

**THE REASON BEHIND THE IMPLEMENTATION OF “ONE COUNTRY TWO  
SYSTEM” IN CHINA**

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**Abstract**

After the leadership transition from Mao Zedong to Deng Xiaoping, the economic condition in China that experiencing the economy downturn before finally the economic is getting better. However, beside the success in economic fields, China government still facing the problem with the separation with Taiwan. China as the country which is implementing Communism in their political system, in Deng Xiaoping era finally implement the capitalist for their economic system. The objectives of this research is to analyze the reason of China in implementing “one country two system”. As the findings, this research proves that the reasons behind the implementations of “one country two systems” were the peaceful solution for reunification China and Taiwan. In addition the other reason were as the solution to solve the economic downturn that experienced by China as the result from the failure of previous government.

*Keyword: Cina foreign policy, government transition, China Taiwan reunification, national interest, economic condition*

People's Republic of China has administrative control over twenty two provinces. PRC government considers Taiwan as their 23<sup>rd</sup> provinces. The government also claims the South China Sea that are still up for grabs. Aside from these provinces, there are also five autonomous regions which contain many ethnic minorities; four municipalities for the largest cities of China and the two special administrative regions (SAR) ruled by China. The special administrative regions that are ruled by China are Hong Kong and Macau.

The main island of Taiwan is located in East Asia next to China's coastal mainland, southwest of the main islands of Japan but the west directly from the end of the Islands Ryukyu Japan, and the northwest-north: Philippines. The island is connected to the east by the Pacific Ocean, to the south by the South China Sea and the Luzon Strait, to the west by the Taiwan Strait, and to the north by the East China Sea. The island has a length of 394 kilometers (245 miles) wide and 144 kilometers (89 miles).

Hong Kong is located in the south China Sea, 60 km (37 miles) east of Macau on the opposite side of the Pearl River Delta. Surrounded by the South China Sea in the east, south, and west, and in the north is bordered by the city of Shenzhen, across the Sham Chun River (Shenzhen River). Broad region is 1,104 km<sup>2</sup> (426 sq miles) which consists of Hong Kong Island, Kowloon and the New Territories, and over 200 offshore islands, Lantau is the largest island while Hong Kong is the second largest and is the largest population. Of the total, 1,054 km<sup>2</sup> (407 sq miles) is land and 50 km<sup>2</sup> (19 sq miles) is water. Hong Kong claims territorial sea as far as three nautical miles (5.6 km).

Meanwhile Macau is a region on the southern coast of the People's Republic of China after the signing of the agreement between Portugal and China on December 20, 1999. Together

with Hong Kong, Macáu is a region with its status as a Special Administrative Region is valid up to 20 December 2049 or 50 years after the signing of the transfer of sovereignty.

China is known as the country with communist ideology since 1949 until now. Out of nine countries that implementing communist, now it remains five countries, namely, China, Cuba, Laos, Vietnam, and North Korea. It is not easy to survive in implementing communist ideology in this era of globalization. Communist ideology applied by the China had already undergone many changes to follow the dynamic of life. Communism is a political system that emphasizes on the role of government which has been in every aspect of the state. Thus, the production equipments are also owned by the state, not the private companies. In communism, state Government is more concerned in equal rights. Rights are granted collectively not individually as the implementation of a democratic system. In this case there is no differentiator for "the poor" and "rich", are all treated equally.<sup>1</sup>

China at first does not embrace communism. At the beginning, Chinese government was in the form of imperial dynasties. China dynasty can not maintain its power when the nationalist party led by Sun Yat Sen. However, the nationalist party then just replaced the system that was going during the emperor of China for the sake of the future government. This change gave rise to a new communist party movement that aims to get rid of the nationalist party. Then there were the disputes and civil war between the nationalists to communists known as the civil war in China. Finally, the conflict between the two parties in China since 1927 ended unofficially.

