, "Distribution," 473-85. For the neo-classical critique of the deterioration of terms of trade for primary product exporters, see Balassa, "Comment," 304-11.
16. Waltz, *Theories of International Relations*, 18-37.
17. Baldwin, "Neoliberalism," 1-25. Wallerstein's world systems theory could be considered a third contending paradigm, but Ruggie argues that in reality it is a subsystemic approach. See Ruggie, "Continuity," 261-75.
18. Keohane, *After Hegemony*; Keohane, ed., *Neorealism*; Keohane and Nye, *Power*.
19. Moore, "China as a Latecomer," 187-208; Krasner, *Structural Conflict*, 58; Lardy, *Foreign Trade*, chap. 2; Reynolds, "China in the International Economy," 73; Eckstein, "The Chinese Development Model," 106-7.
20. Waltz, *Man*, 167-71.
21. Waltz, *Theories of International Relations*, 11, 104-7, 118, 177, 199; Conybeare, *Trade Wars*, 233-61.
22. Ward, "The Chinese Approach to Economic Development," 93.
23. Sutton, *Western Technology*, 9, 250-52, 260-63, 342. For a detailed list of the companies and technologies transferred, see 329-32, 336-39.
24. Ground, "Genesis," 179-203.
25. Myint, *Exports*.
26. Myint, "'Classical Theory,'" 317-37.
27. Although not as directly involved in the bipolar conflict, Malaysia, Indonesia, and Singapore also followed import substitution development following decolonization in the 1950s and 1960s. Thailand, which remained an independent state, experimented with import substitution development from 1971 to 1980, which coincided with the U.S. withdrawal of sixteen thousand troops from Thailand (Nixon Doctrine, 1969). See World Bank, *East Asian Miracle*, 123-56. For an overview of List's views, see Roll, *History*, 227-31.
28. Gerschenkron, *Economic Backwardness*.
29. Myint, "Infant Industry."
30. Herschman, "Political Economy," 1-32; Balassa, *Process*, 4-6.
31. Eckstein, *Communist China's Economic Growth*, 183-241; idem, *China's Economic Revolution*, 50-58, 233-76.
32. World Bank, *East Asian Miracle*, 105-56.
33. *Ibid.*, 59, 124; Balassa, *Process*, 12-18; Lardy, *Foreign Trade*, 37-82; World Bank, *China, Socialist Economic Development*, 2: 411-63; Reardon, "Rise," 293-94.
34. Gillis, Perkins, Roemer, and Snodgrass, *Economics of Development*, 440-51. The Foreign Trade Regimes and Economic Development Series analyzes import substitution and the development paths of ten developing states. For instance, see Díaz-Alejandro, *Foreign Trade Regimes*, chaps. 3, 4, 5.
35. Lardy, *Foreign Trade*, 18; also see Yahuda, *Towards the End of Isolationism*, 64.
36. Lardy, *Foreign Trade*, 29.
37. *Ibid.*, chap. 2; World Bank, *China: External Trade*, 95-99; Reynolds, "China in the International Economy," 83-90; Zhang Peiji, "Guanyu woguo duiwai maoyi fazhan zhanlüe de tantao," 26-36.
38. While also recognizing the duality of self-reliance, Yahuda argued that "it bespeaks more of an attitude of mind than a specific set of policies" (*Towards the End of Isolationism*, 52-53). This study modifies Yahuda's definition by arguing that the different perceptions of self-reliance are an attitude of mind that are manifested in specific sets of policies.

39. Eckstein, *China's Economic Revolution*, 37–65; Skinner and Winckler, “Compliance Succession,” 412. In a critique of an early draft, Thomas Bernstein disagreed with Skinner and Winckler’s disaggregation of coercive techniques and normative compliance. He argued that the two “went hand-in-hand, as I think is very visible from the GLF. If you opposed the normative goals of the GLF, you were a rightist and got purged. . . . there is [a] great German saying that illustrates the point: ‘Un willst Du nicht mein Bruder sein, so schlag Ich Dir den Schaedel ein (If you don’t want to be my brother, I will beat your brains in).’” Coercive and remunerative compliance also go hand in hand. During the pre-GLF, pre-Cultural Revolution, and post-Cultural Revolution periods, coercive techniques remained the basis for export commodity procurement; remunerative methods supplemented coercive techniques, especially during the pre-Cultural Revolution period to increase producers’ motivation.

40. Zhong Jifu, “Methods,” 3–11.

41. Lardy, *Agriculture*, 30–36. For an interesting discussion of the Chinese planners’ realization of their differences with their Soviet counterparts during the mid-1950s, see Lardy’s Introduction in Lardy, *Chinese Economic Planning*, vii–xii.

42. Eckstein, *Revolution*, 58–63. When analyzing agricultural policy, Lardy instead uses an economic term, indirect planning (*jianjie jihua*), to describe this study’s remunerative-administrative approach. The timing and definition of indirect planning mirrors the remunerative-administrative approach adopted by this study, with the exception of the post-Cultural Revolution period of 1971–74. See Lardy, *Agriculture*, 18–19. For a contrasting neoinstitutional interpretation, see Bachman, *Bureaucracy*, chap. 3.

43. Lardy, *Agriculture*, 37–41.

44. Mao Zedong, “Speech on the Book ‘Economic Problems of Socialism,’” in *Miscellany*, 129.

45. Mao Zedong, “Critique of Stalin’s ‘Economic Problems of Socialism in the Soviet Union’” (1959?), *ibid.*, 191.

46. Mao Zedong, “Reading Notes on the Soviet Union’s ‘Political Economy,’” *ibid.*, 299.

47. Mao Zedong, “Reading Notes on the Soviet Union’s ‘Political Economics,’” *ibid.*, 293, 279, 283.

48. Mao Zedong, “Speech at the Sixth Plenum of the Eighth Central Committee,” presented on 19 December 1958, *ibid.*, 143.

49. Mao Zedong, “Reading Notes,” *ibid.*, 291.

50. Eckstein, *Revolution*, 32–37; also see Gurley, *China’s Economy*, 1–19. When analyzing agricultural policy, Lardy uses an economic term, direct planning (*zhijie jihua*), to describe this study’s normative-administrative approach. The definitions of direct and indirect planning mirror the normative-administrative and remunerative-administrative approach adopted by this study. See Lardy, *Agriculture*, 19–21.

51. Yahuda, *Towards the End of Isolationism*, 39.

52. This simplified periodization roughly corresponds to Lardy’s analysis of agricultural policies, except for the 1971–74 period. See Lardy, *Agriculture*, 19. It also corresponds with Hans Heymann’s view of China’s five development phases between 1952 and 1974. See Heymann, “Acquisition and Diffusion.” The import substitution development period roughly coincides with the World Bank’s description of the “four waves” of imports: 1956–60, 1964–66, 1973–77, 1978. See World Bank, *China: External Trade*, 95–96.

53. Harding, “Competing Models,” 62–63.

54. David Bachman's 1991 neoinstitutionalist approach challenges this broad statement. For a cogent critique of the factional and bureaucratic models, see Yan Sun, *Chinese Reassessment*, 13–15; Chan, "Leaders," 57–78; and Bachman's rebuttal, "Chinese Bureaucratic Politics," 35–55. For the seminal discussion on Soviet autonomy, see F. Griffiths, "Tendency Analysis," 335–78, esp. 341.

55. R. Inman, "Markets"; D. Little, "Rational Choice Models," 35–52.

56. See the various contributors to Buchanan, Tollison, and Tullock, eds., *Toward a Theory*.

57. Meier, "Policy Lessons," 6; Olson, *Rise and Decline*, chap. 4.

58. Green and Shapiro, *Pathologies*; Walt, "Rigor or Rigor Mortis," 5–48; Mansbridge, "Rise and Fall"; Sen, "Rational Fools"; Jachtenfuchs, *International Policy-Making*, 5–17; Johnson and Keehn, "Disaster in the Making," 14–22; Johnson, "Preconception," 170–74.

59. Grindle, "New Political Economy"; Grindle and Thomas, *Public Choices*.

60. Mansbridge, "Rise and Fall," 71–143.

61. Zhou Enlai was the best practitioner of such strategic behavior. Although outwardly supporting Mao during the Seven Thousand Cadre Conference in 1962, Zhou continued to promote the Liu-Deng program to repeal the GLF approach and institute a more remunerative-administrative approach. See Lieberthal, "Great Leap Forward," 326–27.

62. The author would like to thank Hiroyuki Imai for suggesting the convergence of public- and self-interest.

63. For a basic discussion on game theory, including interrater games, see Oye, "Explaining Cooperation," 1–24.

64. Teiwes, *Leadership*, 11–23. Teiwes does not directly address the cycling of development strategies, but he does explain "shifting of CCP policies" as a result of Mao's dialectical view of the world.

65. Mao Zedong, "Talks at the Nan-ning Conference," 13 January 1958, in *Miscellany*, 80–84. Although revealing that Mao made a similar comment in Hangzhou a few days beforehand, Teiwes ignores Mao's comments at Nanning. See Teiwes, *China's Road*, 73, 31–34.

66. Teiwes, *Politics*, 301.

67. *ZELNP*, 2:195.

68. *Ibid.*, 1:340–41.

69. MacFarquhar, *Origins*, 2:32–33, 173; *idem*, 1:105–7, 152–56.

70. Mao Zedong, "Gongzuo fangfa liushitiao (caoan)" [Sixty articles on work methods], in *Jianguo*, 7:64.

71. Teiwes, *China's Road*, 119–25; *ZELNP*, 2:189, 190; Lardy, "Chinese Economy under Stress," 378–80; Yang Dali, *Calamity*, 44.

72. *RZJSH*, 2:813. Bo's account was quoted selectively from the original text. There are similarities with the more extensive version of Mao's 21 November talk at the expanded Political Bureau meeting in Wuchang published in Mao Zedong, *Secret Speeches*, 481–517. The sources for the translation come from *Mao Zedong sixiang wansui* and *Xuexi ziliao, xuyi*, which were both issued during the Cultural Revolution. It thus is not surprising that the Cultural Revolution sources would not include Mao's self-criticism, although they do mention Mao's use of high-yield statistics to "prove there is no opportunism and no danger [of my] losing my Party membership" (504); "If with a death toll of 50 million [Mao is talking about the dismissal of the Guangxi Party secretary held responsible for famine deaths in 1957], you didn't lose your jobs, I at least should lose

mine; [whether I would lose my] head would also be open to question” (494–95). For a basic outline of the speech, see Zhonggong Zhongyang Wenxian Yanjiushi, ed., *Jianguo*, 7:553–54; also see Lieberthal and Dickson, *Research Guide*, 77–78.

73. Tong Xiaopeng, *Fengyu sishinian*, 2:363; also see Mao Zedong, “Yige jiaoxun,” 17; Yan Wen, “Jiu ‘zuo’ de qibu,” 28–32. For Mao’s inability to take full responsibility for failure, see Teiwes, *China’s Road*, 183–84.

74. Mao Zedong, “Speech at the Lushan Plenum,” 23 July 1959, in *Chairman Mao*, 143. According to Schram’s footnotes, Mao’s allusion to burial puppets “has come to designate the author of any diabolical invention, or more generally the bringer of misfortune.” “Descendants” refers to his first son, killed in 1950, and his second, who “was so mistreated, according to Red Guard sources, that his mind was affected.” The xx probably stood for Chen Yun.

75. “Tongyi Mao Zedong tongzhi tichu de guanyu ta buzuo xiajie Zhonghua Renmin Gongheguo zhuxi houxuanren de jianyi de jue ding” [The decision to agree to Comrade Mao Zedong’s proposal that he not continue as the next candidate for the chairmanship of the PRC], approved by the Sixth Plenum of the Eighth Party Congress on 10 December 1958, in Liao Gailong, ed., *Zhongguo Gongchandang lishi dacidian* 202. For lists of the various texts available, see Lieberthal and Dickson, *Research Guide*, 78.

76. *ZELNP*, 2:192. For a detailed discussion of “compressing air” (*yasuo kongqi*), see Teiwes, *China’s Road*, 134.

77. Joseph, *Critique*, 67–68.

78. See an interesting account of Zhou’s drinking during the plenum’s closing banquet in Li Zhisui, *Private Life*, 281–82; also see MacFarquhar, *Origins*, 2:173. Zhou also got drunk following the criticism of Peng Dehuai at Lushan in 1959; see MacFarquhar, *Origins*, 3:548, n. 206.

79. Mao Zedong, “Zai di’erci Zhengzhou huiyishang de jianghua,” 17–22; idem, *Mao Zedong sixiang wansui* (1969), 279–88. Also see MacFarquhar, *Origins*, 2:chap. 8. Teiwes credits Mao’s evolving understanding of provincial conditions for his “anti-left” posture. See Teiwes, *China’s Road*, 143–46.

80. *RZJSH*, 2:832; *Mao Zedong sixiang wansui* (1967), 51–53, 58–62; *Miscellany*, 175–81. For a general outline of Mao’s speech, see Mao Zedong, *Jianguo*, 8:196–97.

81. Mao Zedong, “Dui zhongyang guanyu ziliudi deng wenti de zhishi de piyu xiugai he daini de buchong zhishigao” [A supplementary directive to the written comments that were revised and drafted by others concerning the Central Committee’s directive on private plots and other problems], in Mao Zedong, *Jianguo*, 8:305–8; for a listing of various emergency measures adopted during the May–June period, see chap. 3.

82. Li Zhisui, *Private Life*, 301–5; Tong Xiaopeng, *Fengyu sishinian*, 2:367–68. Li interprets Mao’s visit as an attempt to understand the problems of the GLF by returning to an area he knew well. It also can be interpreted as attempt to return “home” to recover from the problems of the two plenums. Also see MacFarquhar, *Origins*, 2:187–90.

83. “Criticism of Documents Issued in the Name of the Center by Liu Shaoqi and Yang Shangkun,” issued on 19 May 1953, in Mao Zedong, *Writings*, 1:344–64; Li Zhisui, *Private Life*, 174–75; Lieberthal and Dickson, *Research Guide*, 94–95.

84. Teiwes, *Leadership*, 49.

85. *Ibid.*, 28.

86. Stuart R. Schram, “Mao Tse-tung’s Thought,” in MacFarquhar and Fairbank, *Cambridge History*, 15:72.

87. Zhou Enlai, “Di’erge wunian jihua de liangge zhongyao wenti” [Two major problems of the Second Five-Year Plan], presented on 15 November 1963 to the Supreme State Conference, in *ZELJW*, 525.

88. MacFarquhar, *Origins* 3:66.

89. Lieberthal, “Great Leap Forward,” 319. For more information on the unraveling of the Yan’an coalition, see 316–35; also MacFarquhar, *Origins*, 2:173.

90. MacFarquhar, *Origins*, 3:11–16; Lieberthal, “Great Leap Forward,” 325.

91. MacFarquhar, *Origins*, 3:168–72.

92. *Ibid.*, 276.

