

The Strategy of Jiang Zemin to Restore China's Economy (1989-2002)

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Abstract

This article discusses China's processes and efforts to restore the economy during the presidential term of Jiang Zemin (1989-2002) until the "Three Representatives" (*Sange Daibiao* – 三个代表) theory was formulated. After the 1989 Tiananmen Square protests, the continuation of China's economic reform was threatened due to the heightened pressure from the conservative faction that opposed the *Gaige Kaifang* program. The situation caused China's economic reforms to be stagnant, and the country's economy sharply declined. The international embargoes and condemnation further worsened the economic condition of China. Jiang Zemin's efforts to regain the trust of foreign investors by building the private sector and internationalizing China's trade then succeeded in bringing a big leap in the economy of China. These efforts later inspired the formulation of the "Three Representatives" theory. This article applies historical methods to analyze and interpret Jiang Zemin's efforts to improve China's economy in the aftermath of the 1989 Tiananmen Square protests until the formulation of the "Three Representatives" theory in 2002.

Keywords: *Jiang Zemin, China's economic reform, internationalization of China's trade, the Three Representatives theory*

1. Introduction

Jiang Zemin is known as the 3rd generation paramount leader of the People's Republic of China (PRC – *Zhonghua Renmin Gongheguo* – 中华人民共和国). Under his leadership (1989-2002), China experienced rapid economic growth. China also survived the Asian financial crisis, and its foreign relations continued to improve. During the era of his leadership, Hong Kong was returned by the British¹, and Macau² was returned by Portugal to the Chinese Government under a peaceful and good term (Loh, 2006: 295). Before being appointed as General Secretary of the Chinese Communist Party (CCP – *Zhongguo Gongchandang* – 中国共产党), Jiang Zemin had served as mayor and party secretary of Shanghai from 1985-1989. At the time, Jiang Zemin was known for his success in suppressing the student demonstrations in Shanghai that took place in 1986 by holding a dialogue instead of using military forces. In 1989, due to the massive demonstrations during the Tiananmen Square protests³, Zhao Ziyang who served as the CCP General Secretary at that time was removed from his post. Deng Xiaoping⁴, who was impressed by Jiang Zemin's performance in Shanghai, chose him to become the new General Secretary of CCP (Bachman, 1996: 375-378). Jiang Zemin was appointed as General Secretary of the Chinese Communist Party replacing Zhao Ziyang on June 24, 1989.

At the beginning of his leadership, Jiang Zemin faced the unstable domestic political conditions, as well as international embargoes in both the military and economic sectors which caused the economic downturn of China (Béja, 2011: 272). On the other hand, the 1989 Tiananmen

Square protests caused the factionation within Chinese politics to strengthen, especially among the conservative and moderate factions⁵. Within the conservative faction, there were many influential figures, including Chen Yun and Yang Shangkun⁶. Conservative faction considered that China's economic reform or what was known as the "Reform and Openness" program (*Gaige Kaifang* – 改革开放) had been too open to foreign investment. If that continued, then the central government would lose control over the country's economy, this was certainly very dangerous because it could cause disruption to the whole Chinese government system. Based on these arguments, the conservative faction demanded tighter control from the central government over the country's economic system and limited the openness to foreign investment within the *Gaige Kaifang* implementation (Lin, 1992: 197-200). Meanwhile, the moderate faction had opposite opinion, for they argued that it was necessary to implement a greater and more open *Gaige Kaifang* to produce high economic growth and performance. It aimed to improve the living standard of the people (Feng, 2008: 674-676). The outbreak of the 1989 Tiananmen Square protests seemed to justify the view of the conservative faction that the *Gaige Kaifang* implementation in China should be limited. The voice of the conservative faction became exceptionally strong during that period that it affected the Chinese economy, particularly in banking and trading as well as heavy industry. This posed a major threat to the sustainability of the *Gaige Kaifang* program (CIA, 2012: 3).

Apart from the domestic criticism from the conservatives, the Chinese government also received criticism from the United States. The President of the United States, George H.W. Bush expressed criticism to the Chinese Government for its decision to deploy the People's Liberation Army (PLA – *Renmin Jiefangjun* – 人民解放军)⁷ to overcome the wave of demonstrators, which resulted in the loss of many

lives in the 1989 Tiananmen Square protests. On that ground, George H.W. Bush asked international loan institutions to delay granting new loans to China. World economic bodies and investor countries responded to the United States, which led to Foreign Private Investment Companies suspended their financing for China, investment from the U.S. Trade and Development Agency (USTDA)⁸ was stopped, and technology exports to China were limited (Rennack, 2006: 2-3). In addition, the World Bank and the Government of Japan froze around USD 10 billion worth of aid projects (Katada, 2001: 5-6). The Asian Development Bank also delayed the provision of an estimated USD 1 billion loan that was supposed to be disbursed to China in 1989 (CIA, 1989: 5-7). Moreover, foreign joint venture companies in China reduced the number of imports of Chinese goods and delayed their new investment in China; some foreign investors had even reportedly shifted their investment from China to the Southeast Asian countries (Worthy, 2014). This condition caused a decline in the number of Chinese exports in 1989 and caused the country's trade deficit to increase from 1.2 billion USD in 1988 to 5.7 billion USD in 1989 (Dittmer, 1990: 37-38).

Barry Naughton in an article entitled "China: Economic transformation before and after 1989", describes the change in China's economic behavior since 1989. He argues that: "The political crisis of June 1989 was the catalyst for a shift in the overall pattern of Chinese economic transition. In both political and economic terms, the crisis gave urgency and legitimacy among the ruling elite to a model of concentrated power wielded more effectively. As a result, the next stages of marketization were combined with a stronger role for the state, and a regime more capable of mobilizing resources for economic development and national security" (2009: 15).

Naughton's opinion above shows that the 1989 Tiananmen Square protests were a trigger for changes in the overall pattern of China's

economy and politics. As stated by Wu (2015), this change was also caused by the pressure of the conservative faction, which threatened to end the *Gaige Kaifang* program. To deal with the situation, the government had to limit foreign investment and return the Chinese economy to a centralized system, which also caused *Gaige Kaifang* to stop, while weakening the legitimacy of government policies.

This was a formidable challenge that Jiang Zemin had to face at the beginning of his tenure. The subject of this article is the strategy of Jiang Zemin to overcome this problem. Some of the questions that will be discussed in this article are how China's economic, social and political conditions after the 1989 Tiananmen Square protests were; what steps Jiang Zemin took to overcome the problem; and to what extent these steps later became the basis for the theory formulation of Three Representatives (*Sange Daibiao* – 三个代表). Through these three questions, it is hoped that this article can provide a comprehensive picture of the implementation of *Gaige Kaifang* in the era of Jiang Zemin's presidential term. The role of Zhu Rongji in accompanying Jiang in running the government and the influence of Jiang's policies on subsequent governments are also part of the discussion of this article.

There have been several academic papers discussing the impact of the 1989 Tiananmen Square protests on the development of China's economic and political reforms. In an article published in 2009 entitled "Economic reform and openness in China: China's development policies in the last 30 years", by Clem Tisdell, it was explained that various political events that occurred in China had a major influence on the policies of *Gaige Kaifang* implementation. In 2013, Xin Li and Kjeld Erik Brødsgaard also published an article entitled "SOE reform in China: Past, present, and future" that outlined the impact of the Chinese government's favoritism for SOEs on the economy and social problems. The article outlines the reforms of China's SOEs prior to Hu Jintao's

presidency and the direction for future reforms. The ineffectiveness of China's SOE reforms that lasted until the mid-1990s until its success in late 2000 is also described in this article. The above works have inspired this article to specifically discuss Jiang Zemin's steps in re-enacting the *Gaige Kaifang* program after the 1989 Tiananmen Square protests. The way these steps succeeded in maintaining unity within the CCP and realizing China's economic improvement as well as formulating *Sange Daibiao* theory will also be discussed in this article.