The Chinese Communist Party leader Mao Zedong successfully mastered the mainland in 1949. Despite the defeat, the nationalist party headed to establish a new state on the China islands (Taiwan). Getting the victory over the civil war, on October 1, 1949 Mao Zedong proclaimed the People's Republic of China (PRC) in Tiananmen. This situation automatically

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<sup>1</sup> Fran Schurmann, *Ideology and Organization in Communist China*, 1997, p.389.

to show to the public that the ideology of communism can solve all the problems. But most of these policies failed. Thousands of farmers who eventually died in working the policy and eventually return failed. Many factories are also bankrupt because of the work system that multiplied so it made the production machines are broken.

For approximately twenty five years, the communist system that was executed by Mao Zedong did not provide for the welfare of the community, especially in the field of economy. The "great leap forward" that was proclaimed by Mao Zedong to offset the buzz Nikita Khrushchev in the Soviet Union become a disaster. The wheat harvest in 1958 was forced to be left to rot in the fields, because men are supposed to be in charge of harvesting deployed to work in factories. Failure of a great leap forward led to the resignation of Mao Zedong as chairman of the People's Republic of China in 1959, and instead appointed Liu Shaoqi. Figures of thinkers like Deng Xiaoping was given the opportunity to come forward. Mao Zedong retreated to behind the scenes. Deng Xiaoping was not the president or the chairman of the Communist Party of China, but he has a strategic position to determine the policies of the State, plus a public opinion that gives a negative value to Mao Zedong. Deng Xiaoping returned in his old position as a member of the Standing Committee, *Politibiro*, first vice minister of the state board representatives of the military commission, as well as the leadership of the general staff of the *people's liberation army*.

The next power after Mao Zedong died was replaced by Deng Xiaoping. Deng Xiaoping understood that China must undertake the construction of what should be built first. It uses the priority scale. The construction is not simultaneously started in all regions, but the beginning of the area that triggers the development. Deng Xiaoping realized the enormous growth must be done starting from the southern coastline. The southern coastline adjacent to Hongkong and



Macau, Hong Kong and Macau, at that time are still ruled by the British while Taiwan is controlled by the Portuguese, however they have become the center of industrialization. To begin the construction, the government did not have to always put the communism first. Communism ties exist at the political level to organize society. In the economic system, the State should be more pragmatic. There is a famous quote that is expressed as, "No matter what color the cat but as long as it catches mice, it does not matter." Although the economy uses any system, as long as it can grow the economy then it is not a problem. Then Deng Xiaoping opened China's economy on a large scale for the investors. He took advantage of Hong Kong and Macau to be the main investor for their ethnic closeness with China and other factors.

During the planning period of economic reform, Deng and his teams as a formulator of policy development in the PRC, adopt the Soviet model which gives emphasis to the development of the industrial sector, especially in capital-intensive production. Similarly in China, the same thing applied to the progress of the industrial sector, where industrialization carried out by the exchange of the agricultural sector. Whereas in the selection of production technologies of industrial goods over congested capital note method, compared to the labor-intensive.

Deng Xiaoping introduced the system of government efforts in the new agricultural propaganda on a broad audience as "Responsibility System".<sup>2</sup> In this system, each family farmers no longer working together in a commune, but rather to negotiate agreements with local administrative government to work on a piece of land and benefit directly.<sup>3</sup> The new farming system allows each unit of farm families cultivate their own land, under their respective decision making so that it looks abolition collectivity of rural policy that has been in progress. The other

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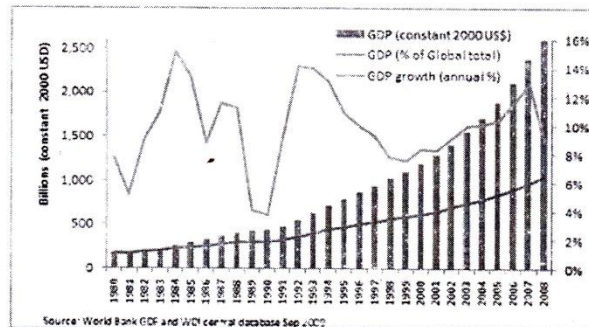
<sup>2</sup> David Goodman, *Deng Xiaoping and The Chinese Revolution: A Political Biography*, 1994, p.93

