

China's Reform and Opening Up and the Political and Economic Transformation of the Eastern European Countries

by Adrian Severin
Beijing, 18 March 2008

The End of the 20th Century

The 20th century was obviously a very dramatic time. It started with war, with the great change produced by the impact of the first socialist or communist revolutions, it went through the terrible experience of the extreme right militarist regimes (in Europe we experienced the Nazism and the Fascism; in Asia we experienced Japanese militarism). After the war which was won by those who were looking for freedom and democracy, we have to note a successful dismantlement, to a certain extent, of the colonial empires. On the other hand we were involved in another war, the so called Cold War.

At the end of that century, full of great events, we witnessed and we participated as factors in some other crucial events, some happier others less happier. I would include in the first category the Chinese process of transformation and chronologically I would also mention the transformation within the Soviet Union and the Soviet bloc. We started the 21st century with the feeling that, on one hand, democracy and freedom won, but on the other hand the people and democracy are under some kind of pressure and confronted with unanswered questions.

A brief chronology of the events at the end of the 20th century should start with the mention that, by 1978, China has started to introduce into its own society and also into the world (because everything that China is doing is important to the world) the new ideas concerning the transformation of a society, changing very slowly otherwise, towards an open society. It was a shock for the world that China is considering a move towards transformation. So, 1978 came with a major event of a global relevance, and this was China's programme of transformation, which turned out to be a dramatic event in the most positive sense of the word, having a long term impact over the transformation of the global order. Secondly, in 1985, more or less, once Gorbachev took power in the Soviet Union and a process of change started in the USSR. 1989 was then the year of the great transformation in the Soviet bloc, and perhaps 1991, when the Soviet Union collapsed, we ended this chain of major events. But if 1991 was the effect of the events in the previous years, I think the years 1978, 1985 and 1989 are indeed years on which we have to look more carefully for their consequences.

Two other events in that period did not have the same magnitude but in a way accelerated the processes leading to the three mentioned events. One of them is the Cultural Revolution in China and the other one is the Helsinki Final Act in 1975, which was made possible by the decision of a détente in the Cold

War and which included the three baskets: political, economic and human rights. It exercised a certain pressure or a certain influence on the developments within Soviet Union and within the soviet bloc. Perhaps the re-establishment of China's permanent place in the UN Security Council and the re-establishment of diplomatic relations between China and the United States can also be considered relevant events in that period. Of course, other events could be mentioned such as the establishment of the Non-aligned Movement, with the contribution of leaders like Zhou Enlai, Nehru, Tito and Suharto, as well as the conclusion of the Vietnam War, with an important impact over the development of the world and especially of China. There were also the events occurring in the context of the Cold War, such as the Hungarian revolt of 1956, the Prague Spring of 1968, the emergence of *Solidarnosc* trade union in Poland, but none of them had the dramatic impact of the two I mentioned before.

So the 20th century started, more or less, with a transformation having a long term impact and this was the birth of the first communist state, which was created after the communist revolution of 1917, leading to the development of a new international order, the bipolar one. The same century ended with the process starting in 1978 in China, a process which transformed the international order by integrating it into a non-polar system, more unitary as a result of the integration of the old Soviet bloc. So, 1917 was the first year of the beginning of a new international order and 1978 was the beginning of a different international order. 1978-1989 is a relatively short period of time. The events were rather similar through their consequences, therefore a question is legitimate: were there common reasons for more or less similar events in such a short period of time to occur in China and the former Soviet bloc or was it a mere coincidence? This question is more legitimate if we note there were differences within the old communist family. For instance, countries like China and Romania practiced communism with a national characteristic, while most of the other communist countries practiced a communism with an imperial face. I think there were common reasons for these geographically diverse phenomena and they even influenced each other to a certain extent, as the reasons were mostly common. I would say that all these countries had a common vulnerability which was the apathy of the population, a common disease which was stagnation and a common outcome of the whole political and ideological exercise, if I may say so, manifested through the national uprisings in some countries, mainly from the Soviet Union, a popular discontent taking non-violent forms and a weakness at the international level, within the international competition. All these three manifestations determined the change and convinced leaders that a change was necessary.

