

CHINA IN 2002: Economic Reform and Opening

CHINA'S CONTINUING REVOLUTION

DURING THE GREAT PROLETARIAN CULTURAL REVOLUTION 35 YEARS AGO, I FIRST BECAME INTERESTED IN CHINA. UNIVERSITY STUDIES IN CHINESE HISTORY, CONTEMPORARY POLITICS, NOT TO SPEAK OF THE LANGUAGE, DESCRIBED A COUNTRY SO DIFFERENT FROM CANADA, IN EVERY WAY CONCEIVABLE, THAT IT SEEMED BOTH REAL AND THE PRODUCT OF IMAGINATION. AS A STUDENT OF CANADIAN FOREIGN POLICY, IT HARDLY SUGGESTED AN IDEAL PARTNER FOR CANADA OR CANADIANS. STILL, I WAS INTERESTED ENOUGH IN THE SUBJECT THAT I SUBSCRIBED TO 'THE PEKING REVIEW', 'CHINA RECONSTRUCTS' AND 'CHINA PICTORIAL', SO MUCH CHINA STUFF THAT I WAS ONCE VISITED BY THE RCMP!

I TRAVELLED TO CHINA FOR THE FIRST TIME IN 1982, 4 YEARS AFTER THE 3RD PLENUM OF THE 11TH PARTY CONGRESS, WHEN DENG XIAOPING PROPOSED WHAT WAS TO BECOME A RADICAL CHANGE OF NATIONAL DIRECTION, A COMMITMENT TO A MODERN FORM OF ECONOMIC DEVELOPMENT. EVEN THEN, IN 1982, THERE WAS ONLY A FEW NEW HOTELS IN BEIJING, FEW TAXIS, BAD RESTAURANTS AND MARXISM-LENINISM IN RHETORIC, IF NOT IN REALITY.

FROM THE VANTAGE POINT OF JAPAN, WHERE I HAD LIVED AT THAT POINT FOR 14 YEARS, I WATCHED CHINA'S EVOLUTION, WITH ITS ROOTS IN THE 19TH CENTURY BUT NOW WELL IN THE 20TH, AN UNFINISHED REVOLUTION, A NATIONAL TRANSFORMATION WITH ENDURING CHARACTERISTICS THAT INCLUDE A

DETERMINATION TO ACHIEVE BROAD-BASED ECONOMIC DEVELOPMENT, WITH ENOUGH SOCIAL JUSTICE TO PRESERVE DOMESTIC PEACE, SOVEREIGNTY OVER ITS TERRITORY, AND THE DETERMINATION TO MAKE ITS PLACE IN THE WORLD.

IN 1978, IN INTRODUCING A RADICALLY DIFFERENT APPROACH TO ACHIEVING SOCIALISM, DENG AND HIS CRITICAL MASS OF REFORMERS AIMED AT ACHIEVING THESE SELF-SAME NATIONAL OBJECTIVES. THEY PROPOUNDED A LOOSENING OF GOVERNMENT CONTROLS OVER INDIVIDUAL ECONOMIC ACTIVITY AND PRIVATE ENTERPRISE; RE-ESTABLISHING THE PRIORITY OF EDUCATION AS A NATIONAL OBJECTIVE; AND OPENING TO THE OUTSIDE WORLD. THEY PROMOTED 'THE FOUR MODERNIZATIONS', OF INDUSTRY, AGRICULTURE, S&T, AND DEFENCE.

THE NEED FOR SUCH MODERNIZATION, IN A COUNTRY WHICH AT THE OUTSET WAS CENTRALLY PLANNED, LENINIST AND EXTREMELY POOR, MAY APPEAR SELF-EVIDENT TO CANADIANS, THEN AS NOW, BUT THEY WERE SEEN BY MANY MILLIONS OF CHINESE AS THREATENING THE VERY MEANING OF THE REVOLUTION, FOR THEY PUT INTO QUESTION OTHER, MAOIST OBJECTIVES, AIMED, RHETORICALLY AT LEAST, AT CREATING A COUNTRY THAT WAS STRICTLY EGALITARIAN, SOCIALIST, AND GENERALLY SUSPICIOUS WHEN NOT OPENLY HOSTILE TO FOREIGN CONTACT.