This article applies a historical approach that includes the stages of heuristics, verification, interpretation, and historiography. The heuristic stage or looking for both primary and secondary sources is carried out by using scientific journal publication media such as JSTOR and the official website of the Chinese Government. The primary sources are Jiang Zemin's speeches that had been published, as well as contemporary newspapers during the 1989-2002 period. Meanwhile, secondary sources in the form of e-books and scientific journals are used as supporting data in interpreting and analyzing. Furthermore, source criticism is carried out to select relevant data, followed by interpretation of the data for analysis. During the writing or historiography stage, the results of the analysis about this article are presented.

2. China's Condition after the 1989 Tiananmen Square Protests

China's economic reforms began with the *Gaige Kaifang* program initiated by Deng Xiaoping in 1978. Since then, China had opened to foreign investment and companies wishing to open branches in China. This was an important factor for national economic growth (Kobayashi *et al.*, 1999: 45). Since 1981, economic policies and the speed in carrying out reforms had been a matter of sharp debate between conservative and moderate factions. On one hand, the conservative

faction, led by Chen Yun, wanted to return to the government's centralized economic system. They argued that reforms that were too open led to increased corruption and inflation, which would lead to social inequalities that could turn into conflict (Woo, 1999: 13). On the other hand, the moderate faction argued that larger and more open reforms were needed to produce high performance and economic growth, thereby improving people's lives (Feng, 2008: 674-676).

The 1989 Tiananmen Square protests were not the first demonstrations caused by the conflict that accompanied *Gaige Kaifang* implementation. On 23 December 1986, there had been a series of student demonstrations demanding the acceleration of economic reform and the implementation of democracy. This demand was triggered, among others, by a speech delivered by Fang Lizhi⁹, in which he argued that China at that time was far behind other countries and major reforms could bring China out of this underdevelopment (Sullivan, 1988: 206). At that moment, Hu Yaobang, as the CCP Secretary General, was considered to side the students so that he received strong criticism from the conservative faction. Hu Yaobang then resigned in 1987 but was recognized by students as a political figure siding with the people (Richelson and Evans (eds.), 1999). The 1989 Tiananmen Square protests were the culmination of a demonstration which then quickly spread to various cities in China and caused enormous social conflict (Woo, 1999: 11-41).

Conservative faction blamed the *Gaige Kaifang* program for the 1989 Tiananmen Square protests. They considered that the implementation of *Gaige Kaifang*, which was too open to foreign investment and prioritized the market economy, had provided opportunities for corruption and nepotism which also undermined the ideology of Chinese socialism. Chen Yun believed that a centralized economic system was the main economic system, whereas a market

economy was only a complementary system (Kuhn, 2010: 75). To return the control of China's economy to the central government, conservative faction then conveyed their criticism at the CCP plenary session on November 16, 1989 (Shirk, 1993: 80-81). During 1990-1991, conservative faction launched a wave of criticism about market economic policies. They demanded the Chinese Government to be vigilant and stop the efforts of "peaceful evolution"¹⁰ from the United States. They said that carrying out the *Gaige Kaifang* and being influenced by "peaceful evolution" would lead China into a capitalist system. The success of conservative groups to put a brake on the pace of reform was seen at the CCP's 13th Plenary Central Committee meeting in December 1990 which criticized the *Gaige Kaifang* program. The plenary also supported Chen Yun's economic thinking regarding sustainable, stable, and coordinated economic development (Fewsmith, 2008: 48).

China's economic decline began with inflation in 1988 which caused unemployment and poverty to rise. This then became one of the triggers for the 1989 Tiananmen Square protests (O'Mahoney and Wang, 2014). Conservative faction that constantly blamed the *Gaige Kaifang* program for the 1989 Tiananmen Square protests and brought the program to a halt had caused the country's economy to deteriorate (Kuhn, 2010: 76-78). In 1989, China's poverty rate was the highest throughout the 1980s causing unrest in society (Cook and Gordon, 1998: 9). The 1989 Tiananmen Square protests had caused public to doubt the reform, because they felt that reform had more negative impacts than positive impacts (Fewsmith, 2008: 21). Meanwhile, it created demotivation among Chinese leaders; the desire to stop the *Gaige Kaifang* process was getting stronger (Wibowo, 2004: 110). Apart from losing the people's trust, the Chinese government had lost the trust of foreign investors because China was considered unable to solve the

political and economic problems in the country (Kelley and Shenkar (eds.), 1993: 162-163).

Furthermore, the reaction from the United States expressed by President George H.W. Bush, as described above, received responses from world economic bodies and Chinese investor countries. Among them are the World Bank and the Japanese Government which froze aid projects worth around 10 billion USD. Meanwhile, the Asian Development Bank had postponed the new loan proposed by China worth around 1 billion USD. This caused the amount of foreign loans received by China to decrease by almost 50% in 1989 (Harding, 1990). Foreign capital in China also declined 22% in 1990. Foreign joint venture companies in China reduced their production volume and delayed new investment into China. Even George H.W. Bush said that the economic sanctions for China would not be lifted until China could show improvements in terms of protecting human rights (Glass, 2011). Meanwhile, in Europe the European Economic Community¹¹ canceled all cooperation contracts and high-level loans as well as imposed a military embargo on China (Brauner, 2013: 460-461). To sum up, the problems that Jiang Zemin faced at the beginning of his tenure were complex. He was faced with domestic and foreign conflicts, which caused China's economy to decline.

3. Efforts to Reduce Conflict and Draw Investors Back

As the new CCP leader after the 1989 Tiananmen Square protests, Jiang Zemin had to secure his leadership position. One of his efforts was maintaining a safe alliance, both with the conservative faction led by Chen Yun and the moderate faction led by Deng Xiaoping (Rolls, 2004: 2-4). China's economic decline after the 1989 Tiananmen Square protests led the opinion of conservative faction dominated most party

votes. At that time, Jiang Zemin's position as party leader was not yet stable, so he tended to follow the dominant opinion and side the conservative faction more than trying to re-run the stalled *Gaige Kaifang* program (Rolls, 2004: 123).

In response to the economic downturn as well as the stagnation of the *Gaige Kaifang* implementation and the strengthening of the domination of the conservative faction, in 1992 Deng Xiaoping decided to travel to the southern region of China (*Nanxun* – 南巡)¹². During the trip, Deng Xiaoping delivered important speeches in several cities he visited. Deng Xiaoping emphasized the call to conduct *Gaige Kaifang* in a more moderate and open manner and denied the conservative faction's view that the *Gaige Kaifang* program was the cause of the 1989 Tiananmen Square protests. According to Deng Xiaoping, openness was needed in China as the ground to learn new technologies and skills needed for the development of the country (Brown, 2009). In his speech, Deng Xiaoping also attacked the conservative faction by saying that the danger facing China at that time was not the *Gaige Kaifang* program but rather the demands of the conservative faction to stop the program so that the country's economy worsened. Deng Xiaoping emphasized that one of the CCP's main tasks was to produce high economic performance, and a greater implementation of the *Gaige Kaifang* was required to make this happen. Deng Xiaoping's ideas conveyed during *Nanxun* were later published in local Shanghai and Shenzhen newspapers and received a lot of popular support (Wong and Zheng (eds.), 2002: 25). The contents of Deng Xiaoping's speech include the following:

“不坚持社会主义，不改革开放，不发展经济，不改善人民生活，只能是死路一条。。。现在，有右的东西影响我们，也有“左”的东西影响我们，但根深蒂固的还是“左”的东西。。。“左”带有革命的色彩，好像越“左”越革命，

“左”的东西在我们党的历史上可怕呀！一个好好的东西，一下子被他搞掉了。右可以葬送社会主义，“左”也可以葬送社会主义。中国要警惕右，但主要是防止“左”。。。低速度就等于停步，甚至等于后退。” (Deng, 1993: 375)

[“If we do not comply with socialism and implement policies of reform and open ourselves to the outside world and develop the economy and raise the standard of living, then we will be at a dead end ... Today, we are affected by ‘right’ and ‘left’ tendencies. But it is the ‘left’ tendency that is dominant... the ‘left’ has revolutionary connotations, giving the impression that the more ‘left’, the more revolutionary it is. In the history of our party, this trend has had dire consequences. Several achievements were destroyed overnight. ‘Right’ tendencies can destroy socialism, but so can ‘left’. China should guard against the ‘right’ but even more so against the ‘left’ ... Slow growth equals stagnation and even decline.”]

Deng Xiaoping’s criticism towards the party that stopped *Gaige Kaifang* and caused the country’s economy to deteriorate led Jiang Zemin as CCP Secretary General to rethink his indecisive stance against the actions of conservative faction (Liu, 2000: 73-84). He realized that Deng Xiaoping’s criticism also focused on his weak attitude towards reform and more fear of the party than China's economy in danger. This could put his ability as a party leader at stake (Scobell and Wortzel (eds.), 2004: 136). Jiang Zemin, who had a reformist side, finally decided to support Deng Xiaoping and continue the *Gaige Kaifang* program.

In a meeting with politburo members, Jiang Zemin ordered Deng Xiaoping’s reform ideas during *Nanxun* to be carefully studied and applied in the *Gaige Kaifang* implementation throughout China (Zhao,

1993: 751-752). Furthermore, Jiang Zemin read various books and research articles, looking for appropriate arguments to convince the conservative faction to agree to the continuation of the *Gaige Kaifang* program. From there, Jiang Zemin believed that one of the reasons for the collapse of the Soviet Union was due to the neglect of economic reforms. The conclusion then became the basis to continue the *Gaige Kaifang* program (Kuhn, 2010: 76). Learning from the experience of the Soviet Union, what China needed at that time was better economic management (Tabata (ed.), 2015: 47).

Jiang Zemin told the conservative faction that the government had to reduce the interference in the way the economy ran and let the private sectors develop their finance independently. That way the country's economy would be more developed so that it could improve the people's standard of living. By having a developed economy, the CCP could win the trust of the people and remain in power. At that time, the regional leaders strongly supported the re-operation of *Gaige Kaifang*. This weakened the domination of the conservative faction in the party. Jiang Zemin also supported Deng Xiaoping and continued the *Gaige Kaifang* program; together with Prime Minister Li Peng, he socialized the idea to the people and sped up the return of *Gaige Kaifang*. Furthermore, more than 20 articles and papers published by both the central and local governments supported Deng Xiaoping's speech during *Nanxun*. The Politburo agreed to continue *Gaige Kaifang* (Scobell and Wortzel (eds.), 2004: 137). President Yang Shangkun later announced that the party's main objective at that time was economic reform. Since then, the *Gaige Kaifang* program has been running again (Kuhn, 2010; 80).

Jiang Zemin then proclaimed a new vision of the party based on Deng Xiaoping's reform ideas to accelerate the *Gaige Kaifang* implementation. During the mid-1992, Jiang Zemin took a firm stance by encouraging the politburo to be more vigorous in practicing Deng

Xiaoping's reform ideas, and he would fire any member who refused to carry out these reforms. It also increased the autonomy of state-owned enterprises (Alexandra, 2016: 127-129). Since *Nanxun*, Jiang Zemin has started thinking about the best legitimacy to run *Gaige Kaifang*. During the CCP's 14th congress in October 1992, Jiang Zemin came up with the idea of a socialist market economy (*shehui zhuyi shichang jingji* – 社会主义市场经济) as the party's official terminology and the new orientation of the Chinese economy at the time (Tisdell, 2009: 272-273). He argued, the term “socialist market economy” was considered plausible to describe this because it implied that the market economy remained consistently based on socialism (Cui, 2012: 666-672). Jiang Zemin also said that the key to forming a new system in the economy was to understand the international market. In addition, he emphasized that the aim of *Gaige Kaifang* was a socialist market economy. The socialist market economy had been introduced massively by Zhu Rongji who was the governor of the People's Bank of China (*Zhongguo Yinhang* – 中国银行) since 1993 (Brødsgaard and Rutten, 2017: 100-102). Thus, Jiang Zemin determined that the party had to focus on improving the country's economy and had to work hard to build socialism with Chinese characteristics (*Zhongguo tese shehuizhuyi* – 中国特色社会主义). With this system, the market would play a major role in the development of production forces.

Apart from the pressure from conservative faction, Jiang Zemin had to face the fact that there was a high inflation rate and a decline in FDI (foreign direct investment). To overcome this problem, the steps taken by Jiang Zemin were to limit domestic investment and open greater opportunities for foreign investment. In carrying out these steps, Jiang Zemin and Zhu Rongji reformed the banking and loan system by adopting a “soft landing” approach, in which the economic growth process was carried out slowly to suppress inflation (*The New York*

Times, 11th August 2006). Jiang Zemin carried out gradual outreach directly to local leaders by coming to their respective areas. With personal outreach, local leaders realized that reform was needed to fix the economic crisis facing China at that time (Kuhn, 2010: 89). The reforms carried out included generalizing the country's taxation system, which was different in each province, into the same Value Added Tax (VAT) system which was applied throughout China¹³. With the VAT system, the revenue of the central government and local governments obtained from taxes could be divided equally in each province; the central government got 75% and the local government got 25%. After successfully convincing domestic leaders to continue the *Gaige Kaifang* program, Jiang Zemin then visited countries in Europe, such as Britain and France, to promote how China's "soft landing" strategy had succeeded in reducing inflation through loan restrictions and a new tax system (Brødsgaard and Rutten, 2017: 107).

Since late 1992, provinces all over China had undertaken the *Gaige Kaifang* at a rapid pace. The economic downturn that China had experienced since the 1989 Tiananmen Square protests began to show good development, and since 1992 the Chinese economy began to experience significant progress. In 1992, China's GDP rose from the original 383.4 billion USD in 1991, to 426.9 billion USD in 1992. Foreign direct investment (FDI) increased sharply from previously below 10 billion USD in 1990 to 42.6 billion in 1993. With the increase in FDI, the country's foreign exchange reserves also increased sharply (Chadee *et al.*, 2003). Apart from the sharp increase in foreign investment, China also succeeded in realizing fast economic growth. Consumer Price Index (CPI)¹⁴ decreased sharply from 17.1% to 2.8% during the period 1995-1997. Since then, China has been able to prove to the international community that it can maintain high economic growth and suppressing inflation (Kuhn, 2010: 90). The following are concrete

steps that Jiang Zemin took to restore China's economy, namely through the Xiahai program and the internationalization of Chinese trade.

3.1. Xiahai as a Basis to Develop People's Productivity

Literally *Xiahai* (下海) means “going down to the sea”, but as a policy it means an effort to encourage people to enter the business world. In the early stages of implementation, the increase in the number of the private sector was not significant; however, the state's recognition of the private sector had great potential to boost the pace of the Chinese economy further (Wang, 1990/2007: 83). Business activities later became popular, even among CCP members. In the mid-1990s party cadres and government officials became the largest group that founded the private sector (Wong and Zheng (eds.), 2002: 102).