China's Transformation

There were different answers for these common challenges. I think that China adopted an orderly transformation through a market which was gradual

but bold and coherent, secondly, through an increased popular participation. Even if the latter was mainly in the economic field it carried freedom and a spirit of self-identifying and self-defending people's rights within the frame of the existing political system. Thirdly, it was the modernization of the pluralistic expression within the Chinese Communist Party without changing the overall constitutional mechanisms. Socialism with Chinese characteristics means that social values are universal, but social policies are only local. We do not have anywhere in the world a single socialist, social democratic or labourist policy but we have common values which are served by local policies adapted to local regional or national realities.

The reconstruction or the construction of Marxism means an effort to transform Marxism from a dogma into a living dynamic theory responsive to the realities of development, able to give practical answers to practical realities. If this could be done is a different issue but it is a legitimate attempt and, I would say, another lesson with universal value. To merge the Marxist socialism with democracy and market economy is indeed a very audacious enterprise because the social ownership over the main productive means which in a way grants the transformation of all political classes into a proletarian class creates a sort of legitimacy for the proletarian dictatorship, which can hardly be conceived. But this is, to my mind, a very legitimate and perhaps intelligent smooth ideological transformation of a theory conceived at a certain stage of history and answering to certain historical realities which are no longer relevant for the actual realities. This smooth transformation rejects a sudden abandon of a theory, whichever it is, before being able to elaborate another one for which the people is ready. Irrespective how bright, how good a theory is, you need people prepared to assimilate it. Otherwise, you offer the people only forms without substance and this always creates problems.

Russia's Transformation

As China, Russia also opted for an orderly transformation but through different means. Soviet Union understood, looking at the Chinese transformation, that a change was needed and possible. But definitely the Soviet Union and especially Mr. Gorbachev chose different means: *Glasnost* and *Perestroika*. *Glasnost*, which means "transparency" in Russian, was meant to give access and information to the society about the decision-making process. *Perestroika* was a reform of the institutions with the perspective of putting them under the stronger influence or the full control of the people. As you can see, the economic dimension of the change was minimal, unlike China which strongly stressed this dimension.

The result of that policy in the Soviet Union was a rapid change in ideology. In fact they abandoned ideology openly and explicitly which brought neo-liberal policies into a society that was economically unreformed. The democratization of the economy allowed and imposed, through a democracy of a

capitalist nature, the phenomenon of primitive accumulation of capital, and thus, within a fragile democratic frame, the emergence of an oligarchic system. This system led almost to a dismantlement of the state, undermining its authority and capacity to defend the cohesion of the country and the society. Mr. Vladimir Putin tried to cope with this negative trend and to fight with this phenomena, however, apparently, he couldn't do it but at the expense of freedom and democracy. In this respect, we must say that perestroika eventually failed.

Today Russia is an authoritarian capitalism or a market authoritarianism, which has separated again the society from the decision-making process and, through the concept of "sovereign democracy" placed the people under the control of the state. However, in this way, the stability and strength of the nation have been rehabilitated and, on this basis, a post-Soviet programme was replaced by a neo-imperial programme (with a technical meaning, neither positive nor negative).

So, irrespective of Russia, China is emerging, due to its approach, as a global power without any imperial goal, and I think this is also consistent with Chinese tradition. I believe that this distinction must be understood by the rest of the world because, in assessing these realities, for example that the emergence of a global power without imperial ambitions is indeed a starting point in order to design the future international security paradigm.

