

BOOK REVIEW

Market Liberalism: American Foreign Policy toward China by Gordon C. K. Cheung, New Brunswick and London, Transaction Publishers, 1998, x + 179 pp.

This is a timely book. The recent agreement between the United States and China made China's entry into the World Trade Organization (WTO) a realistic scenario. Although the full integration of China's economy with the world may take years, possibly some generations, since China is an important player in the world economy, a new set of questions can be raised. How did China come to accept market economy? How did it chart the transformation of its national economy? What were the strategies and models for the Chinese leaders? And what would be the political implication of the growing Chinese economy for the rest of the world?

Gordon Cheung, a political scientist and a resident in Hong Kong, addresses these questions from two aspects. First, he uses the concept of Augmented Market Liberalism (AML), which is defined as a "process of assimilation and transformation of a country generated by the externalization effects of the market force" (p. 1). Cheung considers that market forces have permeated the Chinese society and changed the Chinese social life dramatically since their introduction two decades ago. Cheung describes China's shift from planned economy to AML as a political process, in which various actors and interests play their roles.

Secondly, Cheung argues that it was the United States who played the most important role in introducing the market economy into China. According to Cheung, U.S. foreign policy toward China after World War II embodies the "externalization of market forces" (p. 1). Cheung finds a direct link between U.S. "encroachment" of Japan and "embankment" of the Four Little Dragons (Hong Kong, the Republic of Korea, Taiwan, and Singapore) during the Cold War, and U.S. "engagement" with China in the post-Cold War era. Sino-American relations need a reinterpretation, Cheung continues, by stressing market forces as an engine for change.

Cheung's work is a welcome addition to the tradition of social historians, who tried to analyze macro-dimensions and general trends in social transformations. Giants of social sciences paid great attention to market forces. As Cheung's notes reveal, Karl Polanyi had already pointed out in his book, *The Great Transformation* (Boston: Beacon Press, 1944) how the "satanic mill" of capitalism had transformed the traditional British countryside. More recently, Alfred Chandler has concluded in his book, *Scale and Scope: The Dynamics of Industrial Capitalism* (Cambridge, Mass.: Belknap Press, 1990), that market impetus had been transforming the global economy. Not many, however, had ever envisioned the days Communist China would become the subject of the study of capitalist transformation in the 1990s. If we assume that these historic events in the late 1980s and early 1990s, such as the Tiananmen Incident, the fall of the Berlin Wall, and the collapse of the Soviet Union, had changed "paradigms" or "frameworks" of social sciences, China's efforts in these turbulent years deserve scholastic attention.

In the context of the Chinese area studies, Cheung's approach looks fresh in two aspects. First, Cheung represents one of the growing numbers of social analysts who are completely free from Marxist-Leninist tradition. We should keep in mind, however, that the Chinese government has endorsed market liberalism only recently, and the official governmental statements refuse to admit that China has become a capitalist country. The Chinese government is not likely to accept market forces wholeheartedly as long as some party leaders look at them with suspicious eyes. Second, Cheung tries not to complicate the already confusing picture of the Chinese economy. The generalizations about China, with its huge population and local variations, are always very risky. As the number of foreign educated researchers increases, it is almost inevitable that some young Chinese scholars rely on new "models" or "scientific" explanations. Cheung's explanations remain basic and traditional. It is a relief to find that Cheung does not use a complicated matrix and statistical jargon.

Cheung's "theory," on the other hand, is not a rigorous one. Instead of building a hypothesis and proving/disproving it with empirical data, Cheung assembles historical narratives along his "framework for analysis" (p. 15). This framework is a "typology" of the developmental process of U.S. AML. The United States, Cheung argues, has been promoting trade with China so as to contribute to the growth of the market economy inside its strictly organized state structure. According to Cheung, U.S. foreign policy of "engagement" paved the way for China's acceptance of market forces, and China's manifesto, "Socialist Market Economy" (p. 27), represents a strategic choice rather than a stifling contradiction. The "engendering of the AML," Cheung concludes, "not only facilitates American interests in the Asian-Pacific region but also circumscribes its foreign relations within a manageable regime of coordination and cooperation" (pp. 29–30).

