

OBSERVATIONS 4:

ON CHINA'S ECONOMIC AND POLITICAL PROGRESS DURING THE PAST DECADE

The first decade of the current millennium has been characterised by headline-style labels such as: “Terror and the West: A Decade of Misjudgment”¹, “The Lost Decade”², “US Dollar Loses Lustre in Turbulent Decade”,³ “Crowded Agenda for a New Year and a New Decade”,⁴ and “The Decade When the US Lost Its Way”.⁵ One commentator drew attention to a possible follow-on from the Irish poet William Butler Yeats’ use of imagery to describe the atmosphere in Europe following World War 1.⁶

Turning and turning in the widening gyre
The falcon cannot hear the falconer;
Things fall apart; the centre cannot hold;
Mere anarchy is loosed upon the world,
The blood-dimmed tide is loosed, and everywhere
The ceremony of innocence is drowned;
The best lack all conviction, while the worst
Are full of passionate intensity.

Not surprisingly most of these characterisations pertain specifically to the United States, the nation that experienced its own wars in the past 10 years, much of which spilled over to the global community. Paul Krugman, Nobel economics laureate, stated in response to the question as to whether the first decade of the new millennium should be called *the aughts* or

¹ Editorial in *The Guardian* dated 1 January 2010. Available at: <http://www.guardian.co.uk/commentisfree/2010/jan/01/terror-west-decade-misjudgment>.

² David Parkinson, *Globe and Mail*, 31 December 2009. Available at: <http://www.theglobeandmail.com/globe-investor/investment-ideas/features/2010-market-outlook/the-lost-decade/article1416233/>.

³ *Economic Times*, 1 January 2010. Available at: <http://economictimes.indiatimes.com/US-dollar-loses-luster-in-turbulent-decade/articleshow/5401149.cms>.

⁴ Editorial, *The Age* dated 1 January 2010. Available at: <http://www.theage.com.au/opinion/editorial/crowded-agenda-for-a-new-year-and-new-decade-20091231-lkxt.html>.

⁵ E J Dionne in *The Washington Post* dated 31 December 2009. Available at: http://www.washingtonpost.com/wp-dyn/content/article/2009/12/30/AR2009123002187.html?wpisrc=nl_opinions.

⁶ William Butler Yeats, “Second Coming”, was first published by Dial Press in 1920. The first verse only is presented here. Online copies of the other verse can be obtained at: <http://www.online-literature.com/yeats/780/>. The commentator referred to in the text is Richard Cohen, columnist for *The Washington Post* in “Barack Obama: A Leader without a Cause”, 5 January 2010. Available at: http://www.washingtonpost.com/wp-dyn/content/article/2010/01/04/AR2010010402720.html?wpisrc=nl_pmheadline

the *naughties* or the *double Os*: “From an economic point of view, I’d suggest that we call the decade past the Big Zero— the decade in which we achieved nothing and learned nothing”.⁷

Michael James begins his appraisal of the decade with the question: “The 2000s: A Decade of Doom or Diversions”⁸ and suggests the definition is elusive with 9/11, Katrina, iPods, Facebook and Celebrealty thrown together:

We gaped at reality TV, Paris Hilton, celebrity meltdowns, sex tapes and balloon boy -- but also endured bursting economic bubbles at the start and the end of the decade, and millions of Americans out of work. The grim list goes on: the D.C. snipers, the anthrax letters, the Northeast blackout. Was it the digital decade? The disaster decade? The look-at-me generation?

