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Deng, Not Gorbachev, May Get the Laurels

By William H. Overholt

HONG KONG — Today's conventional wisdom is that Mikhail Gorbachev is a hero as a reformer while Deng Xiaoping is a failure. The verdict of history will almost certainly be the reverse.

Reform is primarily a domestic political process, and, short of triggering an invasion by foreigners, its success or failure hinges exclusively on the reformers' ability to construct an adequate domestic base of political support. Mr. Gorbachev has failed completely at this, while Mr. Deng has succeeded.

Great reformers, like Turkey's Ataturk, divide reforms into a sequence of manageable phases and create a coalition of interests in support of each phase. They manage each phase to generate rising momentum for the next. Unsuccessful reformers quickly antagonize so many interests that they become overwhelmed by reaction.

Mr. Deng's reform in China is the model of a successful Ataturk-style process. Focusing first on farmers, and by rapidly doubling the incomes of 800 million of them, Mr. Deng not only won hearts and minds but also changed the tone of Chinese society.

Mr. Deng then permitted the rise of a class of small-scale entrepreneurs, revolutionized China's financial system, transformed large segments of China's light and medium industry, and allowed a vast flow of students and intellectuals in and out of China. Each step delivered concrete benefits to important groups and created a powerful constituency for further reform. He managed to antagonize a minimum coalition of vested interests against reforms.

Only after a decade in which China was the world's fastest growing country did Mr. Deng confront the core of Communist power: heavy industry and political management of the economy. At that point he lost control of both economic inflation and the inflation of political expectations; prices rising at 25 percent and a million demonstrators in Tiananmen Square panicked the great reformer and a tragic massacre ensued.

But that is not the end of the story. Facing this tidal wave are superannuated bureaucrats who have no theory of political victory except to circle the wagons. Their prescriptions for the economy will ultimately worsen China's problems, and they will be blamed for the errors of the reformers as well as their own. In short, Mr.

Deng created a reform wave with momentum so great that even he can do no more than slow the tide.

Mr. Gorbachev, on the other hand, has succeeded at international public relations and, from a Soviet perspective, failed at everything else. Instead of attacking reform by sectors, he has attacked every conservative group at once; instead of delivering concrete economic benefits to insure continuing momentum, he has delivered no benefits whatsoever.

The conservative bureaucracies of the Soviet Union are far more entrenched than their Chinese counterparts, so dislodging them requires more stealth and greater care.

Yet Mr. Gorbachev has simultaneously told managers they will have to make a profit, workers that they will have to work harder with less alcohol, party leaders that they face new demands and the risks of running for election, government officials that they will endure budget cuts in a period of turmoil at home and loss of allies abroad.

From abroad, Mr. Gorbachev has been brilliant. He has freed Eastern Europe, enhanced intellectual freedom at home, and proved himself a statesman of great initiative, foresight and decency. If he were running for president of the United States, he would be a sure winner. Mr. Gorbachev's tragedy is that he will be judged by those for whom he has provided all costs and no benefits.

His theory has been that he needed to build political legitimacy first and reform the economy later. But benefits speak louder than words. Soviet society has had seven decades to conclude that ideology is fluff.

From a domestic viewpoint, Mr. Gorbachev has matched the achievement of the shah of Iran in 1978: antagonizing virtually all powerful domestic pressure groups simultaneously. He has more than matched the achievement of Jimmy Carter in 1977: weakening ties to virtually every ally while cutting the military budget and damaging the intelligence service. Anyone who

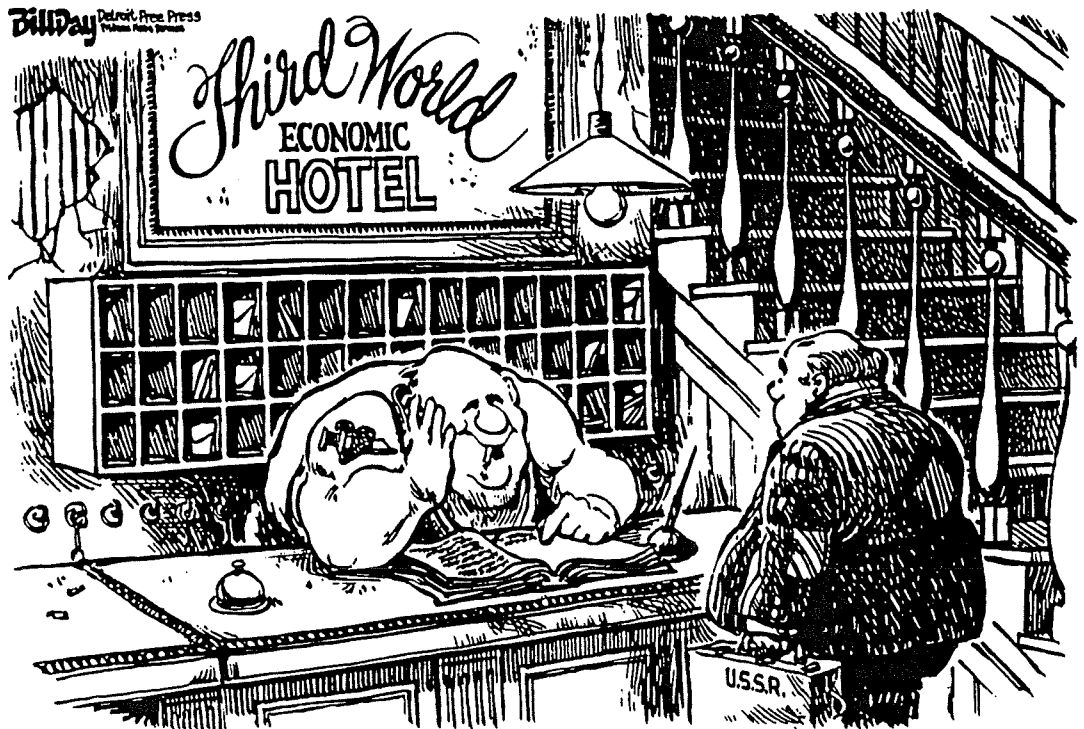
combines the flaws of the shah and Mr. Carter has sealed his fate.

Mr. Gorbachev may fall early or late. He may fall dramatically or be left as a figurehead with his program emasculated and all initiative in other hands. But his economic reform already looks like a failure.

To a remarkable degree, the world has nonetheless programmed itself around the assumption that Soviet and East European liberalization are assured successes. West European parliaments and the U.S. Congress are spending the peace dividend. NATO is planning troop cuts and a partial withdrawal of U.S. forces.

Reality may be different. Mr. Gorbachev's U.S.S.R. has not yet faced its Tiananmen Square, but it will. The question of disintegration or force must eventually be faced. History will reverse today's premature verdicts on communism's most powerful leaders.

The writer, a former associate of the Hudson Institute, is regional strategist for Bankers Trust Securities (Pacific) Ltd. He contributed this comment to the International Herald Tribune.



'Yeah, yeah, I've heard a million hard luck stories. Just sign here, buddy.'