CHAPTER 7

Reimagining the Chinese Economy Through Sino-Japanese Engagement in the 1980s

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INTRODUCTION

On 27 January 1979, a group of high-level Chinese officials gathered at Diaoyutai State Guesthouse in Beijing to attend presentations by two Japanese economists. Ōkita Saburō, Chairman of the Japan Economic Research Center, and Sakisaka Masao, President of the National Center for Research Advancement, gave the first in a series of lectures on topics such as “Japan’s Post-War Economic Development and China’s Development.” Over the next several days, Ōkita and Sakisaka also delivered a separate report responding to specific questions by Chinese Vice-Premier Gu Mu, addressed department-level economic officials at the Friendship Hotel, and gave a talk at the Chinese Academy of Social Sciences.
attended by approximately 500 officials and scholars.1 As Ōkita recalled: “During our stay in Beijing, we met with economists who are involved in China’s economic planning…. We had the opportunity to discuss various issues such as Japan’s development of its own economic planning, changes in the industrial structure and issues over energy.”2 Just a few years earlier, inviting foreigners from an advanced capitalist economy to lecture and meet with Chinese officials and scholars in Beijing would have been unthinkable. How did cross-border movements of people and ideas between China and Japan occur during the 1980s, and what were their effects on China’s early economic policies under Deng Xiaoping?

This chapter examines three mechanisms of Sino-Japanese engagement—advisers, exchanges, and examples—and assesses their impact on China’s economic policy-making. Ōkita and Sakisaka served as the first economic advisers to China’s State Council during the Reform period. Japanese economists continued to provide ideas and suggestions to Chinese policymakers throughout the 1980s, albeit on a more informal basis. Study tours from China to Japan and organizations for bilateral exchange, such as the Sino-Japanese Knowledge Exchange and the Japan-China Economic Association, also facilitated deeper bilateral engagement. In addition, Chinese officials and scholars closely scrutinized Japan’s economy and enterprises in written studies, including both original research and translations of Japanese works. While other authors in this volume highlight the importance during the early Reform period of interactions between China and the United States (Chapters 3, 4, 5), West European countries (Chapter 9), and international organizations (Chapter 6), Japan was arguably the top focus for Chinese policymakers tasked with reimagining China’s economy.3

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1 张云方 [Zhang Yunfang], 《从改革开放伊始说起》 [“Cong gaige kaifang yishi shuo qi”] [“Speaking of the Beginning of Reform and Opening”], 《People’s China》, 24 September 2019.


3 During the early Reform period, Japan featured more often than any other country in articles in the widely circulated 《经 济 研 究 参 考 材 料》 [Economic Research Reference Materials]. 萧冬连 [Xiao Donglian], 《中国改革初期对国外经验的系统考察和借鉴》 [“Zhongguo gaige chuqi dui guowai jingyan de xitong kaocha he jiejian”] [“Systematic Investigation and Referencing of Foreign Experiences in the Early Stage of China’s
These movements of people and ideas between China and Japan affected Chinese policy-making through multiple channels. The most immediate pathway was direct experience: when Chinese officials or scholars went to Japan or interacted with Japanese actors either there or in China. Information and ideas from Japan were disseminated within the Chinese bureaucracy and incorporated into the policy process through formal oral and written reporting as well as private, informal communications. Other avenues included training programs for local officials and presentations at closed-door meetings convened by the Chinese government and attended by larger groups of officials and enterprise representatives. Information and ideas from Japan also circulated within and beyond the Chinese bureaucracy through internal government journals, external talks, and in some cases even the publication of books and articles for a mass audience.

Although Japan’s material assistance to China during the 1980s is widely recognized, the effects of Sino-Japanese engagement on Chinese policy-making remain underappreciated. Loans, aid, and technology assistance from Tokyo provided vital support to China’s economy, facilitating the success of the Reform and Opening Up movement under Deng.

Scholarship on how Japanese advisers, bilateral exchanges, and study of Japan’s economy and enterprises also affected Chinese domestic policy-making is growing but remains limited. Sebastian Heilmann and Lea Shih, for example, argue that Sino-Japanese exchanges during the early Reform Era powerfully affected the evolution of advocacy coalitions within the Chinese government and ultimately yielded a proliferation of national industrial policy programs after 2004. Sarah Eaton also cites Japan as one important source of ideas behind the “advance of the state”: the resurgence of centrally controlled large enterprise groups in China despite market reforms. This study extends these works by focusing on the

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mechanisms of Sino-Japanese engagement and its effects on economic policy-making during the 1980s.