<sup>3</sup> *Ibid*

change is the elimination of the state monopoly, which begins with the announcement of government on January 1, 1985 that the PRC government reaffirmed the decision to remove the crop with the purchase of a state monopoly system. Elimination of the state monopoly means that the market mechanism is enforced. At first, many people are worried about this new policy, given the PRC market economy has not been institutionalized *Geti Qiye*.<sup>4</sup>

Since the abolition of the monopoly of the state, meaning the state-owned enterprises do not belong to the state is not the only economic actors. In China to distinguish between state-owned enterprises (*guoyou Qiye*), collectively owned enterprise (*jiti Qiye*), owned by the individual (), and other economic categories (*Qita Jingji Leixing Qiye*). State-owned companies could be in the central, provincial, district, or districts, and generally spread out in urban areas. Private individual-owned enterprises are allowed to operate and China are also open to foreign investment. Open door policy to make cities in China as an economic region is outstanding.

Figure 1. China's GDP Growth (1980-2008)



Source: <http://blogs.worldbank.org/developmenttalk/china-s-special-economic-zones-and-industrial-clusters-success-and-challenges>

<sup>4</sup> Ibid

Deng Xiaoping's economic reforms also bring long-term effects, so that economic growth increased from year to year is incredible. From 1978 to 1995 GDP grew 8%. Foreign capital has helped the Chinese economy to rise, due to be able to expand production and absorb the existing workforce and economic growth is also increasing. Between the years 1978-1997, the Chinese industry growing at an average 12% per year. In 1998, the industrial added value stood at 3354.1 billion yuan, up 9.37 times from 1978. In the field of agriculture, between the years 1978 to 1998, agricultural output grew by an annual average of 7.1% per year.<sup>5</sup> Deng Xiaoping retired in 1989 because of the controversy surrounding the demonstrations in Tiananmen Square crackdown. In 1990, he resigned from all his political positions because of illness, until his death in February 19, 1997 at the age of 92 years, he was regarded as the most influential leaders in China.

The opening of the economy in China does not impact on the political system. Communism is still held firmly in the political system, the existing institutions, as well as decision-making in governing society. It is expected that it could create conducive conditions. That is why China started to be called as a country that embraces the two systems, communist and capitalist. It is because the communists is applied on the politics and government, while the capitalist is applied on the economy. Communists is not simply removed, but it still took a role in the economy in China. China's economy is not necessarily released for granted. The government is still contributing to the control and providing the infrastructure for the Chinese economy. But then the government releases to invest. The government is still decisive to invest where, so it is not as flexible as you really embrace capitalist. The Chinese government also set the duration of the restrictions in investing. By doing so the domestic industry can be saved as if it is completely

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<sup>5</sup> <http://www.fao.org/docrep/004/y6000e/y6000e08.htm>, accessed March 4<sup>th</sup> 2017

liberated. Then, the domestic industries will gradually be displaced. So the communists still have a role in the Chinese economy, especially in terms of the bureaucracy. In the application of communists, whatever said by the leader will be shared by the people. When Deng Xiaoping decided to open up the Chinese economy and begin to invest freely, the economy actor at a lower level will serve the existing investors. The movement of the lower level still generate turbulence. Especially when *community* lands expropriated by the government for the development of the industry.

Theoretically the communist and capitalist ideologies are two contradictory and difficult to apply at the same time. However, China manage to impiement a system that considered as the system that is difficult to apply. Capitalists seem to start shifting the communists who had always coupled with China. Now people already have the freedom to manage its own economy. There is no more leveling in the economy. People who have the ability and can develop its economy do not need to equate themselves with people who can not afford. Loyal citizens can fruely develop themselves with creativity and innovation they have, and realized the change from the communist economic system into a capitalist.