A new challenge for *Gaige Kaifang* towards the end of the 1990s was the need to overhaul the system of SOE shareholding rights, which in 1997 suffered losses (Li, 1998: 23). CCP issued a policy to allow some SOE shares to be owned by individuals. Thus, it was possible for the private sector or individuals to become part of the ownership of these SOEs. This policy attracted many CCP members to invest in SOE. Through ownership of these shares, party members could gain economic benefits and greater personal freedom (Holbig, 2002: 41-42).

The development of the phenomenon of “CCP members doing business” was against the *Xiahai* policies, which sparked controversy and sharp criticism from conservative faction to Jiang Zemin. They attacked Jiang Zemin by saying that he had tarnished the CCP's ideology by allowing “capitalist” practices in the party (Fewsmith, 2003: 3). To defuse the controversy, Jiang Zemin reviewed the course of the *Gaige Kaifang* program from the beginning. Jiang Zemin held meetings with the intellectuals to hear their oral testimonies about *Gaige Kaifang*; he also read classics of Marxism and Leninism, newspapers, and

research articles, as well as summarized technical documents on the implementation of the *Gaige Kaifang* program since 1978 (Wong and Zheng (eds.), 2002: 101-105). Amid an ideological crisis and the state's need to develop the economy, Jiang Zemin had to be able to develop and harmonize Marxism and Leninism with the needs of the state to strengthen the party. Jiang Zemin then explained logically to the conservative faction with the argument that, *Gaige Kaifang* should be done in stages. He used the works of Karl Marx, Vladimir Lenin, and Frederick Engels¹⁵ as the basis of the argument that a policy had to be formulated in accordance with the real situation, so the reality of state conditions determined a policy, not dogma (Kuhn, 2010: 97). Jiang Zemin's argument could fend off the attacks of conservative faction on his policies of the *Gaige Kaifang* implementation. In this regards, Jiang Zemin could continue to improve the country's economy while maintaining the unity of opinion within the party. Furthermore, Jiang Zemin developed a perspective on the teachings of Marxism and Leninism with a more modern understanding which he called a "socialist market economy with Chinese characteristics" (Killion, 2006: 11).

After Jiang Zemin resolved the ideological constraints associated with private sector ownership, in 1997 Jiang Zemin announced that the private sector was an important component of the country's economic development that went hand in hand with state-owned enterprises (Kanamori and Zhao, 2004: 6). The state had to let the sectors such as retail and manufacturing to be managed by the private sector. Meanwhile, the main sectors such as natural resources and infrastructure were still controlled by the state. In September 1997, Jiang Zemin submitted a draft of China's economic policy towards the 21st century, in which all policies issued by China had to be decided based on the criteria "whether the policy is beneficial for the growth of the people's productivity power to improve people's living standards while still based

on socialism” (Kuhn, 2010: 97-99). All private sectors had to be useful to serve socialism, while the state had to use market forces to develop industrialization and the private sectors. Furthermore, in 1998, banks in China were formally recommended to give loan to the private sector, and the stock market included the private sector in China. This could be seen as the state’s recognition towards the large contribution of private entrepreneurs to China’s economic growth and reform. According to the International Finance Corporation, in 1998, income from the private sector was able to contribute 45% in increasing GDP in China. This number is the highest compared to the SOE sector which contributed 37% and the collective sector which contributed 12%. (Zhang, 2019: 1-5).

Jiang Zemin mobilized people from all levels to participate in *Gaige Kaifang* and *Xiaohai* aiming to ease people to adapt to an economic system that was once centralized to a “socialist market economy” (Holbig, 2002: 42). To develop the national economy, the private sector could increase the overall social productivity. For example, companies engaged in technology and information could develop new and sophisticated technology that played an important role in China’s technological advancement. In addition, companies could also optimize domestic human resources, create jobs, and ultimately meet the social needs of the community.

The strategy used by Jiang Zemin to keep private entrepreneurs serving the party, while strengthening the legitimacy of the private sector in China, was to allow the private entrepreneurs to become members of the CCP (Guiheux, 2006: 222-227). Jiang Zemin had a reason namely the main criterion for becoming a CCP member was to contribute to the progress of the party and the country. Jiang Zemin then gave several requirements for businessmen to join the CCP. These requirements include being a patriotic and law-abiding citizen, never

having a record of tax evasion, reinvesting a large part of the company's profits for state development, and returning the acquired wealth to society (Holbig, 2002, 43-44). At the same time, it assigned socio-economic responsibility to the business class. The entry of businessmen into the party also secured the position of these businessmen in China and made their voices more heard (Guiheux, 2006: 228-229).

The role of the private sector in the *Gaige Kaifang* policies increased state revenue from the private sector. According to the calculations of the People's Bank of China, in 1998 the private sector contributed 43.4% to national income. In 1999, the sector and commercial taxes paid by the private sector to the state increased from 1% to 2.6% (Wall, 2001: 104). The contribution of the private sector had become increasingly important to state revenues, both at the provincial and central levels. Since 1996, the private sector has contributed about 10% of total tax revenue at the provincial level, 20% at the prefectural level, and 30% at the district level. Even in some large provinces, the private sector accounted for up to 60% of all state revenues (Kanamori and Zhao, 2004: 38). For example, the private sector in Zhejiang Province contributed 4.4 billion RMB of industrial and commercial taxes, which was equivalent to 13.4% of China's total industrial and commercial taxes at that time. (Zheng, 2004: 67-68).

3.2. Steps toward Internationalization

Having managed to control and even increase the pace of economic reform as announced in the *Gaige Kaifang* program, Jiang Zemin had to continue to take steps to restore the world's trust in China. In the introduction, it has been explained that the 1989 Tiananmen Square protests, apart from causing the economic downturn of China, also dropped China's image in the international sphere. In the problem of China's international economic relations, one thing that had to be

restored is the world's trust, especially with China's trading partner countries. A few diplomatic efforts¹⁶ had been carried out by the Jiang Zemin government, and the following are the main steps taken by the Jiang Zemin government in the economic sector.

The Asian Economic Crisis that occurred in 1997¹⁷ led several major Asian countries such as Japan to devalue their currency. The challenge for China at that time was China had to devalue its currency if it wanted its products to remain competitive in the global market. This would be quite risky for the global market, because if China devalued its currency, other countries in Asia would also follow China's steps. If this happened, it could damage the market price order and the world economy (Yu, 2000: 164). It was for this reason that Jiang Zemin decided not to devalue the currency (Liew, 1999: 98). As a result, the export growth of Chinese manufactured goods had decreased drastically or even minus (Yang, 1998: 3). To overcome this, China issued a proactive fiscal policy by investing on building domestic infrastructure. The infrastructure built includes airports, railroads, roads, and hydropower projects such as the Three Gorges Dam (*Sanxia Daba* – 三峡大坝) on the Yangtze River. The infrastructure development funds were drawn from national loans. These steps had proven to be able to save China from an economic crisis without having to reduce the value of its currency, as well as creating greater new capital for the country's economic development in the 21st century (Kuhn, 2010: 91). In fact, China then provided funding of 4 billion USD for other Asian countries that were severely affected by the economic crisis, such as Indonesia and Thailand. China's decision not to devalue currency also contributed to the stabilization of global market prices. The international community also appreciated China for this contribution and was increasingly considering China's performance in world markets (Ministry of Foreign Affairs of the People's Republic of China, 1998).

