

CHAPTER I

INTRODUCTION

The competition between countries in this globalization era is began to be felt. Countries are thinking about the best strategy to win the competition and become the developed countries that can affect the world. This is also done by China. China's economic development is now experiencing a significant increase. China now become one of the central states of the world economy. However, it is does not mean that China has no long journey in implementing the previous ideology since their beginning until today.

A. Background

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.¹

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 made Mao leadership to take power in China. Private ownership in China was converted into state property. The early leadership of Mao private ownership converting and the terror around the community made the regime spread fear of communism in China. Actually, Mao has ambition to build the country and to handle the poor people. He made a policy of "Great Leap ahead". Mao wanted to show to the public that the ideology of communism can solve all the problems. The policy was made to double the

¹ Fran Schurmann, *Ideology and Organization in Communist China*, 1997, p.389.

production. Application of communism in each country is different. Communists ideology that was adopted in China are not the same as the communists in Russia. If the Russian are based on the industry and the workers, whereas in China the basis of communist are farmers. Mao formed communes at the community level. All professions are directed to rural development with the principle of equity. It then caused the death of a large- Scale. People who are not farmers are forced to farm with the military discipline. They live together in a home environment like. Then there are variety of diseases, fatigue, hunger, and death.

In addition, the policy that brings great influence was the policy of doubling the production of steel. Forests are cleared in order to meet the needs of steel production. Farmland was affected by drought due to run out of land. In 1960 famine hit China. Mao argued that this is because the amount of forgery of agricultural production by farmers. Inflation and economic crisis also hit China at the time. 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.

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 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 implement 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 freely develop themselves with creativity and innovation they have, and realized the change from the communist economic system into a capitalist.

Regardless of whether it is relevant or not to the application of two different systems in China, communist shift in China's economy has brought a variety of changes. At first not many people know the products made in China. Now a lot of products from China have encountered in Indonesia. China's progress can not be separated because the economy is now beginning to open and lead to the capitalist system. Creativity and innovation that were previously turned off by the communists, now are able to live in the midst of Chinese people.

B. Research Question

From the background that has been already explained above, the question generated by this undergraduate thesis is “Why China is implementing One Country Two Systems in their state?”

C. Theoretical Framework

1. Globalization Theory

Changes in the form or system of China government occurred because of the globalization of the world. Globalization comes from a global word that is meant to include the entire world. This means that globalization is the process of entry into the scope of the world.²

- a. Globalization is a form of social change in the form of the interrelationship among the elements that occur as a result of technological developments in the field of transport and communications that facilitate cultural exchange and international economics.
- b. Globalization is the process whereby a variety of events, decisions and activity in parts of the world that one can carry important consequences for individuals and communities in other parts of the world.
- c. Globalization is the process of increasing interconnectedness between different parts of the world through the creation of economic, environmental, political, and cultural exchange.

² John Baylis and Steve Smith, *The Globalization of World Politics: An Introduction to International Relations*, 2013, p.7

- d. Globalization is a process that covers all areas such as social change processes, information flow, the flow of goods, services and money, as well as cultural exchange.

As for the view of the globalization there are three perspectives:

- a. The views of Pre Globalist believe that globalization is a reality that has real consequences for how people and institutions around the world runs. The view of Pre Globalist is divided into two, they are positive and pessimistic.

- b. The views of traditionalists do not believe that globalization will happen. They believe that globalization is simply a myth. According to the traditionalist, the globalization is the root of international capitalism.

- c. The views of transformalist more likely state that pre globalist overestimate the globalists but did not deny the existence of globalization.

China, after the death of Mao Zedong and was replaced by Deng Xiaoping, is more known as the country that opening up to the western world. In the era of Deng Xiaoping's leadership, government realized that economic growth is also influenced by the world economy at that time. Therefore, Deng Xiaoping decided to open the Chinese economy on a large scale for the investors.