93. For instance, see Lardy, *Agriculture*, 43–45.

94. Teiwes, *Leadership*, 38–42.

95. *Ibid.*, 40; Teiwes similarly argues that Mao suffered from “intellectual incoherence” during the 1956–57 period. See Teiwes, *China’s Road*, 183.

96. Mao Zedong, “Speech to a Symposium of Delegates to the First Meeting of the Second National Committee of the ACFC,” 8 December 1956, in *Writings*, 2:200.

97. Mao Zedong, “Speech at the Lushan Plenum,” 23 July 1959, in *Chairman Mao*, 142; also see Mao Zedong, “Talk at an Enlarged Central Work Conference,” 30 January 1962, *ibid.*, 175–76, in which Mao states, “I have paid rather more attention to problems relating to the system, to the productive relationships. As for productive forces, I know very little.” For further discussion of Mao’s political approach to China’s economic development, see Dwight H. Perkins, “China’s Economic Policy and Performance,” in MacFarquhar and Fairbanks, *Cambridge History*, 15:475–80.

98. *Jiefang ribao*, 5 June 1967, as quoted in *RZJSH*, 2:978.

99. Mao Zedong, “Talk at an Enlarged Central Work Conference,” 30 January 1962, in *Chairman Mao*, 177; italics added. For the Chinese version, *Mao Zedong wenji*, 8:304.

100. Lieberthal, “Great Leap Forward,” 354. MacFarquhar hints that Mao possibly transferred power to Liu Shaoqi at the Seven Thousand Cadre Conference; this transfer would explain Liu’s more assertive behavior in 1962. See MacFarquhar, *Origins*, 3:172, 262–74. For more on the dissolution of the Yan’an coalition and Mao’s search for political allies, see Ahn, *Chinese Politics*; MacFarquhar, *Origins*, 2; Harding, “Chinese State.”

101. Mao Zedong, “Guanyu renzhen diaocha gongshe neibu liangge pingjun zhuyi wenti de xin” [Letter on resolutely investigating the problem of two egalitarianisms within the communes], in *Jianguo*, 9:440–42.

102. *RZJSH*, 2: chap. 32; Ruan Ming, *Deng Xiaoping*, 70–71.

103. *RZJSH*, 2: chap. 33. Proponents of a Mao-in-command interpretation focus on Mao’s actions in the agricultural front, where he was very effective after mid-1962 at stopping the remunerative trend. They do not address other sectors of the economy, such as industrial and foreign economic policy, where remunerative policies continued to be implemented.

104. Harding, *Organizing China*, 231.

105. Lieberthal, “Great Leap Forward,” 335–48.

106. MacFarquhar, “Succession,” 335–36.

107. *Ibid.*, 340–42.

108. For the bandwagon effect following the Lushan conference, see Yang Dali, *Calamity*, 67.

109. Goldstein, *Bandwagon*; for a similar critique, see Richard Baum’s review in *American Political Science Review*, 237–39.

110. “Opinion group” is the most appropriate term. Franklyn Griffiths used the term

"tendency" to emphasize the potential of informal groupings to become organized. Griffiths uses Truman's concept of a "potential group or interest" "characterized as 'a becoming stage' of group activity based on 'widely held attitudes that are not expressed in interaction,' but which may become the basis of interaction." See Griffiths, "Tendency Analysis," 347. Such arguments support the idea of proto-interest groups, which are more detectable in Soviet and Chinese politics than actual interest groups are. The term "opinion group" also is more reflective of the similarities and differences of individual perceptions and more appropriately emphasizes the decision-making level of analysis.

111. Robert Bates has suggested a synthesis of rational choice and cultural approaches. See Bates, de Figueredo, and Weingast, "Politics of Interpretation," 603-42.

112. Grindle and Thomas, *Public Choices*, 41.

113. *Ibid.*, 8.

114. F. Griffiths, "Tendency Analysis," 362.

115. *Ibid.*, 342.

116. Joseph, *Critique*; also see Ahn, *Chinese Politics*; Eckstein, *China's Economic Revolution*; Schurmann, *Ideology*.

117. Harding, *China's Second Revolution*; Jacobson and Oksenberg, *China's Participation*; Van Ness and Raichur, "Dilemmas"; Solinger, *Chinese Business*; and Yan Sun, *Chinese Reassessment*. For a succinct analysis of the various tendency/opinion-group models in the China field, see Harding, "Competing Models," 66-69; for the "two-line-struggle" model, see Solinger, *Chinese Business*, 61, n. 1.

118. Lowenthal, "Development," 54; also see Lowenthal, "Postrevolutionary Phase," 1-14.

119. Oksenberg, "Politics Takes Command," 590.

120. Cumings, "Political Economy," 425-26.

121. Oksenberg and Goldstein separate those elites holding more "extreme" opinions into "militant fundamentalists" and "Westernized Chinese." They furthermore argue that "the Chinese hierarchy at any given moment is dominated by a coalition of two or more of the four opinion groups." See Oksenberg and Goldstein, "Chinese Political Spectrum," 11. This study incorporates these "extreme" opinions with the more "mainstream" groupings of "radical conservatives" and "eclectic modernizers," with whom they share many basic opinions.

122. Xin, *Mao Zedong's World View*, 13.

123. Mao Zedong, "Instructions at a Discussion Meeting Attended by Some of the Delegates to the Second Session of the First Committee of the All-China Federation of Industry and Commerce," presented 8 December 1956, in *Miscellany*, 38. Also see Yahuda, *Towards the End of Isolationism*, 50-52.

124. Sun Yeli, "Wenge houqi Chen Yun guanyu dui ziben zhuyi guojia maoyi wenti de jidian sikao," 1084; Lieberthal, "Great Leap Forward," 304; Schram, "Mao Tse-tung's Thought," 36.

125. Lieberthal, "Great Leap Forward," 303-4. For more insight on Mao's views on self-reliance, see Jin Chongji, "Mao Zedong de duli zizhu sixiang," 21-24.

126. Lewis and Xue, *China Builds the Bomb*, 221.

127. Mao Zedong, "Yao xia juexin gao jianrui jishu," 10; for the Nie Rongzhen and Zhou Enlai citations, see chap. 3.

128. Mao Zedong, "Ba woguo jianshe chengwei shehui zhuyi de xiandaihua de qianguo," 34.

129. Whiting, *Chinese Domestic Politics*, 54–55.
130. *Ibid.*, 56.
131. For a discussion of Chinese neomercantilism, see Kleinberg, *China's "Opening."*
132. For instance, see Chen Dacai, "Zhou Enlai," 62–66.
133. M. Levine, *Found Generation*; Chae-Jin Lee, *Zhou Enlai*; Nora Wang, "Deng Xiaoping," 698–705.
134. M. Levine, *Found Generation*, 11.
135. For an overall view of Zhou Enlai's view on China's foreign economic policy, see Cao Yingwang, "Zhou Enlai," 47–53.
136. Li Ruizhen and Yao Yuanyang, "Chen Yun," 977–87; Chen Yun, "Yao yanjiu dang-dai ziben zhuyi" [We must research contemporary capitalism], in *Wenxuan*, 3:217–18.
137. Zhang Guotao, Introduction, ii. For more information on Liu Shaoqi, see Dittmer, *Liu Shaoqi*.
138. Oksenberg and Goldstein, "Chinese Political Spectrum," 9–10; Harding, "Competing Models," 68–69.
139. P. Chang, *Power and Policy*. Chang published a second edition in 1978.
140. Teiwes, *China's Road*, 7–8.
141. *Ibid.*, xi.
142. Chen Boda, "Wuchan jieji wenhua dageming de liangtiao luxian" [The two lines in the Great Proletarian Cultural Revolution], delivered at a central work conference, October 9–28, 1966, in *ZELNP*, 3:75–76.
143. Lieberthal, "Great Leap Forward," 328.
144. Linda Chelan Li applies this same approach to understand the political relationship between Beijing and the provinces. See Li, *Centre and Provinces*.
145. Bachman, *Bureaucracy*, 181; Teiwes, *China's Road*, 183.
146. While Zhou Enlai, Bo Yibo, and Li Xiannian changed their positions when faced with Mao's opposition, Peng Dehuai, Deng Zihui, and Peng Zhen stood their ground; Chen Yun made self-criticisms and subsequently retreated out of harm's way. For a fascinating comparison of Zhou's and Chen's survival strategies, see MacFarquhar, *Origins*, 3:434–35.
147. Grindle and Thomas, *Public Choices*, 41.
148. For instance, Li Zhisui, *Private Life*; Zhu Jiamu, "Chen Yun"; Tong Xiaopeng, *Fengyu sishinian*, vol. 2; Chae-jin Lee, *Zhou Enlai*; Dittmer, *Liu Shaoqi*; Bachman, *Chen Yun*; Witke, *Comrade Chiang Ch'ing*.
149. For instance, *ZELNP*, *LSNP*; *ZDN*; Liu Shufa, ed., *Chen Yi nianpu*.
150. For example, Bo Yibo states that Chen Yun strongly supported the backyard furnace approach of the GLF that had been decided at the Beidaihe expanded Political Bureau conference of August 1958. This evidence has not been included in *Chen Yun wenxian*, 1956–1985 or *Chen Yun tongzhi wengao xuanbian*. Following Chen Yun's death, his 21 October 1958 discussion supporting backyard furnaces was published. See Chen Yun, "Guanyu xibei xiezuoku jiben jianshe gongzuo de jige wenti," 8–13. Chen Yun, who had originally opposed "rash advance," and the other members of the post-GLF elite coalition obviously have much to hide about their complicity in the GLF strategy of 1958.
151. Li Zhisui, *Private Life*, viii.
152. Ruan Ming, *Deng Xiaoping*.
153. Teiwes, *China's Road*, 17, 258–59.
154. For an interesting review of cycles in the economics literature, see Berry, *Long-wave Rhythms*.

155. Modelski, "Long Cycle"; Vernon, *Sovereignty at Bay*; Kurth, "Political Consequences," 1-34; Krasner, "State Power," 317-47; Kindleberger, *World in Depression*; Gilpin, *War and Change*; McKeown, "Tariffs."
156. For a general description, see Fairbank, Reischauer, and Craig, *East Asia*, 70-82; Pye, *China*, 57-59; Fairbank, *United States and China*, 90-95. For a detailed description and analysis of Chinese and Western cyclical interpretations of Chinese imperial history, see Meskill, ed., *Pattern*.
157. "Great chaos will lead to great order. The cycle appears every seven or eight years. The demons and monsters will come out by themselves. Their class character dictates it." Mao Zedong, "Letter to Jiang Qing," 94. Translated in Li Zhisui, *Private Life*, 461-62. There is a discrepancy between these two English translations.
158. Spence, *Search*, 649-50.
159. Fieldwork, Beijing, Shanghai, and Guangzhou, July 1994.
160. Skinner and Winckler, "Compliance Succession," 410-38; also see Winckler, "Policy Oscillations," 734-50.
161. Eckstein, "Economic Fluctuations," 693.
162. Imai, "Explaining China's Business Cycles," 154-85; also see idem, "China's Endogenous Investment Cycle," 188-216.
163. Dittmer, "Patterns of Elite Strife and Succession in Chinese Politics," 405-30; Crane, *Political Economy*, 146; Shirk, "Political Price of Reform Cycles" as cited in Baum, *Burying Mao*, 6-7.
164. Baum, "Road to Tiananmen," 340-471; Pye, *Dynamics*, 6, 21-22. Also see Goldman, "Party Policies."
165. Lowenthal, "Development," 54.
166. Harwit, *China's Automobile Industry*, 41; Harding, *Second Revolution*, 83-84; Howell, 32-35; 252-59.
167. Solinger, *Chinese Business*, 298.
168. Solinger, "Commerce," 97.
169. *Ibid.*, 98.
170. *Ibid.*, 104.
171. Hung Yu, "History Develops in Spirals," as cited in Nathan, "Policy Oscillations," 731.
172. Nathan, "Policy Oscillations," 728; also see idem, "Factionalism Model."
173. Winckler, "Policy Oscillations," 734-50.
174. Zhou Enlai, "Guomin jingji fazhan de fangzhen he mubiao" [The plans and goals of national economic development], delivered during the discussion of the "Guanyu gongye fazhan wenti (chugao)" [Industrial development problems (initial draft)] on 23 August 1963, in *ZELJWX*, 516-17.
175. Pye, *Dynamics*, 54-59; Solomon, *Mao's Revolution*.
176. For a neo-Marxist view on crisis, see Carnoy, *The State and Political Theory*, 130-40; Mattick, *Economic Crisis*; Castells, *Economic Crisis*. For the statist view, see Skocpol, "Bringing the State Back In," 9-11; Rueschemeyer and Evans, "The State," 64-65; Nelson, *Economic Crisis*; Singh and Tabatabai, *Economic Crisis*; Binder et al., *Crisis and Sequences*.
177. Grindle and Thomas, *Public Choices*, chap. 4.
178. Calder, *Crisis and Compensation*, 20, 40.
179. Tsou Tang, *Cultural Revolution*, xxxii.
180. Solinger, *From Lathes to Looms*, 27, 30.

181. Li Xiannian, “Zuohao wuzi tongyi guanli gongzuo” [Do a good job in unifying management over goods and materials], speech delivered on 6 June 1962 to the National Work Conference on Material, in *Li Xiannian*, 2:27–28.

182. Jiang Siyi, ed., *Zhongguo renmin*, 592.

183. On the role of economic crisis as the catalyst of economic readjustment, see Naughton, *Growing*, chap. 2.

184. Solinger, *From Lathes to Looms*, 9–16.

185. Prybyla, *Reform in China*, 120.

186. “Zhongguo Jingji Tizhi Gaige Shiyong Cidian” Bianxiezu, *Zhongguo*, 4; Zhang Tianrong et al., *Zhongguo gaige dacidian*, 848–49.

187. According to Pye, the term “readjustment” promoted in 1962 and 1979 “explains more about power relationships than [about] policy choices,” in that “the 1962 slogan was advanced to mobilize support for an emerging faction—the typical way that symbols are used in Chinese politics—while the 1979 slogan was floated in a spirit of revenge against the remnants of a declining faction.” See Pye, *Dynamics*, 163.

188. Bennett, *Yundong*.

189. Although supporting a factional analysis, Pye’s analysis of the Chinese need for consensus is particularly enlightening. See Pye, *Dynamics*, chap. 2; also see Lieberthal and Oksenberg, *Policy Making*, 23–24.

190. Tsou Tang, *Cultural Revolution*, 17.

191. Joseph, *Critique*, 77–79; for an interesting discussion during the Seven Thousand Cadre Conference of January 1962 among the Party elites concerning Mao’s responsibility, see *RZJSH*, 2:1026–29.

192. Joseph, *Critique*, 140–50, 179–82.

193. Lieberthal, *Governing China*, 66–67.

194. Li Xiannian, “Duiwaimao gongzuo de jidian yijian” [Several opinions on foreign trade work], a portion of the summary speech to the National Party Secretary Conference on Finance and Trade, 12 May 1959, in *Li Xiannian*, 1:345.

