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## THE MAIN DIRECTIONS OF THE MODERNIZATION OF THE PEOPLE'S REPUBLIC OF CHINA IN 1978–1998

### **Abstract**

This article examines the key stages and features of economic and military reforms in China initiated in the late 1970s under the leadership of Deng Xiaoping. It analyzes the strategic goals and political guidelines that shaped the country's transition from a centrally planned economy to market mechanisms while maintaining socialist foundations. Special attention is given to the reforms in agriculture, industry, education, science and technology, as well as the modernization of the People's Liberation Army. The study demonstrates how these reforms contributed to sustained economic growth, improved living standards, and the enhancement of national defense capabilities. The article also explores the interplay between economic development and national security, and the impact of reforms on the formation of the modern Chinese governance model and socio-economic policy. Drawing on a wide range of sources, the analysis highlights the comprehensive nature of the transformations that established China as a global leader in the 21st century.

**Key words:** gaige, Four Modernizations, Deng Xiaoping, agrarian reform, industrial enterprises, joint-stock companies, industrial reform, free economic zones, farms, people's communes, economic development.

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## 1978–1998 ЖЫЛДАРДАҒЫ ҚЫТАЙ ХАЛЫҚ РЕСПУБЛИКАСЫНЫҢ ЖАҢҒЫРТЫЛУЫНЫҢ НЕГІЗГІ БАҒЫТТАРЫ

### **Аннотация**

Бұл мақалада 1970 жылдардың сонында Дэн Сяопиннің басшылығымен басталған Қытайдағы экономикалық және әскери реформалардың негізгі кезеңдері мен ерекшеліктері қарастырылады. Онда елдің социалистік негіздерді сақтай отырып, орталықтандырылған жоспарлы экономикадан нарықтық механизмдерге өтуін қалыптастырылған стратегиялық мақсаттар мен саяси нұсқаулар талданады. Ауыл шаруашылығы, өнеркәсіп, білім беру, ғылым және технология саласындағы реформаларға, сондай-ақ Халық-азаттық армиясын жаңғыртуға ерекше назар аударылады. Зерттеуде бұл реформалардың тұрақты экономикалық өсуге, өмір суру деңгейін жақсартуға және ұлттық қорғаныс қабілетін арттыруға қалай үлес қосқаны көрсетілген. Мақалада сондай-ақ экономикалық даму мен ұлттық қауіпсіздік арасындағы өзара байланыс және реформалардың қазіргі заманғы Қытай басқару моделі мен әлеуметтік-экономикалық саясаттың қалыптасусына әсері зерттеледі. Кең ауқымды дереккөздерге сүйене отырып, талдау Қытайды 21 ғасырда әлемдік көшбасшы ретінде қалыптастырылған өзгерістердің жан-жақты сипаттың көрсетеді.

**Кілт сөздер:** gaige, Төрт жаңғырту, Дэн Сяопин, аграрлық реформа, өнеркәсіптік кәсіпорындар, акционерлік қоғамдар, өнеркәсіптік реформа, еркін экономикалық аймақтар, фермалар, халықтық коммуналар, экономикалық даму.

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## ОСНОВНЫЕ НАПРАВЛЕНИЯ МОДЕРНИЗАЦИИ КИТАЙСКОЙ НАРОДНОЙ РЕСПУБЛИКИ В 1978-1998 ГГ.

### Аннотация

В данной статье рассматриваются основные этапы и особенности экономических реформ в Китае, начатых в конце 1970-х годов под руководством Дэн Сяопина. Дэн Сяопин стал популярным на волне экономических успехов Китая. С его именем принято связывать эпоху стабилизации и экономических реформ. Дэн Сяопин не допускал мысли о капиталистической альтернативе страны и его главной идеей являлась «социалистическая модернизация Китая». В рамках данной стратегии предполагалось максимальное развитие рыночных отношений в промышленности, сельском хозяйстве и торговле. Он последовательно проводил политику «открытых дверей» по отношению к западным инвестициям, одновременно выступая за нормализацию политических отношений с буржуазным Западом. В статье анализируются стратегические цели и политические установки, определившие переход страны от централизованной плановой экономики к рыночным механизмам при сохранении социалистических основ. Особое внимание уделяется реформам в сельском хозяйстве, промышленности, образовании, науке и технике, а также модернизации Народно-освободительной армии Китая. В исследовании показано, как эти реформы способствовали устойчивому экономическому росту, повышению уровня жизни и укреплению обороноспособности страны. В статье также исследуется взаимосвязь экономического развития и национальной безопасности, а также влияние реформ на формирование современной китайской модели управления и социально-экономической политики. Опираясь на широкий круг источников, анализ подчеркивает всеобъемлющий характер преобразований, которые вывели Китай в качестве мирового лидера в XXI веке.