Perhaps the hardest hitting of the decade-commentaries is to be found in Adele M. Stan’s “America the Traumatized: How 13 Events of the Decade Made Us the PTSD [post-traumatic stress disorder] Nation”.⁹ She recommends that all Americans begin the new decade with a “sort the national intervention, where we stop and breathe for a minute, slowly and evenly, and then review the events of the last decade, and think about how each of them made us feel. That's what the therapists would have us do.” More than anything else, this statement urged me to pause in similar fashion to consider the context within which China emerged during the decade, and then focus on China’s changing role in global relations. However, before commencing that task it should be noted that not all of these commentaries are pessimistic. For example, an editorial in *The Australian* on 1 January 2010 adopted the theme: at decade’s end, the world is a better place.¹⁰

China began the decade in a way that resembled a new and somewhat shy schoolboy who sat in the back of the class with pencils and notebooks ready, but with head bowed to avoid being conspicuous. China ended the decade in a way that resembled, rather, a school-ground bully, as perceived by the USA and UK, in particular, as a result of China’s apparent intransigence in refusing to allow any binding agreements at the Copenhagen summit.¹¹

⁷ “The Big Zero”, published 27 December 2009. Available at: <http://www.nytimes.com/2009/12/28/opinion/28krugman.html>.

⁸ Michael S. James article was written for ABC News on 4 December 2009 and is available at: <http://abcnews.go.com/Technology/Decade/defining-2000s-decade-doom-digital-divas/story?id=9174978>.

⁹ Adel M Stan’s article is dated 30 December 2009. She is the Washington bureau chief for AlterNet, the progressive news and culture website. Available at: http://www.alternet.org/politics/144791/america_the_traumatized:_how_13_events_of_the_decade_made_us_the_ptsd_nation/?page=entire.

¹⁰ Available at: <http://www.theaustralian.com.au/news/opinion/at-decades-end-the-world-is-a-better-place/story-e6frg71x-1225815113958>.

¹¹ An example is Marki Lynas, “How Do I Know China Wrecked the Copenhagen Deal? I Was in the Room”. *The Guardian*, 22 December 2009. Available at: <http://www.guardian.co.uk/environment/2009/dec/22/copenhagen-climate-change-mark-lynas>.

Neither the metaphor at the beginning of the decade nor at the end is fully appropriate, though each has relevance along its periphery. This is a direct consequence of choosing two end points with nothing in the middle. Presented with only two “points of observation” there is an overwhelming desire to find the simplest connection, and in such circumstances that almost always emerges from preconceived notions. With no context there is nothing to disprove those notions, and this is a principal problem with many of the “decades in review”.

China did not suddenly appear in the “classroom” in 2000 for the purpose of acceding to the World Trade Organisation. Interest was expressed in 1986, in joining the General Agreement of Tariffs and Trade (GATT), when China was emerging from a long period of global isolation, but the nature of the interest at that time was mainly in becoming a fully fledged member of the global community.¹² Early negotiations with a GATT working party were postponed following the Tiananmen Square tragedy in 1989, but were reopened in the second half of the 1990s after the WTO replaced GATT. By then, China’s economic reform and opening to the world was much more advanced. WTO membership then offered a means for increasing the competitiveness of the Chinese economy by providing a reason, and perhaps more importantly a structure, to continue the process of reallocating resources within China in such a way as to utilise fully the nation’s comparative advantage in external trade.

Additionally, at that time, China was ranked as the 9th largest trading nation in the world, and a World Trade Organisation without China as a member would fall short of the World Trade Organisation’s claim to represent the global economy. In its continued reform, China had abolished trade based upon central planning, and had thus decentralised its trading power, slashed tariffs, unified the system of dual exchange rates (1994) and removed exchange controls on current account transactions (1996).¹³ As a member of the WTO, a major gain to China was the permanent realisation of normal trade relations with all other members of the WTO. Without this status, China would have been forced to continue bilateral negotiations on a repeated basis to extend its normal trading relations. These negotiations with the US, in particular, were becoming onerous. As China’s bilateral trade surplus had grown with the United States – approaching US\$85 billion in 2001 – more and more attention was given by the Americans to China’s external trade practices. In addition to trade, “the congressional debates often focused on human rights, the use of prison labour, the lack of a commitment to democracy, failed attempts to restrict the proliferation of key technologies and weapon systems, and a host of security issues.”¹⁴

For accession to the WTO, Chinese negotiators were required to engage in the “round robin” series of bilateral discussions on the conditions for entry. In the process, they secured additional protection for the producers of land-intensive agricultural products in China, and

¹² Kent Hughes, Gang Lin and Jennifer L. Turner, “China and the WTO: Domestic Challenges and International Pressures”, Woodrow Wilson International Centre for Scholars, Washington D.C. 2002, p. 6. Available at: <http://www.wilsoncenter.org/topics/pubs/WTOopt.pdf>.