LET ME LIST SOME OF THE CHANGES THAT HAD TO BE IMPLEMENTED, CHANGES THAT WOULD TAKE TIME:

- CHINA'S 300MM FARMING HOUSEHOLDS HAD TO BE MOVED FROM MASSIVE STATE COMMUNES TO A FAMILY FARM SYSTEM BASED ON LONG TERM LEASING OF LAND AND AN OPEN MARKET FOR MOST AGRICULTURAL GOODS.

- CHINA'S STATE OWNED ENTERPRISES, PRODUCING 78% OF INDUSTRIAL OUTPUT IN THE LATE '70S, HAD TO BE VARIOUSLY PRIVATIZED OR CORPORATIZED, IN ORDER TO FACE DOMESTIC AND INTERNATIONAL COMPETITION; AN ENTIRELY NEW AND PRIVATE SERVICES SECTOR HAD TO BE CREATED AND REGULATED; A MODERN, COMPETITIVE STYLE MARKET BASED FINANCIAL SYSTEM HAD TO BE ESTABLISHED, ESSENTIALLY FROM SCRATCH; A MARKET-RESPONSIVE LABOUR FORCE WAS NEEDED, ONE THAT THREATENED AND INDEED EVENTUALLY WRECKED HAVOC ON THE PERVASIVE STATE CONTROLS EXERCISED THROUGH WORK UNITS – DANWEI – AND HOUSEHOLD REGISTRY – HUKOU – PERMIT SYSTEMS.

THIS WAS TO BE AN IMMENSELY COMPLEX PROCESS, AND NOT WITHOUT FACING OPPOSITION, BUT STILL ONE DEEMED BY CHINA'S TOP LEADERS AS ESSENTIAL TO THE ACHIEVEMENT OF CHINA'S ECONOMIC OBJECTIVES, EVEN WHEN CITED IN REVOLUTIONARY TERMS.

CHINA IN THE 21ST CENTURY

LAST SUMMER, 22 YEARS AFTER THE LAUNCH OF THE REFORM MOVEMENT, I HAD THE PRIVILEGE OF BEING APPOINTED AMBASSADOR TO CHINA. I AND MY COLLEAGUES IN BEIJING AND CANADA'S FOUR OTHER POSTS ON THE MAINLAND ARE REPRESENTING CANADA IN A CHINA THAT:

- AT CURRENT EXCHANGE RATES, MAKES CHINA THE 6TH LARGEST ECONOMY IN THE WORLD, WITH AN ESTIMATED US\$ GDP OF 1.2 TRILLION, BUILT ON AN AVERAGE ANNUAL GROWTH RATE OF 8% OVER THE LAST 24 YEARS. CANADA'S GDP IS THE 8TH IN THE WORLD;

- IT IS THE WORLD'S 5TH LARGEST TRADING NATION;

- AT US\$47B IN 2001, CHINA ATTRACKS MORE FOREIGN DIRECT INVESTMENT THAN ANY COUNTRY BAR THE USA; CANADA'S INTAKE WAS \$13B.

- THE STATE'S ROLE IN THE ECONOMY REMAINS SIGNIFICANT, BUT IT IS MUCH REDUCED: LESS THA 38% OF INDUSTRIAL OUTPUT IS NOW PRODUCED BY STATE OWNED ENTERPRISES AT NATIONAL AND REGIONAL LEVELS;

- AT THE SAME TIME, CHINA REMAINS A POOR COUNTRY: IT'S PER CAPITAL GDP IS US\$ 840, WHICH IS ABOUT THE SAME LEVEL AS SYRIA, SRI LANKA OR BOLIVIA; ACCORDING TO THE WORLD BANK, 230 MILLION CHINESE - A QUARTER OF THE POPULATION - LIVES ON LESS THAN \$1 PER DAY.