**Ключевые слова:** гайгэ, «Четыре модернизации», Дэн Сяопин, аграрная реформа, промышленные предприятия, акционерные общества, промышленная реформа, свободные экономические зоны, фермерские хозяйства, народные коммуны, экономическое развитие.

**Introduction.** The strategy of economic reforms initiated by Deng Xiaoping, known as gaige (reform), marked a pragmatic shift in Chinese political and economic thinking. It challenged the orthodox faction that upheld the inviolability of Mao Zedong's principles, and the militarization of society. Following the December 1978 Plenum of the CPC Central Committee, the party adopted a new agenda focusing on modernizing the economy, reforming the overly centralized economic system, correcting imbalances accumulated over the prior years, promoting agricultural development, restoring party governance, and strengthening the rule of law.

On March 30, 1979, Deng Xiaoping articulated the “Four Cardinal Principles,” later enshrined in China’s 1982 Constitution. These principles—adherence to the socialist path, the dictatorship of the proletariat, the leadership of the Communist Party, and Marxism-Leninism including Mao Zedong Thought—served as a political framework for the ongoing reform process, particularly the implementation of the “Four Modernizations” program. Originally proposed by Zhou Enlai, this program aimed to transform agriculture, industry, science and technology, and national defense.

**The methodological framework** of the article includes: a historical-economic analysis of China’s development since the late 1970s; a sectoral approach focusing on agriculture, state-owned

enterprises, education, science and technology, and the military; comparative evaluation of reform outcomes across sectors; the use of statistical data, CPC documentation and secondary academic literature [1–8]. This comprehensive approach makes it possible to identify the specific drivers behind China's successful transformation and the distinct challenges facing each reform sector.

This article examines the multi-sectoral reform program launched in post-Mao China, with a focus on agriculture, state-owned enterprises, education, science and technology, and the military. The aim is to assess the effectiveness of reforms under the "socialism with Chinese characteristics" framework, particularly in light of their long-term socioeconomic outcomes.

**Results.** Agricultural reform began at the grassroots level within the framework of the existing people's commune system. In 1978–1979, commune leaders in certain regions, motivated by local farmer initiatives, introduced internal structural reorganization to meet state production quotas more effectively. This led to the implementation of the household responsibility system, under which each farming household received a land plot and was held accountable for meeting assigned production quotas. After fulfilling these obligations, households were permitted to keep or sell the surplus. This method effectively introduced quasi-private farming under a market-oriented model, although formal land ownership remained collective.

In support of this reform, the state allowed the reopening of rural markets, where farmers could sell surplus produce. Activities previously banned during the Cultural Revolution—such as raising livestock and producing handicrafts—were legalized, signaling a return to pre-collectivization rural economic practices.

The government gradually withdrew from fixed-price controls in the agricultural sector. Instead of setting prices administratively, the state began to liberalize agricultural prices, allowing them to be determined by market forces. This shift incentivized farmers to increase productivity and participate in local and regional trade networks.

The government also began to support rural financial infrastructure, encouraging credit institutions to offer loans for agricultural production and investment. Despite this, the vast majority of transactions in the rural economy remained cash-based, and most farmers continued operating without significant external financing.

Unlike reforms in some other countries, land consolidation into larger farms or cooperatives was not pursued aggressively. By 2008, only about 20% of Chinese villages had professional farmer associations, and only 10% of farmers belonged to one, significantly lower than levels in almost all other East Asian and many Western countries [1]. However, the government conducted scientific research and development in agriculture, primarily aiming at higher yields and, after 2000, improving quality. Thus, agrarian reforms played a vital role in China's economic rise. The revival of the private rural sector became the starting point for restoring markets and loosening government control over the economy. Consequently, rural workers' welfare improved noticeably, millions escaped poverty, and the nutrition of Chinese people improved. Since the reforms began, China has probably experienced the longest period of sustained economic growth in world history. This fact is even more impressive considering China's size and its growing global influence [2].

The main difference between reforms of state-owned industrial enterprises and agricultural reforms lies in the fact that privatization of state enterprises was not conducted. The reform of state enterprises proved to be a more complex task than agricultural reform. Ideologically, Communist Party members believed that the state should own and control the primary means of production.

Modernization processes in the state industrial sector were insufficient to improve efficiency and profitability. One of the key prerequisites for further development of China's economy was the successful reform of state enterprises. By the end of the 20th century, the Chinese government's attempts to stimulate state enterprises to increase production efficiency were unsuccessful. State enterprises experienced persistent deterioration — growing losses, low capacity utilization rates, increasing debts, and labor surpluses.

Industrial reform began at the end of 1978 with six experimental enterprises in Sichuan Province; by the end of 1981, about 80% of state industrial enterprises were involved in reform experiments [1].

