

China throws in its lot with capitalism.

By Calum MacLeod and Zhang *Lijia* from Beijing.

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Membership of the World Trade Organisation will reduce the tariffs and bureaucratic obstacles that have frustrated foreign companies, write Calum MacLeod and Zhang *Lijia* from Beijing

Chai Jijun cried "They've done it" as he jostled fellow photographers to capture Charlene Barshefsky, US trade representative, and Shi Guangsheng, her Chinese counterpart, putting their signatures to the Sino-American World Trade Organisation (WTO) deal. "Now I'll be able to get that car."

Two days earlier, the China Youth Daily staffer stood window-shopping before a Mercedes showroom in Macau, the casino enclave soon to return to the motherland. For #9,000 he could own the car of his dreams, yet tariffs in China mean that this money buys only a locally made Citroen.

State propaganda against imperialism and spiritual pollution has never dampened Chinese desires for capitalist products. Middle-class consumers such as Chai want better quality, imported items - he already has his driving licence in preparation for the day prices tumble. He may be ready, as are foreign traders and investors, but is the Chinese economy?

The trade deal marks almost the last dance in a 13-year waltz between Beijing and Washington. Chiang Kai-shek's regime was a founder member of Gatt, the WTO forerunner, in 1947, but the new communist rulers spurned the capitalist world and abolished the private sector.

By 1986, China had turned about-face and began asking for re-entry. The talks were so protracted that Premier Zhu Rongji joked earlier this year that "black hair has turned to white". In the case of President Jiang Zemin, elevated to power after the 1989 Tiananmen protests, it turned from white to black, as high office necessitated a more vigorous look. On Monday, Jiang took the bravest decision of his career - if China's firms are not ready now, they never will be; let the unforgiving forces of competition guide their future.

The waltz nearly climaxed in April when Zhu offered unprecedented market access during a trip to Washington. The music slowed when the White House, nervous of Congressional opposition, rebuffed the deal, and then stopped entirely after the May bombing of China's embassy in Belgrade. Protesters berating the "North American Terrorist Organisation" stoned the American and British embassies in China. The tempo picked up again in Auckland in September, but the breakthrough still took six days of talks and some brinkmanship from "Stonewall" Barshefsky - on two occasions she feigned departure to the airport unless she won direct access to Zhu.

Why has China thrown in its lot with the global trade club? Its rationale has changed little since Deng Xiaoping opened China's doors in the 1970s - membership will entice foreign capital and technology, boosting exports and jobs. Yet the WTO debate provides grist to the mill of every Chinese faction. Where some see China coming of age on the world stage, others forecast the demise of local industry and attack the internet's advance.

Above all, WTO membership shows the contradictions of a one-party state pursuing a "socialist market economy". Ideological gymnastics marry Marx and markets, but dissent is off-limits. This year it is the pseudo-Buddhist Falun Gong, last year it was Avon ladies. Foreigners watched helplessly as the political agenda overruled investment - China banned direct sales networks, affecting 200,000 Avon saleswomen, and millions of agents nationwide. Then, as now, the clampdown showed communist fear of alternative mass organisations.

The Sino-American accord is a reformist victory. In a year preoccupied with the 50th anniversary of the communist takeover, reform ground to a halt. Zhongnanhai, the leadership compound Mao inherited from the Qing emperors, was labelled a hotbed of cold feet until Jiang and Zhu finally accepted a WTO deal could resolve the legacy of the command economy. Keeping state-owned enterprises alive cost China \$11 billion in "blood transfusions" last year.

Wang Shan, a political analyst, equates the deal with the Third Plenum in 1978, when Deng set China reforming: "For the first time in 5,000 years, China will really be an international player bound by the same rules as other countries."

Jiang has said: "We will not sacrifice China's national interest for membership." But, by shrinking the state sector, the party's traditional base, does WTO entry sound the party's death knell? It is the greatest gamble yet to preserve its trade-off with its people: economic freedoms that fuel rising living standards in exchange for its continued monopoly on power. "In the past reform was initiated by our leaders," says Wang. "Now it is the demand of the market. Deng could have economic without political reform, but now they will have to go together. Political reform will start from legal reform, granting independence to the judiciary, and will gradually extend to greater speech and press freedom."

Liu Junning, a pro-democracy academic, says: "Entry will force China to separate politics and economics. State-owned enterprises will no longer be protected ... so many western companies will come, on such a large scale, they must demand a more open and fair market economy, and that the Chinese government battles corruption effectively."

But Wang Xiaodong, editor of the Strategy & Management journal, thinks this is wishful thinking: "If you say WTO entry will push forward legal reform and democracy in China, look at Latin America, which has not changed so much."

Some local quoted companies have already been hit by the fallout amid forecasts that every percentage point cut in tariffs will boost foreign brands' market share by 5%.

China's huge population is the lure for foreigners, so is this the moment the floodgates open? Businessmen who battle bureaucracy and state monopolies look to the WTO to remove obstacles that have dogged them since 1978. Only with the WTO will they gain rights that Chinese companies have long enjoyed in the west - to sell their goods without relying on layers of middlemen.