2. Decision Making Process Theory

Foreign policy is a product created by a state through foreign policy decision-making process to address its national interest towards international scope. Foreign policy is defined by Mark Webber and Michael Smith in their books as:

Foreign policy is composed of the goals sought, values set, decision made and actions taken by states, and national governments acting on their behalf, in the context of the external relations of national societies. It constitutes an attempt to design, manage and control the foreign relations of national³.

While according to William D.Coplin, foreign policy is the product of three affecting aspects. Those three affecting aspects are domestic politics, economic and military capability, and international context⁴

Foreign policy is an action and commitment of a state to the external environment. It is also the basic strategy to achieve the objectives of national interests to be achieved beyond the borders. Furthermore, the basic strategy is applied in a number of decision made in the foreign policy of a state. The actors and decision makers of foreign policy will consider the factors that affect the process of foreign policy decision making. The individuals that is in this sense a group of people to have capacity to decide policies or decision-makers are actually not able to decide policies without any consideration influencing it.

This basically corresponds with the description of William D. Coplin on the factors that influence the decision makers in deciding foreign policy. According to Coplin in his book titled “Introduction to International Politics: A Theoretical Overview”, if we want to analyze the foreign policy of a state, then

³ Webber, Mark;Smith, Michael, Foreign Policy in a Transformed World, 2002

⁴ Coplin, W.D; Kegley, C.W, Multi Method Introduction to International Politics, 1971

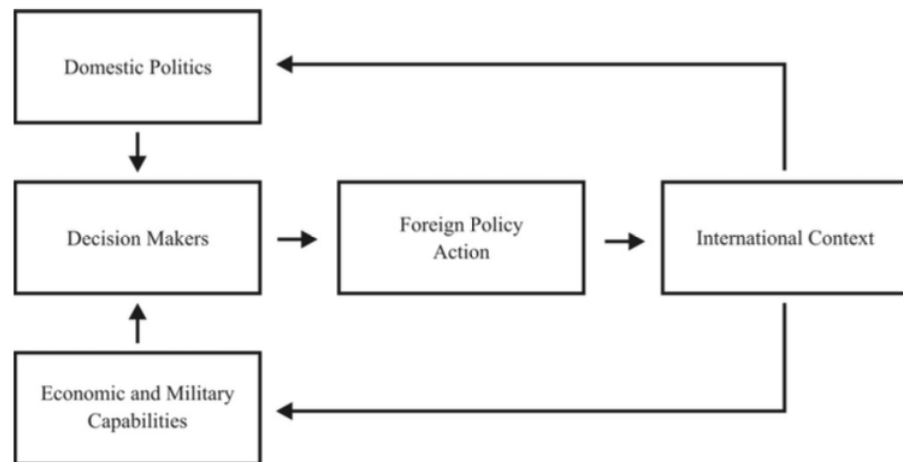
we have to question the state's leaders in making foreign policy. It is quite wrong to assume that the leaders of a state (policy makers) to act without consideration.

The foreign policies, instead, as Coplin further explains, are seen as a result of the three considerations that affect foreign policy makers; first, the domestic political conditions of the state, including cultural factors that underlie the human political behavior. The second is economic and military conditions of the state, including the geographic factor that has always been a major consideration in the defense/security. Third is international context, the circumstances of a state that has been goal of the foreign policy and the influence of other states relevant to the faced problems.⁵

To more easily understand the interaction of factors that influences the foreign policy decision-making process, the researcher tries to describe it into an illustration of chart form as follows:

⁵ William D. Coplin, *Pengantar Politik Internasional: Suatu Telaah Teoritis* [Introduction to international politics: a theoretical overview], 1992, Mercedes Marbun, Trans., 2nd Edition, Bandung: Sinar Baru, p. 30

Figure 1.1 Foreign Policy Decision-making Process, according to William D. Coplin.