¹³ Exchange controls on capital account transactions were retained. For more detail consult an essay by one of my former students, which was published by the Chamber in 2002. Available at: <http://www.accci.com.au/strauss.htm>.

¹⁴ Refer to the document cited in footnote 12 above, at page 7.

this gave assurance that the shift away from inefficient production would be orderly. More specifically, the schedule of tariff reductions on certain items could be halted if imports exceed a specified quota (this is referred to as the tariff-rate quota system or TRQ).¹⁵

Nevertheless, the Chinese negotiators suffered a number of indignities. For example, Mexico sought approval to impose special import duties of up to 1,500 per cent for at least 6 years on a range of Chinese products including chemicals, toys, shoes and textiles if those products cause “material injury” for Mexican enterprises. This was not strictly within normal WTO rules for entry requirements since it allowed Mexico to discriminate against China. All members of the WTO should be treated equally in relation to import restrictions. Additionally, preferential treatment was sought by a US insurer, American Insurance Group (AIG),¹⁶ to allow it to continue under a “grandfather clause” with 100 per cent ownership of subsidiaries in China. All other insurance companies were required to form joint ventures with Chinese insurance companies.¹⁷

If all of this seems strange, and perhaps even vindictive, bear in mind that while the WTO is an important institution for preventing and, if that is not possible, for resolving trade disputes, it is still a club in the Western tradition. This means that members of the club believe that applicants should (a) be put through hoops and hurdles to determine if they are serious applicants, (b) suffer indignities in order to establish value to their membership, and (c) be given a lukewarm welcome so that they can proceed to “make their mark” in the club without depending upon the support of a long-time member. Perhaps this works for bowling clubs and golf clubs, but it is not part of Chinese ethos. How can it then be surprising that “pay back” time was placed on the agenda, and will perhaps remain there for some time in the future?

China’s Economic Developments, 2000 to 2010.

The members of China’s WTO negotiating team were reported to be celebrating on Monday evening 17 September 2001 as the last real barrier to entry into the WTO was overcome. Membership was formally extended on 11 December 2001.¹⁸ Did China realise its objectives through WTO membership? Evidence exists to support the view that all of the desired reallocations of resources were successful, even if some of those reallocations are not yet complete. China’s exports of agricultural products increased from US\$16.383 billion in the year 2000 to US\$42.291 in the year 2008,¹⁹ or by 158 per cent. Imports of agricultural

¹⁵ Described in some detail by an earlier ACCCI Report entitled: “China’s Entry into the WTO: How Will It Affect China and How Will It Affect Australia?” dated 19 October 2002.

¹⁶ Observers of the recent global financial crisis will remember AIG as the only major US insurance company that required a federal government bail-out as a result of badly illiquid position shortly before the financial turmoil came to a boil.

¹⁷ This was mentioned in the ACCCI Report cited in footnote 15 above.