Another major leap, as a part of the efforts to regain international trust, was China's entry into the WTO in December 2001. China's desire to join international trade organizations started since the early 1980s. At that time, Chinese diplomats had made various diplomatic efforts so that China could become a member of the GATT/WTO. In 1984, China became a member of the Textile Committee of GATT. In 1986, China then applied for membership to the GATT/WTO. Unfortunately, the 1989 Tiananmen Square protests and China's refusal to revise certain international trade laws resulted in GATT/WTO rejecting applications for Chinese membership (Feinerman, 1996: 404). Negotiations were carried out by China in 1991. At that time, the GATT/WTO member countries demanded China to expand market access and reduce trade tariffs for GATT/WTO¹⁸ members as well as reduce the restrictions on access to transactions with foreign currencies. In pursuing GATT/WTO membership, China had to adapt its foreign trading system and economic policies to the international system (Hsiao, 1994: 434). Thus, China had to accelerate its steps in the *Gaige Kaifang* implementation. By having the country's rapid economic improvement since 1989 and China's ability to survive the Asian economic crisis, China conducted serious negotiations with the WTO so that China could become a member. From the results of the negotiations, China agreed to several regulations requested by the WTO, including:

- a. China will fairly treat the trading rights of all WTO member countries even though the country does not have investment in China.
- b. China must set the same price for its commodity that will be traded both domestically and abroad.
- c. China is not allowed to control prices aiming to only protect domestic industrial products and domestic services.

- d. China must revise its international trade laws to comply with the regulations of other WTO member countries, to effectively implement the agreements that have been mutually agreed.
- e. China is not allowed to export its agricultural products.

By complying with the above agreements, China would have exclusive trading rights for domestic food products, such as cereals, tobacco, fuels, and minerals (*WTO News: 2001 Press Releases*, 17th September 2001).

After China became a member of the WTO, the private sector grew rapidly. The WTO required the Chinese Government to grant equal rights to all companies, whether they were state-owned or private. With this regulation, the private sector was freer to conduct foreign trade (Wall, 2001: 98). The private sector alone held 80% of the total number of Chinese companies conducting foreign trade. In 2002, China's foreign trade generated from the private sector increased 3-4 times from 2001. The abundant and low-cost human resources from China, accompanied by extensive market access, also provided many advantages for foreign investors. With China's entry as a member of the WTO, foreign investors would be more confident in investing in China. This at the same time increased the number of exports of Chinese products which led to greater economic growth (Boden, 2012; 13). Access from WTO provided China with better market opportunities. In 2002, foreign investment entering China was recorded at USD 41.2 billion, an increase of 22.5% from the previous year. It was estimated that the total inflow of foreign investment into China exceeded USD 50 billion by the end of 2002. Thus, China became the largest foreign investment destination country in the world. Another factor that made foreign investment more incessant into China was the stable investment returns they got from the Chinese market. China's GDP also grew by 7.9% and exports increased by 19.4% in the first three quarters of 2002. The total nominal trade

during 2002 was 445.1 billion USD, that number increased 18.3% from 2001. Even the WTO in its report stated that China in 2002 had become the world's 5th largest trading body along with the United States, Japan, ASEAN countries and the Asian Newly Industrialized Economies (NIEs) (CCTV, 11th November 2002; Garnaut and Song, 2003: 153-156).

At the 16th CCP congress held on November 8, 2002, Jiang Zemin reported the progress made in the Chinese economy, as quoted from Xinhua News Agency¹⁹ below:

“五年来，我们走过了很不平凡的历程，在改革发展稳定、内政外交国防、治党治国治军各方面都取得了巨大成就。。。民经济持续快速健康发展。实施扩大内需的方针，适时采取积极的财政政策和稳健的货币政策，克服亚洲金融危机和世界经济波动对我国的不利影响，保持了经济较快增长。经济结构战略性调整取得成效，农业的基础地位继续加强，传统产业得到提升，高新技术产业和现代服务业加速发展。建设了一大批水利、交通、通信、能源和环保等基础设施工程。西部大开发取得重要进展。经济效益进一步提高，财政收入不断增长。“九五”计划胜利完成，“十五”计划开局良好。。。改革开放取得丰硕成果。社会主义市场经济体制初步建立。公有制经济进一步壮大，国有企业改革稳步推进。个体、私营等非公有制经济较快发展。市场体系建设全面展开，宏观调控体系不断完善，政府职能转变步伐加快。财税、金融、流通、住房和政府机构等改革继续深化。开放型经济迅速发展，商品和服务贸易、资本流动规模显著扩大。国家外汇储备大幅度增加。我国加入世贸组织，对外开放进入新阶段。” (Jiang, 2006: 528-575)

[“...Over the past five years, we have pursued an extraordinary path and made extraordinary achievements in reform, development and

stability, domestic and foreign affairs and national defense in running the party, state and army....The national economy has succeeded in maintaining a sustainable, fast and healthy economic development..., we are overcoming the adverse effects of the Asian financial crisis and world economic fluctuations on China and maintaining relatively fast economic growth. The strategic adjustment of the economic structure has been declared successful. The position of the agricultural sector as the foundation of the economy has been strengthened. Traditional industries have been upgraded. New and high-tech industries and modern services have developed rapidly. Many infrastructure projects in areas such as water conservation, transportation, telecommunications, energy and environmental protection have been completed. There have been significant advances in large-scale development in western China. Economic benefits are increasing. National income continues to grow. The Ninth Five-Year Plan (1996-2000) was fulfilled and the Tenth Five-Year Plan had a good start.... The public economic sector has developed and there has been tremendous progress in reforming state-owned enterprises. Entrepreneurship or the private sector and other non-public sectors of the economy have grown rapidly. The task to build the market system has gone well. Reforms in finance, taxation, banking, distribution, housing, government institutions and other fields continue to be deepened. Trade in commodities and services and capital flows increased rapidly. China's foreign exchange reserves have also increased rapidly. With access to the World Trade Organization (WTO), China has entered a new stage in its openness.”]

From the excerpt of Jiang Zemin's speech on the Chinese economy above, at the end of his leadership, China succeeded in realizing extraordinary growth in the economy. The extraordinary success in re-

running the *Gaige Kaifang* program which benefited China's sustainable economic development is an achievement Jiang Zemin inherited during his tenure.

3.3. Zhu Rongji as Policy Executor

At the beginning of his leadership Jiang Zemin ran the government accompanied by Li Peng as prime minister (1989-1998). However, starting in 1998 Li Peng was replaced by Zhu Rongji who previously served as deputy prime minister. Zhu Rongji was known as a critical leader, in 1989 he became Shanghai's party secretary, and in 1991 Deng appointed him deputy premier. Even though he only served as a deputy, it was Zhu who was the pilot behind the soft-landing program in 1995-96 (Zweig, 2001: 233).