Deng Xiaoping during the Cultural Revolution, experienced alienation from the political stage of China. In 1977s, he began to come back into the political arena of China with the support of pragmatic realist groups. Deng could channel back his thoughts on economic development in China. Deng with different thoughts with Mao continued to channel his thoughts on China's socialist construction. This plan worked without the chaos. China who also suffered a failure during the cultural revolution, with the return of the PLA into place, it becomes the support for Deng. After Mao died, Pragmatic realist groups who dominate the party also rule in China.



interests by taking cooperation with the west and is characterized by one entry of the People's Republic of China as a member of the World Trade Organization.

During the reign of Deng Xiaoping, he introduced new agricultural businesses propagated to a wide audience as the responsibility system. The agricultural area was also entrusted to the farming families in private. The new farming system allows each unit of farmers to manage their own land, under their respective decision making so that there appears to be the abolition of the policies of collectivization in the countryside for a long time.

Deng Xiaoping brought the idea of the socialist market economic system which tend to run *Yangwei strategy Zhongyong* (relying on the ability of foreign for domestic interest China). In this case, Deng Xiaoping saw good relations and economic cooperation with the United States and Western Countries as the basis to realize the ideals of modern China. Interest thus poured into the wisdom of the four modernizations and *Kaifangzhengzi SigeXiandaihua* open door policy.

Before discussing the implementation of the "One country two system", it will discuss the outline of relations between China and Taiwan until 1958 before the implementation of the "One State Two System" which basically is present based on the change of attitude of China toward Taiwan since 1979.

The relationship between China and Taiwan is still a prominent issue in East Asia and of course also to be considered in international coverage. Relationships both show the state of the status quo with an understanding of each of the positions and their sovereignty in the international arena. Although still an issue that is trying to solve, at least the relations between China and Taiwan could indicate a change that comes from changes in Chinese policy on efforts

in reunification with Taiwan. The Chinese policy strategy implemented in the One China Policy, especially the policy of "One State Two System" which showed China's desire to build relations with Taiwan and resolve the issue of separatism that occur in ways that tend to be peaceful. Basically, the main purpose of China in One China Policy is to unite the sovereignty of parts of China are separate countries like Taiwan as an integral part of the Chinese mainland, but the way in which to carry out the policy then changes from one era of leadership to the other leadership era. The disputes between China and Taiwan started since China declared itself a communist state.<sup>6</sup> Since the establishment of China as a communist country (People Republic of China) on October 1, 1949, there has been opposition to the formation of the communist government itself.<sup>7</sup> The opposition made by the Nationalist Republic of China under the Kuomintang (KMT). The Chinese nationalist groups wanting more there is in democratic governance because it then KMT under Chiang Kai-shek's power then occupied Taiwan conveniently separated by a strait and formed their own government there. Since the establishment of self-government in Taiwan by the KMT, the focus of the government of mainland China under the leadership of Mao Zedong against Taiwan was to destroy the KMT with the main objective, namely to make Taiwan return to Chinese rule.

China's response to movement of the KMT tends offensive carried out several attacks on Taiwan. Planning the attacks have been carried out in the early 1950s, but it was interrupted by the outbreak of the Korean War Two when the Cold War. Mainland China shifted its military focus to help North Korea in the proxy war. Although it has been distracted by the presence of two Korean War that raged in the East Asian region, but it does not then make the switch mainland Chinese government's attention forever. Mainland Chinese Government to continue its

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<sup>6</sup> <http://www.bbc.com/news/world-asia-34729538>, accessed March 7<sup>th</sup> 2017

<sup>7</sup> Ibid

efforts to seize Taiwan back into a unity with the government in mainland China. In 1958, China attacks two areas in Taiwan, namely Quemoy and Matsu as a separate form of criticism of the government formed in Taiwan. Despite the fact, Taiwan is not also want to just join the communist government in mainland China.

During the reign in Taiwan, Chiang Kai Shek kept using the name of the People Republic of China as the name used in mainland China. On this basis, then the Beijing government issued a policy of One China Policy towards Taiwan and it was still trying to fight these policies in the international sphere. The Chinese government considered that Taiwan was part of China mainland and no matter how China should reclaim Taiwan as part of his country despite having to use force. Meanwhile, Taiwan itself also insisted that relations between Taiwan and China was a relationship between countries which was not the relationship between the central government and the provinces. Taiwan saw that the efforts by the Chinese reunification could only happen if China becomes a democratic country.