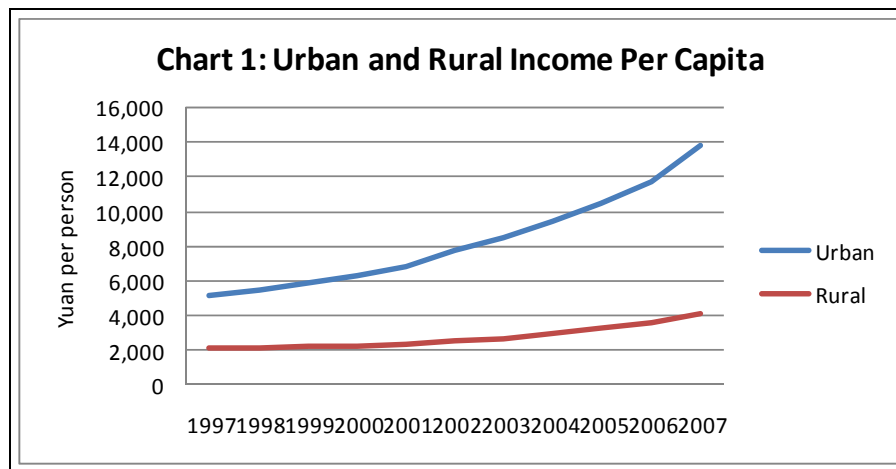
¹⁸ From WTO at http://www.wto.org/english/thewto_e/whatis_e/tif_e/org6_e.htm.

¹⁹ From WTO *International Trade Statistics 2009*, Table ii16.xls at http://www.wto.org/english/res_e/statis_e/its2009_e/its09_merch_trade_product_e.htm.

products increased by an even greater amount, from US\$19.54 billion in 2000 to US\$86.83 billion in 2008,²⁰ or by 344 per cent.

A breakdown of these exports and imports is not available, but it can be presumed that agricultural exports consisted mainly of relatively high value per hectare items, such as fruits and nuts, while imports consisted of grains and oil seeds for which China has not been an efficient producer. The desire to reallocate rural resources into agricultural activities for which China has a comparative advantage was partly met, but the continuing desire to provide food security for China's large population limits the extent to which China will depend upon agricultural imports.²¹

Did the increased trade in agricultural products act to lessen the urban-rural income disparity? Not likely. Urban incomes since 2000 increased at a faster rate than rural incomes, as is clear from Chart 1.²² The most that can be said is that rural income per capita rose at a faster rate after 2002, thus showing some improvement for rural households.



The Chinese authorities may eventually succeed in their objective of sharing the benefits of economic growth more equally, so that the two lines in the chart become parallel, but it is unlikely that they will begin to converge until less than half of China's population are classified as rural residents.²³ In the meantime, diverging lines are likely to be associated with rural discontent, which China can ill afford, and increased rural-to-urban migration. The

²⁰ Same reference as above (note 18) except that the relevant table is ii17.xls.

²¹ Bryan Lohmar, "Market Reforms and Policy Initiatives: Rapid Growth and Food Security in China", *Food Security Assessment*, GFA-13, March 2001, US Department of Agriculture, Economic Research Service. Available at: <http://www.ers.usda.gov/publications/GFA13/GFA13i.pdf>.

²² The data were published by Reuters and the primary source of information was not stated. While there is no reason to question the data, there is also no reason to be confident about them. Available at: <http://in.reuters.com/article/asiaCompanyAndMarkets/idINPEK1715020080124>.

²³ The percentage of China's population living in rural areas at the present time is about 60 per cent. Note that China's definition of rural areas is different from that used by most other countries so a range of percentages have been quoted, all of which should be considered approximate.

latter will ensure a continuation of low wages for labour-intensive manufacturing, but it will not reduce the labour shortages in skilled occupations nor the settlement problems accompanying the migration.

Apart from the continuing problem of income inequalities, China's economic progress in the past decade has been exceptionally good. The rates of growth in gross domestic product from 2000 to 2009 are shown in Appendix Table 1, which is presented as a separate document at <http://www.accci.com.au/AppendixT1.pdf>. The average was just under 10 per cent per annum for that period, with nearly 11 per cent per annum for the average during last half of the period. China's trade sector was the outstanding performer, with rates of growth in excess of 30 per cent in 2003 and 2004. Although the rates were lower after 2007 (see Chart 2 below, using data from Appendix Table 1), the performance during the period, with projections in 2009 and 2010 from the Asian Development Bank, was enviable.

