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Bureau of Intelligence and Research
Intelligence Brief

CURRENT SITUATION IN CHINA: BACKGROUND AND PROSPECTS

- o At the heart of the crisis in China is the power struggle for the succession to Deng Xiaoping. Several semi-retired party elders, who like Deng belong to the "founding generation" of communist revolutionaries, have been seeking to reassert their influence, remove Deng's chosen successors and put in place their own proteges.
- o There are significant policy disputes involved, with Deng's younger supporters throughout the party, government and military bureaucracies favoring more rapid and far-reaching systemic reform. Hu Yaobang and Zhao Ziyang have been willing and able to reshape the political system to accommodate the interests of new social forces set in motion by the decade of reform. The other elders are acting as spokesmen for the established powers favoring slower and more modest change within the context of strong government and party central control.

These differences between "reformers" and "conservatives" have been evident for some years, especially in the attacks on former General Secretary Hu Yaobang that culminated in his fall from power in January 1987. To preserve his personal power and his program, Deng dropped Hu in favor of his second protegee, Premier Zhao Ziyang. Zhao directed the planning and implementation of the economic reform program of the 1980s.

Beneath the surface competition over policy lie personal grudges and family interests. With the breakdown of organizational hierarchy in the current crisis, political actors are falling back on personal loyalties to pursue their most basic interest--political, even physical survival.

Beginning last summer, contending leaders used the problems in the economy--particularly double digit inflation--to step up attacks on General Secretary Zhao Ziyang and force an end to political reform to preserve social stability. Popular confidence in the regime began to disintegrate as concerns over inflation were compounded by rampant official corruption and nepotism, and evidence that leaders were more concerned about power considerations than public aspirations.

- o Zhao saw the massive demonstrations of popular support beginning in April at the time of Hu Yaobang's death as

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a last opportunity to shore up his position and to resume momentum in political as well as economic reform. He alone in the leadership seemed to understand the depth of public grievances and the urgent need to address them in some realistic fashion. Zhao's critics saw Zhao's accommodating response to the student demonstrations as an opportunity to undermine his leadership and to assert a more traditional, authoritarian form of rule.

- o In mid-May, growing tensions produced a final break between Deng and Zhao. Abandoning Zhao [REDACTED] [REDACTED] Deng gave carte blanche to Yang Shangkun and Li Peng to enforce martial law and quash the demonstrations. After a series of [REDACTED] party and military meetings, Yang and Li managed to gain a fragile and limited leadership consensus behind the crackdown of June 3-4. The military excesses and expressions of domestic and foreign outrage, however, seemed to shake the regime to its foundations; for four days there was a minimally functioning government as leaders remained out of sight, presumably debating the costs and remaining options.
- o With the June 9 public appearance of Deng Xiaoping and other elders, and the top leadership minus Zhao and Hu Qili, there emerged a shaky and discredited leadership coalition supporting the imposition of law and order through a reign of terror. But a meeting of the full central committee and a session of the National People's Congress will be necessary to ratify policy and personnel changes.
- o In important ways, this clash of social and political tensions is unique in Chinese history. Several events came in quick succession to fuel the confrontation--Hu Yaobang's death on the eve of planned demonstrations in commemoration of the pro-democratic May Fourth Movement of 1919, followed by the Sino-Soviet summit that prompted the massive presence of Western, Hong Kong and Taiwan reporters in Beijing to provide live coverage to the world, and the deteriorating health of Deng Xiaoping. The conflict between extremes in Chinese political culture--the aging founders of the party and the most educated and Westernized elements of the national population--does not exist to the same extent elsewhere in China.
- o The leadership will debate for some time the momentous impact on China future and Deng's reform program of the tragic events of the past week. The probability is high

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for continued leadership instability, punctuated by deaths of elders, a demoralized if not defiant bureaucracy and intelligentsia, a sullen workforce, and a totally alienated student population increasingly engaged in more underground and radical dissident activity. There is probably little residual faith that the government can be counted on to move forward on demands for political freedoms, an open and accurate press, and an end to official corruption.