As is known, One China Policy is a policy formulation firmly held by the People's Republic of China with the centrum of government in Beijing, which the policy stipulates that only one Chinese sovereign has the legal aspects of a country that is the People's Republic China. However, the Republic of China on Taiwan to the centrum of government in Taipei also claimed as part of the People's Republic of China. Chinese Government declared Taiwan in an international forum that the parties are appropriately subject to the discretion because Taiwan has been bound to the consensus reached by representatives of both sides in 1992 in Hong Kong. Therefore, China considered that the existence of a policy which only recognized as China a status quo that can not be contested by Taiwan. However, Taiwan's former president Chen Shui-bian refused to recognize the doctrine of the Chinese policy, and he admitted that since 1949, the

synergy between China and Taiwan never again be realized. Therefore, Taiwan continued to pursue the negotiations in order to gain full sovereignty as a country which was not identical with the People's Republic of China.

In the reunification of the government, China is quite patient but consistent in their efforts to recover Taiwan. Council formed reunification is one of the efforts of the Chinese state. Besides, China also offered a system of one Country two systems, where Taiwan allowed to continue using the capitalist and democratic system, although different to what was used by China but still adheres to the One China Policy, as well as some other proposals bids.

Changing patterns in the reunification process made the response of the international community become positive. China also made efforts which emphasized on the area of diplomacy that would not cooperate with countries that recognize Taiwan as a country. So there will be a decrease of number of country that support Taiwan and an increase of countries that support One China Policy. This strategy run very effective, because today China has become one of the pillars of the world economy. At least the moment of the Olympics can be measured by how much the influence of China for other countries in the world. Beijing Olympics is very important for the pride of the whole Chinese nation. Philip Bowring, a former chief editor of the Far Eastern Economic Review, in an article in The International Herald Tribune (04/09/2008), said, "Be on guard when China upset" when the Beijing was Olympics sabotaged by demonstrations and violence from foreign parties. Beijing Olympics is also a sign, China will continue to open to the outside world. Today the East Asian region and even the world needs China, not only in economics, but also strategy, security, and political settlement of the problem of nuclear proliferation in North Korea.



As it has been described previously that after the death of Mao Ze Dong and China leadership replaced by Deng Xiaoping, China became a country which was more open towards the western world. It happened because Deng Xiaoping believed that one of the factor for the improvement of a country is the influence from the world economy at that time. However, before the writer explain the detail about China's reason in decision making after the leadership transformation, the writer will explain the globalization first.

Steve Smith and John Baylis in *The Globalization of World Politics* book stated that globalization is not a new term because of there are some change aspects itself before the globalization term become a worldwide term. At least there are nine features in world politics that have similarity with the theory brought by globalization. However, writer will only discuss five of those features.<sup>8</sup> First, globalization has similarities with the modernization theory where both of them are the industrialization process that impacts on the political, economic, and social that are also characteristic of pre-modernization. Second, globalization is a renewal of the liberal paradigm as it also discusses the economic dependence, the role of trans-national actors, and produce a cobweb model of world politics. Third, in 1964, Marshall McLuhan has coined the term "global village" for the development of communication. Fourth, changes in norms and patterns of interstate agreements consent has been described in the theory of "new medievalism" by Hedley Bull in 1977. Fifth, globalization avoid the war, as well as the main idea of liberal democracy.

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<sup>8</sup> John Baylis, *The Globalization of World Politics*, 2001, p.7

Moreover, Cochrane and Pain states in David Held's book entitled "A Globalizing World?: Culture, Economics, Politics" that in the context of globalization, there are three theoretical positions that can be seen.<sup>9</sup> Namely:

A. The globalists believe that globalization is a reality that has real consequences for how people and institutions around the world running. They believe that the states and local culture will be lost buffeted by global economic culture and homogeneous. Nevertheless, the globalists do not have the same opinion about the consequences of the process.