Sino-Japanese engagement shaped China’s early Reform trajectory in multiple areas. First, Chinese policymakers felt that Japan offered a successful example of how to combine economic planning with market-oriented reforms. Japan’s experience showed it was possible to use industrial policy to promote basic and export industries while also using indirect forms of guidance and state-enterprise coordination to steer but not control economic activity. In addition, Japan provided both a justification and a source for the import of foreign technology crucial to modernizing Chinese industry and accelerating domestic economic development. And if foreign technology was the hardware, then Chinese policymakers viewed Japanese management practices as the requisite software to achieve its full productivity potential. Even if Chinese policymakers had divergent views on which aspects of Japan’s experiences to prioritize and apply, a strong consensus existed that Sino-Japanese engagement was valuable and immediately useful for China.

This chapter proceeds as follows. First, it briefly reviews the broader international and domestic context of deepening bilateral engagement between China and Japan under Deng. Next, it briefly discusses three key mechanisms of bilateral engagement—international advisers, exchanges, and examples—and provides examples of each. The following section discusses key themes in Sino-Japanese engagement and their effects on Chinese policy-making in terms of combining economic planning with market-oriented reform, importing foreign technology, and improving management. The conclusion discusses broader implications and questions for future research.

**China and Japan: From Estrangement to Engagement**

China’s international relations transformed fundamentally in the 1970s. Visits to Beijing by Henry Kissinger and Richard Nixon set U.S.-China relations on the course toward establishment of diplomatic relations in 1979. Rapprochement with the United States catalyzed breakthroughs in China’s diplomatic relationships with Japan, European countries, and other states worldwide. The number of countries with which China had diplomatic relations increased from 50 prior to the Cultural Revolution to nearly 100 by the end of 1974; 18 countries, including Japan, established
diplomatic relations with China in 1972 alone.\textsuperscript{7} Lower-level exchanges of research and technical experts quietly began to flourish, addressing topics ranging from railway technology to pest control.\textsuperscript{8} At the initiative of Hua Guofeng and then Deng Xiaoping, high-ranking Chinese officials led delegations around the globe, from Japan to Hong Kong to the United Kingdom and beyond. In 1978 alone, 21 Chinese delegations led by 13 vice-premiers and National People’s Congress vice-chairmen visited 51 countries.\textsuperscript{9} These diplomatic efforts were an important part of Deng Xiaoping’s economic statecraft: they aimed to obtain information, capital, technology, and international support for China’s domestic economic reforms.

Deng and Chinese policymakers were particularly interested in emulating the post-war economic success of neighboring Japan. At the dawn of the 1980s, Japan appeared poised to become the world’s largest economy, with annual GDP growth rates frequently exceeding 10% for nearly two decades.\textsuperscript{10} As of 1976, Japan accounted for about 10% of global economic activity, even though it had only 3% of the world’s population and 0.3% of its surface area.\textsuperscript{11} Companies like Toyota and Sony had become household names worldwide and global industry leaders in automobiles, electronics, and household appliances. Although Deng also prioritized engagement with other advanced capitalist economies like the United States, as Lu Sun (Chapter 3) and Shu Guang Zhang (Chapter 4) demonstrate in this volume, Chinese policymakers were especially interested in Japan’s specific example of how to “catch up” rapidly after a period of domestic destruction and turmoil.


\textsuperscript{8} 《出国参观考察报告：日本铁路列车编组自动化技术》 *[Chuguo canguan kaocha baogao: Rieben tielu lieche bianzu zidonghua jishu] [Overseas Study Tour Report: Japanese Railway Train Grouping Automation Technology], no. 13 (Beijing: Kexue Jishu Wenxian Chubanshe, 1977). Reports on file with the author.


Deng’s state visit to Japan in October 1978 officially shifted the bilateral relationship from estrangement to engagement. During this visit, which both sides recognized as a great diplomatic success, Deng signed the 1978 Sino-Japanese Treaty of Peace and Friendship and met with Emperor Hirohito as well as top Japanese officials including Prime Minister Fukuda Takeo. He emphasized that despite past animosities and atrocities, China and Japan were neighboring countries with deep intellectual and cultural ties. Deng also met with Japanese business leaders and visited multiple companies including New Japan Steel, Nissan, and Toyota Motor Corporation. Speaking with confidence and candor at a press conference on 25 October 1978, Deng said frankly: “We must admit our deficiencies. We are a backward country and we need to learn from Japan.”

At the same time, however, he was keenly aware that China’s natural resources and its large market were powerful bargaining chips. Like Chinese leaders before him, Deng deliberately used these economic inducements when engaging Japan.