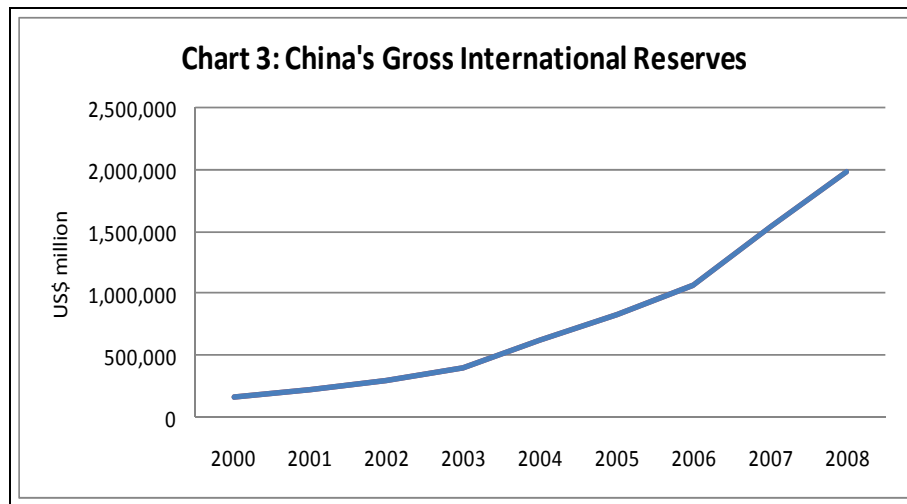


It was noted above that China was the 9th largest trading nation in 2001 and it was recently reported that China is now the largest exporter, having exceeded the value of Germany's exports in 2009.²⁴ The two rankings are not directly comparable, however, since the *largest trading nation* is based upon the combined effect of exports and imports. In 2008, the USA held the top position largely as a result its 13.5 per cent share of global imports, compared with Germany's 7.5 per cent share and China's 7.0 per cent share. This is expected to have changed in 2009 as a result of a substantial drop in consumer demand in the USA following the global financial crisis, but we need to wait until the global trade data are released later this year for verification.

There are, however, two economic "dragon tails" that may cause difficulties for China's leaders during the current decade. The first of these is the rapid accumulation of gross international reserves, which are held primarily in US Treasury bonds. As seen from Chart 3, also using the data from Appendix Table 1, the slope of the line rose in 2003 and again in

²⁴ This is based upon export data for both China and Germany and has been reported widely in the media. For example, see: <http://www.smh.com.au/business/world-business/china-cements-export-lead-with-december-surge-20100111-m0y0.html>.

2007. This was the result of increased current account surpluses as well as the accumulated interest from the previously purchased bonds. This adds to China's net worth but entails two major risks. First, as all (or at least most) financial advisors tell their clients: a diversified portfolio of assets is far safer and has been shown to yield a higher risk-weighted return than a portfolio that has all of the "eggs in one basket".



