tives, ranged behind the public face of Li Peng, began the crackdown which culminated in the bloody events in the early hours of 4 June.

Certainly there were calls for democracy, but far more numerous were the cries of outrage at official corruption and the fall in living standards. For at least two years before the events of 1989 there had been an ideological tug-of-war between reformist and conservative leaders over the direction of economic reforms. At its core were the questions of how tightly the economy should be controlled and how to deal with the phenomenon of inflation which, by 1989, was officially put at 18%, but was actually running closer to 40%. Reformist leaders favoured almost total decentralisation, leaving market forces to direct the economy. It is said that they insisted that economic reform could not proceed without political reform. The conservatives favoured a closely supervised economy: they said the economy could be as free as a caged bird. It was an indecisive shuffle which took the economy nowhere. The conservatives held sway in August 1988 long enough to implement their policy of price reform, which led to rampant hoarding and public outcry before fizzling out a few months later.

In the two years since Tiananmen, the Cold War has ended and communism is said to have died. Yet China has scarcely noticed. In the two years since Tiananmen, the Cold War has ended and communism is said to have died. However, there is one storm cloud on China's trade horizon. The US trade deficit is running in China's favour to the tune of $10.4 billion, and it's for this reason that the US is now threatening to remove China's most favoured trading nation status. This is the most serious threat that China has faced since 1978. As a measure of its desperation, China is prepared to go to the unprecedented length of allowing an Australian delegation to investigate human rights. Nobody, except possibly a public Gareth Evans, seriously believes that the exercise will be enough to hoodwink the US into extending its MFN status. The exercise really shows that China still knows what tunes to call and how to call them.

Some moderates, like the erstwhile mayor of Shanghai, Zhy Rongji, are again being appointed to senior positions of state. All in all, while there has been a bit of tinkering at the margins, the basic problems remain, and it is only a question of time before the CCP is again locked into bitter dispute over how to resolve the impasses of economic reform and mounting public discontent. For all the tough talk of Western governments since Tiananmen, China has hardly lost out in international markets.

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