Multiple factors motivated Japan’s leaders and business community to pursue deeper ties with China. Many Japanese officials and businesspeople viewed China as ripe for trade and investment and a highly desirable source of such raw materials as oil, coal, and iron. Closer economic relations, advocates argued, could aid short-term adjustments in Japan’s industrial structure as well as long-term growth. Japanese trade tensions with the United States also increased support for diversifying international trade. In this context, some saw trade with China as a way to resist imperialist U.S. “control” over Japan’s foreign trade. From

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a security perspective, some Japanese leaders contended that supporting Chinese development would decrease the threat of economic collapse or turmoil—thereby promoting a peaceful and prosperous East Asia from which Japan would benefit. In December 1979, Prime Minister Ôhira Masayoshi stated that “it is in Japan’s national interest to assist China’s stable development for the long-term and this will contribute to the peace and stability of the region.”¹⁷ “War guilt” was another important motivation; some in Japan described providing assistance and advice to China as a way to address the past suffering caused by Japanese aggression.¹⁸

**Mechanisms of Engagement**

**Advisers**

International advisers were an important yet under-examined channel through which China engaged with other countries during the early Reform Era. Deng reportedly endorsed this initiative in a conversation with Vice-Premier Gu Mu in 1978, stating: “We don’t have enough experience, so we can draw on the wisdom of others!”¹⁹ These foreign experts traveled to China to share their countries’ development experiences and provided information and analysis on topics of particular interest to Chinese policymakers. Some individuals served formally as economic advisers (jingji guwen) to China’s State Council (see Table 7.1). Others, such as economists from the World Bank, the United States, Hungary, and other countries, acted in a more informal advisory

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¹⁹ 魏众 [Wei Zhong], 《改革开放初期的洋顾问》 [Gaige kaifang chuqi de yang guwen] [Foreign Consultants in the Early Stage of Reform and Opening] (Beijing: Sun Yefang Economic Science Foundation, 10 November 2020).
Table 7.1  Foreign economic advisers to the state council during the early reform era

<table>
<thead>
<tr>
<th>Year of appointment</th>
<th>Name</th>
<th>Country of origin</th>
</tr>
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<tbody>
<tr>
<td>1978</td>
<td>Ōkita Saburō</td>
<td>Japan</td>
</tr>
<tr>
<td>1978</td>
<td>Sakisaka Masao</td>
<td>Japan</td>
</tr>
<tr>
<td>1978</td>
<td>Armin Gutowski</td>
<td>(West) Germany</td>
</tr>
<tr>
<td>1985</td>
<td>Goh Keng Swee</td>
<td>Singapore</td>
</tr>
<tr>
<td>1985</td>
<td>Lee Kuan Yew</td>
<td>Singapore</td>
</tr>
</tbody>
</table>

These advisers provided first-hand accounts of other countries’ approaches to development, their successes as well as their mis-steps, tendering information that might not otherwise be publicly available.

Japanese economic advisers to the State Council were important sources of ideas during this period. Ōkita, at that time Chairman of the Japan Economic Research Center, and Sakisaka, then President of the National Institute for Research Advancement, became the very first economic advisers to the State Council during the Reform Era. Inayama Yoshihiro, the head of Japan Steel, reportedly invited Ōkita to participate at the request of Chinese Vice-Premier Gu Mu.21 Kobayashi Minoru, then Deputy General Manager of the Research Department of the Industrial Bank of Japan, who accompanied them to China on their visits beginning in January 1979, also became a respected informal adviser to Chinese policy elites. From 26 January to 2 February 1979, Ōkita and Sakisaka delivered lectures at the Diaoyutai State Guesthouse and met with senior Chinese officials in Beijing. Ōkita and Sakisaka, again accompanied by Kobayashi, returned to China once again in October 1979 for two weeks to tour automotive and equipment manufacturing enterprises in Beijing and Shanghai and visit Hangzhou. On 23 October 1979, the three Japanese economists addressed approximately 400 attendees at an academic conference in Beijing on economic development and international relations (Ōkita), the role of the machine industry in economic development (Sakisaka), and China’s economic construction and the effective use of capital (Kobayashi). At the close of their visit,

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they also delivered reports to senior officials, including Vice-Premier Gu Mu.\(^\text{22}\)