Simon Lang of BP Amoco says: "After 13 years of efforts, it's an outstanding achievement for China. But the details of the impact on the petrochemical industry remain unclear, and implementation will be the key to success."

British companies, already the top European Union investors in China, could ride an expected \$13 billion surge in annual imports into China. Pent-up investment plans should attract everything from high-technology plants to simple western marketing methods.

Financial services is just one area where British firms believe the WTO will create opportunities. At the moment there are draconian limits on insurance, for example. Foreign competition will force a restructuring of China's stricken banks. Much to the consternation of the information industries minister, who threatened to resign after Zhu's April offer, foreigners will break into telephony and net services. In entertainment, Hollywood films, the ultimate "spiritual pollution", may dominate Chinese screens. Companies with expensive infrastructure in place may have mixed feelings - General Motors' plant will be undercut by imports - but all will welcome new economic freedom.

Yet, despite estimates that WTO entry could add 4% to gross domestic product, it is no panacea for China's ills or those of long-suffering foreign businessmen. Beijing will retain many levers of control. But in time, with much trial and error, the impact should be far-reaching. Some fear China will treat the WTO deal as just another piece of paper and avoid compliance where it hurts. Yet as an insider, able to influence trade rules and obliged to abide by them, China is expected to behave as a responsible world citizen.

The deal still has to be ratified in America and Europe but Chinese entry seems inevitable in 2000, 50 years after it quit Gatt. Jiang's desire for a "multi-polar" world may see the European Union granted concessions held back from America.

With the military pomp of the 50th anniversary and state visits worldwide, the century is ending well for Jiang. Zhu remains the scapegoat for WTO fallout, and next month Jiang takes Macau back into the fold, leaving Taiwan the only unfinished business of the 1949 revolution.

China's geopolitical weight forces Taiwan to delay its own WTO accession until after Beijing. Despite openings for cars and agricultural products, Taiwanese accession is barely newsworthy, proof of the degree to which the island has already liberalised - Taiwan is still a larger trading partner for Britain than China.

There is money to be made on the mainland, not from all 1.3 billion Chinese, but among the increasingly prosperous savers such as Chai Jijun. The government may now want to join the Group of Eight economic elite but Chai is more interested in World Cup qualification, a reassuringly normal ambition. To accomplish that goal and formally enter the WTO, some fancy footwork remains. China now plays with multiple partners worldwide and any treading on toes will be punished.

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*Dr Sex steams up Chinese screens. * By *Lijia* McLeod, Beijing. 464 words 9 August 1998 The Sunday Times <javascript:void(0)> English (c) 1998 Times Newspapers Ltd Not Available for Re-dissemination.

IN THE small hours of Sunday morning, Dr Ma Xiaonian is broadcasting sex advice across Beijing's flickering television screens. "Fear of sexual intercourse on one's wedding night can be easily overcome," counsels Ma, "if people understand human anatomy."

Clad in an unfashionable Mao jacket, the earnest Ma appears an unlikely successor to Ruth Westheimer, the diminutive sex adviser who took America by storm. But Ma's weekly show *Life, Birth, Living* is topping the ratings, despite being broadcast at 1.40am after moves by the authorities to push it further into the early hours.

China is undergoing a sexual revolution and Ma is there to guide the curious millions through it, holding forth about contraceptives and venereal disease and giving graphic descriptions of sexual acts. "Young girls fear pregnancy after being kissed by their boyfriends," said Ma, who was inspired to start the programme after a year as a visiting scholar in Britain.

"One couple came to my clinic seeking fertility treatment, but the wife turned out to be a virgin. They thought sleeping next to each other was all they needed to do."

Ironically, the strict one-child policy that was introduced in 1979 lifted the mysterious veil that had hung over sex in China. "It was embarrassing for family planning officials to ask about required condom size or frequency of sexual intercourse," said Pan Suiming from the People's University, one of China's leading sexologists. "But once the ice is broken, everything is easier."

Family planning also forced people to admit that sex could be solely for pleasure, especially after couples had met the one-child quota.

The new mood is in evidence at Adam and Eve, Beijing's first sex shop. White-coated staff lend a discreet medical air to displays of condoms, pills and bedroom toys such as love sprays to avert flagging, and wind-up dragon-headed vibrators.

China's sexual revolution has also borne bitter fruit, however. Although only about 10,000 HIV cases have been reported, the true figure is believed to be closer to 250,000. Prostitution, wiped out in the 1950s after the communist takeover, has resurged to become China's fastest-growing industry. But even liberalism has its limits. In 1994 when Ma produced a videotape on intercourse skills for newlyweds, the government censored the passionate shots of two westerners, replacing them with wooden stick figures in the missionary position.

Homosexuality also remains taboo. Chinese law still does not admit the existence of homosexuality and gays are treated like mentally ill degenerates if caught. And, for all his boldness, it is a subject that even Ma is reluctant to broach.

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