195. Reardon, “Bird,” chaps. 6 and 7; idem, “China’s Coastal Development Strategy, 1979–1982, II,” Introduction.

196. For an interesting analysis of this bottom-up approach to policy implementation as applied to the agricultural sector, see Yang Dali, *Calamity*, chap. 6.

197. Lieberthal and Oksenberg, *Policy Making*, 35–62; Harding, 66–67.

2. Antinomies of Chinese Development, 1949–1958

1. S. Levine, *Anvil of Victory*, 68–72, 175–96, 240–41.

2. Dongbei Maoyi Zonggongsi, “Diyi jidu duiwai maoyi gongzuo zongjie yu di’er jidu duiwai maoyi yijian” [A summary of the first quarter’s foreign trade work and opinions concerning the second quarter’s foreign trade], Liaoning Dangangan Dongcaiwei Dangan, 5065 *juan*, 1–4, 15, as cited in Meng Xianzhang, ed., *Zhongsu maoyishi ziliao*, 531–34; also see Goncharov, Lewis, and Xue, *Uncertain Partners*, 13.

3. Liu Shaoqi, “Liji jinxing duiwai maoyi” [Immediately carry out foreign trade], draft of an internal Party directive submitted on 16 February 1949, in *LSQLXJJ*, 64–68; Mao Zedong, “Zhongguo renmin yuanyi tong shijie geguo renmin youhao hezuo” [The Chinese people wish to have friendly cooperation with every country in the world], 15 June 1949, in *MZDWW* 89–91. For a more complete collection of foreign commercial, industrial, and finance policies during this period, see Zhongguo Shehui Kexueyuan,

Zhongxun and 757-58 for Yang Shangkun. Xi was also appointed chair of the Guangdong Provincial Revolutionary Committee, and Yang was named one of several vice-chairmen on 11 December 1978; after nearly twelve years in existence, the Revolutionary Committee's name was changed on 1 January 1980 back to the Guangdong Provincial People's Government. See Guangdong Nianjian Bianji, *Guangdong*, 84-90.

188. Sun Ru, *Qianjinzhong*, 12-13. For more on the March proposal, see Lei Qiang et al., "Shenzhen," 268; Zhao Yuanjie, *Zhongguo tequ jingji*, 56; *Shenzhen tequbao*, 9 August 1982.

189. *Shijie jingji daobao*, 18 May 1982; Barson, "Special Economic Zones," 464.

190. For instance, see Zhou Enlai's comments during his Shanghai trip of July 1961, in *ZELNP*, 2:424-25.

191. Chi Hsin, *Teng Hsiao-Ping*, 3.

192. Mamo and Upson, *Dizionario*, 411. Ezra Vogel reported that by the late 1980s, "about twenty high officials in Beijing of deputy minister rank or above were of Hakka extraction." Vogel, *One Step Ahead*, 245. For more on Ye Jianying's views on economic modernization, see Cao Yingwang, "Ye Jianying," 87-90.

193. Reardon, "China's Coastal Development Strategy 1979-1982, I," 19-44.

194. Guangdong Jingji Xuehui, ed., *Guangdong jingji tizhi*, 117.

195. Crane, *Political Economy*, 26.

196. Ho and Huenemann, *China's Open Door Policy*, 49.

197. Both submitted SEZ proposals on 16 October 1979. See Xianggang, *Zhongguo jingji*, 366.

198. Zhonggong Zhongyang Shujichu Yanjiushi Lilunzu, ed., *Diaocha*, 5-6.

199. *Ibid.*, 5.

200. Zhang Ge, "Guanyu jingji," 254; and Lei Qiang et al., "Shenzhen jingji tequ," 268.

201. Zhang Ge, "Guanyu jingji"; and Barnett, *Making of Foreign Policy*, 20-25.

202. "Keyi huachu yikuai difang, jiaozuo tequ."

203. Zhang Ge, "Guanyu jingji tequ," 256.

204. Liang Wensen, *Zhongguo jingji tequ*, 4-5.

205. The Shaanxi-Gansu-Ningxia border area was formally set up in 1937 with Yan'an as its government center. The leadership experimented with various economic and political reforms (the *sansan zhi* of political participation, rent and interest reduction, etc.) and led Communist forces against the Japanese and Chiang Kai-shek. See Xing Guohua, ed., *Zhongguo gemingshi xuexi shouce*, 418, 783, 784; Watson, *Mao Zedong*.

206. Chen Yun, "Zai caijing," in *SQZWX*, 173.

207. *Ibid.*

8. Conclusion

1. Deng Xiaoping, "Gaoju Mao Zedong sixiang qizhi, jianchi shishi qiushi de yuanze," in *Wenxuan*, 123.

2. Deng Xiaoping, "Jianchi sixiang jiben yuanze," *ibid.*, 146.

3. Li Zhongjie, *Shehui zhuyi gaigeshi*, 563.

4. Zhonghua Renmin Gongheguo Guowuyuan, *Zhonghua Renmin Gongheguo xianxing fagui*, 275; *ZRGJFX*, 1:551.

5. Davie and Carver, "China's International Trade," pt. 2, 24; Nai-Ruenn Chen, "China's Capital Construction," 61.

6. Wang Shouchun, *Zhongguo duiwai*, 105.
7. Nai-Ruenn Chen, "China's Capital Construction," 61.
8. For a complete listing of export credit agreements between 1978 and 1980, see World Bank, *China, Socialist Economic Development*, 2:462.
9. Reardon, "China's Coastal Development Strategy, 1979-1982, II," Introduction. For a more detailed analysis, see Fewsmith, *Dilemmas*, chap. 5.
10. World Bank, *World Development Report 1987*, chap. 5; Sheahan, *Alternative Strategies*, 12-26.
11. For instance, see the perils of SOE reforms in *Washington Post*, 16 November 1999.
12. Nathan, "Policy Oscillations," 728.
13. For a recent discussion of linear and cyclical process models, Puchala, "History," 177-202.
14. In contrast to organizational theorists such as James March, most of the recent foreign policy research on learning has focused on international security issues at the decision-maker level of analysis, starting with Robert Jervis, *Perception*, chap. 6. For a comprehensive literature review, see Levy, "Learning," 279-312; as applied to the China security field, see Johnston, "Learning"; Hu Weixing, "Medium Nuclear Powers"; as applied to the nonsecurity China field, see Oksenberg, "Policy Formulation," and Patrick, "Policy Cycles."
15. The work of David Kolb, who conducts research in the education field, suggests one possible venue for future research in Chinese elite learning. Kolb has extensively tested his Experiential Learning Model, which suggests that learning itself goes through four stages: concrete experience, reflective observation, abstract conceptualization, and active experimentation. He further suggests that individuals emphasize particular stages of learning. See Kolb, *Experiential Learning*; idem, "Learning Styles."
16. Nye, "Nuclear Learning," 380; also see Argyris and Schon, *Organizational Learning*, 20-26; Levy, "Learning," 286-87.
17. Nye, "Nuclear Learning," 380.
18. See the discussion in chapter 2 of Lardy's and Heymann's periodization of agricultural and foreign technology policies.
19. Robert H. Bates, as quoted in Collins, "Report." Also see Bates, "Area Studies"; Walt, "Rigor," 5. Bates restricts his definition of rational choice to mostly game theory, which he believes can accommodate more empirically based approaches (Bates, de Figueredo, Weingast). However, his belief that "true" social scientists must promote the rational choice agenda appears as dogmatic as the assertions of those who promote Marxist paradigms.

APPENDIX A

1. Oksenberg, "Politics," 543-90.
2. "Guanyu jianguo yilai dang de zhougan lishi wenti de jueyi" [Resolution on certain historical problems since the founding of the PRC], approved at the Sixth Plenum of the Eleventh Party Congress, on 27 June 1981.
3. For a discussion of this problem, see Mao Zedong, *Writings*, 1:xxviii.
4. Interview with Yang Chengxu, director of the China Institute of International Studies, 17 April 1996.
5. For a comprehensive analysis of pre-1979 sources, see E. Wu, "Contemporary China Studies," 59-73. The Central Committee Archives also has issued *Zhonggong*

Index

- accompanying reports (*baosong*), 222
accumulation rate, 122–23, 188–89, 294n52
aerospace industry, 155
Afro-Asian states, 19, 20, 46, 66, 75–76, 91, 137, 177
Agricultural People's Communes,
Articles on, 31
agriculture: and famines and natural disasters, 21, 29, 38, 106; producer's role in, 28, 120–23; and communes, 28, 31, 122, 126, 134; responsibility systems in, 31; and Great Leap, 97–98, 122; and Eight-Character Plan (1960), 106; and Four Modernizations, 112, 114; remunerative measures in, 122–25, 162; sideline production bases in, 126–27; during Cultural Revolution, 130, 149, 275n5; and "Four Guarantees," 142; during post-Mao period, 182–83; and Eight-Character Plan (1979), 187; to finance imports, 191; and reform experimentation, 204. *See also* export commodity processing bases; export promotion measures; grains
Albania, 104, 177
Allied American Corporation, 18
altruism, 26, 137
Anhui Province, 106, 204
Anshan charter, 99
Anti-Lin, Anti-Confucius Campaign (1973–74): analysis of, 9, 167–73, 287n8, 287n16; and glass snail incident, 168–69, 288n19; and *Fengqing* incident, 169–72; economic impact of, 169, 172–73, 184; and Zhou Enlai's health, 287n4
Anti-Rightist Campaign (1957): and Mao Zedong, 62; and overseas Chinese/Hong Kong, 81; and development strategy, 85–6, 98, 99; ending of, 100; Zhou Enlai on, 112
Anti-Rightist Campaign (1975), 74, 172, 177–79, 182, 184
approval and transmission (*pizhuan*) of documents, 223
Arkipov, Ivan, 56, 262n281
arts and handicrafts, 64, 82, 122, 124, 157, 159, 208
Asia: economic crisis in (1997), 4; industrialization of, 16–20
autarky. *See* semiautarky
automobile industry, 155
autonomy and capacity: and World Trade Organization admission, 3; enjoyed by elites, 11, 25–26, 45–46, 216; lack of, 46, 119, 174, 189–90, 205, 260n255, 294n61, 301n138
Azalea Mountain, 170
Bachman, David, 7
backyard furnaces, 86, 105, 214, 243n150, 260n261, 262n281
Balassa, Bela, 236n11
Bandung Conference (1955), 75–76
bandwagoning, 32, 99, 213
Bank of China: Hong Kong study, 147; ties with Chase Manhattan Bank, 154–55; use of Hong Kong assets, 161;

- Bank of China (*continued*)
 foreign trade loans of, 170, 193, 196;
 and buyers' credit, 299*n*119
- Baonan County, Guangdong, 199, 202–3
- baogao* (reports), 222
- Baoshan steel complex, 184, 185, 189,
 212, 301*n*138
- baosong* (accompanying reports), 222
- Barnett, A. Doak, 7
- barter trade, 48–49, 57, 176, 250*n*71
- Barter Trade Control Regulations, 57
- Bates, Robert, 241*n*111, 305*n*19
- Baum, Richard, 39
- Beijing, 11, 50–51, 106, 127, 131, 208,
 286*n*89
- Beijing ribao* (Beijing daily), 168
- Beijing University. *See* Peking University
- Beria, Lavrenti, 61
- Berlin, Germany, 85
- Bernstein, Thomas, 97, 238*n*39
- Bo Yibo: on Mao Zedong, 27; and Third
 Five-Year Plan, 30, 135–36; autobiog-
 raphy of, 37, 217; and First Five-Year
 Plan, 54, 66; on import substitution
 projects, 56; on Great Leap, 86, 89,
 98, 99; and Liu Shaoqi, 86; criticisms
 of, 86, 259*n*229; self-criticism of, 88–
 89, 260*n*255; and post-GLF coalition,
 100, 187; and temporary foreign trade
 office, 117; and Cultural Revolution,
 131; on Third Front, 134, 141; and
 State Economic Commission, 142;
 bureaucratic positions of, 218
- Bohai export commodity processing
 base, 127
- border cities, 203
- Brazil, 15
- bugao* (bulletins), 221
- bulletins (*bugao*), 221
- Burma, 15
- business cycles. *See* crisis cycles
- Calder, Kent, 41
- Cambodia, 104
- Canada, 66
- Canton Trade Fair. *See* Guangzhou
 Trade Fair
- Cao Yingwang, 111
- cash crops. *See* economic crops
- CCP. *See* Chinese Communist Party
- Central Committee. *See* Chinese Com-
 munist Party
- Central Cultural Revolution Small
 Group, 144, 145–46
- Central Finance and Economy
 Commission, 54, 79–80
- Central Government Small Leadership
 Group on Finance and Economics,
 Finance and Economics Commission,
 188, 293*n*35
- Central Military Commission, 144, 146,
 153, 154, 157, 187
- Central Propaganda Bureau, 183
- Central Work Group for Receiving and
 Transporting Imported Grains, 106
- Chang, Parris, 36
- Changchun railroad, 50
- Changzhou, Jiangsu, 205
- chaos: and Great Leap, 27, 106; and
 cycles, 38, 40–42; and post-GLF
 reforms, 118; and Cultural Revolution,
 129, 131, 145; and Ten-Year Plan,
 185–86. *See also* crisis cycles
- Chase Manhattan Bank, 154–55
- Chen Boda: and “two-line struggle,” 36;
 and Great Leap revival, 111, 113, 114;
 and Mao Zedong, 142, 225, 269*n*103
- Chen, Nai-Ruenn, 14
- Chen Xilian, 187
- Chen Yi, 36, 100, 110, 153
- Chen Yun: background of, 36; writings
 and speeches of, 218
 —and domestic development: on
 Great Leap, 28, 87, 98–99, 101,
 122–23, 243*n*150; on agriculture,
 31, 122–23; and First Five-Year
 Plan, 54, 87; on economic policy,
 85, 87; on Eight-Character Plan
 (1979), 187–91; and Finance and
 Economics Commission, 188,
 293*n*35; and backyard furnaces,
 243*n*150, 260*n*261
 —and foreign economic policy:
 embargo avoidance, 76, 106; export
 quality, 116–17, 126; export com-
 modity processing bases, 126–27;