In the 1980s, these highly structured and formal visits by Japanese economic advisers to the State Council gave way to other exchange mechanisms and more informal advisory relationships. The period when prominent Japanese individuals were economic advisers to the State Council was ultimately short-lived: Ōkita ended his service after less than a year when he became Japan’s Foreign Minister in November 1979. In his autobiography, Ōkita recalled a joking remark that Deng Xiaoping made during Prime Minister Ōhira Masayoshi’s official visit to China in December 1979: “I have asked Dr. Ōkita to be an adviser to China on economic problems but since you appointed him Foreign Minister I wonder if he could continue working at both these positions?” Ōhira smiled and said ‘Sure, why not!’ but everyone realized that it was impossible [sic].”\(^\text{23}\) Sakisaka did visit China again for 20 days from late May to early June 1979, but this time came as the deputy head of a 14-member delegation organized by the Japan-China Economic Association.\(^\text{24}\) Kobayashi continued to stay in close but more informal communication with Chinese officials, later collaborating on research with Chinese economists and publishing joint work.\(^\text{25}\)

**Exchanges**

Exchanges were another means whereby movements of people and ideas between China and Japan occurred. They encompassed in-person meetings as well as other forms of communication between individuals across national borders, such as written correspondence. These exchanges varied


\(^{23}\) Ōkita, *Japan’s Challenging Years*, 100.

\(^{24}\) Ryo Seiko recalls that Ōkita asked China to pay a consulting fee to the Japanese delegation on this second visit. 凌星光 [Ryo Seiko], 「公開講演記録 日中経済知識交流会の発足と初期に果たした役割」 [Record of a Public Talk: The Establishment of the Japan–China Economic Knowledge Exchange Association and Its Initial Role], 「善隠」 [Zenrin] 2016: 10–17.

in nature from formal through semi-formal to informal.\textsuperscript{26} Formal overseas study tours, involving small numbers of officials and academic participants traveling from one country to another for non-commercial exchange purposes, extended a long-standing Chinese official practice of inspection (\textit{kaocha}).\textsuperscript{27} Semi-formal exchanges between individuals took place in such settings as government-facilitated academic conferences or on the sidelines of official meetings, whereas unstructured informal exchanges between individuals occurred both in-person and remotely through mediums like letters or telephone calls. All these types of exchanges had the important advantage of enabling first-hand access to information; they were, however, typically limited in scope and duration.

Study tours initially constituted the main form of Sino-Japanese exchanges during the Reform Era. These study tours enjoyed political support at the highest levels of government. Before Deng even departed Japan after his October 1978 official visit, a high-level delegation of Chinese economic policymakers led by Yuan Baohua, Vice-Director of the State Economic Planning Commission, and advised by Deng Liqun, Vice-Director of the Chinese Academy of Social Sciences (CASS), arrived in Tokyo to begin a month-long study tour. Study tour delegations typically spent several weeks in Japan visiting government offices, universities, and enterprises to meet with Japanese officials and businesspeople.\textsuperscript{28} Participants hailed primarily from state and state-affiliated organizations, including the State Economic Commission, the State Economic System Reform Commission, and CASS. Chinese analysts described study tours as a “relay race” in which successive delegations gathered information to address emergent economic challenges.\textsuperscript{29} In their view, this practice

\textsuperscript{26} I exclude international exchanges focused narrowly on the negotiation of specific treaties, loan or investment agreements, or commercial projects between private sector actors.

\textsuperscript{27} Such inspection typically involves officials reviewing developments at lower levels of government administration or in different localities at the same level. Domestic and international inspection share the common aim of information collection; however, domestic inspection also has a supervisory function absent in international inspection.


\textsuperscript{29} 冯昭奎 [Feng Zhaokui], 《绪论》 [“Preface”], in 中国社会科学院日本研究所 [CASS Japan Research Institute], 《日本的经济与中国的改革》 [Riben de jingji yu Zhongguo de
emulated what Japan itself had done when dispatching study delegations to the United States after the Second World War.

A wave of study tours from China to Japan gradually evolved into more institutionalized channels for official and civilian exchange. The Japan-China Economic Association, established by Japan’s Ministry of International Trade and Industry (MITI) in November 1972 with CASS as its nominal partner, was a key organization facilitating cross-border movements of people and ideas. The Association actively promoted bilateral exchange by organizing delegations and meetings of economic policymakers from both countries. Every year the Association sent delegations to China to convey policy messages from Japanese enterprises and then brief them upon return. The Association produced written delegation reports as well as analyses of key topics in the Chinese economy. In 1983, for example, the Association published a detailed analysis of Chinese enterprise reforms and potential challenges.