Those who are trained in the tradition of "social critique," which emphasizes the value of doubt, may feel awkward reading Cheung's book. Cheung not only refrains from criticizing either the U.S. or the Chinese government but also justifies their present policies. In Cheung's analysis, China looks firmly on its way to market economy, where demand and supply meet eventually. Let us examine, in the following, how Cheung can convince those skeptical readers, including this reviewer, with his presentation of AML.

I

The book consists of five parts and ten chapters. In the Introduction, Cheung defines his two objectives. One is the reinterpretation of Sino-American Relations after World War II. The other is the outline of the concept of AML as a theoretical guide for analysis. These two objectives are, in fact, the two sides of the same coin. Cheung states that the "momentum of the market and the dynamic forces of liberalism energize the world toward growth in an unprecedented manner" (p. 2). China is no exception and, as Cheung sees it, U.S. foreign policy has contributed to fulfilling the conditions required for these forces to play. Cheung stresses that "*the pattern of market behavior gave rise to opportunity, enlargement of goals, growth through production and consumption, and the manifest orientation that envisioned change*" (p. 2). [italics in original]

Regarding the U.S.-China foreign relations, Cheung does not agree with the two contrasting views on China, one tinged with caution and skepticism, the other with sanguine appraisal of China's economic potential. The former view, representing the "China threat"

school, underestimates the force of the market economy that has already been modifying China, according to Cheung. The latter view, represented by the “Greater China” school, on the other hand, tends to dismiss specific characteristics of individual societies facing change. Cheung relies on two major sources. Primary sources are U.S. Congress hearings. They are not only accessible but, Cheung believes, good ways to look at the opinions drawn from the society at large as they indicate the discourse of the U.S. foreign policy. Other sources include presidential memoirs, books, and journals written either in English or Chinese. Cheung enjoys an advantage of working with the Chinese University of Hong Kong, whose Universities Service Centre had collected historical newspapers from all the Chinese provinces from 1949 to the present.

In Chapter two, Cheung attempts to investigate the usefulness of AML as a conceptual tool for analysis. First, Cheung analyzes two explanations of the Asian-Pacific growth, i.e., development theories and Confucianism. Then, he presents an alternative, his AML, as a way to study the exogenous effect of market-oriented U.S.-China policy. Cheung argues that traditional theories of development, among all W. W. Rostow’s “stages of economic growth,” A. G. Frank’s “development of underdevelopment,” and Mancur Olson’s “distributional coalition,” are inadequate to explain the economic development of Japan, the Four Little Dragons, and China. According to Cheung, these economies have not gone through the stages Rostow had formulated. Moreover, these economies are still growing despite the existence of various hindrances that Frank and Olson predicted. Confucianism does not explain much, either. Although Confucianism may explain Hong Kong’s economic success, Cheung points out, it hardly explains why North Korea, Thailand, Burma, and China are still suffering from poverty.

An alternative to these traditional theories is AML. Cheung believes, along with Peter Drucker and Alfred Chandler, that the market mechanism is vastly superior to all other methods of organizing economic activity. To Cheung, the market represents “exogenous forces of modification” (p. 24). The market promotes dynamic competition and acts as a transformation agent in modifying individual societies. Cheung traces U.S. political and economic influences after World War II in Asia as the trajectory of an AML. Postwar international structure of the International Monetary Fund (IMF), the General Agreement on Tariffs and Trade (GATT), and the International Bank for Reconstruction and Development (IBRD), all contributed to America’s “hegemonic stability” (p. 26). Regional structure in the Asia-Pacific region also helped America to build the “embankment” of the economic development of the Four Little Dragons under U.S. influence. According to Cheung, the process whereby Japan and the Four Little Dragons changed their national economies under America’s influence is important because it underscores the self-perpetuating and self-correcting nature of market liberalism. China is to modify its national economy to market economy under U.S. “engagement.”