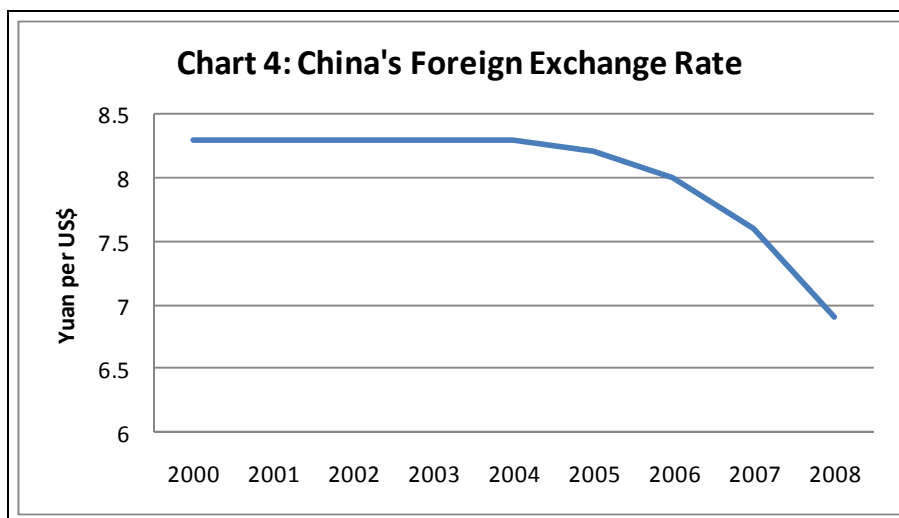
Whatever the reasons for China's reluctance to park a sizeable portion of the export earnings elsewhere, these earnings are now under risk as a result of their size. It is generally known that China is beginning to invest in land in Africa for the purpose of gaining increased food security²⁵ and has been looking for investment opportunities in Australia and elsewhere to obtain security in the supplies of raw materials. These activities should have commenced early in the 2000-2010 decade, before the level of gross international reserves increased by a factor of 12. Any movement of these funds now will cause ripples, most of which are likely to be destabilising.

The second economic "dragon tail" concerns the exchange rate between the yuan and the US dollar (refer to Chart 4) for which the source is the same as the other charts. In 2005 China removed the "peg" that fixed the exchange of the Chinese yuan (CNY) with the US dollar at 8.3 yuan per US dollar and allowed that rate to change according to a reference basket of currencies.²⁶ The downward movement of the line indicates an appreciation of the CNY with respect to the US dollar. This is what American congressmen, economists, and almost anyone else who entered the debate, wanted. But to nearly everyone, the percentage appreciation of 17 per cent seems well under-proportion compared to the rise in a trade balance of 918 per cent over the period from 2000 to 2008. It is becoming increasingly

²⁵ Refer to the document cited in footnote 21 above and for further information, refer to the ACCCI Monitor for China's Foreign Policy and Diplomacy at: <http://www.accci.com.au/ForeignPolicy.htm>.

²⁶ As stated by the US Federal Reserve Bank of San Francisco in their "Economic Letter" dated 19 September 2005: "The revaluation puts the renminbi at 8.11 against the dollar, which amounts to an appreciation of 2.1%. Under the reform, the People's Bank of China will incorporate a "reference basket" of currencies when choosing its target for the renminbi. ... However, the announcement and subsequent clarifications leave the PBOC with considerable discretion over its renminbi target." Available at: <http://www.frbsf.org/publications/economics/letter/2005/el2005-23.html>.

difficult for China to be convincing that it is not intervening directly in the market to maintain an exchange rate that gives a boost to its exports.²⁷



China's Political Developments, 2000 to 2010.

In 1962 Peter Bachrach and Morton Baratz introduced the notion that power has two faces.²⁸ The *first face* is the authority to choose between issues of public concern and the *second face* is the ability to control what issues and alternatives are considered to be “of public concern”. For China, the first face is exhibited by the leadership of the Central Committee of the Chinese Communist Party²⁹ (CCP), and this is concentrated in the nine members of the Politburo Standing Committee.³⁰ The second is more complex, and perhaps more important in terms of power and influence within China. Major treatises have been written on both of these faces; my observations are limited to a few selected changes that occurred over the past decade.

²⁷ The issue of China's exchange rate policy cannot be easily elaborated upon in this short note. If confusion in the media persists, a later ACCCI Observations may be devoted to it. In the meantime, for those who seek more information, a useful set of papers emerged from a conference organised by the Peterson Institute for International Economics on 18 October 2007. The papers are available at: http://www.iese.com/events/event_detail.cfm?EventID=47.

²⁸ Their article was published in *American Political Science Review*, Vol. 56, 4 (December), pp. 947-952. It has been referred to widely and one recent reference in a similar context to this one is Shaoguang Wang, “Changing Models of China's Policy Agenda Setting”, *Modern China*, Vol. 34, No. 56, 2008, pp. 56-87. Downloads may be purchased at: <http://mcx.sagepub.com/cgi/content/abstract/34/1/56>.