- rebuilding foreign economic sector, 154–55; import substitution, 155, 173, 189; foreign loan and commodity markets, 155; textile exports, 155; 4–3 Plan, 173; export financing, 191; foreign capital utilization, 196–98; cooperative petroleum exploration, 198; special economic zones, 208
- leadership of: on rash advance, 62–63, 87, 169, 243*n*150; self-criticism of, 87–88, 260*n*255; leadership style of, 87, 173; and post-GLF coalition, 100, 157–58, 173, 212; and Cultural Revolution, 131, 133; rehabilitation of, 153, 154
- relations: with Hua Guofeng, 42, 185–87; with Mao Zedong, 69, 87; with politics-in-command coalition, 179
- Chengdu conference (1958), 85
- chengfen* (class status) analysis, 36–37
- Chiang Kai-shek (Jiang Jieshi), 28–29, 77, 95, 110, 171, 178, 179
- Chile, 15
- China, People's Republic of (PRC):
- global economic ranking of, 3; and Asian economic crisis (1997), 4; as “sick people of Asia,” 4; establishment of, 20; constitution of, 27; nuclear energy in, 111; jet engines in, 111; electronics industry in, 143; foreign aid to, 155, 157, 177
 - foreign relations of: during Korean War, 20, 75; with Soviet Union, 48–60; with Eastern Europe, 56; with U.S., 60; with Southeast Asia, 68, 77, 81–82; with Hungary, 76; with Poland, 76; during Sino-Indian border dispute, 85, 135; with Japan, 109–11; with Netherlands, 131; with Great Britain, 131; with Romania, 170; normalization of, 210; with South Korea, 211
 - military of: conventional weapons of, 51–52, 56; nuclear weapons of, 52, 75, 84–85, 109, 143; compared with civilian economic expenditures, 52–53, 75, 153–54
 - China Committee (CHINCOM), 51, 77–79
 - China International Travel Service (CITS), 159
 - China International Trust and Investment Corporation (CITIC), 198–99, 224
 - China Merchants' Steam and Navigation Company (CMSN), 67, 206
 - China National Technical Import Corporation, 154, 281*n*3
 - CHINCOM. *See* China Committee
 - Chinese Committee for the Promotion of International Trade, 76
 - Chinese Communist Party (CCP)
 - Central Committee: on Korean conflict, 52; on mid-1950s international situation, 75; Chengdu conference (1958), 85; on rash advance, 98; during Cultural Revolution, 130, 144–45; and demilitarization, 153; Documentary Research Office, 219; documents of (Zhongfa), 220
 - Eighth Central Committee plenums: Third (1957), 74, 90–91; Fifth (1958), 87; Sixth (1958), 27–28, 100; Seventh (1959), 98; Ninth (1961), 30, 105; Tenth (1962), 31
 - Ninth Central Committee plenums: First (1969), 131, 143, 281*n*1
 - Tenth Central Committee plenums: Second (1975), 171, 288*n*33; Third (1977), 185
 - Eleventh Central Committee plenums: Third (1978), 3, 4, 5, 6, 186–88, 196, 203, 206, 207; Fourth (1979), 293*n*35; Sixth (1981), 217, 221
 - Congresses: Eighth, 27, 61–63, 68, 73–75, 86, 87–88; Tenth, 31
 - errors of: adventurism, 27; right-deviation, 62; conservatism, 62; revisionism, 85, 130, 134
 - Political Bureau: Wuchang (1958), 27, 239*n*72, 263*n*8; Zhengzhou (1959), 28, 98, 100; Shanghai (1959), 28; views on Polish and Hungarian problems, 76; and politics-in-command coalition, 167–

- Chinese Communist Party (CCP)
 —Political Bureau (*continued*)
 68; and Deng Xiaoping, 167–68;
 Standing Committee of, 168; March
 1979, 186, 188, 189, 191, 194, 198,
 204, 205, 207
- Chinese Export Commodity Base Con-
 struction Corporation, 194
- Chinese Northeast Trade Corporation,
 48–49
- Chinese Office on Defense Industry, 141
- Chinese People's Construction Bank, 124
- Chinese People's Political Consultative
 Congress, 52, 64
- Circular of May 16 (1966), 130
- circulars (*tongzhi*), 221
- CITIC. *See* China International Trust
 and Investment Corporation
- CITS. *See* China International Travel
 Service
- class status. *See* *chengfen* analysis
- closed door policy: and Zhu De, 63–64,
 92; and Zhou Enlai, 67, 112, 143; and
 Mao Zedong, 70; demise of, 196, 207
- CMSN. *See* China Merchants' Steam and
 Navigation Company
- coastal development strategy. *See*
 economic development
- COCOM. *See* Consultative Group
 Coordinating Committee
- Cold War, 4, 17, 79, 213
- COMECON. *See* Council for Mutual
 Economic Assistance
- command economy, 22–24, 35, 82
- comments (*pishi*), 223
- Commerce, Ministry of, 59, 246n7
- commercial and industrial tax, 193
- commodity classification system, 295n79
- communes. *See* agriculture
- Communications, Ministry of, 170–71,
 204, 206, 270n119
- Communist Party of the Soviet Union
 (CPSU): Twentieth Party Congress,
 66–67; on Second Five-Year Plan,
 68; and Sino-Soviet dispute, 109
- Communist University of the Toilers
 of the East, 36
- Communist Youth League, 51
- comparative advantage: enjoyed by
 China, 5; and outward development,
 16; and post-GLF coalition, 23, 107,
 165; Mao Zedong on, 69, 134,
 255n146; and export processing
 zones, 200, 201
- compensation trade: authorization of,
 46, 195, 197, 299n121; and customs
 duties, 194; and Deng Xiaoping, 196,
 198, 290n81; 1979 regulations for,
 197–98; in Guangdong and Fujian,
 206; and U.S., 210; and economic
 planning, 297n101
- conference summaries (*huiyi jiyao*), 223
- Consultative Group Coordinating Com-
 mittee (COCOM), 51, 77–79, 114,
 271n136
- cooperative agreements, 196, 197, 198,
 206
- Council for Mutual Economic Assistance
 (COMECON), 85, 255n146
- counterfeit goods, 213
- CPSU. *See* Communist Party of the Soviet
 Union
- Crane, George T., 5, 39
- crisis cycles: and inwardly oriented
 strategies, 7–11, 37–46, 96, 129; per-
 ception of crisis, 7, 40–42, 97–98,
 129–31, 139–41, 152–53, 167–72,
 175–79, 181–82, 185–87, 214; re-
 adjustment phase in, 7, 42–44, 98–
 111, 131–33, 153–57, 182, 187–91,
 245n187; innovation phase in, 7, 44–
 45, 111–16, 133–43, 157–59, 183–
 84, 191–209; implementation phase
 in, 7, 45–46, 116–28, 143–48, 159–65,
 184–85; and Mao-in-command, 26;
 and other cycles, 38–39; elites' views
 on, 38, 40, 42, 225; critique of, 40;
 intermediate policy readjustment, 142;
 and learning, 214–16; testing of, 216;
 cyclical and lineal views of, 314
- Cultural Revolution, Great Proletarian:
 and foreign trade policy, 5, 74, 118,
 143–48; and Guangzhou Trade Fair,
 5, 144–47; Red Guards in, 37, 46, 70,
 129, 144–47, 212; xenophobia during,
 75, 131–32, 143, 159; and grain

- imports, 107, 130, 144; and agricultural production, 130, 149; attacks on post-GLF leadership and policies, 130–31; and import substitution, 143–44; and PLA intervention, 145–46, 152–53; impact on economy, 149, 157
- customs duties. *See* imports
- Czechoslovakia, 109
- dafu* (replies), 223
- dafu baogao* (inquiry reports), 222
- Dalian, Liaoning, 50, 76
- Dang de wenxian* (journal), 37, 219
- Danshan Islands, 52
- Daqing oil field, 116, 159, 183, 299*n*118
- Daqing Petrochemical Complex, 301*n*138
- Dazhai brigade (Shanxi), 42, 183, 299*n*118
- decentralization of power: and capacity, 46; and export production, 198, 215; and special economic zones, 208
- decisions (*juding*), 221
- decolonization, 19, 237*n*27
- Demag AG, 158, 280*n*95
- Deng Liqun, 29, 177, 211
- Deng Xiaoping: background of, 36; and Kejia heritage, 205; on Taiwan, 210
—and domestic development: on agriculture, 31; on Great Leap, 86–87; on Cultural Revolution, 177; and Twenty Points of Industry, 178; development philosophy of, 187; on Eight-Character Plan (1979), 188; on mass line, 260*n*248
—and foreign economic policy: on import substitution, 167, 176, 189; on most-favored-nation status, 173–74, 210; UN General Assembly speech of (1974), 176; on foreign economic policies (1975), 176–77, 290*n*81; on foreign capital, 176, 194–99; and Shekou Industrial Zone, 204; on special economic zone approval, 207; on “opening,” 210; visit to U.S., 210
—leadership of: and Cultural Revolution, 131, 215; rehabilitation of, 153, 154, 162, 167–68, 185–86; and post-GLF coalition, 157–58, 185–87; and succession, 171, 213; and State Council, 176; campaign against, 177–79
—relations: with Hua Guofeng, 38, 42, 43, 185–87, 195–96; with Zhou Enlai, 167, 176, 287*n*12
- Deng Zihui, 28, 86–87, 260*n*255
- “Destroy the Four Olds,” 144
- Dickson, Bruce, 219
- direct foreign investment. *See* foreign direct investment
- “direct planning,” 238*n*50
- directives (*zhishi*), 221
- Dittmer, Lowell, 39
- documents from lower levels (*shangxingwen*), 224
- documents from supervisory levels (*xiangxingwen*), 224
- documents from the same level (*pingxingwen*), 224
- Dongfang Hotel, 146
- dual-use technology, 52
- Dulles, John Foster, 77, 85, 135, 259*n*229, 275*n*8
- Eckstein, Alexander, 6, 9, 22, 39, 60, 79, 84, 98
- economic and technological development zones (ETDZs), 199
- economic crops, 82, 107, 124
- economic development: of newly industrialized economies, 5, 7, 11, 21, 201, 211, 213; antinomy of strategies for, 7–11, 25–37, 96, 107, 114, 133, 141–42, 152, 180, 208, 214, 237*n*38; during wartime, 9, 138, 139–43, 153–54; and semiautarky, 14, 64, 73, 75, 90–92, 100, 101, 107, 112–14, 143, 158, 180, 214–15; export-promoting strategy in, 16, 201; Latin American school of, 17; strategy sequencing in, 17, 41, 84, 105, 201, 208, 212–13; of “late industrializers,” 20; coastal vs. interior, 21, 134–36, 138, 153–54, 199, 213; and expropriation, 22, 51–52, 80; periodization of, 24, 238*n*52; and colonial exploitation, 50–51, 69, 169–72, 178–79; and embargoes, 52–53, 71, 76,

- economic development (*continued*)
 106, 196; and military expenditures, 75, 143, 248*n*36; and foreign borrowing, 81, 103; and Soviet withdrawal (1960), 83, 104–5; and “large importers and exporters” (*dajin dachu*), 91–95; and decentralization, 100–101, 117–18, 133, 134; “trickle-down” theories of, 135; and interprovincial trade, 134; mutual exchange of goods in, 144, 158; “socialist modernization construction” in, 187, 192. *See also* Four Modernizations strategy; import substitution; primary export-led growth; rash advance; Third Front strategy
- economic development areas, 199
- economic development regime: inwardly oriented, 5–7, 14–15, 18–20, 26, 73, 75, 96, 165–66, 181, 199–201, 209, 211; outwardly oriented, 5, 14–16, 18, 20, 73, 96, 165–66, 181, 185, 199–201, 209, 211, 212–13; and regime choice, 20–21, 34, 41, 96, 165–66, 201, 211–16, 236*n*11; distinction among strategies, 21–25
- economic plans: fifteen-year plans, 9, 62, 63, 64, 74, 101, 114; Ten-Year Plan for Developing the National Economy (1978), 44–45, 175, 183–87, 189, 190, 191, 291*n*13, 15; Ten-Year Science Plan (1963–72), 112–13; Zhou Enlai’s ten-year plan (1975), 175, 183
 —First Five-Year Plan (FFYP, 1953–57): and material balancing, 22; Mao Zedong’s review of, 34, 65–66, 68–75, 135; success of, 48, 57, 74, 101, 113; and “156 projects,” 54–57, 250*n*72; and imports, 56; and foreign aid, 176
 —Second Five-Year Plan (1958–62): dependence on foreign imports, 56; timing of, 63; and Soviet participation in, 68; and Eighth Party Congress, 73–74; financing of, 101; success of, 113; allocation for foreign aid, 176
 —Third Five-Year Plan (1966–70):
 initial draft problems, 30–31, 112, 270*n*114; and rash advance, 62, 63; and Western economic interactions, 68; and Zhou Enlai, 101; initial drafting process for, 135–36; and Mao Zedong, 136–41; and Small Planning Commission, 142; and Four Modernizations, 175
 —Fourth Five-Year Plan (1970–75): and Zhou Enlai’s goals, 101
- Economic Relations with Foreign Countries, Bureau for, 117
- ECPBS. *See* export commodity processing bases
- Eight-Character Plan (1960), 8, 97, 104–11, 114, 187, 267*n*63
- Eight-Character Plan (1979), 42, 187–91
- Eight-Character Policy (1972), 158, 284*n*55
- Eisenhower, Dwight D., 77–79
- emergency circulars (*jinji tongzhi*), 222
- entrepôt trade, 116
- EPZs. *See* export processing zones
- ETDZs. *See* economic and technological development zones
- Europe, Eastern, 17, 56, 76
- Europe, Western: and Chinese students abroad, 35–36, 95; and UN embargo, 76–79, 106; trade with, 83–84
- Evidence of Internal Trends. See* Guonei dongtai qingyang
- exchange controls, 21, 212
- exchange rate, 15, 21, 212
- experimentation. *See* learning and experimentation
- export commodity processing bases (ECPBS): and Zhou Enlai, 5, 125–26, 165, 212; origins of, 97, 125; purpose of, 125, 212, 227–28; comparisons with, 126; management of, 127; problems of, 127–28, 203; during Cultural Revolution, 132–33; regulations for, 162, 194, 227–28; attacked by politics-in-command coalition, 179; for Hong Kong/Macao markets, 182, 203; 1979 promotion schemes for, 194, 298*n*106; expanded version of, 203, 206, 208; Specialized Foreign Exchange Funds