The main elements of industrial reform in the early years included granting some autonomy over the use of undistributed profits, production planning, product sales, experimentation with new products and capital investments; implementing an “economic responsibility system” by assigning specific tasks to lower-level units within enterprises and compensating them based on performance; increasing the role of markets; streamlining local administrative systems for state enterprises under local control; and encouraging collectively owned enterprises. Individual state enterprises were given freedom in decisions regarding production, supply, marketing, pricing, investments, and personnel to independently seek profitability. The scope of centralized planning was reduced—except for some key products—and the method shifted from mandatory to indicative planning. Market forces, rather than central control, determined prices for a growing number of goods. To improve efficiency, various forms of economic responsibility systems were introduced in individual enterprises, with differentiated wage rates for different types of work and productivity levels. In addition to state enterprises, the development of individual and collective enterprises was encouraged; foreign trade and investments expanded, and technological exchange with foreign countries was promoted. These steps were revolutionary considering the institutional and ideological traditions at that time, but their scale was limited due to lack of opportunity to advance further.

Although state enterprise reform was not entirely successful, the collective and private sectors were dynamic and expanding.

Besides state enterprises, there are three other types of enterprises in China: collective, individual, and foreign-funded—the latter established under the country’s “open door” policy.

In 1978, individual and other types of industrial enterprises did not exist, and state enterprises produced 77.6% of total gross industrial output. By 1996, this figure had declined to only 28%, compared to 39% contributed by collective enterprises [3]. This demonstrates that even if state enterprises did not increase their productivity, China’s economy could continue to grow rapidly as long as non-state sectors remained dynamic, since the state sector accounted for only a small share of total output. Several factors influenced the economic efficiency of state enterprises. There was a shortage of competent and well-trained managers and staff to run modern enterprises, alongside a tendency to make management decisions based on personal relationships and for personal gain at the expense of the enterprise. The system did not provide managers with proper incentives to work for the benefit of the enterprise; they earned significantly lower wages than managers at comparable collective enterprises. Moreover, an appropriate management system was lacking. Many workers still adhered to the concept of a “rice bowl,” relying on the state to guarantee their employment. Additionally, the equipment and technology of some state enterprises needed modernization. A key factor facilitating the reform of state enterprises was the high level of competition from collective and foreign enterprises in both domestic and foreign markets.

The primary direction for continuing state enterprise reforms was their restructuring into joint-stock companies. At the end of 1998, when the East Asian financial crisis affected the Chinese economy, privatization of state enterprises slowed due to concerns that selling prices might be set too low in favor of corrupt officials who were insufficiently controlled by the government.

Since the start of economic reforms, China’s education system has been improved and restored to the state that existed before the “Cultural Revolution.” Universities were reopened, and students were allowed to take entrance exams for undergraduate and graduate studies. Intellectuals who had been criticized and mistreated were restored to their previous status and accorded proper respect. The population as a whole was eager to absorb new ideas and knowledge from abroad, having been deprived of such knowledge during China’s period of isolation from the outside world.

From 1985 to 1998, the Ministry of Education sponsored joint programs with foreign educational institutions to improve education in China. At the same time, individual universities were given the freedom to invite foreign scholars to lecture. Students were permitted to study abroad. Modern textbooks were introduced into university courses. Over time, proficiency in modern languages, especially English, improved rapidly, and English-language texts began to be adopted. Private educational institutions, created and funded through private initiatives, received

support in the late 1990s and have since thrived. Schools from primary to college and vocational levels received support from overseas Chinese communities.

The Chinese reform program, based on Deng Xiaoping's theory of "building socialism with Chinese characteristics," initiated a transition from a state-centered education system to a social-state one, meaning that this social sector became the concern of the entire society [4]. Nationwide measures were implemented to informatize education and create a telecommunications network for learning.

In line with the main course, strategic goals, and overall development program of science and technology in China, the government introduced a new core approach to reforming the science and technology system, summarized as "hold fast to the essentials, discard the rest."

"Science and technology are the primary productive forces," is the exact definition provided by Deng Xiaoping, the chief architect of Chinese reform and the policy of openness. Thus, in order to meet the demands of socio-economic development and keep pace with global scientific and technological progress, China put forward and implemented the strategy of "national prosperity through the development of science and technology." Consequently, science and education underwent significant reforms [5].

Scientific and technological progress is a decisive factor for economic development. It is essential to fully consider the enormous future impact of science, technology, and especially high technology on the overall state power, socio-economic structure, and people's lives, placing acceleration of scientific and technological progress at the forefront of socio-economic development.