²⁹ This is also known as the Communist Party of China (CPC). The Chamber has used the word order indicated by CCP more frequently in the past so it is maintained here.

³⁰ An extensive listing of names and short biographies for the 300 members of the Central Committee, as well as the main administrators, is available from GIGA Institute of Asian Studies, “China Data Supplement”, *Journal of Current Chinese Affairs*, May 2009. Available at: http://www.giga-hamburg.de/dl/download.php?d=/content/ias/archiv/cds/cds_0905.pdf.

A major development at the 16th Party Congress in November 2002 was the apparent termination of the “hierarchical game” of life and death struggles that, in the past, were dominated by Mao Zedong and Deng Xiaoping.³¹ The existence of a paramount leader is presumed to be the result of the factional conflicts within the CCP, which is described by Jing Huang as follows:

The fierce factional strife of the Mao and Deng periods and the resulting instability in both leadership relations and policy outcomes were the result of informal politics, characterised by highly personalised authorities, deficient institutionalisation of the political process and uncertain rules for decision-making. Under the faction-ridden, hierarchical leadership structure, the relationship between the supreme leader (such as Mao or Deng) with absolute command and his chosen successor could turn sour at any point. If the successor chose to expand his power base or exhibit independence of mind, the supreme leader would undoubtedly grow deeply suspicious of his erstwhile protégé and a deadly succession struggle would ensue and neither would feel secure until his opponent was politically eliminated.³²

A commonly held view is that factional tensions are simply made dormant by a paramount leader and tend to rise to the surface when that leader selects his successor. The risk of loss at the end of the paramount leader’s reign through a failed factional challenge is generally taken to be less than the gains from a faction-preferred successor. The transitions from Mao Zedong to Hua Guofeng in 1976 and from Deng Xiaoping to Jiang Zemin in 1989 are often used as examples of vicious intraparty struggles. However, the transition from Jiang Zemin to Hu Jintao in November 2002 is strikingly dissimilar; it was characterised by a more formal “game of competitive coexistence” with emphasis on compromise and consensus building. Some observers take this to be a “new norm in China’s political processes”.³³

There is little doubt that the rise of Hu Jintao was carefully planned, beginning with his elevation to the Standing Committee of the Politburo by Deng Xiaoping in 1992. The way the elevation was effected, however, could be interpreted as a legacy of Deng, who was the last paramount leader. We need one more Party Congress to know with reasonable certainty that the older “hierarchical game” ended and the newer “game of competitive coexistence” is the accepted replacement. The potential relevance of this to China’s role in global relations is to ask if the bully-behaviour that was recently observed in China’s conduct with other nations is either a harbinger of a return to a domestic “hierarchical game” or a warning against a breakout of factional fighting within the Central Committee.

³¹ A major reference for this is Jing Huang, “Institutionalisation of Political Succession in China: Progress and Implications”, Chapter 5 of Cheng Li, *China’s Changing Political Landscape: Prospects for Democracy*, Brookings Institution, Washington, DC, 2008. More information about the collection of papers from a conference organised by Brookings is available at: <http://www.brookings.edu/press/Books/2007/chinaschangingpoliticalandscape.aspx>

³² Cheng Li, *op. cit.* in footnote 30, p. 82.

³³ *Ibid.*, p. 81.