The Sino-Japanese Economic Knowledge Exchange was another key forum for bilateral exchange. With the support of Chinese Premier Zhao Ziyang, Gu and Ōkita established it in 1980, with Sakisaka and CASS Deputy President and Institute of Industrial Economics Director Ma Hong as founding Chief Representatives. Gu envisioned the Exchange as a “Track 2” forum with participants including researchers and officials, both current and retired, meeting regularly in both countries. As Gu
recounted in a 1998 letter to Premier Zhu Rongji: “My purpose that year in establishing the Sino-Japanese Economic Knowledge Exchange was to borrow from advanced foreign experiences to serve China’s Reform and Opening and economic development. This was also the intention of Deng Xiaoping.” 34 Ōkita later reflected on the bilateral exchange: “The Chinese side has immensely absorbed ideas that are useful for the implementation of economic policy through the discussions and regards this as one of the most important conferences in external relations. Also for the Japanese side, it was an extremely useful conference to understand China’s economic planning and the background of its policies.” 35

Exchanges, however, did not always equate to mutual understanding. Chinese and Japanese interlocutors at times struggled to understand one another’s meaning. During the 1981 meeting of the Sino-Japanese Knowledge Exchange, both sides therefore agreed to collaborate on a joint encyclopedia to address the issue. 36 In the foreword to this work, published simultaneously in both countries in 1982, the combined editorial team—on the Chinese side, Xue Muqiao, Ma Hong, and Fang Weizhong, and on the Japanese side, Ōkita Saburō, Sakisaka Masao, and Shimokōbe Atsushi—wrote:

Since 1981, some economists from the two countries have organized economic knowledge exchange meetings and met regularly to exchange opinions freely. During the process of exchange, both sides perceived a major difficulty. Because of the differences in the two countries’ economic institutions and systems of economic theory and economic theoretical systems, it was very difficult to accurately understand one another’s economic concepts and economic terms. If this difficulty is not resolved, it will be difficult to correctly understand the other’s economic situation. In recent years, when economic workers and economic theory workers of the two countries visited each other, it was often necessary to repeatedly...
introduce the most basic concepts and the most basic circumstances. This generated the motivation to compile this *Modern Sino-Japanese Economic Encyclopedia*.

Differences in language, culture, and economic and political systems together presented significant obstacles to such working exchanges between China and Japan.

**Examples**

The study of international examples was another key mechanism of Sino-Japanese engagement. Such international examples ranged from analyses of the structure and development of Japan’s economy at the macro-level to studies of Japanese companies at the micro-level. The most common format in which international examples appeared was case studies using secondary source materials and/or primary data collected through in-person visits or exchanges with Japanese actors. In theory, the study of international examples could enable Chinese policymakers to incorporate larger amounts of data, draw upon diverse sources, and employ a broader chronological and comparative lens. In practice, however, issues of information access limited the number and scope of international examples actually examined.

Many works by Japanese authors were also translated into Chinese and widely read and discussed in China. In 1987, senior adviser on economic policy and former National Bureau of Statistics Director Xue Muqiao penned a foreword to a Chinese translation of a compendium of Kobayashi’s essays on the Chinese economy, stating: “Over the past 6 years, he [Kobayashi] has visited China approximately 10 times and written many academic essays very worthy of reference on China’s economic development strategy, especially on reforming the management of the financial system.” Translations of works by Ōkita and Sakisaka also appeared. Scholarship by other Japanese academics and

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38 大米佐武郎 [Ōkita Saburō], 《发展中经济类型的国家与日本》 [Fazhan zhong jingji leixing de guojia yu Riben] [Countries with Developing Economies and Japan], translated by China Translation and Publishing Corporation (Beijing: Zhongguo Duiwai Fanyi
officials was likewise published, republished, and widely read in China. For instance, Japanese economist Ryutaro Komiya’s analyses of the Chinese economy and his assertion that “China does not have enterprises”—Chinese companies were more akin to production units, Komiya concluded, because they lacked the “head office functions” of their Japanese counterparts: research and development, marketing, investment planning, and personnel management—provoked widespread debate and reflection.

On their side, Chinese analysts authored numerous studies of Japan’s economic and technological achievements. Japan’s rapid post-war economic growth was one of the most popular topics, inspiring such books as *Reasons for Japan’s Rapid Post-war Economic Development*. Other Chinese authors wrote in-depth studies of Japanese management and companies, including *Introduction to Japanese Business Management* (1984) and *Japan’s Toyota Motor Enterprise Group and Its Management* (1981). They also published volumes summarizing observations from Chinese study tours to Japan, notably *Reflections Upon Returning from Japan* (1979) and *Visiting Japan* (1982), blending accounts of official activities with their impressions of Japanese society.