In Part Two, which consists of two chapters, Cheung analyzes the U.S. “encroachment” of Japan and U.S. “embankment” of the Four Little Dragons as a process of construction of the Asia-Pacific market economy, respectively. First, Cheung contends that the United States brought market economy into Japan mainly to counter the communist threat. The United States not only laid the foundation for a new democratic model for Japan during the occupation but supported Japan’s membership in GATT. According to Cheung, the American mar-

ket functioned as a liberalization agent providing Japanese industry an ample market for a wide range of products. Although the United States implemented “get-tough” economic coercion policies toward Japan in the 1980s, they soon modified them to “get-smart” engagement policies in the 1990s (p. 38). Cheung finds that economic interdependence and security alliance constitute the two major loci of the U.S.-Japan relations after the cold war, and their relations are experiencing little alteration.

The Four Little Dragons also played an important role in the opening of the Chinese economy. Cheung argues that the pull of the U.S. market and deliberate encouragement caused the growth of the Four Little Dragons, and created a market impetus as their common “guiding post” (p. 45). Each of the Four Dragons, Hong Kong, Korea, Taiwan, and Singapore, has its specific relations with the United States. At the same time, Cheung contends, they all share a common goal with the United States in facilitating a capitalist prong to stop the spread of communism and in maintaining a peaceful Asian-Pacific region. The United States also provided to these growing Asian economies free access to the American domestic market.

Three chapters in Part Three trace U.S. market augmentation policy toward China since 1949. Cheung classifies the post-World War II Sino-American relations into three phases. U.S. market augmentation policy toward China has advanced, according to Cheung, from the Cold War isolation to post-Mao engagement. Market forces, Cheung considers, drove both China and the United States closer. China wanted to free itself from the economic plight of isolation and the United States tried to formulate a new world economic structure. Cheung argues, using U.S. congressional hearings, that Henry Kissinger, who planned Nixon’s visit to China in 1972, persuaded both the president and the Congress effectively. Kissinger stressed, according to Cheung, that détente with China would not only help sustain U.S. hegemony in diplomacy but make perfect economic sense at home (p. 91). Immediately before the visit, Nixon justified the normalization with China, according to Cheung, as the best way to influence and change China by market forces. The United States, which had just experienced serious inflation and a financial crisis, wanted trade with China, by far the most prospective market. Nixon went to China, according to Cheung, as a “result of market forces” (p. 85).

Cheung finds that in the 1980s a change of U.S. “power context” (p. 97) and China’s adaptation to the world economy proceeded side by side. Normalization with China encouraged, according to Cheung, U.S. confidence in relying on “soft power resources” (p. 98). China, on its part, started opening up its national economy and became engaged in international trade. Ronald Reagan, who was an embodiment of anti-communism, visited China in 1984 and both countries signed a series of bilateral agreements in the mid-1980s. China’s declaration of intention to reenter GATT showed its willingness to become associated with the international economic system for its domestic development.

Two chapters in Part Four deal with two contending tendencies of U.S.-Chinese relations in the 1990s. The first is represented by the U.S. foreign policy divergences with China. Cheung describes how the 1989 Tiananmen Incident raised the tensions between the two countries. Underneath the surface of political contention on human rights and democratization, Cheung sees growing divergences of interests in the United States on such issues as Most Favored Nation (MFN) status, intellectual property rights, and trade imbalance. On

the other hand, Cheung argues, the second tendency also emerged in the mid-1990s. The mid-1994 delinking of human rights issues from the MFN status indicated that the Clinton administration shifted its foreign policy to convergence with China. By stressing convergence and accepting China's role in the Third World, Cheung indicates, the United States could accommodate China into the world economy without affecting its own national interest nor the stability of the world economy (p. 134).

In the concluding chapter, Cheung offers China's development trajectory and policy orientation. U.S. foreign policy toward China, which included the market force as an important variable, created a momentum for change. AML would continue to do so in the future (p. 145). China's development was fundamentally molded by the market force. It is likely to remain so in the future (p. 147). China, Cheung predicts, will keep on moving toward economic development and market openness, and away from isolation and state intervention. Accordingly, U.S. foreign policy toward China is to dismiss a cold war strategy and to stress common interests (p. 153).