BUT I THINK THAT WE HAVE TO LOOK AT CHINA IN ABSOLUTE IN ADDITION TO COMPARATIVE TERMS. ITS PURCHASING POWER PARITY, ON A PER CAPITA BASIS, MAY BE ONLY ONE 8TH THAT OF AN AVERAGE CANADIAN, BUT IT HAS TODAY AN 'ASIAN LEVEL' MIDDLE CLASS OF 50 MILLION PEOPLE, PROJECTED TO RISE TO 200 MILLION BY MID-DECADE; IT HAS 8 MILLION HOUSEHOLDS WITH INCOMES GREATER THAN C\$40,000 PER YEAR; MORE THAN 30 MILLION HOUSEHOLDS HAVE ASSETS IN EXCESS OF C\$100,000. EUROMONITOR STATES THAT 600 MILLION CHINESE NOW HAVE SUFFICIENT SPENDING POWER TO BECOME THE TARGET OF MOST BRAND MANUFACTURERS. AND INCOMES ARE ON THE RISE.

- IN MY VIEW, THE RISE OF THE CHINESE MIDDLE CLASS IS ONE OF THE GREAT UNTOLD STORIES IN THESE EARLY YEARS OF THE 21ST CENTURY. THE CHINESE MIDDLE CLASS IS NOW PRESENT IN VERY SIGNIFICANT NUMBERS, AND THUS

REFLECTS AND PROVIDES A SKILLED LABOUR FORCE CRUCIAL FOR DEVELOPING AND SUSTAINING CONSUMER MARKETS, AND A FONT OF SOCIAL STABILITY.

- ANOTHER GREAT AND LARGELY UNTOLD STORY IS THE EXTENT TO WHICH CHINESE SOCIETY, AS WELL AS ITS ECONOMY, ARE GLOBALIZING: THE CHINESE ARE CONNECTED AND CONNECTING, AND DOING THROUGH STATE OF THE ART TECHNOLOGIES. 92% OF CHINESE HAVE ACCESS TO TELEVISION. 90 MILLION HOUSEHOLDS HAVE CABLE, AND ILLEGAL SATELLITE CONNECTIONS PROBABLY ADDS ANOTHER 15 MILLION. MANY OF THESE HAVE UNSANCTIONED ACCESS TO THE 22 FOREIGN CHANNELS NOW TARGETING THE CHINESE MARKET AND THUS THE PUBLIC.

- THERE ARE 126 MILLION CELLPHONE SUBSCRIBERS IN CHINA. 24 MILLION INTERNET USERS ACCESS 277,000 CHINESE WEBSITES.

- BUT THIS IS MOSTLY ABOUT DOMESTIC CONNECTIVITY. THE CHINESE ARE CONNECTING INTERNATIONALLY AS WELL, DESPITE ACTIVE AND NOT ALWAYS EFFECTIVE BLOCKING EFFORTS BY GOVERNMENT MINISTRIES.

- THAT'S NOT THE ONLY CONNECTIVITY STORY: THE WORLD TOURISM ORGANIZATION SAYS THAT 10 MILLION CHINESE TRAVELLED BEYOND CHINA'S BORDERS IN 2001. CHINESE TOURISTS ARE AMONG THE MOST NUMEROUS IN SOUTH EAST ASIA. 75,000 VISITORS AND BUSINESS PEOPLE CAME TO CANADA LAST YEAR. 130,000 STUDENTS ARE NOW STUDYING ABROAD, AND DEMAND FOR STUDENT VISAS IS INCREASING EXPONENTIALLY. OVER 42,000 CHINESE FIRMS ARE NOW LICENCED TO CONDUCT FOREIGN TRADE.

ANOTHER FACTOR TO KEEP AN EYE ON: THE RISE OF CHINESE CORPORATIONS.

FORTUNE MAGAZINE HAS DEVELOPED ITS LIST OF THE 100 LARGEST CHINESE FIRMS. IT MAKES FOR INTERESTING READING. THEY ARE ALL STATE-OWNED ENTERPRISES, BUT YOU CAN FIND THEM, VARIOUSLY, ON CHINESE, NEW YORK, LONDON AND HONG KONG STOCK EXCHANGES. THEY HAVE A TOTAL MARKET CAPITALIZATION OF US\$580 BILLION, ABOUT 13% OF TODAY'S TSE. CANADIAN CONSUMERS CAN'T PURCHASE TOO MANY OF CHINESE BRAND NAMES YET – QINGTAO BEER, OR HAIER APPLIANCES OR HUAWEI TECHNOLOGIES PERHAPS - BUT AS THE EFFICIENCIES DRIVEN BY COMPETITION UNDER WTO RULES WORK THEIR WAY THROUGH THE SYSTEM, WE WILL SEE, INCREASINGLY, THE OUTWARD INTERNATIONALIZATION OF CHINESE BUSINESS: THEY WILL BE BUYERS OF OUR PRODUCTS AND SERVICES, AS WELL AS SUPPLIERS OF GLOBALLY COMPETITIVE PRODUCTS AND SERVICES, ANOTHER SPACE TO WATCH.