- to Promote Export Commodity Production Bases and Specialized Factories, 298*n*106
- types: agricultural sideline, local and specialty commodity, 127; “five-materials” production, 127; hog production, 127; Bohai production, 127; specialized factories, 127, 164–65, 227, 286*n*89, 286*n*90; single-item, 162–63, 286*n*80; fresh-produce and live-animal, 162–63; comprehensive, 163–64, 203, 298*n*105; Chinese Export Commodity Base Construction Corporation, 194
- See also* export processing zones; export promotion measures; exports; special economic zones
- Export Credit Guarantee Department (Great Britain), 299*n*119
- export credits. *See* foreign capital
- export processing zones (EPZs): and outwardly oriented development, 5–6, 126; and export promotion, 16; in Taiwan, 165, 201; and Jiang Zemin, 200; and UN advice, 200, 201; problems of, 201, 203; in South Korea, 201
- export promotion measures (plan-oriented): imports to produce exports, 10, 83, 120, 132, 148, 194, 212, 297*n*101; Five-Priority status, 10, 101, 102, 192, 194, 212, 226; programs allocating foreign exchange to localities, 10, 132, 193; and foreign trade procurement price, 123; bonus scheme for agricultural sideline products, 123–24, 161–62; and Cultural Revolution, 131–33, 276*n*26; measures to reduce technology import costs, 191; contract system, 192; procurement price reforms, 192; preferential tax treatment, 193; import, export duty reduction or elimination, 193–94; foreign exchange, 194
- specific procedures: Specialized Loan Program for Industrial Export Production, 10, 124–25, 160–61, 176, 192, 286*n*92, 296*n*83; Investment Fund for Export Commodity Production, 10, 161, 192, 286*n*92, 296*n*82; Short-Term Foreign Exchange Loan Program, 10, 161, 193, 286*n*92; Foreign Trade Circulating Funds to Promote Export Commodity Production, 10, 176, 192, 286*n*92, 295*n*81; “Circular on Domestic Pricing Methods for Imported Technology,” 191; State Council document 79.202, 192–94; Administrative Measures for Trial Production of New Export Commodities, 193, 296*n*86; Medium- to Short-Term Specialized Loans for Export Commodity Production, 193; Medium- to Long-Term Loans for Machinery and Equipment Exports, 193; Foreign Trade Circulating Funds, 286*n*92; Supplementary Funds for Scientific Research Used for Foreign Trade, 296*n*86; Trial Management Procedures for Science and Technology Used for Foreign Trade, 296*n*86; Specialized Foreign specific procedures Exchange Funds to Promote Export Commodity Production Bases and Specialized Factories, 298*n*106
- See also* export commodity processing bases; exports; special economic zones
- exports: procurement price of, 22, 123–24, 192; bonus schemes for, 22, 123, 131–32; to USSR, 48–51, 251*n*89; and trade controls, 57, 80; to finance imports, 59–60, 164–65, 189, 191–94, 207, 212, 251*n*89; quality of, 95, 102, 112, 116–17, 126, 155–57, 162, 164, 191, 193; quotas for, 102–3, 174; adapting to Western markets, 102, 114–17, 154–57, 191; agricultural, 102, 120–25, 162–64, 182, 189, 191; First Squeeze, Secondly Replace, Thirdly Exceed policy, 102–3, 164, 226; during Cultural Revolution, 147–48; light industrial, 155, 163–65, 182, 189, 193, 208; arts and handicrafts, 157, 159, 208; post-Mao problems of, 182; financing of, 193; taxes on,

- exports (*continued*)
 297n96. *See also* export commodity processing bases; export processing zones; export promotion measures; petroleum; special economic zones
- factional state, 25
- Fang Yi, 205
- "faster, greater, and better" policy (1955), 62
- fawen zihao* (identification labels), 224
- FFYP. *See* economic plans: First Five-Year Plan
- FICC. *See* Foreign Investment Control Commission
- Fifteen-Member Special Commission, 109
- Finance, Ministry of, 155, 189–90
- Finance and Economics Commission, 188, 293n35
- Five Principles of Peaceful Coexistence, 76
- Five-Priority status. *See* export promotion measures
- five-year plans. *See* economic plans
- foreign aid: as instrument of foreign policy, 104; problems of quality, 155–57; budget percentage for, 176–77; reduction of, 176–77, 182
- Foreign Affairs, Ministry of (MFA), 145, 147, 168, 169
- foreign businesspeople and experts, 145, 146, 156, 159, 250n68, 283n39
- foreign capital: to finance Soviet imports, 50, 51, 59–60, 103, 109, 251nn84,89, 266n46, 271n136; and overseas Chinese remittances, 59, 155, 191, 195, 204, 251n86; borrowing, 81–82, 103, 116, 190, 196; Western export credit (seller's credit), 116, 155, 175, 195, 211, 298nn112,113, 301n139; debt service, 128, 195, 266n52; during Cultural Revolution, 130; use of foreign deposits, 155, 161; officially supported credit (buyers' credit) and aid, 195, 197, 298n112, 299n119; to build hotels, 195; methods of using, 196, 208; criticism of foreign commercial loans, 196–97; and CITIC, 198–99; and Guangdong and Fujian, 205; definition of debt, 298n113; decision to use, 299n118, 300n129
- foreign direct investment (FDI): legacy of inwardly oriented strategies, 6; Soviet joint ventures, 53, 81, 85; and Mao Zedong, 70–71; overseas Chinese investment enterprises, 82–83, 132, 258n217; and post-GLF coalition, 187; and special economic zones, 208
- foreign exchange: value of, 59, 194, 297n98; reserves and deficits of, 59, 142, 148, 159, 174–75, 184, 186, 248n35; and British pound, 76; and Hong Kong, 79–83; methods of earning, 83, 103, 159–65, 192–95, 205–6; allocation of, 132, 193; and market analysis, 154–55; and traveler's checks, 154–55; from nonforeign trade, 191; internal settlement rate for, 194; in Guangdong and Fujian, 205. *See also* export promotion measures
- Foreign Experts, Office of, 250n68
- foreign invested enterprises: with Soviet Union, 50, 53, 71, 85; and Deng Xiaoping, 195–96; background of, 195–96; hundred-percent-foreign-owned ventures, 196; joint venture law and supporting measures, 199; criteria for joint ventures, 199; in Guangdong and Fujian, 206, 208
- Foreign Investment Control Commission (FICC), 190, 194
- foreign tourism, 159, 191, 195, 206, 208
- foreign trade: statistics, 3, 49, 55, 58, 60, 78, 84, 93–94, 108, 115, 121, 125, 150, 151, 180; composition of, 21; centralization of control, 51–52, 57, 80, 100–101, 105, 117–19, 125–28, 157, 174–74; leasing of foreign ships, 51, 170, 174; and private sector, 51–52, 57–59, 82–83; licensing of, 51, 57; customs, 51; and Western market, 83–84, 102; during Great Leap, 90–95, 102; and overseas trade fairs, 95, 101; deficits, 103; post-GLF, 105–6; and domestic and foreign trade organizations, 117–19; domestic consumption, 119–20, 226, 229; and Anti-Lin,

- Anti-Confucius Campaign, 172–75;
and 1970s global recession, 174–75;
Deng Xiaoping's financing (1975)
of, 176; methods to expand, 192–4;
long-term trade agreements, 195, 211.
See also export promotion measures;
exports; Four Modernizations strategy;
Guangzhou Trade Fair; imports; mate-
rial management system; Three-Person
Foreign Trade Command Post
- Foreign Trade, Ministry of: centralization
of power, 46, 51, 57, 100, 117–19; on
foreign exchange policy, 59, 124; and
Zhou Enlai, 100; on Soviet debt situa-
tion, 103; and trade fairs, 116; as a
segregated, independent system, 119,
127, 132–33; and export promotion,
120, 124, 124; and Chinese export
processing zones, 127–28; during
Cultural Revolution, 132–33, 144–45;
and export production system, 149,
193; and export contracts, 157; and
arts and handicraft production, 159;
long-term investment strategy of, 161;
increased budget allocation for, 174;
attacked by politics-in-command
coalition, 179; origins of, 246*n*21;
provincial bureaus for, 281*n*3.
See also Trade, Ministry of
- foreign trade corporations, 21, 117–18,
161, 281*n*3
- Foshan Comprehensive Base (Guang-
dong), 163, 203
- Four Cleanups campaign, 31, 43
- Four Guarantees, 142
- Four Large activities, 144
- Four Modernizations strategy: and Zhou
Enlai, 8, 9, 44, 111–28, 141–42, 173–
75; 4–3 plan, 9, 44, 158–59, 173–75,
183–85; and Hua Guofeng, 10, 181,
183–87, 195–96, 209; initial failure of,
44, 128; definition, background, goals
of, 111, 114; and Maoist development,
111–16; and intellectuals, 112; and
Shanghai, 112–13; and science and
technology, 112–16; and import substi-
tution projects, 115–16, 141–42, 158–
59, 189; supplanted by Third Front,
141–42; post-1971 revival of, 157–58,
173–75; and Eight-Character Policy
(1972), 158, 284*n*55; financing of, 173–
75; Mao Zedong's approval of, 175;
attacked by politics-in-command
coalition, 179; problems of, 184–
86, 185, 209; change in emphasis,
270*n*115
- “four-three” plan. *See* Four Moderniza-
tions strategy
- “Four united into one” slogan, 119
- Fourth Machine Ministry, 169
- France, 76, 106, 158, 211, 280*n*95
- Friendship, Alliance, and Mutual
Assistance, Treaty of (1950), 50
- fuhun* (replies), 223
- Fujian Province: autonomy of, 46, 199;
and overseas Chinese, 82–83, 132;
pre-1979 economic problems of, 202–
3; “superior conditions” of, 204; elites
from, 205; and opening strategy, 205;
as reform laboratory, 205; subsidies to,
206; and overseas Chinese investment
enterprises, 258*n*217; rubber reclama-
tion area in, 276*n*30
- FYPS (Five-Year Plans). *See* economic plans
- Gadamer, Hans-Georg, xii, 233*n*5
- game theory: zero and non-sum, 8,
25–32, 36, 43–44, 63, 154, 213–14;
and public choice, 25, 32, 241*n*111,
305*n*15; interrated, 26, 214
- Gang of Four. *See* politics-in-command
coalition
- Gao Gang, 50
- Gao Yu, 233*n*2
- general line, 27, 29
- Geneva conference (1954), 75
- Germany, East, 109
- Germany, West: trade with, 79, 155, 158,
184; export credits with, 116, 155
- GLF. *See* Great Leap Forward
- gold production, 120, 175
- Goldman, Merle, 85
- Goldstein, Avery, 31–32, 213
- Gollan, John, 260*n*244
- gonggao* (proclamations), 221
- gongzuo baogao* (work reports), 222

- Government Administration Council, 51, 57
- grain: imported, 21, 66, 268*n*74; and Zhou Enlai, 66, 106, 268*n*74; production of, 98, 188; and Eight-Character Plan (1960), 106; and Li Xiannian, 106–7, 124; post-GLF import of, 122, 130; imports during Cultural Revolution, 144; and TCK smut, 169; definition of, 263*n*3; Soviet loans of, 269*n*89
- “Grasping the Revolution and Promoting Production, Circular on,” 173
- Great Britain: and Hong Kong, 76–83; rejection of embargo, 77–79; trade with, 79, 110, 158; export credits with, 116; and Cultural Revolution, 131, 145, 147; long-term trade agreements with, 211; Communist Party of, 260*n*244
- Great Debate on Education and Revolution, 177–78
- Great Hall of the People, 146
- Great Leap, The*, 113, 169–70
- Great Leap Forward (GLF): readjustment of, 28, 43, 98–111; and Mao Zedong, 28, 133; conference at Lushan during (1959), 28, 89; and Peng Dehuai, 29, 95; and “mass line” approach, 72–73, 88; and foreign trade, 84, 90–95; and steel production, 86, 87, 89, 243*n*150; origin of term, 88; problems of, 97–104, 117; and agriculture, 97–98, 122; second attempted revival of, 98–100; third attempted revival of, 111–14; and Hua Guofeng’s semirevival of, 183–84
- Griffiths, Franklyn, 241*n*110
- Grindle, Merilee, 25–26, 32–37, 41
- Gu Mu, 142, 190, 198
- Guangdong Province: autonomy of, 46, 199; exodus from, 80, 202–3; and overseas Chinese investment enterprises, 82–83, 132, 258*n*217; Guangzhou, 118, 144–46, 156; and Third Front, 141; and export quality, 156–57; Foshan, 163, 203; Huiyang, 163–64, 176, 203; Baoan County, 199, 202–3; pre-1979 economic problems of, 202–3; and border economy, 203–8, 223; “superior conditions” of, 204; and Kejia connections, 205; Meixian County, 205; as reform laboratory, 205; and foreign earnings, 206; and Revolutionary Committee, 303*n*187. *See also* Guangzhou Trade Fair; Shantou SEZ; Shenzhen SEZ; Zhuhai SEZ
- Guangxi Province, 83, 132, 142, 276*n*30
- Guangzhou. *See* Guangdong Province
- Guangzhou Hotel, 146
- Guangzhou Trade Fair: during Cultural Revolution, 5, 144–47; origins of, 83; trade expansion at, 116; Exhibition Building at, 144; and Zhou Enlai, 144–47, 155–57; statistics of, 146–47; and export quality, 155–56
- Guizhou Province, 153
- Guofa* (State Council documents), 220
- Guomindang. *See* Kuomintang
- “*Guonei dongtai qingyang*” (Evidence of internal trends), 171
- Haidian district, Beijing, 127
- Hainan Island: and rubber industry, 54, 276*n*30; as export base, 82; and export commodity processing bases, 127, 227–28; and U.S. planes, 142
- Hakka. *See* Kejia heritage
- Hammer, Julius and Armand, 18
- han* (letters), 223
- Hangzhou meeting (1958), 87, 259*n*229
- Hankou meeting (1958), 88
- Harding, Harry, 25, 33
- Harwit, Eric, 7
- Heckscher-Ohlin approach, 16
- Heilongjiang Province, 152, 306*n*4
- Henan Province, 127
- Hitachi Engineering, 158
- Holdridge, John, 135, 277*n*43
- Hong Kong: development regime for, 15, 18, 96; circumvention of embargo, 76, 79–83; New Territories, 80; entrepôt trade of, 80, 114; emigration to, 80–81, 202–3; exemption from campaigns, 81; exports to, 116, 162–63, 182, 203; during Cultural Revolution, 144, 147; foreign exchange deposits in, 161; criticism of, 170, 182, 288*n*28;