II

Cheung raised several interesting questions, which constitute the basis for further studies. It is quite refreshing to see the 1972 Nixon's visit to China in the light of the "orchestration" of the U.S. economic interests. Cheung has reached this conclusion by reading "between the lines from congressional hearings" (p. 88), a well-established technique among China scholars. His attention to the early stage of U.S.-China engagement coincides with the recent attempts to reinterpret U.S.-Chinese relations. James Mann's *About Face: A History of America's Curious Relationship with China from Nixon to Clinton* (New York: Alfred Knopf, 1999), for example, offers a remarkably different interpretation. Where Cheung sees convergence, Mann finds divergence. Japanese readers may find that Cheung's interpretation is closer to theirs, because they remember the so-called Nixon Shock, primarily as an economic one.

Cheung's view on the role of Taiwan, seeing the Taiwan issue as "intervening variable" (p. 118) of U.S.-Chinese relations, is interesting. Both U.S. and Chinese policymakers tend to underestimate the mutual economic dependency between Taiwan and Mainland. Cheung must have witnessed the massive inflow of the Taiwanese private investment into China in the post-Tiananmen years, which led to the Mainland investment boom in 1993-94. Taiwan-China relations are complex and subtle as Cheung points out. They can talk trade and investment while their military are preparing for a face-off across the Taiwan Strait.

Then, can we say that Cheung has convinced us? Yes, but with some reservations. What you learn from Cheung depends much upon what you expect from his book. If you assume that market forces must have played an important role in China's economic and social transformation, you find plenty of explanations and historic examples. Cheung succeeded in presenting an overview, or a roadmap, of China's development in a logically coherent manner. To Cheung's credit, it is no small contribution.

On the other hand, if you are one of those skeptics, who defy rationality and design, you are not likely to be fully convinced. There are three reasons why Cheung failed to convince those skeptics. First, Cheung's analysis almost solely concentrates on American foreign

policy toward China. U.S.-Chinese relations are bilateral relations by definition. China reacts to, and possibly plays the game against, external impetus like U.S. foreign policy and the world economy. As Cheung looks into the Chinese decision-making process in a limited manner, the picture Cheung presents to us is too bland to be real. China's opening up did not happen automatically. It generated local resistance and social costs, as the Tiananmen Incident showed. It is understandable that there is a tremendous information gap. China does not have an equivalent of congressional hearings and this is likely to remain so. But there should be a way. We do not see how Cheung made the use of those Universities Service Centre archives at the Chinese University of Hong Kong, which should reveal local variations and political nuances.

Secondly, Cheung's concept of AML is empirically vulnerable. The shakiest assumption Cheung makes is that of rationality. Cheung describes the postwar U.S.-Chinese relations as a linear progression of market forces. It is doubtful whether all the American administrations, from Truman to Clinton, kept on pressing AML toward China to maximize American national interest. China's response to market economy is also far more complex than Cheung's explanation. Mao tried out market economy in the 1930s in the revolutionary context, and again in the early 1950s. Liu Shaoqi and Deng Xiaoping revived market economy, perhaps with the approval of Mao, in the early 1960s to avoid famine. Even in the 1990s, the ASEAN nations and Taiwan, and Hong Kong among all, contributed most to China's post-Tiananmen economic recovery.

Thirdly, Cheung's assumption of AML success in Asia looks embarrassing after the 1997 Asian Economic Crisis. At present, some of the Asian economies, notably Taiwan, Thailand, and Korea, show a remarkable ability to rebound. China remains less affected by the crisis, because it has a limited exposure to the international market. The crisis may underscore Cheung's argument on the robustness of AML, or it may not. The omission, although the major parts of the book might have been written before 1997, hurts. More substantially, Cheung's concentration on American foreign policy toward China shows the limitation of a bilateral approach to an increasingly complex and multilateral phenomenon, like the so-called Asian Economic Miracle. Cheung briefly mentions the roles played by the GATT, the WTO, and the World Bank. But Cheung did not delve much into the relations between these organizations and the United States.

Cheung's compact book, about 180 pages in total, provides a comprehensive introduction to increasingly complex issues, such as economic dynamism in Asia and Chinese-U.S. relations. Cheung's book is accessible to non-professionals as it contains only a few technical terms like AML. Cheung shows a remarkable skill in outlining important concepts succinctly and discussing complex problems. However, for more detailed information on specific topics, it might be preferable to refer to articles from journals or books with a higher level of specialization and expertise.

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