The founding day of the People's Liberation Army of China (PLA) is considered August 1, 1927. Until the 1940s, it mainly consisted of semi-partisan formations, which later formed the basis for the regular Ground Forces. In the early 1950s, the Air Force and Navy were established, and in the following decade, the Strategic Rocket Forces were deployed, becoming an independent branch of the Armed Forces in 1974. For decades, China's military development was based on the concept of the inevitability of a new world war and the possibility of large-scale military actions against China.

Military doctrine in the country's initial development phase relied on the concept of "people's war," implying the maintenance of a large army and high mobilization readiness of the Armed Forces and economy. This required colossal human, material, and financial resources, which negatively affected China's socio-economic development [6].

Until the early 1960s, China-Soviet military-technical cooperation was close, including direct assistance in building the Armed Forces and defense potential, making the PLA essentially a copy of the Soviet "military machine." It served not only as a combat but also a production unit in the country's political and economic life, acting as a driver of agrarian reforms and industrialization. Over more than 60 years since the founding of the PRC, its Armed Forces participated in over ten wars, border conflicts, and other major military clashes, losing approximately 500,000 soldiers and commanders.

In 1986, Deng Xiaoping, Chairman of the Central Military Commission of the Communist Party of China, seriously initiated military reforms. Initially, these reforms differed significantly from Western models. The question of transitioning to a professional army was not even discussed due to China's large population surplus, which provided a vast pool of conscripts. The law on universal conscription was, in practice, not fully enforced: conscription to the PLA was selective, drawing from youth with impeccable physical and moral qualities, primarily loyalty to the Communist Party of China, the direct leadership of the Armed Forces.

At the turn of 1988–1989, China's socio-economic and political situation sharply deteriorated, culminating in the student protests in spring and summer 1989 at Tiananmen Square [7]. During the implementation of economic and military reforms, inflation, increasing sectoral imbalances, rising corruption, and abuses by party officials, not all military personnel were inclined to participate in suppressing the student demonstrations. After the crackdown, the Beijing Military Region and garrison underwent a significant purge. There emerged an objective necessity to modernize the

Armed Forces in line with the deepening economic reforms, confirmed by the 14th Congress of the Communist Party of China (October 1992). The policy shifted toward prioritizing economic, scientific, and technological development to create a powerful economic base for defense construction and the development of the military-industrial complex.

The PLA, as the core of the regular forces, has been improving its organizational and staff structure, conducting technical re-equipment of the troops, thereby enhancing combat capability. During the military reforms, there was a sharp reduction in the central military apparatus and the Armed Forces' personnel by at least 30–40%, and a reorganization of the military structure at all levels was carried out [8].

Since the mid-1980s, China has successfully mastered the production of about 130 types of military equipment. Western estimates suggest the military controls approximately 20,000 enterprises. Military reforms and modernization of the PLA affected the quality of the army, especially the officer corps, in terms of rejuvenation and introduction of new military ranks. The military education system was reformed. Instead of 116 military educational institutions, several dozen new types of institutions emerged — including the Command Institute of the Ground Forces, the Military Pedagogical Institute, the Military Economic Institute, the Military Institute of International Relations, etc. The military leadership set the task that by 2000, all officers should have higher education [9].

The modernization aimed to give the Armed Forces a more modern appearance without altering the fundamental military-state mechanism, where the army plays the main role as the state's instrument, ensuring the Communist Party's leadership and strengthening power in the country.

**Discussion.** China's economic reforms, initiated by Deng Xiaoping in the late 1970s, represent one of the most significant and successful transitions from a centrally planned economy toward a market-oriented system, while maintaining the political dominance of the Communist Party. The gradual and pragmatic approach—embodied in the "gaige" (reform) strategy—allowed China to harness market forces without precipitating political instability or economic collapse. The revival of agriculture through the household responsibility system catalyzed rapid increases in productivity, rural incomes, and overall social welfare, setting the stage for broader economic transformation. Although reforms of state-owned enterprises proved more challenging and incomplete, the emergence of dynamic collective, individual, and foreign-invested sectors compensated for inefficiencies in the state sector and sustained robust growth. Significant investments in education and science created a foundation for technological advancement and integration into the global economy, supporting China's rise as a major economic power. Meanwhile, military reforms modernized the People's Liberation Army while preserving its role as a political instrument of the Communist Party, reflecting a selective modernization process consistent with the regime's priorities.

**Conclusion.** China's experience demonstrates the possibility of combining economic liberalization with authoritarian political control, achieving sustained growth and poverty reduction without Western-style democratization. However, this model also poses ongoing challenges related to governance, social inequality, and environmental sustainability.

Overall, the Chinese reform era is a landmark case of socio-economic modernization under unique political conditions, offering valuable insights for both scholars and policymakers interested in development, state-market relations, and regime resilience.

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