- and Zhou Enlai, 182; and Shenzhen SEZ, 202, 206-7
- Hong Kong and Macao, Small Group on, 299n116
- Hong Kong and Shanghai Bank, 131
- Hong Kong/Macao Work Committee, 100
- Hongqi* (Red flag), 85, 178
- Hu Yaobang: and post-GLF coalition, 187, 293n35; on foreign capital, 196; on international bankers and commercial loans, 197
- Hua Guofeng: foreign economic policies of, 10, 195-96, 212; and political cycles, 38; and fall of politics-in-command coalition, 42, 181; and economic readjustment, 43; and Four Modernizations, 43, 158, 181, 183-8, 209; and Ten-Year Plan for Developing the National Economy, 44-45, 175, 183-85, 195, 209, 291nn13,15; and compensation trade, 46; and succession, 179; and Two Whatevers, 183, 195; background of, 183; and construction acceleration, 185, 301n138; downfall of, 186-87, 196, 222; and overseas Chinese affairs, 195
- Huangshigang (Huang-shih-kang), 71
- Hubei Province, 106
- Huiyang Comprehensive Base, Guangdong, 163-64, 176, 203
- huiyi jiyao* (conference summaries), 223
- Hunan Province, 28
- Hundred Flowers campaign, 70, 111
- Hungary, 15, 67, 70, 76, 84, 109, 116
- identification labels (*fawen zihao*), 224
- Ikeda Hayato, 110
- Imai Hiroyuki, 39, 239n62
- IMF. *See* International Monetary Fund
- import substitution (IS): Western analysis of Chinese strategy, 6; and newly industrialized economies, 7, 21, 201, 211, 213; definition of, 14; and protectionism, 14, 212; and neorealism, 18; initial stages of, 20; and military, 52, 56, 143; and industrial models, 54; regulations concerning, 57-58; and exchange rates, 59, 212; financing of, 59-60, 64, 101, 142, 155, 158-65, 174-75, 207, 285n69; signed agreements for, 50, 53-57, 59-60, 63, 67, 101, 249n62; and agricultural projects, 107; post-GLF program for, 107-11; projects in operation, 144; Import Corporation, 154; Eight-Character Policy (1972), 158, 284n55; command criticisms of, 178-79; problems of, 184-86; and Eight-Character Plan (1979), 189-91, 301n138; emphasis on technology and equipment imports, 190-91. *See also* Four Modernizations strategy; turnkey projects
- imports: and trade controls, 21, 57, 80; pricing policies for, 21, 298n103; of machinery and equipment, 23, 190-91; and military capabilities, 23, 51; according to repayment ability, 106, 267n66; "eat first, construction second" principle, 106; and Western export credits, 116; mutual exchange of needed goods, 144; deferment of and installment payment for, 176.
- See also* grains
- India, 15, 200
- indirect planning, 238n42
- Indochina, 75
- Indonesia, 237n27
- industrialization. *See* economic development
- Industry, Seventy Articles on, 31
- "infant industry" argument, 14, 236n8
- Inner Mongolia, 53
- inquiry reports (*dafu baogao*), 222
- intellectual property rights, 191
- Internal Affairs, Ministry of (USSR), 69
- International Agricultural Development Fund, 301n142
- International Monetary Fund (IMF), 3, 197, 211, 233n2, 301n142
- international relations, theoretical approaches to: uni-multipolar system in, 4; on international norms of behavior, 4, 5, 216; systemic approaches in, 5, 31-32, 60-61, 210-11; subsystemic approaches in, 7, 25-31, 60-61, 211-13, 237n17; neoliberalism in, 17, 201;

- international relations (*continued*)
 "reductionism" in, 17; neorealism in, 18–20, 31–32; bipolar system in, 20, 48, 60; public choice in, 25–26, 305*n*19; levels of analysis in, 235*n*32; definition of regimes, 236*n*3. *See also* game theory
- Ireland, 200
- is. *See* import substitution
- Italy, 158
- Jacobson, Harold K., 33
- Jade Fountain Hill, 168
- Japan: economic problems of, 4; and export credits, 16, 300*n*133; conflicts with, 20, 110, 210, 257*n*196; and crisis, 41; and embargo, 60, 77–79; rice production in, 66; trade with, 77–79, 83, 109–11, 147–48, 149–51, 158, 184, 280*n*95,96; and development strategy, 96; normalization of relations with, 149, 210; and long-term trade agreements, 195, 211
- Japanese Overseas Economic Cooperation Fund, 197
- Ji Dengkui, 187
- Jia Tingsan, 142
- Jiang Jieshi. *See* Chiang Kai-shek
- Jiang Qing: and Mao Zedong, 31, 137–38, 153, 172, 178; and politics-in-command coalition, 43, 152, 167, 172; on foreign economic interactions, 75; and Cultural Revolution coalitions, 131; self-criticism of, 145, 177; on Anti-Lin, Anti-Confucius Campaign, 168–72; and glass snail incident, 168–69; on Zhou Enlai and Deng Xiaoping, 174, 178; arrest of, 181
- Jiang Zemin, 200
- Jiangnan Shipbuilding Factory, 170
- Jiangsu Province, 286*n*89
- Jiangxi Province, 154
- Jiangxi Soviet, 87
- jilu* (summaries of conference minutes), 223
- Jinan University (Guangzhou), 132, 299*n*116
- jinji tongzhi* (emergency circulars), 222
- joint venture law, 11, 199
- joint ventures. *See* foreign invested enterprises
- Josephs, William, 33, 44
- jueding* (decisions), 221
- jueyi* (resolutions), 221
- Junkers-Werke, 18
- Kádár, János, 67, 90
- Kampuchea, 177
- Kang Sheng, 269*n*103
- Kang Shien, 279*n*84
- Kaohsiung EPZ, Taiwan, 165
- Ke Qingshi, 259*n*229
- Kejia (Hakka) heritage, 205, 304*n*192
- Kennedy Round, 275*n*1
- Keohane, Robert, 201, 236*n*3
- Khrushchev, Nikita, 54, 56, 66, 76, 84, 85, 101; and Mao Zedong, 90, 130, 136, 140
- Kishi Nobusuki, 110
- Kissinger, Henry, 168, 173–74
- Kodak Corporation, 169
- Kolb, David, 305*n*15
- Korean War: as bipolar conflict, 19–20; impact on Chinese economy, 51–57, 77; Armistice, 75, 109–10
- Kuomintang (Guomindang), 168
- labor shortage, 122
- Lanzhou, Gansu, 67
- Laos, 177
- Lardy, Nicholas, 6, 21–22, 107, 238*n*41,42,50,52
- Latin America, 17, 19, 20
- Leading Organizations Supporting the Broad Masses of the Left, 153
- learning and experimentation: incremental, 11, 209, 214–15; testing development strategies, 24, 73, 90, 98, 180, 181, 187, 209, 212–13; policy making as model, 40, 214–16; and foreign direct investment, 82–83; obstacles to, 96, 165–66, 214; from Great Leap, 133–34, 137, 214–15; post-GLF process, 163, 165–66, 185, 209, 215–16; with foreign trade, 197–98, 212; with outwardly oriented devel-

- opment, 199, 205, 207, 209, 212–13, 216; limiting of, 204–5; and crisis cycle, 214–16; “simple” and “complex,” 215–16; research on, 304*n*205; Experiential Learning Model, 305*n*15
- Learning from Daqing and Dazhai Conference, 299*n*118
- Lee, Chae-jin, 146–48
- Lei Feng, 222
- Lenin, Vladimir, 53, 65, 70
- letters (*han*), 223
- Levine, Marilyn, 35–36
- Lewis, John Wilson, 34, 52, 248*n*36
- Li Fuchun, 36, 62–63, 67, 107, 117, 141, 142; and First Five-Year Plan, 54, 247*n*30; and Great Leap, 87, 98
- Li Guotang, 170
- Li Hongzhang, 171, 179
- Li Huiniang* (play), 138
- Li Peng, 53
- Li Qiang, 165
- Li Xiannian: collection of writings and speeches, 218
- on domestic development: on agriculture, 28; on economic readjustment (1979), 43; on Great Leap, 92, 98, 100–102, 107, 122, 124; on Third Five-Year Plan, 135–36; on Third Front, 153–54; on Eight-Character Plan (1979), 187–91; on “proportional imbalances,” 188–89; and Finance and Economics Commission, 188
- on foreign economic policy: on semiautarky, 73, 158; on grain imports, 106–7, 124, 268*n*74; on import substitution, 115, 136, 158, 189, 190–91; on Western markets, 116–17, 157; and Three-Person Foreign Trade Command Post, 117; on recentralizing foreign trade, 117–19; on imports to produce exports, 120; on remunerative export measures, 124, 296*n*91; on export commodity processing bases, 127–28; on export quality, 155–57; on arts and handicraft exports, 157, 159; on oil supplies, 160; on 4–3 Plan, 173, 174–75; on foreign exchange deficits, 174–75, 186; on Hong Kong and Macao, 182, 203, 189; on self-reliance, 190–91; on foreign capital, 190; on foreign exchange retention schemes, 193; on joint ventures, 199; and Shekou Industrial Zone, 204
- leadership of: on crisis, 41–42, 106; and politics-in-command coalition, 42, 181; and autonomy and capacity, 46–47; self-criticism of, 87–88, 260*n*255; and post-GLF coalition, 100, 157–58, 185–87; and Hua Guofeng, 185–87
- Li Zhisui: on Mao Zedong’s health, 31, 152–53, 172; as Mao’s biographer, 37, 253*n*120; on Zhou Enlai, 65; on Liu Shaoqi, 137; on Jiang Qing, 178
- Liao Chengzhi, 144
- Liao Luyan, 28
- Liaoning Province, 106
- Liberation brand trucks, 52
- LIBOR. *See* London Interbank Offer Rate
- Lieberthal, Kenneth, 7, 29, 45, 86, 89, 107, 219, 220
- Light Industry, Ministry of, 159
- Lin Biao: on dynastic cycles, 38, 225; on chaos, 42; and Cultural Revolution coalitions, 131, 136–39, 152, 281*n*1; on Soviet threat, 135, 146; and Third Front, 135, 142, 153; and Mao Zedong thought, 138–39; death of, 139, 146–47, 149, 152, 154, 158; criticized, 168; on Great Leap, 269*n*103
- Lin Hujia, 142
- Lin Xiling, 225
- “Lips are the plan” idea, 154
- List, Friedrich, 20, 236*n*8
- Liu Shaoqi: on agriculture, 31, 38; background of, 36; on USSR’s early aid, 49–50; on study abroad, 54; and Mao Zedong, 61; on Great Leap, 86; as state chairman, 98; illness of, 137
- Liu Yunruo, 54
- Lockheed Corporation, 179

- London Interbank Offer Rate (LIBOR), 196, 300*n*133
- “Long Live Leninism” article, 85
- long-term trade agreements (LTTAs), 195, 211
- Lowenthal, Richard, 7, 33, 39–40, 211
- Lowe Engineering (Great Britain), 280*n*95
- LTTAs. *See* long-term trade agreements
- Luo Ruiqing, 109, 139, 141
- Luo Xingquan, 206
- Lushan central work conference (1961), 105
- Lushan Plenum (1959): and Peng Dehuai, 29, 95, 130; and Yan’an coalition, 29, 89, 111; and delayed economic readjustment, 43, 98–100; and Zhou Enlai, 98–100; and Mao Zedong, 99–100
- Lüshun, Liaoning, 50, 84–85
- Macao, 81, 116, 162–63, 182, 202, 203
- MacFarquhar, Roderick, 31, 86, 87, 89, 95
- Malaysia, 200, 237*n*27
- Malenkov, Georgi, 50
- Mannesman (West Germany), 280*n*95
- Manzhouli, 76
- Mao Yuanxin, 172, 290*n*82
- Mao Zedong: and Shaoshan, 28; health of, 31, 152, 158, 171, 172, 288*n*41; during Yan’an era, 34; writings of, 37, 71, 75, 145, 218; death of, 38, 180, 181; on study abroad, 54, 68–69; on U.S., 70, 140–41; on “peaceful evolution,” 85, 130; and gatekeepers, 172; advice to analysts, 225
- and domestic development: on rash advance, 8–9, 27, 61–62, 86–90, 169, 260*n*249; on Soviet model, 23, 34, 61, 65–75, 69–70, 85, 90, 134, 135, 139, 254*n*143, 259*n*238, 260*n*249; on normative measures, 23–25, 70, 72, 86, 96, 128, 133–34, 137, 211, 214; on GLF, 28, 30, 86–90, 98–100, 133–34; and economic planning, 29–30, 70; on agriculture, 31, 70, 100, 104, 136; and post-GLF reforms, 43, 104, 131, 136, 142; on military expenditures, 52–53, 75; on comparative advantage, 69, 134, 255*n*146; “On the Ten Great Relationships” speech, 69–70, 134–35; on light industry, 70, 71–72, 135; on heavy industry, 86, 135; on Third Front, 135, 137, 139–41; and Four Modernizations, 175
- foreign economic policy of: on “opening,” 6, 70–71, 202, 254*n*140, 257*n*181; on self-reliance, 23, 34–35, 69–73, 71–73, 86, 90, 134, 137, 143, 215, 255*n*145; on foreign technology, 34, 56, 68, 71–73, 140, 143, 255*n*145; on autarky, 35, 143; on import substitution, 55–56, 143, 158; on Western economic cooperation, 70–75, 255*n*145; on grain imports, 71, 144
- leadership of: on Stalin, 23, 70, 131, 259*n*238; as preeminent leader, 26–27, 29, 36, 86–90, 171–72, 183; during advance and retreat, 27–32, 73, 84–90, 98–100, 104, 130–31, 136–43, 152, 158, 267*n*65; and “passive resistance,” 27, 84, 259*n*229; self-criticism of, 27–28, 105, 239*n*72; as state chairman, 27–28; retirement to second line, 28–29, 42, 105, 152, 241*n*100; style of, 30–32, 36, 65–75, 84–90, 136–43; and succession, 31, 152, 167, 171, 172; use of crisis, 42, 134, 139–41; and People’s Liberation Army, 43, 136, 138–39; on Soviet threat, 85, 139–41; at Lushan (1959), 89, 98–99; and policy learning, 96, 133–34, 137, 214–15; and Cultural Revolution coalition, 131, 137–39, 152–53; and Socialist Education Movement, 136; and war, 139–41, 143; and post-GLF coalition, 153, 167; on Anti-Lin, Anti-Confucius Campaign, 167–71; and politics-in-command coalition, 170–72, 178–79, 287*n*1
- relations: with Zhou Enlai, 27, 29, 31, 87–89, 110, 167–72; with Chen Yun, 27, 29, 31, 87, 8–99; with Liu

- Shaoqi, 29, 61, 86, 137; with Deng Xiaoping, 29, 31, 87, 167, 171, 172; with Peng Dehuai, 29; with Ye Jianying, 29, 42; with Lin Biao, 31, 136, 152; with Jiang Qing, 31; with Bo Yibo, 87, 89; with Chen Boda, 111, 113, 114, 269*n*103
- Mao Zedong Thought: mass line in, 23, 32, 70–73, 88–89, 133, 140; politics-in-command in, 23, 86, 131; “Little Red Book,” 43, 45, 138–39, 145, 212–13; as revolutionary praxis, 45; self-reliance in, 71; revisionism in, 85, 136, 138; profits in command in, 131; class struggle in, 133; and Lin Biao, 138–39; and Guangzhou Trade Fair, 145–46; readjustment of ideological tenets, 154; post-GLF interpretation of, 187, 211–12; *ti yong* in, 256*n*179
- Mao Zedong Thought Propaganda Teams, 153
- March, James, 305*n*15
- Marshall Plan, 51
- mass line. *See* Mao Zedong Thought
- mass media, 224–25
- material balancing, 22–23
- material incentives. *See* production incentives
- material management system: recentralization of, 118–19; General Bureau for, 118–19; and Ministry of Foreign Trade, 119; definition of, 272*n*147
- May 16 rebels, 145
- McClintock, Robert, 79
- Meixian County, Guangdong, 205
- Mexico, 200
- MFN status. *See* most-favored-nation status
- MiG-21, 109
- Mikoyan, Anastas, 56, 266*n*46
- Military Affairs Commission (MAC), 88, 168
- military capability: and economic development, 75, 143, 248*n*36; and nuclear weapons, 75, 84–85, 109, 143; and Four Modernizations, 112, 114; and medium-range ballistic missiles, 141
- Military Control Commissions, 153
- Military Defense Industry Political Affairs Department, 139
- mingling* (orders), 220–21
- Mongolia, 104
- “More, faster, and better (and more economically)” slogan, 23, 62–63, 66, 73, 74
- Moscow Aeronautical Institute, 54
- most-favored-nation status (MFN), 173–74, 210, 211
- Nagasaki, Japan, 110, 257*n*196
- Nanning conference (1958), 87, 89, 91–92, 95
- Nathan, Andrew, 39, 214, 216, 253*n*120
- National Conference of Foreign Trade Bureau Chiefs (1957), 91
- National Foreign Trade Planning Conference: of 1963, 120; of 1970, 133; of 1977, 203
- National Peoples’ Congress (NPC), 67, 199
- National Security Council document 68 (1950), 77
- nationalism, 23, 50–51, 71
- NATO. *See* North Atlantic Treaty Organization
- Naughton, Barry, 39, 56, 57, 143, 153
- Netherlands, The, 131
- New Defense Technical Accord (1957), 84–85
- New Great Leap Forward (1978). *See* Ten-Year Plan for Developing the National Economy
- New Territories, 80
- newly industrialized economies (NIES), 11, 13, 201
- Nie Rongzhen, 34, 36, 52, 54, 100, 107
- NIES. *See* newly industrialized economies
- Ningxia Province, 134
- Ninth Polemic (on Khrushchev’s revisionism), 136
- Nixon, Richard, 149, 156
- Nixon Doctrine (1969), 237*n*27
- “Nixon shock,” 210
- nondurable consumer goods, 20
- North Atlantic Treaty Organization (NATO), 51