Transformation in Eastern Europe

Unlike China and Russia, the Eastern European countries opted, in a way, or were forced to opt for a chaotic transformation, sometimes violent, through what has been called a "shock therapy". Those countries started their transformation by anarchy and continued it much the same way until they were integrated into the European and Euro-Atlantic organizations. The so-called "shock therapy" consisted in adopting the model of the transatlantic democracies enhancing for which the respective society were neither prepared nor anthropologically and traditionally fit. Secondly, it consisted in adopting neo-liberal policies in order to push fast structural reforms in the economic field. Within this democratic environment which was not well assimilated by the society, these neo-liberal policies made room, like in Russia, to a primitive accumulation of the capital and thus also created a class of local oligarchs. Unlike Russia, the oligarchs from Eastern Europe were weaker because the resources they appropriated were smaller. Therefore, while they were trying to keep weak states, they also developed or influenced nationalistic policies and national policies in order to seal the borders and protect themselves from international competition or, on the contrary, they opted for a total submission of their national economies to the international markets and to the strong international economic actors, so that they could take profit from their direct business partners to which they submitted.

So, in the end, the best we could get was a pluralistic oligarchy disguised in a democracy, which was the result of a shock without therapy. However this pluralism and the dynamism it carried were ultimately effective in the process of integrating the Eastern European countries into the European Union, and the EU integration, which was supported by the society at large, was the main disciplining factor, putting a certain order in these countries, which could be enhanced, to a certain extent, also because the national oligarchies were weaker than the pro-European political forces. The integration policies were not necessarily compatible with the development policy, in other words we had to develop less in order to be ready more to fit better within the structures of the EU.

As for the challenges we are facing today within Eastern Europe, the first would be to reverse the negative processes I have described using the assets brought by the integration into the European Union. The weaknesses of our transformation approach pushed us, like Russia, towards an imperial policy, bringing us to the conclusion that we have to re-establish a European empire, this time a democratic one based on freedom and values, not on the obsession of expansion and domination. It is a weak empire, but this is a positive feature because it pushes Europe towards the rule of law, the international order, international cooperation, towards security through development and cooperation. These lines are convergent with Chinese lines of development and of continuing transformation. When I am speaking about a "European Empire" I have in mind a universalistic integrative message of the EU, which should be characteristic for any sustainable empire: people from the periphery shall have the perspective to reach the level of life security, including social security enjoyed by those from the centre.

However, the European Union is an "emerging empire" which is afraid or reluctant of any enlargement, even if some may be necessary, for example towards the Western Balkans and Ukraine. On the other hand it is reluctant to define its borders, but the definition of EU borders is a part of its identity and it is a necessity. Its reasonable borders (however, I am not talking about their feasibility) might include Ukraine, Belarus and Turkey, plus the Western Balkans, and I believe that the EU could not extend over the borders of these countries. I don't think the Caucasus could or should become a part of the EU. I would encourage a small union of the Caucasian states following the model of the European Union in terms of economic, social and legal integration, but following the Finnish and the Austrian model in terms of military neutrality. I don't think the Caucasus must become a part of NATO, unlike some of my compatriots. The question is if the European Union is ready to enlarge up to that border.

But I think the debate within the European Union in the next period will be about deepening of integration and not about enlargement. We have to look at the deepening of integration which is a crucial matter for the future of the

Europeans and also for the future of the world. As the world needs a strong and free China, it also needs a strong and coagulated European Union. There cannot be a better partner in the world for China than the European Union; that is why China should support the strengthening and development of the EU and the EU should do the same when it comes about China.

For reasons we do not have time to describe the transformations in Eastern European countries took place under the management of the parties of the left (socialist or social democratic). One reason may be that their managerial capacity was better. Many of them were called “reformed communist” parties, some others were new parties emerging immediately after the transformation. The long stay in power of these parties together with the hardships posed by transformation policies eroded them and their credibility.

Hence, socialist and socialist parties in Eastern Europe are today in great trouble. In Poland, we witness a political race only between the right and the radical right parties. In the Baltic States the relevant political forces are only the right wing parties. In the Czech Republic the socialist parties are virtually insignificant. There is a new self-labelled social democratic party in Slovakia but it is rather populist. Socialists are in power in Hungary but they are very weak at this point in time and anytime they have elections they might lose them, and the danger is that fundamentalist nationalist parties of the right come in power. In Romania, the Social Democratic Party is now in opposition; even if it is still the strongest party in parliament, for the first time after the Romanian revolution of 1989, during the European elections of last year, it came in the second place. Generally speaking the left wing parties are not doing very well in the rest of Europe. This is very strange because, on the other hand, the most important trends in the European society are in favour of a “social Europe”, of which only social democratic parties can have a perspective.

