



## **Take Off the Rose-Colored Glasses: It's the Same China** by Gerald Segal

The recent depressing news from China should not be surprising, yet China keeps having to teach realism to optimistic foreign observers. Unlike the theater, China-watching should not be the willing suspension of disbelief.

The depressing news in Chinese politics concerns the latest trials of dissidents following nine months of reassuring noises to visitors like President Bill Clinton and Prime Minister Tony Blair. What is more depressing is that some foreigners thought that China's latest political springtime would be followed by anything but a cold winter of arrests.

Disappointed foreigners now take solace in the argument that the dissidents "did not know when to stop" pushing their government for more freedom. They supposedly crossed a notional line of acceptable behavior by calling for independent political parties in China - a distinction that Western observers of Soviet Communism would never have been so foolish to make.

The depressing economic news out of China has been building for months, so that when China recently announced a 7.8 percent annual GDP growth rate for 1998, even Prime Minister Zhu Rongji admitted that the figure lacked credibility because of bogus reporting at the local level. The fact that China's crisis is derived from stalled reforms of state-owned industries and the financial sector is well understood.

Although few expect a quick upturn for the Chinese economy, the long-term optimists about China continue to rely on rosy economic forecasts. But as we move into the 21st year of China's economic reforms, it is harder to sustain the argument that foreign investors should stick it out for long-term profits. Now that the long term has come, and China continues to produce little or no profits for the vast majority of nonethnic Chinese investors, it is remarkable that anyone still willingly suspends disbelief about the Chinese economy.

Nonethnic Chinese foreign investment in China remains stubbornly below \$9 billion a year and companies known for their long-term view, such as the British-based retailer Marks & Spencer, are pulling out. While many more foreign companies, such as Siemens of Germany, will stay and complain about the absence of profits, the reality is an old one in China: When profits do appear, the Chinese will change the rules and reap the rewards themselves.

The depressing security news out of China comes in various forms. Chinese official agencies are using fierce rhetoric to denounce "U.S. imperialism" in nasty tones not heard in years, no doubt partly provoked by American actions in the Gulf. China's buildup on Mischief Reef in the disputed Spratly Islands in the South China Sea is only unexpected if

you believed that the Association of South East Asian Nations would and could deter China.

The recent conclusion by a U.S. congressional committee that China has been using closer U.S.-China economic engagement for espionage and intelligence gathering, especially for military high technology, reminds us that there is nothing new in China's determined pursuit of advantage with America. What is most depressing is that some American China watchers conclude that we need to be nicer to China, not tougher - apparently for fear that Beijing will get even nastier with the West.

Again, this is not a logic that would have been given much credence in East-West relations before the end of the Cold War.

While few would argue with the notion of engagement with China, what is most depressing is how the optimists continue to see the virtue of treating Beijing with kid gloves. China remains a weak and vulnerable power, but it is skilled in the theater of diplomacy that encourages us to suspend our disbelief in our ability to constrain China's unwanted actions.

There will be ample opportunity in 1999 to test how much we have learned about how to handle China. This year is the 50th anniversary of the Chinese Communist revolution. But China's repeated failure to democratize, its failure to sustain economic reform and its persistent unwillingness to become a status quo power accepting the constraints of interdependence are all failures sustained by a mistaken belief in the correctness of the 1949 revolution.

Only when China learns, as have members of Communist parties nearly everywhere else in the world, that the revolution was a failure will there be real grounds for optimism about the world's most populous nation.

*Gerald Segal is director of Britain's Pacific Asia Program and director of studies at the International Institute for Strategic Studies in London. He originally contributed this comment to the International Herald Tribune, (1/9/99). Comments/responses to this and all other PacNets are welcome.*