THESE FACTS AND FIGURES, AND MANY MORE, SPEAK NOT ONLY OF CHINA AS THE MERGING POWER OF THE 21ST CENTURY: THEY ILLUSTRATE THAT, ECONOMICALLY, FOR ALL INTENTS AND PURPOSES, CHINA HAS ARRIVED: IT IS A COUNTRY IN FULL AND DYNAMIC FLIGHT.

SO, WHAT ACCOUNTS FOR MANY OF THESE REMARKABLE DEVELOPMENTS?

JOINING THE WORLD TRADING ORGANIZATION

ON DECEMBER 11 LAST YEAR, CHINA FORMALLY JOINED THE WTO. IT IS IMPORTANT TO APPRECIATE THAT THE WTO IS NOT A CLUB: IT IS A SYSTEM OF INTERNATIONAL ECONOMIC AND TRADE RELATIONS RULES THAT REQUIRE COMMITMENTS THAT

PROFOUNDLY AFFECT THE NATURE OF THE MEMBER ECONOMIES, THE STRUCTURE OF THEIR INDUSTRIES AND, TO AN EXTENT, THE FUNCTIONING OF THEIR SOCIETIES.

THERE ARE A COUPLE OF IMPORTANT POINTS HERE THAT REQUIRE ATTENTION.

FIRST: THE WTO IS ABOUT PROMOTING OPENNESS AND TRANSPARENCY. IT IS ABOUT LAW AND RULES. ITS ABOUT PREDICTABILITY AND RECOURSE. IT IS ABOUT NATIONAL AND INTERNATIONAL DISCIPLINES WHOSE SPIRIT AND MECHANISMS WORK TOWARDS TRANSPARENCY AND THE RULE OF LAW. AND – IN MY VIEW – THIS WORKS INEXORABLY AGAINST THE AUTHORITARIAN AND SECRETIVE TENDENCIES OF SINGLY PARTY STATES.

SECOND: YET DESPITE THIS, CHINA HAS ACCEPTED THESE DISCIPLINES, IT'S EYES WIDE OPEN. BY JOINING THE WTO, CHINESE ECONOMIC POLICY AND ATTENDANT DEVELOPMENT, WHICH HERETOFORE HAD BEEN BASED LARGELY ON EXPERIMENTATION, SUCH AS FREE TRADE ZONES, IS NOW BASED ON SOMETHING OF MUCH BROADER CONSEQUENCE.

THROUGH WTO ACCESSION CHINA HAS LOCKED-IN A PROGRAM OF TRADE AND INVESTMENT LIBERALIZATION AND LEGAL REFORMS THAT EXTEND FIVE TO TEN YEARS INTO THE FUTURE. THEY HAVE IN THIS WAY ENLISTED FOREIGN PRESSURE TO ENSURE THAT IT HAPPENS.

BUT JOINING THE WTO DOESN'T EXPLAIN EVERYTHING.

REFORM BEYOND THE WTO

BECAUSE THE CHINESE COMMUNIST PARTY AND THE GOVERNMENT INSTITUTIONS IT CONTROLS ARE ALSO PURSUING NON-WTO MANDATED OBJECTIVES, SUCH AS STATE-OWNED-ENTERPRISE – SOE – REFORMS. AND THIS DESPITE THAT THE COSTS OF THE OVERALL REFORM AGENDA ARE HIGH: AN EXAMPLE: IMPACT ON EMPLOYMENT.