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43 Deng Liqun, Ma Hong, Sun Shangqing, and Wu Jiajun, *Fang Ri guilai de sisuo; jingji guanli* [Reflections Upon Returning from Japan] (Beijing: Zhongguo Shehui Kexue Chubanshe, 1979); and Shen Zhong, *Fang Ri jianwen* [Visiting Japan] (Nanjing: Jiangxi Renmin Chubanshe, 1982).
summarizes the major works on the Japanese economy and technology published in China between 1980 and 1990.

**SINO-JAPANESE ENGAGEMENT: KEY THEMES AND POLICY EFFECTS**

Throughout the 1980s, how best to combine economic planning with market-oriented reform was a key theme in Sino-Japanese engagement. Ókita and Sakisaka, beginning with their first visit to China in 1979 as economic advisers to the State Council, advocated for industrial policies to upgrade basic industry and for an export-oriented development strategy. Ma Hong introduced the Japanese terms for “industrial policy” and “industrial structure” into Chinese policy debates, where they quickly became core concepts.\(^{44}\) These ideas resonated with earlier economic governance proposals in China. Xue Muqiao, who together with Ma served as Chief Representative to the Sino-Japanese Economic Knowledge Exchange during the early 1980s, had also advocated “indirect planning” in the 1950s as a way of indirectly shaping economic activity.\(^{45}\)

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\(^{44}\) The Chinese terms for “industrial policy” and “industrial structure” are 产业政策 and 产业结构, respectively. In Japanese, they are 産業政策 and 産業構造.

\(^{45}\) 范世涛 [Fan Shitao] and 薛小和 [Xue Xiaohe], 《薛暮桥年谱》 [Xue Muqiao nianpu] [Xue Muqiao Chronicle], forthcoming.
Now, Japan’s experience informed Chinese leaders’ replacement of direct administrative commands with indirect guidance using macro-economic instruments and the development of large, state-controlled enterprise groups. Yet different Chinese government bodies promoted divergent aspects of Japan’s approach to combining plan and market. The State Planning Commission advocated for multi-year sector planning and support for “pillar” and “strategic” industries; the State Economic Commission prioritized establishing enterprise groups and business associations; and the State Economic System Reform Commission stressed indirect administrative guidance and the separation of government and enterprises and the concomitant establishment of “deliberation councils” linking the state and business.

The indispensable need to import foreign technology was another top theme in Sino-Japanese engagement. Chinese policymakers viewed Japan as both a source and a justification for increasing imports of foreign technology in order to “catch up” as a late developer. As adviser to the State Planning Commission Duan Yun stated in 1981: “We [China] and any developing country must vigorously develop foreign trade and introduce advanced technologies in order to speed up modernization and enter the ranks of the world’s advanced economies as soon as possible. Japan’s successful modernization in recent decades is a good example.” At a Sino-Japanese symposium on the economy organized by the Japan-China Economic Association in 1982, Japanese academic Nakaoka Testuro stressed the importance of importing advanced technology to boost productivity and economic development, citing Japan’s own experience of “transplanting technology” from the West. Importing foreign technology was not of course merely an academic issue: China urgently

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48 段云 [Duan Yun], 《调整期间中国经济的发展前景和加强中日两国贸易往来》 Tiaozheng qijian Zhongguo jingji de fa zhan qianjing he jiaqiang Zhong Ri liang guo maoyi wanglai] [China’s Economic Development Prospects During the Adjustment Period and the Strengthening of Trade Exchanges between China and Japan], speech to the Japan Council for the Promotion of International Trade on 18 December 1981, in 段云 [Duan Yun],《段云选集》 [Duan Yun xuanji] [Collected Works of Duan Yun] (Taiyuan: Shanxi Renmin Chubanshe, 1987), 346.

49 Japan–China Economic Association, Report on Sino-Japanese Economic Exchange Symposium: The 10th Anniversary of the Normalization of Diplomatic Ties between Japan
needed advanced technology to develop, and despite persistent contract
delays and cancelations, in the 1980s, Japanese companies were eager to
enter the Chinese market.\textsuperscript{50}

Both sides also agreed that improved business management was essen-
tial if foreign technology was to be effective. Indeed, Chinese leaders
saw their neighbor as a model to emulate, observing that Japan too had
once faced and overcome similar challenges through engagement with the
United States. As Deng Liqun wrote:

At the beginning, they [Japan] also paid attention to the introduction of
advanced foreign technology, and paid little attention to the introduction
of advanced management methods. This was the case in the early 1950s. …
Later, they accepted this lesson and paid attention to this problem. They
translated other books, invited other experts, and sent factory managers
and experts to research and study abroad.\textsuperscript{51}

Chinese companies faced a dual challenge in the early Reform period: (1)
calibrating production based on input costs and market demand rather
than administrative targets; (2) minimizing production costs and pricing
outputs appropriately to generate profits. Reconceptualizing “reform
as management” was pivotal because it foregrounded intra-enterprise
management as the solution to these problems, moving forward from
earlier unsuccessful attempts to redefine the incentive frameworks shaping
enterprise-government relations. Previous studies of management in
China, a delegation to Japan from the State Economic Commission
wrote, had conceptualized it too narrowly as being only about the
relations of production.\textsuperscript{52} Modernizing management in Chinese firms
also faced cultural challenges. The organizational culture in state firms
reflected socialist and traditional values: authority and benefits were


\textsuperscript{51} Deng Liqun et al., \textit{Reflections Upon Returning from Japan}, 26.