- North Korea, 51, 104, 177
 North Vietnam, 104, 177, 210
 Northeast Bureau, 50
 Norway, 69
 notices (*tonggao*), 221
 notifications (*tongbao*), 22
 NPC. *See* National Peoples' Congress
 "number one priority to exports" policy, 119
 Nye, Joseph, 201, 215-16
- Osborne, Michael, 6
 OCIES. *See* overseas Chinese investment enterprises
 Oksenberg, Michel, 7, 33-34, 217, 219, 220, 224
 "On Coalition Government" (Mao Zedong), 70-71
 "one-man management" system, 69, 70
 open coastal cities, 199, 200
 "opening to the outside world": and international norms 3; and author's dissertation research, 5; and Mao Zedong, 6; as slogan, 111; as foreign economic strategy, 11, 185, 196, 205; translation of, 233n5. *See also* closed door policy
 opinion group (tendency) approach: as theoretical construct, 7, 25, 32-37, 241n121; and cycles, 39-40, 44, 47; further testing of, 216; definition of, 241n110
 opinions (*yijian*), 223-24
 Opium Wars (1840s), 69
 orders: *mingling*, 220-21; *zhiling*, 220-21
 Organization of Arab Petroleum Exporting Countries (OAPEC), 151
 Organization of Petroleum Exporting Countries (OPEC), 151, 160
 overseas Chinese: investment from, 5, 59, 82-83, 159; and remittances, 59, 155, 191, 204, 251n86; trade with, 68; legal protection for, 82; during Cultural Revolution, 132; and tourism, 159, 203; and Hua Guofeng, 195
 Overseas Chinese Affairs, Office of, 299n116
 Overseas Chinese Affairs Committee, 59
 Overseas Chinese Investment Company, 132
 overseas Chinese investment enterprises (OCIES): establishment of, 82-83, 258n217; during Cultural Revolution, 132; and Hua Guofeng, 195
 Overseas Chinese Remittances, Small Group on, 136
 Overseas Chinese University (Xiamen), 299n116
- Panzhuhua Steel Industrial Base, 140
 Party Committee on National Defense, 139
 PBOC. *See* People's Bank of China
 Pearl River delta region, 202, 203, 228, 303n179
 Peking University, 97, 127, 212-13, 225
 Peng Chong, 205
 Peng Dehuai, 95, 99, 130, 138
 Peng Zhen, 31, 88, 199
 People's Bank of China (PBOC), 59, 154, 161, 165
People's Daily (Renmin ribao), 50, 168, 169, 178, 179, 224
 People's Liberation Army (PLA), 31, 138-39, 145-46
People's Liberation Army Daily (Jiefang jun bao), 138, 178
 Perkins, Dwight H., 4-5, 6
 petroleum: financing imports with, 9, 152, 159-60; price increase of, 60, 151-52; exports of, 159-60, 195, 208, 211; to increase exports, 160; criticism of exports, 178-79; planned production of, 183, 188; cooperative exploration of, 198, 302n150
 Petroleum Group, 7, 189-90, 279n84, 284n51
 Philippines, The, 200
pifu (written replies), 222-23
 Pingguo aluminum mine, 185
pingxing wen (documents from the same level), 224
pishi (comments), 223
pizhuan (approval and transmission [of documents]), 223
 PLA. *See* People's Liberation Army
 Poland, 50, 56, 76, 84, 109

- policy elites: perception of, 16, 32, 37, 39, 42, 213; preferences and beliefs of, 33–36, 233*n*5; experience of, 34, 95; and crisis, 41; definition of, 47
- Policy Planning Staff, 79
- Political Bureau. *See* Chinese Communist Party
- “Politics can assault all others” idea, 154
- politics-in-command coalition (Gang of Four): and capitalist revival, 42, 131; and semiautarky, 75, 167, 215; and Jiang Qing, 152; and Zhou Enlai, 153; composition of, 167, 170; xenophobia of, 169, 171, 177, 195, 211; Mao Zedong on, 172, 287*n*1; on post-GLF coalition, 177; criticism of import substitution, 178–79; on “three poisonous weeds,” 179; arrest and criticism of, 181, 183
- Pollit, Harry, 260*n*244
- post–Great Leap Forward (GLF) coalition: and Mao Zedong, 29–31, 137, 152, 172; and economic readjustment, 43, 99, 104–11; and remunerative-administrative measures, 96, 111, 120–25, 136, 215; composition of, 98, 99, 100, 157–58, 187; and Third Five-Year Plan, 135–36; weaknesses of, 137; and Third Front, 139–42; rehabilitation of, 153; on foreign trade system, 153–57; learning process of, 163, 165–66, 185, 209, 215–16; rebuilding of (1970s), 177, 185–86; and outwardly oriented development, 185, 196–99, 215–16; on Hua Guofeng, 185–87; and self-reliance, 190, 196, 211–12; and export-processing-zone study, 200; dissolution of, 212. *See also* Eight-Character Plan (1960, 1979)
- Poznan strike, 76
- “practice as the sole criterion of truth” idea, 187
- PRC. *See* People’s Republic of China
- predatory state, 25–26
- primary export-led growth, 13, 17, 19, 237*n*15
- Problem of Overseas Chinese Remittances, Report on, 59
- processing and assembly ventures: and customs duties, 194; State Council authorizations of, 195, 197–98; early successes of, 197–98; in Guangdong and Fujian, 206; and outward development, 212; and economic planning, 297*n*101
- proclamations (*gonggao*), 221
- Production Bases, Bureau of, 127
- production incentives: concepts of, 22–24; administrative methods for, 22, 57–59, 70, 104, 106, 116–20, 214; remunerative methods for, 22–23, 43, 44, 96, 104, 111, 120–25, 128, 215; normative methods for, 23–25, 30, 43, 45, 96, 128, 133–34, 181, 183, 214
- protectionism. *See* import substitution
- Prybyla, Jan S., 42–43, 45
- Pye, Lucian, 39, 41
- Qing Simei, 77
- Qingdao, Shandong, 113
- Qinghai Province, 134
- Qinghua University. *See* Tsinghua University
- qingkuang baogao* (situation reports), 222
- qingshi baogao* (requests for instructions), 222
- rash advance: and Zhou Enlai, 8, 32, 84, 87–88, 101, 110, 114, 169; and Mao Zedong, 27, 28, 61–63, 86, 90; and Chen Yun, 87, 169; and Bo Yibo, 89, 169; and foreign economic policy, 92; problems resulting from, 98–100
- Rawski, Thomas G., 57
- Red Flag*. *See* *Hongqi*
- Red Guards. *See* Cultural Revolution, Great Proletarian
- “Red landlord,” China as, 207
- rent-seeking behavior, 26, 122
- replies: *dafu*, 223; *fuhan*, 223
- reports (*baogao*), 222
- Repulse the Right-Deviationist Wind to Reverse the Verdicts Campaign, 172, 177–79
- requests for instructions (*qingshi baogao*), 222

- resolutions (*jueyi*), 221
 restricted materials (*neibu*), 217
 Ricardo, David, 16
 Romania, 170
 Rong Yiren, 198–99, 204, 224, 300n129
 Ruan Ming, 37
 rubber industry, 54
 Rural Reclamation, Ministry of, 276n30
 Rusk, Dean, 135
- Schram, Stuart R., 29
 Science and Technology Work
 Conference (1963), 112–13
 self-interest, 18, 23, 25, 26, 32, 39, 47
 self-reliance: as Maoist development
 concept, 4, 6, 34–35, 69, 84, 107,
 256n159; as import substitution goal,
 15, 34, 56–57, 91; as neorealist goal,
 18; differing interpretations of, 22–24,
 34, 237n38; during Cultural Revolu-
 tion, 109, 133–34; after Cultural
 Revolution, 155; and Hua Guofeng,
 183; and post-GLF coalition, 187,
 190–91, 207, 211–12
 Self-Strengthening Movement (late 19th
 cent.), 171
 self-sufficiency. *See* self-reliance
 semiautarky: misconceptions of, 4–5;
 and inward development, 7–14 *passim*,
 208; measures for, 22–25; and policy
 cycling, 26, 37–38, 47; proponents
 of, 31, 34–35, 73, 75, 100, 143, 180;
 opponents of, 92, 100, 101, 107, 112–
 14, 141, 143, 158, 176; and Great
 Leap experimentation, 98, 100, 101;
 and Cultural Revolution, 129, 143, 158
 Seven Thousand Cadre Conference
 (1962), 30, 95, 105, 135, 138,
 241n100, 267n65
 Seventeenth Supreme State Conference,
 99
 SEZs. *See* special economic zones
 Shaanxi-Gansu-Ningxia border area,
 207, 304n205
 Shandong Province, 34
 Shanghai: and China's "opening," 11,
 204, 208; and Four Modernizations,
 44, 112–13; industrialists from, 80–81;
 and famine, 106; and foreign trade,
 118; during Cultural Revolution, 131;
 specialized export factories in, 164,
 286nn89,90; and xenophobia, 169;
 Jiangnan Shipbuilding Factory, 170
 Shanghai Communiqué, 149
shangxing wen (documents from lower
 levels), 224
 Shanhaiguan, 53
 Shantou, Guangdong, 276n30
 Shantou SEZ: establishment of, 199;
 antecedents, 200; overseas Chinese
 influence on, 206
 Shashi, Hubei, 205
 Shekou Industrial Zone: origins of, 68,
 204, 206; corpses in, 203; capitalist
 slogan, 212
 Shenzhen River, 81
 Shenzhen SEZ: antecedents to, 68, 203;
 establishment of, 199, 206–7; and
 Baoan County, 199, 202–3; and Yu
 Guangyuan, 206–7; housing and
 border structures in, 206–7. *See also*
 export processing zones; special eco-
 nomic zones
 shipbuilding industry, 169–70, 270n115
 Shirk, Susan, 39
 Shisanling Reservoir, 88–89
 Siberia, Soviet Union, 140
 Sichuan Province, 106, 153, 306n4
 "sick people of Asia," Chinese as, 4
 SIEAC. *See* State Import-Export Adminis-
 trative Commission
 "simultaneously to fight [the enemy],
 stabilize [the state], and construct
 [the economy/culture]," 52
 Singapore: development regime of, 15,
 201, 237n27; as export processing
 zone, 200
 Sino-Japanese Peace and Friendship
 Treaty (1978), 210
 Sino-Japanese war (1937), 70, 72
 situation reports (*qingkuang baogao*), 222
 six-person Small Groups, 54
 Sixth Machine-Building Ministry, 170
 Skinner, G. William, 22, 238n39
 Small Group on Importation of New
 Technology, 190

- Small Leadership Group on Imports and Exports, 190
- Small Planning Commission, 142
- smuggling, 80
- Socialist Education Movement, 31, 136
- SOEs. *See* state-owned enterprises
- Solinger, Dorothy J., 7, 39–41, 42
- Solomon, Richard, 41, 289n53
- Song Shaowen, 54
- Song Zhenming, 279n84
- South Asia, 17
- South China Tropical Products Institute, 276n30
- South Korea: development regime of, 15, 18–20, 96, 201; and export processing zones, 200
- Soviet Union (USSR): development regime of, 15, 18, 20; New Economic Policy of, 53
- Chinese economic relations with: trade with northeast China, 48–50; economic agreements, 50, 53–57, 59–60, 63, 64–66, 67, 101, 103, 249n47, 251n89; joint ventures, 50, 53, 71, 85, 246n13; USSR as economic model, 53–54, 69–70; and import substitution, 53–57; and Soviet foreign experts, 53, 56, 85–86, 98, 104, 109, 250n68; and First Five-Year Plan, 54–56, 249n62; advice on development strategy, 54–55, 62, 68, 262nn279,281; and export delays, 68, 101; problems, 83, 85, 92, 109; debt repayment to, 103, 109, 130, 149, 157, 251n84, 266nn46,52; pullout of, 104–5, 107–9; imports from, 158
 - Chinese leaders' relations with: Mao Zedong, 53; Liu Shaoqi, 53; Zhou Enlai, 53; Lin Biao, 139
 - Chinese military relations with: and Korean conflict, 51–52, 103; technical assistance from, 52, 84, 107–9; access to Chinese facilities, 84–85
 - Chinese political relations with: disputes, 4, 60, 84–85, 103, 140–41, 269n89, 279n73; occupation of Manchuria, 48, 248n39; treaties, 50; access to Chinese ports and railroads, 50, 67, 84–85; Sino-Indian border dispute, 85; attacks during Cultural Revolution, 131, 139; Soviet revisionism, 140–41; and borders, 146, 149, 152
- See also* Communist Party of the Soviet Union; Khrushchev, Nikita
- SPC. *See* State Planning Commission
- special economic zones (SEZs): establishment of, 5, 199–208, 222; preferences for, 6; and export commodity processing bases, 163, 182, 207–8; experimentation in, 181, 187, 199, 204–5; regulations for, 199, 201; and development strategy, 199–200; international environment explanations of, 200–202; and treaty ports, 200; uniqueness of, 201–2; and Deng Xiaoping, 207; and foreign invested enterprises, 208; and Chen Yun, 208; and outwardly oriented development, 212; State Council Office on, 220; name change of, 302n159. *See also* Shantou SEZ; Shenzhen SEZ; Xiamen SEZ; Zhuhai SEZ
- Specialized Loan Program for Industrial Export Production, 10, 124–25, 131–32, 160–61, 176, 192, 274n180, 286n92, 296n83
- Spey aircraft engines, 158
- Sri Lanka, 15, 200
- Stalin, Joseph, 50, 61, 66, 67, 70, 76, 131
- State Council: influence on economic policy, 87, 101; Office of Finance and Trade, 103, 119, 123; Bureau of Economic Relations with Foreign Countries, 117; on Guangzhou Trade Fair, 144–45; on export quality, 157; on export promotion programs, 160–62, 192–94; and Deng Xiaoping, 176; documents from (*Guofa*), 220
- State Council Ideological Discussion Conference (1978), 185, 195, 299nn118,121
- State Economic Commission (SEC), 118, 142, 198
- State Export Plan, 101