The *second face* of power is related to controlling or setting the agenda of issues. The overall process of doing this was analysed by Shaoguang Wang and put into the form of six models, as summarised in Table 1.³⁴

Table 1: Wang’s Models for Setting Policy Agenda

	Initiator of the Agenda		
	Decision Makers	Advisors	Citizens
Low Degree of Public Participation	<i>Model 1</i> Closed Door	<i>Model 3</i> Inside Access	<i>Model 5</i> Outside Access
High Degree of Public Participation	<i>Model 2</i> Mobilisation	<i>Model 4</i> Reach-Out	<i>Model 6</i> Popular Pressure

With the closed door model the agenda items arise from within the inner circle of decision-makers who consider it neither necessary nor desirable to obtain popular support through public participation. The second model, in contrast, applies a predetermined agenda to persuasive activities via media, non-government organisations or community consultations by party cadres. With Model 3 the items that eventually appear on the agenda are introduced by advisors (or independent brain trusts), but are presented specifically to the policy makers without public participation. If the advisors have reason to believe that the major agenda items are likely to be given stronger support from the public, then Model 4, the reach-out model, would be appropriate. Outside access implies that citizens initiate the agenda setting procedure by sending letters to the decision-makers, or by calling attention to a desired agenda item by some other means, but this would exclude wider public consultation that is contained Model 6, the popular pressure model.

Wang’s main point is that the first five models were “commonly observed in China, while the popular pressure model was rarely applied” (p. 72). The main reasons for this, as given by Wang, are informative. Prior to economic reform China was highly egalitarian so that people were willing to accept a moderate level of short-term losses in order to achieve long-term social benefits. During the last decade this began to change:

Now, [Chinese] people are more guarded, suspicious of every new reform measure. Those who have suffered losses in one way or another in the early stages of the reform no longer support new reform initiatives without hesitation. These people have deep hatred for the abuse of power, corrupt officials, and overnight upstarts and their extravagant lifestyle, and contempt for glib talking scholars who try to make a pile out of the “reform.” Above all, most of them feel that China’s reform has gone astray lately and that it is time for China to change course by pursuing

³⁴ Shaoguang Wang, “Changing Models of China’s Policy Agenda Setting”, *Modern China*, Vol. 34, No. 56, 2008, pp. 56-87. Downloads may be purchased at: <http://mcx.sagepub.com/cgi/content/abstract/34/1/56>.

more balanced and more coordinated socioeconomic development. This is the social pressure that the Chinese government is now facing.³⁵

Additionally, the people in China are showing greater concern about such issues as agriculture, the countryside, farmers, migrant workers, the ecological environment, public health, health insurance and income inequality. It is Wang's view that this interest is largely attributed to the media. He states:

Of course, as the mouthpieces of the central or local Party/governments, some newspapers and magazines are granted only a limited degree of freedom. Their survival strategy is to create, under their banners, subsidiary newspapers and magazines that enjoy much more latitude. Examples include *Global Times* under *People's Daily*, *Oriental Outlook* under the Xinhua News Agency, *Xinmin Evening News* and *Bund Pictorial* under the Shanghai Wenhui–Xinmin United Newspaper Group, and a host of others. Newspapers and magazines such as *China Newsweek*, *Finance*, *Commercial Week*, and *China Industry and Business Daily*, are not designated as organs of the Party and government to begin with; they seem to be more autonomous. Perhaps inspired by these well-known publications, hundreds of regional and local newspapers and magazines (e.g., *Southern China Times*, *Dahe Daily*, etc.) have added new pages for investigative reports, news reviews, and commentaries on public affairs, trying to expand the boundaries of freedom of expression.³⁶

Other examples can be found in the literature, but hopefully this is enough to suggest (though perhaps not to prove) that those of us who believed we had accumulated a fair amount of knowledge about the Chinese economy and the Chinese political system at the beginning of the past decade are experiencing a knowledge gap at the end of the decade. We all know that things change rapidly in China, but we have a tendency to believe that only some things change while others remain the same. That may be true, but can we be sure which do not change unless we examined fully what has changed? Returning to the metaphors mentioned in the beginning of Observations 4, perhaps China was neither similar to a quiet schoolboy in 2000 nor similar to a bully in 2009. Perhaps we saw it that way because we expected to see it that way.

John Zerby
17 January 2010

³⁵ Shaoguang Wang, op cit in footnote 33, p. 73.

³⁶ *Ibid*, p. 77.