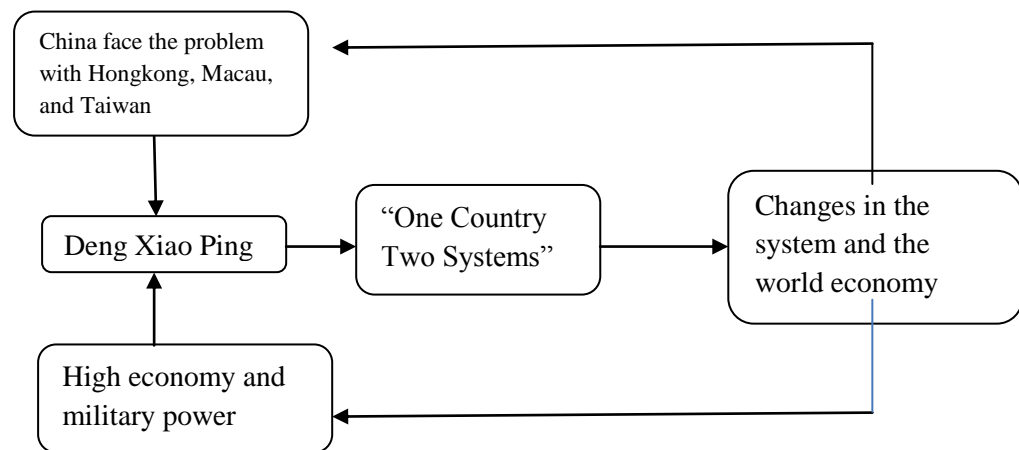
(Source: W.D. Coplin & C.W. Kegley, p. 30.)

The chart describes that foreign policy of a state can be influenced by domestic conditions, particularly the domestic politics. The conditions of domestic politics can be simply understood as a system of governance adopted by the concerned state. Furthermore, the factors that influence foreign policy decisions is the economic and military capabilities. The long debate about which is more important between economic and military capabilities of a state makes both the influential factors in a foreign policy decision-making process. Finally, Coplin mentions the international context as the third factor to be considered by the actors and decision-makers of foreign policy.

China in this sense, is based on the political system adopted, in need for reunification of the state and also the investor in Hongkong and Macau which is located in China southern line that also being the central of industrialization. For

more details, the researcher illustrate the basis of the China foreign policy with the following chart:

Figure 1.2 The illustration of the applied theory



The illustration can be explained based on the theory:

1. Domestic politics

The domestic politics is one of factors that influences foreign policy decision-making. Also, it becomes consideration of the leader of a state, for instance, in conducting international agenda. Domestic politics even considered as the inextricably interrelated with the international relations realm. Furthermore, a country international position exerts an important impact on its internal politics and economics. On the other hand, its domestic situation shapes its behavior in foreign relations.

William D. Coplin then strengthened by David Easton opinion about political system. According David Easton, a state political condition is the overview of the “support and demand” which come from the citizens or in Easton term called as “input”. That input will influence the decision making process.

In context of increasing foreign investor to developing China economy, the government in need to reunite China after the problem with Hongkong, Macau, and Taiwan that faced by China. In this case China in need of Hongkong and Macau because these two region are located in southern line of China that being the central of industrialization.

2. Economic and Military Capabilities

Economic and military capabilities of a state greatly influence the result of the foreign policy decision-making.²⁴ Economic conditions of a state is also able to become a depiction of the domestic condition of the state. As previous explanation, the international position of a country is strongly influenced by its internal political and economic conditions. Coplin, however, sees the economic and military capabilities are influential in the process of foreign policy decisionmaking, regardless the long debate about which one more important between both economic and military capabilities.

The development of modern Chinese defense thinking began in the 1930s and 1940s that emphasizes the two components of the strategy, ie territorial defense or ground (territorial defense) and the defense of the coast (coastal defense). At that time for China, the essence of defense and security are as

contained in the doctrine of "People's War". Implicitly "People's War" to rely on the human element, infantry operations, and guerrilla warfare.⁶ Even in the conception of Mao Zedong, guerrilla warfare is the core of the strategy defense capacity. Therefore, until the early 1980s coastal defense strategy only becomes a second component in the strategy of China's national defense. Both the Chinese defense strategy above can not be separated from the needs of the current strategic environment which is to ward off the threat of conventional aggression and engage the enemy at the border.