- State Import-Export Administrative Commission (SIEAC), 190, 194, 198, 200
- state-owned enterprises (SOEs), 182, 213
- State Planning Commission (SPC), 99–100, 129, 141, 142, 183–84, 190, 198
- steel: during Cultural Revolution, 30; production of, 86, 87, 89, 98, 99, 105, 183, 188, 243*n*150, 251*n*97; during Great Leap, 111, 133; and Third Front, 141; Wuhan Steel Works, 155, 158, 184–85; U.S. equipment imports, 173; Baoshan, 184, 185, 189, 212, 301*n*138; Japanese plant imports, 184; and Eight-Character Plan (1979), 189–90
- Strengthening Business Accounting and Reversing Industrial Losses, Conference on, 154
- students: opposition to Soviet joint ventures, 50–51, 81; foreign study for, 53–54; foreign technical training of, 56; and strikes, 76
- Suez crisis (1956), 77
- Sumitomo Metal, 158
- summaries of conference minutes (*jilu*), 223
- Sun Yat-sen Memorial Hall, 145
- Sun Yat-sen University, 145
- supreme state conference (1963), 29
- Suzhou Comprehensive Base, Jiangsu, 164
- Sweden, 158
- Switzerland, 158
- systemic disturbances, 19
- Szczepanik, Edward, 80
- Taiwan Province: development of, 15, 18–20, 96, 201; and PRC, 52, 81, 211; and U.S., 77; and Zhou Enlai, 156, 165; and export processing zones, 200
- Taiwan Strait crisis (1955), 75
- Tan Zhenlin, 87
- Tang Bingda, 206
- Tang Ke, 279*n*84
- Tang Wensheng (Nancy Tang), 172
- Tangshan (T'ang-shan), Hebei, 71; earthquake in, 38, 182
- Tao Zhu, 146
- TCK smut, 169
- technology: and outward development, 14, 212–13; and semiautarky, 14, 23, 34–35, 71–74, 143, 169–71, 177–79, 214–15; and import substitution, 16–23 *passim*, 65, 68, 191–94; and Zhou Enlai, 34, 109, 111–16, 143, 154, 165, 175; used to produce exports, 83, 162; to accelerate development, 91, 128, 141–42; from Japan, 110–11, 211; Mao Zedong on, 140; and import corporations, 154, 161, 198–99; Eight-Character Policy (1972), 158, 284*n*55; and Deng Xiaoping, 174, 176; low level of, 182, 184, 186; and Eight-Character Plan (1979), 189–91; import regulations, 191; and export processing zones, 200–201; foreign trade restrictions on, 211
- imported, 5–10 *passim*, 107, 154, 190–91, 212; from Soviet Union, 4, 8, 23, 52–57, 60, 66–67, 84–86, 101–5, 107; from Western sources, 84; financing of, 160–61, 176, 191, 197–98; from U.S., 168–69, 174, 198, 210
- Teiwes, Frederick C., 26–32, 36, 65, 256*n*173, 174
- Ten Great Relationships, speech on, 29, 52–53, 67, 69–70
- Ten-Year Plan for Developing the National Economy, 44–45, 175, 183–85, 187, 189, 190, 191, 291*n*13, 15
- Thailand, 15, 200, 237*n*27
- Third Front strategy: and civilian economic construction, 53; coastal vs. interior development, 133–34, 138, 153–54; and Lin Biao, 135, 141, 153; bureaucracy of, 139; and Central Work Conference (1964), 139–41; and Guangdong, 141; and industrialization of interior, 142–43; cost of, 143, 153; impact on coastal areas, 143, 202; end of, 153–54; definition of, 277*n*34; and international threat, 279*n*73
- Thomas, John. *See* Grindle, Merilee
- Three Gorges dam, 185
- Three-Person Foreign Trade Command Post, 117, 119

Three Supports and Two Militaries

Program, 153

Tiananmen incident (1975), 179, 290n83

Tiananmen incident (1989), 6

Tiananmen Square, 212

Tianjin, 11, 76, 106, 118, 204, 208

"Time is money, efficiency is life"

slogan, 212

Tong Xiaopeng, 89

tongbao (notifications), 222*tonggao* (notices), 221*tongzhi* (circulars), 221tourism industry. *See* foreign tourism

Trade, Ministry of, 51, 246n21

trademark regulations, 191, 213

treaty ports, 200

Truman, Harry S., 32

Tsinghua (Qinghua) University, 168,

177-78

Tsou Tang, 41, 44

Tucker, Nancy, 77

Tun Yung, 299n118

turnkey projects: criticism of 7, 35; Hua Guofeng and, 10; from Soviet Union, 22, 47, 54-57, 59, 60, 68, 109; from capitalist economies, 96, 115; during Cultural Revolution, 141-44; and Four Modernizations, 154, 158-59, 184; problems with, 185-86; project cessation, 189, 190-91, 209. *See also* import substitution

Twelve Provinces and Autonomous Regions, Conference of, 178

Twenty Points of Industry, 178

two-line struggle model, 33, 36

"Two Whatevers" approach, 183, 186, 195-96

UN. *See* United Nations

United Front activities, 159

United Kingdom. *See* Great Britain

United Nations (UN): embargo of, 4, 8, 51, 59, 60, 71, 79-80, 96, 129, 196; Economic Commission for Latin America, 17; admissions of, 79; Deng Xiaoping's speech to (1974), 176; International Development Office, 201

United States (U.S.): and Asian allies, 19; Chinese embargo policy toward, 51, 59, 77-79, 129, 149, 282n4; rapprochement with, 60, 77-79, 135, 146-47, 149-51, 153, 210-11, 257n198, 289n53 grain production in, 66, 106, 169; military containment of, 75; and Taiwan, 77; "peaceful evolution" strategy of, 85, 275n8; and Soviet Union, 85; and Gulf of Tonkin, 140-41, 279n73; and airplane incidents, 142; exports to China, 173; most-favored-nation status, 173-74, 210; Deng Xiaoping's visit to, 210; and trade agreement, 211; export financing, 211; trade with, 210-11; and technology restrictions, 211; nationalization of U.S. property, 247n23

urban reforms (1980s), 205

U.S. *See* United States

"Using foreign things for China's benefit" policy, 207

Van Ness, Peter, 7, 33

Vietnam War, 129, 140-41

Vogel, Ezra, 145

Waltz, Kenneth, 17

Wang Dongxing, 37, 42, 181, 187, 195, 253n120

Wang Hairong, 172

Wang Hongwen: and politics-in-command coalition, 167; on Zhou Enlai, 167-68, 171-72; and *Fengqing* incident, 169-70; on Hong Kong, 170, 288n28; on renewal of Cultural Revolution, 174

Wang Jun, 165

Wang Renzhong, 235n42

Wang Xiangli, 81

Wang Zhen, 187

warning meetings, 178

Warsaw, Poland, 135

Wartime Trading with Enemy Act, 79

Weltanschauung, 16, 32, 37, 39, 42, 213, 218

White Army, 53

White Elephant brand, 117

Whiting, Allen, 7, 35, 135

- Whitlam, Gough, 165
 Winckler, Edwin A. 22, 38, 40, 238ⁿ³⁹
 work conferences, central: in 1963, 44;
 in 1979, 43, 187–89; in 1961, 124; in
 1964, 134, 135, 139–40; in 1973, 154;
 in 1978, 187–88, 196, 210
 work reports (*gongzuo baogao*), 222
 World Bank: China's membership in,
 3, 197, 211; on import substitution,
 6, 17; measurement of economic size,
 233ⁿ²; loans to China, 301ⁿ¹⁴²
 World Trade Organization (WTO):
 China's admission to, 3, 4, 6, 213
 World War II, 18, 19, 48, 60, 210
 written replies (*pifu*), 222–23
 WTO. *See* World Trade Organization
 Wu De, 187, 195
 Wu Sangui, 178
 Wu Yuan-li, 59
 Wuhan incident, 145
 Wuhan Steel Works, 155, 158, 184–85
 Wuxi No. 5 Radio Factory, 192
- xenophobia, 75, 131–32, 143, 159, 168–
 72, 178–79
 Xi Zhongxun, 204, 206, 207, 303ⁿ¹⁸⁷
 Xiamen, Fujian, 147
 Xiamen SEZ, 199, 200
 Xiangtan Comprehensive Base, Hunan, 164
 Xiangzhou Woolen Factory, 299ⁿ¹²¹
xiangxing wen (documents from supervi-
 sory levels), 224
 Xinhua (Hsinhua) News Agency, 147
 Xinjiang Province: joint ventures with
 Soviet Union, 50, 71, 85; import sub-
 stitution projects in, 53; economic
 development of, 227–28, 306ⁿ⁴
 Xu Wenbin, 169
- Yahuda, Michael, 5, 6, 14, 85–86,
 248ⁿ⁵⁰
 Yan Sun, 33
 Yan'an (1936–1948): coalition, 27, 30,
 89, 111; elites' experience in, 35, 50;
 description of, 304ⁿ²⁰⁵
 Yang Dali, 99
 Yang Shangkun, 187, 204, 303ⁿ¹⁸⁷
- Yangzhou Comprehensive Base, Jiangsu,
 164
 Yao Wenyuan, 167, 168, 177, 179
 Yao Yilin, 102, 188, 226
 Ye Fei, 206
 Ye Jianying, 153, 155, 157, 205, 287ⁿ⁴,
 304ⁿ¹⁹²; and politics-in-command
 coalition, 42, 168, 177, 181, 187
 Ye Jizhuang, 74, 100, 147, 247ⁿ³⁰
 Yeh, K. C., 54
 Yen Chia-kan, 165, 287ⁿ⁹⁷
yijian (opinions), 223–24
 Yu Guangyuan, 206–7
 Yu Qiuli: bureaucratic positions of,
 142, 190; and Mao Zedong, 142; and
 semiautarky, 144, 158; and imports,
 144, 158, 183–84; and post-GLF coali-
 tion, 157–58; fall of, 190; and “petro-
 leum group,” 284ⁿ⁵¹
 Yuan Shikai, 171, 179
 Yugoslavia: development regime of, 15;
 bombing of Chinese embassy, 51, 131;
 changed attitude toward, 61
 Yunnan Province, 276ⁿ³⁰
- Zeng Guofan, 171
 Zhang Bojun, 67–68
 Zhang Chunqiao, 167–68, 177, 178
 Zhang Yufeng, 172
 Zhanjiang, Guangdong, 67–68; Zhan-
 jiang Comprehensive Base, 164, 203
 Zhao Ziyang, 187, 205, 293ⁿ³⁵
 Zhejiang Eel Production Base, 286ⁿ⁹²
 Zhejiang Province, 83, 132
 Zhejiang Rubber Reclamation Area,
 276ⁿ³⁰
zhiling (orders), 220–21
zhishi (directives), 221
Zhongfa (Central Committee
 documents), 220
 Zhongnanhai, 61, 89, 152
 Zhou Enlai: background of, 36, 95; and
 policy cycles, 38; health of, 166, 167–
 68, 171, 176, 177, 240ⁿ⁷⁸, 287ⁿ⁴;
 death of, 175, 178, 179; collection
 of writings and speeches, 218
 —and domestic development: on rash

- advance, 8, 32, 84, 87–88, 101, 110, 114, 169; and Great Leap, 28, 87–96, 98–111; on remunerative approaches, 29, 82; on agriculture, 31, 273*n*166; on Four Modernizations, 8, 44, 111–28, 141–42, 173–75, 271*n*127; and First Five-Year Plan, 54–55, 113, 247*n*30; on long-range planning, 64–65, 101; on Soviet model of development, 66–67, 90; and Second Five-Year Plan, 73–74, 101, 113; in Shanghai, 112–13, 170; on urban communes, 126; on coastal development, 135; and Third Front, 141–44; during Cultural Revolution, 143–47, 281*n*1; on demilitarization, 153–54; on petroleum production, 160
- and foreign affairs: foreign trips of, 55, 56, 76, 137; with Soviet Union, 66–67, 109, 254*n*129; with U.S., 79, 135; with Hong Kong, 80–83, 147, 182; with overseas Chinese, 81–83; dismissed as foreign minister, 87; on foreign aid, 104, 155; with Japan, 109–11; and MFA management, 168
- and foreign economic policy: on export commodity processing bases, 5, 125–26, 165, 212; on technology imports, 34, 109, 111–16, 143, 154, 165, 175; on 4–3 Plan, 44, 157–59, 164; initial trade policy of, 51; on import substitution, 56, 63, 66–67, 107–16, 141–44, 167; on expanding Western trade, 67–68, 79, 80–84, 107–11, 116; on semiautarky, 73, 95, 101, 112–13, 144, 158; on foreign borrowing, 81; during Great Leap, 90–96, 100–104; on self-reliance, 90–91, 100, 113–14, 156; on outwardly oriented strategies, 96; on grain imports, 106 and Three-Person Foreign Trade Command Post, 117, 119; on Guangzhou Trade Fair, 144–47, 155–57; on export quality, 155–57; on Taiwan's foreign economic policies, 156, 165; on *Fengqing*, 170
- leadership of: resignations of, 28, 63, 87–89, 169; return to power in 1971, 31, 42, 149, 153; style of, 32, 65–68, 73–75, 80–81, 87–96, 98–100, 137, 141–42, 168, 175, 239*n*61, 253*n*120, 262*n*278, 281*n*1; opposition to rash advance, 62–68, 73–74, 86–88, 169, 252*n*107, 265*n*25; and Eighth Party Congress, 68, 73–74; self-criticisms of, 87–88, 168; and anti-rightist campaign (1957), 100; and post-GLF coalition, 100, 137, 153, 157–58; and Anti-Lin, Anti-Confucius Campaign, 167–73
- relations: with Mao Zedong, 29, 63, 65, 87–89, 152–53, 167, 168, 287*n*4; with Peng Dehuai, 99; with Ye Jianying, 153, 287*n*4; with Chen Yun, 154; with Deng Xiaoping, 167, 176; with Lin Biao, 281*n*1
- See also* Four Modernizations strategy
- Zhu De: background of, 36, 64, 95; opposition to semiautarky, 63–64, 73, 91–96; on export expansion, 63–64, 67, 83–84; on “Ten Relationships,” 67; on Hong Kong, Macao, Hainan, 81–82; imports to produce exports, 83–84, 120; and Great Leap, 91–96; on outwardly oriented strategies, 96
- Zhuhai SEZ, 199, 203
- Zou Erkang, 200, 202
- Zunyi conference (1935), 87, 262*n*278