The positive and optimistic globalists respond well to such developments and stated that globalization will produce a world community that is tolerant and responsible.<sup>10</sup>

Globalists pessimists argue that globalization is a negative phenomenon because it is actually a form of western colonialism (especially the United States) which forced a number of cultural and consumption forms a homogeneous and seen as something that is on the surface. Some of them later formed a group to oppose globalization (anti-globalization).<sup>11</sup>

B. The traditionalists do not believe that globalization is happening. They argue that this phenomenon is a mere myth or, if they exist, have been exaggerated. They refer that capitalism has become an international phenomenon for hundreds of years. What we are experiencing today is just an advanced stage, or evolution, from the production and trading of capital.<sup>12</sup>

C. The transformasionalis be between globalists and traditionalists. They agree that the impact of globalization has been greatly exaggerated by the globalists. However, they

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<sup>9</sup> David Held, A Globalizing World: Culture, Economic, Politic, 2004

<sup>10</sup> Ibid

<sup>11</sup> Ibid

<sup>12</sup> Ibid

also argue that it is foolish to deny the existence of these concepts. This theoretical position argues that globalization should be understood as "a set of relationships that are linked together purely through a force, which mostly did not happen immediately." They stated that this process can be reversed, especially when it is negative or, at least, can be controlled.<sup>13</sup>

If we take a look and correlate it with the globalization theory, the definition and the perspectives, at least we can see that Deng Xiaoping, the leader of China at that time, refers more to transformalist perspective. It is because Deng Xiaoping see that the current world political economy has changed. The global financial crisis that occurred after the collapse of Bretton Wood system in 1970s triggered the change in global context of financial system and international monetary.<sup>14</sup>

Deng believed that China need to be more open towards the western world for the sake of their economic growth. However, although China has opening up to western world economy system and implementing the socialist system in their economic system, it does not directly change the political system that has been implemented in China before.

Even though the experts assume that socialist and communist system are two opposing system and difficult to be implemented at the same time, Deng Xiaoping proved that China's decision to implement these two systems is the right decision. Deng Xiaoping's success can be seen from the change and China development in the economy aspect. In Deng Xiaoping era, with his pragmatic-realist thought, capitalism was revived through the free market. Deng Xiaoping successfully change the China economy structure fundamentally.

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<sup>13</sup> Ibid

<sup>14</sup> Louis W. Pauly, *The Political Economy of Global Financial Crises*, 2008, p.241-272

Despite Deng Xiaoping death in 1997, the reforms continued under his successor that was chosen by him, Jiang Zemin and Zhu Rongji. Between 2001-2004, the amount of the state-owned enterprises reduced by 48 percent.<sup>15</sup> It also happened in the same period in which tariffs and trade barriers were successfully reduced by the government. In addition, the banking system has reformed. In this era, China also started to join World Trade Organization. The amount of private domestic sector exceed up to fifty percent and GDP in 2005 has expanded. In 2005, China was able to surpass Japan as the largest economy in Asia.<sup>16</sup>

Over the time, changes in the system for change in the world has a lot going on. It is indirectly forcing China to follow the change of system in other countries in order to achieve progress countries especially in the economic aspects. Deng believe that the Chinese need to be more open towards the western world for the sake of Reviews their economic growth. Deng realized that China should use the priority scale, where the State must establish what is supposed to be built first. Development is not immediate in the whole country but starting from area to stimulate growth. In the case of China, an area that can stimulate economic growth is on the southern coastline. Southern coastline of China's Hong Kong and Macau were at that time still in power Portuguese and British. However, these two regions are the center of industrialization. Therefore, China implement their "One Country Two System" policy.

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<sup>15</sup> Thomas G. Rawsky, *China's Great Transformation*, 2008, p.573

<sup>16</sup> <https://www.theguardian.com/business/2010/aug/16/china-overtakes-japan-second-largest-economy1>, accessed March 26<sup>th</sup> 2017





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