Since the early 1980s, the Chinese strategy of "active defense" that is consistent with economic development efforts "great leap forward" launched by Deng Xiaoping. Thus, China's defense policy must be subordinated to and is intended to support the national economic development. Overall, the doctrine of "active defense" is intended to face three types of war, the world war, wide-scale war in the face of foreign aggression against China, and border conflicts or limited war. Of the three possibilities that war since the mid-1980s, the Chinese strategic elite convinced that the third kind of war that will probably happen.

In the Deng Xiaoping era, China's progress and developments in the economy caused by massive reforms conducted by Deng Xiaoping. this can be seen from some of the events that occur such as when Shen Zhen South became the city's first "Special Economic Zone" with a more flexible market policies. And in the same year fishing areas have turned into the center of shipbuilding and

⁶ R.K Sahay, *History of China's Military*, 2016, p.40

manufacturing, the Shanghai Stock Exchange opened for the first time in China, and China Also allow foreign exchange transactions against the yuan.

3. International Context

International context assume international conditions as one set of factors influencing foreign policy activities of states, remembering that those who make foreign policy do not always perceive the international context as the analyst perceives it. International context also becomes the consideration of action would be taken by a state in response the emerging issues. Furthermore, international context tells about the position of the relations with other states in international systems. In addition, The issue-content of international context is surely international issues.

The international context that heavily triggering the changes in China government system are the change in conditions and also systems in world economy at that time. In the 1980s, the financial crisis emerging markets, especially in developing countries emerging. The global financial crisis is itself triggers a change in the context of the global financial system and the international monetary where banks based in industrialized countries are advancing rapidly expand the operations of international lending them throughout the 1970s, multinational corporations to diversify their investment activities, and investors in developed countries are gradually expanding the interest and capacity to buy bonds and other financial instruments issued by governments and

companies in developing countries. And also some related capital flows is related to trade, investment, etc. began to globalize.⁷

This crisis did not affect China very much as it affect the government. Chinese government has had adopting international financial reform at a moderate speed especially in allowing a gradual opening of financial markets and the capital account in international finance because economic institutions are not ready. But globalization itself is good for the reform of banking and financial institutions in providing foreign competition to push the reform forward. Using foreign competition to speed up economic reform was the main reason for the former Premier Zhu Rongji in leading China to join the WTO in the first place.

The strategy of using foreign competition to speed up economic reform of domestic institutions, however effective, has limitation in promoting the reform of China's banking system and large state-owned enterprises for two reasons. First, while Chinese government officials have been pragmatic in most aspect of economic reform, they have been conservative and slow in allowing foreign banks to enter the domestic market. Second, Chinese bank and state enterprise are state-owned and controlled and operated by bureaucrats who can take the advantage of the economic power conferred upon them to benefit themselves.

⁷ Louis W. Pauly, *The Political Economy of Global Financial Crises*, 2008, p.251

D. Hypothesis

- a. One country, two systems to solve China economy downturn.
- b. One country, two systems as the peaceful solution of the issue of Taiwan reunification.

E. Purpose of Writing

By completing this research, hopefully we can help another researchers who have interest in this topic to understand China Economic Development, China economic transformation, and China economic system. The factor that become the trigger of China economic development. And then to further analyze the China economic development from each leader, China economy system, and China politics system. And for those researchers that analyzing China politics and economy system. And as the requirement of the writing thesis for achieving the Bachelor of International Relations from University of Muhammadiyah Yogyakarta.

F. Methodology

This research will be complete with information and data library research. There are several data from national report of gross national product and national report of population and environmental pressure. Then, this research will be completed by relevant references, for instances the academic journals, books, and official report from government. Then the second method used in this undergraduate thesis is the content analysis.

G. Scope of Research

In order to create focus and clear research this undergraduate thesis establish its limitation on the history of China government, China relations with Taiwan, Hong Kong and Macau, and China purpose and reason in implementing One Country Two Systems under the leadership of Deng Xiaoping.