THE MINISTRY OF LABOUR AND SOCIAL SECURITY RECENTLY ADMITTED TO 6.2 MILLION 'REGISTERED UNEMPLOYED', BUT ADDED THAT THIS DID NOT INCLUDE 5.15 MILLION WORKERS LAID OFF BY THE STATE-OWNED ENTERPRISES. THIS WAS NOT MANDATED BY THE WTO. UNEMPLOYMENT RATES ARE OFFICIALLY DEEMED TO BE 3.6% OF URBAN WORKERS AT THE END OF 2001, AND THIS IS CONSISTENT WITH THE NUMBERS JUST FLAGGED. THE OECD HOWEVER SAYS THAT UNEMPLOYMENT IS 6.6%. SOME ACADEMICS SUGGEST 10%. OTHERS ESTIMATE THAT 20% OF THE RURAL LABOUR FORCE IS EITHER UN- OR UNDER-EMPLOYED – THAT'S 60 MILLION PEOPLE. IN THE SHORT TERM, JOINING THE WTO WILL NOT HELP THIS SITUATION VERY MUCH, RATHER IT MAY EXACERBATE IT. TRUE, THE SERVICES SECTOR WILL NEED CONSIDERABLY LARGER LABOUR INPUT, BUT THESE WILL BE EDUCATED AND YOUNG CHINESE, NOT FORMER NIGHT WATCHMEN FROM BANKRUPT SOES OR EX-PEASANTS.

SOME ECONOMIC SECTORS WILL HEAT UP, THANKS TO OPENINGS OFFERED BY THE WTO. TEXTILES IS ONE EXAMPLE PUT FORWARD: BY 2010, CHINESE MANUFACTURING MAY INCREASE BY 50% IN THE FIRST POST-WTO DECADE. BUT THE REAL PRC TARGET IS NOT PURELY IN INCREASED EXPORTS PER SE: THE GAMBLE IS THAT

TRADE AND INVESTMENT LIBERALIZATION WILL INCREASE PRODUCTIVITY AND CHINA'S CAPACITY FOR LONG-TERM GROWTH.

AND THAT, NOT INCIDENTLY, WILL ENHANCE CHINA'S GLOBAL POSTURE AND INTERNATIONAL INFLUENCE.

IMPACT ON CANADA

CHINA'S WTO COMMITMENTS WILL RESULT IN, OVERALL, AN IMPROVED CLIMATE FOR CANADIANS DOING BUSINESS IN CHINA. THIS WILL MAKE IT EASIER FOR FIRMS TO TAKE ADVANTAGE OF EXISTING BUSINESS OPPORTUNITIES, AND ADDITIONAL MARKETS AS THEY EVOLVE IN CHINA. BROADLY SPEAKING – AND THERE ARE AMPLE EXEPTIONS TO THIS - CHINA IS COMMITTED TO LOWERING TARIFFS, THE ELIMINATION OF QUOTAS, AND THE PROVISION OF GREATER FREEDOM FOR FOREIGN SERVICES PROVIDERS TO DO BUSINESS IN CHINA. YES, THERE WILL BE SLIPPAGE OF TIMETABLES, LOCAL OFFICIALS MAY PRETEND NOT TO BE AWARE OF SOME CHANGES THAT ARE NOT IN LOCAL INTEREST, BUT OVERALL, CANADA WILL BENEFIT FROM THE SIMPLE EPIPHENOMENON OF THE IMPLEMENTATION OF AGREED RULES.

THESE INCLUDE: ADHERENCE TO THE GENERAL PRINCIPLES OF FAIR TREATMENT OF TRADING PARTNERS, NON-DISCRIMINATION VIS-À-VIS WTO MEMBER EXPORTERS, TRANSPARENCY, PREDICTABILITY, AND UNIFORM APPLICATION OF LAWS AND REGULATIONS. CHINA HAS CONCEDED THAT PERMISSION TO EXPORT TO CHINA OR TO INVESTIN CHINA MUST NOT BE CONDITIONAL UPON PERFORMANCE REQUIREMENTS OR SUBJECT TO CONDITIONS COVERING THE CONDUCT OF

RESEARCH, THE USE OF LOCAL INPUTS, OR THE TRANSFER OF TECHNOLOGY. CHINA HAS AGREED THAT ONLY PUBLISHED LAWS AND REGULATIONS ARE TO BE ENFORCED.