During Zhu Rongji era as premier of the PRC (1998-2003), China's economy transformed from a planned economy to a more market oriented as his policies continued to focus on economic development (Kobayashi *et al.*, 1999: 45). Zhu Rongji responded to the 1997 Asian financial crisis by dramatically reducing the size of government and state bureaucracy. He also reformed the heavily indebted banking system and state-owned enterprises as well as the housing and health care systems. He also established the stock exchanges to revitalizing agriculture sector through the introduction of a modern grain market. At the beginning of his term, he began a program of privatization during which China's private sector experienced rapid growth. He continued to promote investment in China's industrial and agricultural sectors (So, 1999: 83-109)

By the end of Zhu's term as premier, the Chinese economy was stable and growing confidently. While Foreign Direct Investment (FDI) worldwide decreases in 2000, the flow of capital into China increased by 10%, resulted to 22.6% FDI rose in 2002. While global trade stagnated,

growing by one percent in 2002, China's trade soared by 18% in the first nine months of 2002, with exports outstripping imports. Meanwhile, in term of bureaucracy, at the end of his term in 2003, he was successfully reducing the size of the official bureaucracy by 50% (Garnaut and Song, 2003: 153-156). However, Zhu Rongji ways in reducing the state bureaucracy in local governments and implementing more centralized leadership, resulted to lack of control in the regions. It led to the increase in the corruption. Many believe that the entire Communist party system was infected by this corruption problem (Quah, 2013: 33-41). Zhu Rongji himself also pointed out that fighting corruption was still a difficult task for the country. As quoted in the *The Guardian*, during his annual report presentation, Mr. Zhu admitted to the national people's congress that: "fighting corruption is still a tough task". "Some people say that there is corruption because the emperor is far away in Beijing. The truth is that every county or small-town head has become an emperor too!" (*The Guardian*, 6th March 2000). To overcome this major problem, Zhu Rongji implemented the anti-corruption campaign. According to Benjamin van Rooij (2005: 301-310) Zhu Rongji also emphasized that all corrupt officials, had to be investigated and severely punished. He targeted the misuse of public funds by officials who traveled, entertained, and dined in a luxurious style at public expense in the name of all sorts of political activities.

4. The Three Representative Theory (*Sange Daibiao* – 三个代表)

The constitutional changes that took place in China during the 1990s showed that the government was trying hard to adjust the Chinese political system to have sustainable economic development (Wong and Zheng (eds.), 2002: 116). After his success in organizing the country's economy, Jiang Zemin had the ambition to leave his leadership imprint

in Chinese history and in the party through his thoughts (Zeng, 2016: 17). Therefore, in 2000 Jiang Zemin started to come up with the concept of the *Sange Daibiao* theory. According to this concept, the party must be able to become the representatives of (1) the most advanced economic power, (2) the most advanced cultural elements and (3) the basic interests of all groups (Guiheux, 2006: 226). Jiang Zemin conveyed this in his speech on July 1, 2001, as follows:

“。。。推进人的全面发展，同推进经济、文化的发展和改善人民物质文化生活，是互为前提和基础的。人越全面发展，社会的物质文化财富就会创造得越多，人民的生活就越能得到改善，而物质文化条件越充分，又越能推进人的全面发展。社会生产力和经济文化的发展水平是逐步提高、永无止境的历史过程，人的全面发展程度也是逐步提高、永无止境的历史过程。这两个历史过程应相互结合、相互促进地向前发展。” (Jiang, 2006: 295)

[“...The progress of human development as a whole is a prerequisite and basis for enhancing the economic, cultural and material life of society, and vice versa. The more comprehensive human development is, the more material and cultural wealth they will generate for society so that their lives will improve. Likewise, the more sufficient material and cultural life is, the better a person will achieve his overall development. The development of the social, economic, and cultural productive forces is a historical process of gradual and endless progress. All human development, too, is a historical process of gradual and endless progress. The two processes must go hand in hand and help each other in perpetuity.”]

After Jiang Zemin presented ideas that were later formulated into the *Sange Daibiao* theory, some political critics outside of China argued

that the theory was a CCP “tool” to legitimize the emergence of the private sector as an important component of the country’s economy. *Sange Daibiao* theory is also seen as a symbol of the CCP’s transformation into a more democratic communist party (Zheng, 2002: 76).

The economic practices of a country cannot be separated from domestic politics, and it is necessary to have harmony between ideology and policy to carry out the development of a country effectively (Burns, 1989: 481). This is what Jiang Zemin did in building the Chinese economy, namely by maintaining unity and modernizing the party’s way of thinking. In his speech at the 16th CCP Congress on November 8, 2002, Jiang conveyed that:

“ 加强和改进党的建设，一定要高举邓小平理论伟大旗帜，全面贯彻 “ 三个代表 ” 重要思想，保证党的路线方针政策全面反映人民的根本利益和时代发展的要求。” (Jiang, 2006: 560)

[“To strengthen and enhance party building, we must raise the banner of Deng Xiaoping's Theory, apply all important thoughts of *Sange Daibiao* and ensure that party lines, principles and policies fully reflect the fundamental interests of the people and the provisions of the times.”]

Jiang Zemin came up with the *Sange Daibiao* theory as a guide to modernizing the party's perspective on Marxism-Leninism. Through this theory, Jiang Zemin reminded the party leaders to consciously open their thoughts from the shackles of Marxism-Leninism concepts, practices and systems that were no longer in line with the realities of the times so that the party could continue to innovate (Kuhn, 2010: 108-111). As explained in the previous discussion, the private sectors in China are proven to be able to give a huge contribution to national economic

development and create a new social class, namely the merchant class, which is then largely part of the Chinese middle class. Regarding the diversity of new social classes that form the backbone of the country's economic change, Jiang Zemin in his speech also expressed the following:

“贯彻“三个代表”重要思想，必须最广泛最充分地调动一切积极因素，不断为中华民族的伟大复兴增添新力量。。。在社会变革中出现的民营科技企业的创业人员和技术人员、受聘于外资企业的管理技术人员、个体户、私营企业主、中介组织的从业人员、自由职业人员等社会阶层，都是中国特色社会主义事业的建设者。” (Jiang, 2006: 539-540)

[“In order to apply *Sange Daibiao*'s important thinking, it is necessary to fully and thoroughly mobilize all positive factors and to constantly add new strength to the rejuvenation of the Chinese nation ... appearing in the process of social change, entrepreneurs and technical personnel working in the private scientific and technological sector, managerial and technical staff employed by foreign-funded companies, self-employed individuals, private entrepreneurs, full-time employees, freelancers and members of other social strata are all builders of 'socialism with Chinese characteristics'.”]

With the implementation of the *Gaige Kaifang* program, a new social class emerged, such as the entrepreneur class, private workers, technicians, traders, and others. They are the people who directly contribute to building Chinese socialism. The private sector is also an important factor for advanced productive forces. It is also through the private sector that China has succeeded in becoming a member of the WTO. Its membership in the WTO opens China's view to apply a

broader economic strategy to world economic development. This is the first point of *Sange Daibiao* theory that was completed during Jiang Zemin's leadership. According to Jiang Zemin, by implementing points two and three from *Sange Daibiao* theory to the next government, China could become a versatile superpower (Fewsmith, 2003: 3).

5. The Sustainability of Jiang's Economic Policy

As quoted by Fewsmith (2003: 3) above, Jiang Zemin's statement shows that the implementation of *Sange Daibiao* had not been completed and had to be continued. The Jiang era was only working on the first point that the CCP had to always represent the demands of the development of the advanced production forces of Chinese society. The proof was that the Chinese economy had developed rapidly, so that its role in the world began to be considered by many countries. Although the other two points still must be worked out, the third point is a function inherent from the beginning in the CCP, namely representing the fundamental interests of most of the Chinese people. Thus, it is the second point that must become the focus of policy while maintaining or adjusting to the progress on the achievements of points one and three, as confirmed in the theory that "The Three Represents are mutually related, complement each other, and constitute a unified whole" (people.com.cn, 2010).