\textsuperscript{52} 国家经济委员会 [State Economic Commission], 《日本工业企业管理考察》[\textit{Riben
gongye qiye guanli kaocha}] [Japanese Industrial Management Inspection] (Beijing: State
Economic Commission, 1979), 18–19.
disproportionately allocated to older, longer-serving male workers, political factors shaped career progression, and it was extremely difficult to lay off workers.\(^{53}\)

Japan was the top focus in Chinese policymakers’ efforts to improve business management. Specifically, they were interested in Japanese managers’ strict and comprehensive approach to management, one that imposed clear metrics for accountability and integrated oversight at every stage of the production process. After returning from the 1978 study tour to Japan, Deng Liqun proposed to the State Council that China should organize an Enterprise Management Association, modeled on the Japan Productivity Center in Tokyo.\(^{54}\) The Enterprise Management Association’s first activity was to organize a seminar to introduce Japan’s experience to 110 participants from provincial and municipal governments.\(^{55}\) A small number of Chinese factories in Beijing, Shanghai, and Tianjin were also selected to pilot a program matching each with a Japanese factory to exchange regular visits and share information on management techniques. Yuan Baohua, who had led the first major 1978 study tour to Japan after Deng Xiaoping’s visit, served as senior adviser to the Tsinghua School of Public Policy and Management (SPPM), a key academic institution of management in China. In the 1980s, Zhu Rongji, who was founding dean of SPPM and later became Premier, also participated in the Sino-Japanese Economic Knowledge Exchange.

Chinese policymakers also noted aspects of Japan’s economy and enterprises that they had no wish to emulate. CASS researcher Wu Jiajun, who participated in the 1978 study tour to Japan that was led by Yuan Baohua and advised by Deng Liqun, expressed concerns about perceived “problems of Japan,” including bankruptcy and unemployment.\(^{56}\) The large-scale layoffs and shuttering of state firms that Jiang Zemin permitted


\(^{54}\) Vogel, *Deng Xiaoping and the Transformation of China*, 309.

\(^{55}\) 柳红 [Liu Hong], 《访日归来》[*Fang Ri jianwen*] [Visiting Japan], [中国改革信息库] China Reform Information Database, 1 October 2010.

\(^{56}\) 吴家俊 [Wu Jiajun], 《关于日本工业管理和企业管理的几个问题》[“Guanyu Riben gongye guanli he qiye guanli de ji ge wenti”] [“Several Issues on Japanese Industrial Management and Enterprise Management”], in 邓力群 [Deng Liqun], 马洪 [Ma Hong], 孙尚清 [Sun Shangqing], and 吴家骏 [Wu Jiajun], 《访日归来的思索》[*Fang Ri guilai de sisuo; jingji guanli*] [Reflections Upon Returning from Japan] (Beijing: Zhongguo Shehui Kexue Chubanshe, 1979), 94.
to occur in the late 1990s were a political impossibility during the early Reform period under Deng. Most fundamentally, Chinese policymakers were never interested in emulating private ownership, even though they recognized—and were interested in studying—the Japanese state’s tools of control over private enterprise, including government-directed mergers and “cooperative discussion groups” to organize investment.\footnote{Johnson, \textit{MITI and the Japanese Miracle}.}

The influence of Sino-Japanese engagement was greatest in the area of industrial policy. In 1986, the Development Research Center of the State Council circulated to China’s senior leadership a report entitled “Preliminary Research on China’s Industrial Policy.” In 1987, Premier Zhao Ziyang formally endorsed the report, writing:

\begin{quote}
At China’s current stage, only relying on the role of the market, only relying on free competition of enterprises, localities and departments is impossible. [We] must rely on industrial policies made clear by state institutions and on policies about enterprise organizational structure to carry out intervention [in the economy].
\end{quote}