Perspectives

My question is: what is next? In Europe, we must create a new message to the people, and not only a rationally valid one but which will give people a new sense of purpose in their lives. We are rather able to convince rather than to move emotionally the people. People not only need to be convinced, they also need emotions, a dream, a symbol, a myth and, unfortunately the European Union which was built on the myth of peace and prosperity does not have any longer a mobilizing myth from the perspective of the left. I believe we have good well-thought programs in PSE, but we do not have appealing programmes, which could be quickly understood by the ordinary people in order to trust our capacity to provide what they need.

I would structure our message into three baskets. Everything is included in the broad concept of social Europe – basket one – from which we have deducted a concept like “Social Romania”, “Social Hungary” or “Social Germany”. This first basket contains the ideas of sustainable development,

healthcare, educational system, coping with global warming or climate change, flex security – meaning we want to combine, as in China, Marxist theories with market economy and democracy, and also the protection of the employees with the flexibility of the market, according to the idea that we do not want any longer to protect the job, meaning that we do not want to force the employer to keep a job if it's not needed, but we want to protect the worker, we do not protect the employment but the employability, the capacity of people to be employed. Of course, we are acting through various programmes in order to create jobs, but the most important part of the programme is that we consider any expenditure dedicated to health or to education, or even to environmental protection, are not costs but investments leading to social profits, which will be eventually translated as well into economic profits.

The second basket concerns not all Europe but Eastern European countries only, and socialist and social democratic parties in the region, and in this context Romania. In these countries, after the experiences of last years consists I consider that there must be a rethinking of social policies, and come with clear, coherent, consistent packages, we have to rehabilitate and rethink the role of the state and its relationship with the market, we have to rethink the relation between labour and capital and the relationship between the collective interest and the individual interest. We should also think about restructuring of the society, which is still needed, mainly in a country like Romania, which, like China, has a lot of people involved in agriculture (of course, the figures are different, but proportions are quite impressive). We also have to think about the rehabilitation of the cohesion and coherence of the nation. It is important, in my view, that while we are looking for words, the European process and the European integration to be the most important perspective for us; we must redefine the role of the nation from or within a European perspective, of building a trans-national European democracy.

The last and third basket – which is also important for all socialists – is about European Union consolidation and deepening of integration, in such a way as to add to the present economic union a political and social union.

In the end I would like to say some words about China, trying to answer to the question “what's next?” I think one of the challenges for China is social polarization and this will be a big challenge to cope with. I think an answer to this problem would be sustainable development in a fast developing economy. China has to build not only socialism with specific characteristics but a market economy with Chinese characteristics, or better said a model of economic development with Chinese characteristics. The neo-liberal model, expressed to some extent in the European and North American models of development, will put such a burden on natural resources that I am afraid this would completely unbalance not the resources of China but the resources of the whole world.

Therefore, I believe that, while coping with the social and economic disparities, sustainable development must be kept in mind and building up a

Chinese model of economic development. The right balance must be established between economic and political opening, while, I believe, modernization and pluralistic expression will continue to develop within Chinese institutions.

Also, a good answer must be found to balance the process of decentralization with keeping up the cohesion of the country, bearing in mind that decentralization and dissolution are two very different things and dissolution of the state must be avoided, as no one needs a dissolute China. As some other western authors have highlighted, the best solution is a balance of power between local authorities and a strong central government. I believe that in China, too, there is a need of a certain accountability on the part of local governments and businesses to a central government strong enough to correctly implement the country's rules.

Coming to the international sphere, I think a joint policy is needed for a true international acceptance of the major role of China within a new international order based on international legality. For all these it is necessary to continue and deepen the Chinese reforms and not to stop them at the present level. Reforms are in a way an endless process, in China or elsewhere, in that part of the system refusing the "shock therapy". I can only hope that, in this process, China will keep those targets which are similar or convergent with those of the European social democrats and that it will use the means that are compatible with those used today or that will be used tomorrow by social democrats in Europe.