Hu Jintao in 2002 was elected general secretary of the Chinese Communist Party and in 2003 was elected President of PRC, replacing Jiang Zemin, who previously held both positions. According to Duchâtel and François (2009: 3), the first year of Hu's leadership was still overshadowed by Jiang Zemin, this was evident, among other things, from the Chairman of the Central Military Committee by Jiang Zemin. In the economic field, Hu Jintao's policies placed more emphasis on eradicating poverty and inequality. Therefore, it continued to do what

Jiang had done, including economic development aimed at developing China's western region (Heisey, 2004). In the Hu Jintao era, the focus of China's development shifted from the massive economic improvements carried out in the Jiang Zemin era towards social balance and social harmony. Hu's leadership image was pro-people so that his government was synonymous with the concept of "putting people first" in which the policies tended to side with the middle and lower-class society (Joseph, 2014). The efforts to develop Chinese culture in the Hu Jintao era can be noticeable from the slogans he carried. The rhetoric of these slogans strongly reflects Confucius teachings such as "rise peacefully", "develop in peace" to efforts to create a "harmonious socialist society". The ideas in the slogans in 2005 were officially outlined in a white paper on *China's Peaceful Development Road (Zhongguo heping fazhan daolu – 中国和平发展道路)* which consists of five main points on the path of peaceful development/establishment of China (China.org.cn, 22nd December 2005).

Presenting this policy with a slogan referring to Confucianism shows that Hu relied on Chinese cultural values in his special programs and had made systematic efforts to actualize these cultural values (Mutia, 2015: 208). Hu's policy of promoting Chinese culture was packaged as implementation of China's soft power, as expressed by Arshad (2012) that: "In China, soft power is not only about nation branding, but nation building as well. Through using soft power narratives, China is encouraging a domestic cultural revitalization attempting to win the hearts and minds of Chinese diaspora communities and promote national cohesion between dominant and minority groups in the country."

Among other things, Hu Jintao's implementation was carried out by strengthening *Hanban* (汉办), a multi-departmental institution tasked with teaching Mandarin and Chinese culture throughout the world. In

2004 the “Confucius Institute” (*Kongzi Xueyuan* – 孔子学院) was formed as an extension of *Hanban* in spreading Chinese language and culture. Hu Jintao’s policy had proven to strengthen China’s international position, for instance, China successfully hosted the 2008 Beijing Olympics, 2010 World Expo, and 2010 Asian Games. This achievement also shows that Hu Jintao implemented the second point from *Sange Daibiao* point, namely that the CCP must be able to represent the advancement of Chinese culture.

Xi Jinping was elected to replace Hu Jintao as Secretary-General of the CCP in 2012 and as President of China in 2013. Xi inherited the PRC's economic situation, which tended to be high in the investment sector but low in the consumption sector. This can be seen from the presence of excess production that the domestic market could not absorb, which in turn affected the emergence of accusations of dumping from outside parties against Chinese business actors (Brødgaard and Koen, 2017: 154). In addition, according to Gewirtz (2016: 103), in 2015, PRC experienced a slowdown in economic growth, decreased investor confidence, and increased debt. In the first three months of 2015, it grew only 7%, and this figure is the lowest rate of economic growth in China since the global financial crisis in 2009 (*BBC News*, 15th April 2015).

Facing difficult conditions at the beginning of his leadership, Xi echoed the slogan of *Zhongguomeng* (中国梦) or the “Chinese dream” as a special formulation of the combined dreams of Confucius, Sun Yat-sen, Mao Zedong, Deng Xiaoping, Jiang Zemin, and Hu Jintao to answer the challenges and problems faced by the CCP (Sirait and Mutia, 2015). *Zhongguomeng* contains the aspirations of the Chinese nation formulated in the target “*liangge yibai* – 两个一百 ” or two centenary goals namely the formation of the *Xiaokang* [economically sufficient] community in the 100th anniversary of the establishment of the CCP in 2021 and

Zhonghua Weida Fuxing (中华伟大复兴) or “the great rejuvenation of the Chinese nation” in the 100th year of the founding of China in 2049 (Xi, 2013). In the process of realizing that dream, in 2013 Xi came up with the idea of reviving the silk route which was packaged in the Belt and Road Initiative (*yidai yilu zhangyi* – 一带一路倡议 – BRI), and it became popularly known as One Belt One Road (OBOR).

In his speech at the Baoao Forum for Asia Annual Conference 2015, Xi Jinping projected OBOR as a “bridge” that allowed for connectivity and cooperation between nations and their civilizations, which would encourage human progress and maintain world peace (*Xinhuanet*, 29th March 2015). OBOR is a multi-faceted economic, diplomatic, geopolitical venture initiated by China. To fully fund the total BRI project volume of an estimated USD 4 to 8 trillion, there were diverse funding channels such as BRI bonds, private capital investment, public-private partnerships (PPP), and State-Owned Enterprise investment. This program would improve economic interconnectivity and facilitate development in Eurasia, East Africa, and more than 71 partner countries.

Xi Jinping’s OBOR initiative aimed to complete the mandate in the *Sange Daibiao*, whose goal is to revive China’s glory in 2049. At the 19th CCP Congress in 2017, Xi Jinping’s thought was formulated as “Socialism with the Chinese character for a new era” (*xinshidai Zhongguo tese shehui zhuyi* – 新时代中国特色社会主义思想) which was recorded in the CCP’s articles of association. Resolution of the 19th National Congress of the Communist Party of China on the Revised Constitution of the Communist Party of China confirms that Xi Jinping’s thought is a continuation and development of Marxism-Leninism, Mao Zedong Thought, Deng Xiaoping Theory, the Theory of Three Represents, and the Scientific Outlook on Development. It is the latest achievement in adapting Marxism to the Chinese context (CGTN, 24th October 2017). This affirmation shows that what Xi Jinping did was

inseparable from the foundation made by the previous Chinese leaders, including Jiang Zemin. Without giving up the main target of Chinese reform, Xi formulated economic policies based on his challenges. According to Hofman (2018: 64), with “socialism with Chinese Characteristics for the new era”, China seemed to have found its unique economic system, with markets and state ownership existing side by side and industrial policy guiding the market.

The anti-corruption campaigns were still running until Xi Jinping era which also suggests that structural reforms are crucial. Under Xi Jinping there were early structural reform, particularly in the judicial system through promoting markets, competition, and governance, but the reform could hardly be noticed, and the outcome was uncertain. Xi Jinping admitted that corruption remained the biggest threat to Communist Party. He had reiterated the need to fight corruption if the country was to achieve its economic and political goals. During his leadership, Xi Jinping experienced a high initiative from Chinese politics officials in term of economy development, which resulted to a solid economic strategy and overwhelming public support. However, public support depended on delivering economic reforms and limiting the economic downturn. To do this, Xi had to resolve the corruption problem in the country. In other words, He had to do a structural reform. This problem reminds challenging until now (Garrick and Bennett, 2018: 99-105).

6. Conclusion

The main challenge that Jiang Zemin had to face as the new CCP Secretary General was China's economy, which was slumped by the 1989 Tiananmen Square protests. The sharpening of the faction between conservative and moderate factions brought the *Gaige Kaifang* program

to a halt. China also received a lot of criticism and embargoes from various countries in the world, such as the United States and European Union countries. The faction and embargoes caused China's economy to slump at the lowest level and its international position to plummet due to the loss of trust of foreign investors. To improve the country's economic conditions, in 1992 Jiang Zemin decided to restart the *Gaige Kaifang* program. In addition, Jiang Zemin mobilized people from various circles to participate in the *Gaige Kaifang* implementation by conducting *Xiahai*. With the participation of all groups, the *Xiahai* program was more easily accepted by the people and resulted in a new middle class. He also announced that the private sector was classified as an important component of China's economy that ran alongside the state-owned sector. By allowing private entrepreneurs to become members of the CCP, Jiang Zemin managed to keep private entrepreneurs doing business in line with party principles. This also strengthens the legitimacy of the private sector's existence in China.