Zhao ordered the report to be sent to the State Economic System Reform Commission, the State Planning Commission, and the drafters of the 13th Party Congress Report.\footnote{Tian Jiyun, ed., \textit{Advancing Amid the Wind and Waves: Chronicle of China’s Development and Reform (1977–1989)}, book 10, vol. 1987: 92, manuscript, available at the Fairbank Center Collection, Fung Library, Harvard University.} One principal drafter of the report, Liu He, had participated in Sino-Japanese exchanges when working at the Development Research Center of the State Council; he later emerged as a key player in the policy coalition behind the industrial policy agenda of the 2000s under Hu Jintao and Wen Jiabao.\footnote{Heilmann and Shih, “The Rise of Industrial Policy in China, 1978–2012,” 15. For a discussion of key individuals in this policy coalition and their career trajectories and relationships with one another, see ibid., 16.} Yet while Japanese industrial policy was an important influence on Chinese practice in the early Reform Era, Chinese policymakers did not copy it wholesale. Instead, they applied industrial policy selectively across sectors. Most fundamentally, market competition remained the guiding principle of Chinese economic policies
during this period, with industrial policy playing a critical yet ultimately supplementary role.\textsuperscript{60}

In other domains, Sino-Japanese engagement and its policy effects were more limited. Despite Chinese policymakers’ strong interest in Japanese business management practices and efforts to promote these during the 1980s, implementation ran aground on economic realities and institutional obstacles. In China’s planned economy and into the Reform Era, aggregate demand outstripped supply across multiple domains of the economy. These conditions, together with enduring emphasis on production during the planned economy period, meant that for many Chinese enterprises, quantity was simply more important than quality. Nor were institutional incentives aligned for Chinese enterprises to prioritize quality. The “dual track” Reform approach, in which production in excess of planning targets could be sold on private markets, further encouraged prioritizing quantity increases over quality improvements. Finally, the central role of the state also constrained Sino-Japanese engagement. During the 1980s, the Chinese government invited economic advisers and organized many bilateral exchanges of officials, scholars, and enterprise representatives. Furthermore, numerous participants on both sides were themselves officials or linked to the state. This narrowed the voices and approaches that actors on both sides encountered and their ability to use non-state-centric perspectives to assess them.

**Conclusion**

As Ezra F. Vogel concluded in his biography of Deng Xiaoping: “During Deng’s years at the helm, no country played a greater role in assisting China build its industry and infrastructure than Japan.”\textsuperscript{61} This chapter illuminates how cross-border movements of people and ideas, not just material assistance, contributed to this outcome. Advisers, exchanges, and examples linking China and Japan during the 1980s shaped China’s early reform trajectory in several key areas. Japan offered one successful

\textsuperscript{60} 吴敬琏 [Wu Jinglian], 《吴敬琏改革文选》 [Wu Jinglian gaige wenxuan] [Wu Jinglian Selected Works on Reform] (Shanghai: Shanghai Sanlian Shudian, 2021).

\textsuperscript{61} Vogel, *Deng Xiaoping and the Transformation of China*, 310.
example of how to combine economic planning with market-oriented reforms through industrial policy, administrative guidance, and state-enterprise coordination. Japan likewise provided a justification and a source for importing the foreign technology that China urgently needed to modernize industry and develop the economy. Japanese management practices also affected how Chinese policymakers approached industrial upgrading and enterprise reform.

More broadly, this account of Sino-Japanese engagement highlights how Deng’s economic statecraft relied on the initiative and ingenuity of bureaucrats in both countries. Unquestionably, the success of economic statecraft during the Deng Era depended to a significant degree on the decisions and attributes of the statesman himself. Below the national level, however, a diverse cast of officials, scholars, and enterprise representatives undertook the difficult and often mundane daily work of bilateral engagement. In doing so, these individuals also exerted significant influence over the form, function, and ultimate policy consequences of Sino-Japanese engagement. Even in such highly centralized political systems as China, bureaucrats are consequential actors in economic statecraft, rather than mere agents of political parties or the state.

Future research could usefully place Sino-Japanese engagement during the 1980s in comparative context. Sino-Japanese exchanges were important but by no means the sole element in Chinese policymakers’ thinking on economic Reform policies during this period. As a 1979 Japan-China Economic Association study tour report noted: “It was particularly impressive how they [Chinese policymakers] articulated that since there is no given model as they search for a new way, they needed to develop a reform plan by assessing the situation of their own country and studying the experiences of other countries.”

Existing scholarship specifically addressing the 1980s has focused on China’s engagement with particular countries, regions, or international organizations, such as Japan, Eastern Europe, and the World Bank. Future studies might therefore build on


the example set by the present anthology and seek to synthesize scholarship on China’s international engagement during the 1980s and its policy effects.

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