The success of Jiang Zemin to save China's economy from the 1997 Asian Economic Crisis was not by devaluing its currency, but he issued proactive fiscal policies and built domestic infrastructure. This contributed greatly to maintaining the price stability in the global market. Another important achievement of Jiang Zemin was the approval for China to become a member of the WTO in December 2001. By acquiring this membership, China's progress in the world of international trade is considered; even making China the largest foreign investment destination in the world. For his successful innovation in building China's economy, Jiang Zemin came up with a new concept, namely the *Sange Daibiao* theory. The theory was created as a guideline for the next government to lead China to become a versatile country.

Jiang Zemin is a leader who upholds the principles of socialism. However, he is open-minded so that his attitude tends to be democratic

and adaptable which leads him to be good at diplomacy. Jiang Zemin is a person who can adapt to political situations at home and abroad (Tien and Chu (eds.), 2000: 47). A leader who has such character is in line with China's need to build the economy and improve its international relations after the 1989 Tiananmen Square protests (Rosenthal, 2002). The character possessed by Jiang Zemin turned out to be one of the factors of his success in implementing *Gaige Kaifang* and making China a developed socialist country recognized by the world. From the policies carried out by Jiang Zemin to restore China's economy after the 1989 Tiananmen Square protests, it provides lessons on how important it is to align China's domestic needs with developments in the world. Jiang Zemin's open attitude and ability to align domestic needs with world economic conditions is shown by Jiang Zemin's willingness to accept the WTO requirements. Thus, the efforts to internationalize Chinese trade succeeded, and China regained international trust. Jiang Zemin's character, which tends to be open-minded and diplomatic, makes it easier for various groups to accept his economic policies. With its success as a member of the WTO, China has gained a broader view of implementing its economic strategy in accordance with world economic developments. This allows China to meet the country's needs and build an advanced productive force. In addition, Jiang Zemin's persistence in upholding the principles of socialism while remaining democratic can be seen from his socialist market economy policy with a soft-landing approach.

Jiang Zemin was appointed leader of China after the 1989 Tiananmen Square protests by Deng Xiaoping, who was China's paramount leader at that time. In the early days of his leadership, Jiang Zemin was still under the shadow of senior CCP members as well as Deng Xiaoping's influence. This can be seen from Jiang Zemin's insistence on the demands of the conservative faction that wanted to stop

the *Gaige Kaifang* program as well as when Jiang Zemin decided to re-run the *Gaige Kaifang* program. This decision was also triggered by Deng Xiaoping's encouragement through *Nanxun*. After Deng Xiaoping passed away in 1997, Jiang Zemin was able to fully run the *Gaige Kaifang* without being influenced by his previous senior figures (Rosenthal, 2002). Jiang Zemin's new breakthrough in *Gaige Kaifang* included providing opportunities for private entrepreneurs to develop and become members of the CCP. By accepting private entrepreneurs as CCP members who had to adhere to party principles, Jiang Zemin provided an opportunity for the private sector to develop and contribute to the country's economy while providing tight control for these private entrepreneurs to stay in line with party rules.

Due to China's achievement, Jiang Zemin had a strong foundation to validate his economic thinking in the party constitution through the *Sange Daibiao* theory. It can be said that Jiang Zemin was a leader figure with the right character and policies who appeared when China needed to improve its economy and elevate its economic position in the world. However, Zhu Rongji's role also cannot be ruled out. In general, people know that Zhu is the person behind the success of Jiang Zemin's economic development program, including in carrying out the corruption eradication program. The economic foundation and the strong international position made Jiang's economic policies sustainable in both the Hu Jintao and Xi Jinping eras. With adjustments, innovations according to development needs, and commitment to eradicating corruption, it seems that the PRC will be able to realize the ideals of a strong and prosperous China awakening, as formulated by Xi Jinping in *liangge yibai*.

Notes

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1. Hong Kong was a colonial territory under Great Britain and known as British Hong Kong; the colonial period was from 1841 to 1997 based on the Nanking Agreement.
 2. Macau was a trading area leased by the Ming Dynasty to the Portuguese Empire from 1557 to 1887. In 1887, Portugal obtained colony rights over Macau through the Sino-Portuguese Treaty in Beijing. This colonial period lasted until 1999 when Macau was returned to the Chinese government.
 3. The 1989 Tiananmen incident was a series of demonstrations in China spearheaded by students; the peak of the demonstration took place at Tiananmen Square, Beijing. Student protests were aimed at the Chinese government over economic instability, corrupt practices, and pro-democracy demands.
 4. Deng Xiaoping was the paramount leader of the People's Republic of China from 1978 until his retirement in 1992.
 5. The debate over the implementation of economic reforms in China led to competition from various factions within the CCP. There are two most

dominant political factions that can be grouped into 2 forces, namely, the conservative faction and the moderate faction (Wu, 2015).

6. Chen Yun was the deputy chairman of the CCP Central Advisory Commission for the period 1987-1992. He is called the most powerful person in China after Deng Xiaoping. Yang Shangkun was the 4th president of China for the period 1988-1993.
7. The People's Liberation Army (PLA) is the armed forces of the People's Republic of China (PRC) which was founded on August 1, 1927.
8. The U.S. Trade and Development Agency (USTDA) is an official agency of the United States Government to promote U.S. private sector participation in development projects in developing countries and middle-income countries.
9. Fang Lizhi (方励之) was vice-president of the Chinese University of Science and Technology and a pro-democracy activist. His ideas inspired the pro-democracy protest movement in 1986 to its climax, the 1989 Tiananmen Incident.
10. The peaceful evolution in international politics is a theory that refers to the efforts to influence the politics of China's socialist system through peaceful means by the United States.
11. The European Economic Community (EEC) is an organization that was established through the 1957 Rome Agreement. This organization consists of European countries which aim to unify the economies of its member countries. After the European Union was formed in 1993 its name changed to European Community (EC).
12. Deng Xiaoping toured cities in southern China, namely Guangzhou, Shenzhen, Zhuhai, and Shanghai from January to February 1992. He used the tour as a method to promote the *Gaige Kaifang* program again. During the tour Deng Xiaoping delivered a speech emphasizing the importance of economic reform in China and criticizing those who opposed the *Gaige Kaifang* program.

13. Value Added Tax (VAT) is a tax imposed on every good or service in its circulation from producers to consumers. VAT is a type of indirect tax, where the tax bearer does not directly pay the taxes, he is responsible for.
14. The Consumer Price Index (CPI) is used to measure the average price of goods and services that households must pay. The CPI is often used to measure a country's inflation rate and as a consideration for adjustments to salaries, wages and pension payments.
15. The Consumer Price Index (CPI) is used to measure the average price of goods and services that households must pay. The CPI is often used to measure a country's inflation rate and as a consideration for adjustments to salaries, wages and pension payments.
16. After the 1989 Tiananmen incident, efforts to improve relations with countries in the world such as the United States, ASEAN member countries, the Middle East, and Japan became a priority for China (Goldstein, 2001: 836). This was done to improve the economy, make friends, and improve China's international position. In its diplomatic process, China practiced a "28 characters strategy" and convinced partner countries that diplomatic relations with China were not hegemonic, but friendship and cooperation (Mutia, 2015: 205-208).
17. The Asian Economic Crisis was a period of financial crisis that first occurred in Thailand and spread to almost all parts of East Asian countries in July 1997. The crisis at that time caused panic and even the world market prices fell apart due to deflation.
18. Trade by reducing trade tariff barriers and quotas for goods for the mutual benefit of its member countries. GATT operates under the World Trade Organization (WTO) since January 1, 1995.
19. Xinhua News Agency is the official news agency of the Government of the People's Republic of China, which is also the largest and most influential media organization in China.

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