DELIVERING IMMEDIATE AND MEDIUM TERM BENEFIT TO CANADIAN MANUFACTURING COMPANIES IS THE REDUCTION IN TARIFFS, WHICH THUS AFFECT THE TERMS OF TRADE AND THUS THE BOTTOM LINE.

A FEW SPECIFIC EXAMPLES:

- MOTOR VEHICLES AND PARTS – FROM AN AVERAGE OF 21% IN 2001 TO AN AVERAGE OF 11.5% BY 2006. THIS WILL BE OF PARTICULAR INTEREST TO GM SUPPLIERS IN OSHAWA, SHIPPING GOODS TO GM SHANGHAI AND TO THE CANADIAN PARTS INDUSTRY AS A WHOLE;

- EQUIPMENT FOR LINE TELEPHONY – FROM AN AVERAGE OF 13% IN 2001 TO 0% BY 2004, OF PARTICULAR INTEREST TO NORTEL AND MITEL;

- MALT – THE PRE-ACCESSION TARIFF OF 26% HAS ALREADY BEEN REDUCED TO 10%. THIS SERVES THE INTERESTS OF PRAIRIE BARLEY GROWERS AND PROCESSORS.

- UNCOATED KRAFT PAPER AND PAPERBOARD – FROM AN AVERAGE OF 14% IN 2001 TO AN AVERAGE OF 3.5% BY 2004; OF INTEREST TO THE PAPER INDUSTRY IN BC, ONTARIO AND QUEBEC;

- FROZEN SHRIMP – FROM 24% IN 2001 TO 5% IN 2003, OF PARTICULAR INTEREST TO THE ATLANTIC FISHERY. I KNOW FOR A FACT THAT THE INDUSTRY ALREADY CONSIDERS THIS TO BE A MAJOR MARKET OPENING MEASURE.

- WHISKEY – FROM 56% IN 2001 TO 10% BY 2005; OF INTEREST TO PRODUCERS IN QUEBEC, ONTARIO AND MANITOBA;
- POLYETHYLENE – FROM 16% IN 2001 TO 6.5% BY 2008, IMPORTANT FOR DOW CHEMICALS PLANTS IN ALBERTA AND ONTARIO;
- FROZEN BEEF – FROM 39% IN 2001 TO 12% BY 2004; THIS CHANGES THE TERMS OF TRADE FOR FARMERS AND PROCESSORS THROUGHOUT CANADA, BUT PARTICULARLY ALBERTA;

THE FEW REMAINING IMPORT QUOTAS ARE TO BE PHASED OUT NO LATER THAN JANUARY 1, 2005; AN EXAMPLE: TARIFF RATE QUOTAS, OF SPECIAL INTEREST TO WESTERN CANADIAN FARMERS, INCLUDE A 9 MILLION TON QUOTA FOR WHEAT AND A SEPARATE QUOTA FOR CANOLA OIL; THE LATTER WILL BE IN PLACE UNTIL A 9% TARIFF IS FIXED IN 2006;

ACCESS TO THE SERVICES SECTOR HAS ALSO BEEN IMPROVED. THIS AFFECTS BANKING, INSURANCE, SECURITIES, FUND MANAGEMENT, LEGAL SERVICES AND TELECOMS.

NOBODY SAID IT WAS GOING TO BE EASY

IT'S BEEN ALL OF TWO MONTHS SINCE CHINA JOINED THE WTO. SO THE AUDIENCE IS RIGHT TO ASK HOW THINGS HAVE BEEN GOING. IT IS IMPORTANT TO UNDERSTAND THAT, DEPENDING ON THE INDIVIDUAL SECTOR – AND THERE ARE HUNDREDS OF

THEM – CHINA HAS SOME OBLIGATIONS THAT MUST BE UNDERTAKEN AT ACCESSION. BUT OTHERS ARE STRETCHED OUT TO UP TO 5 YEARS OR MORE.

THE FACT OF THE MATTER IS THAT THE ADMINISTRATIVE CHALLENGES OF REVISING AND REPEALING HUNDREDS OF LAWS AND REGULATIONS ON TIME AND IN THE FULL SPIRIT OF WTO OPENNESS HAS PROVEN DAUNTING, AND IN SOME CASES, BEYOND THE CAPACITY OF THE CENTRAL GOVERNMENT. FURTHERMORE, AS HAS BEEN SAID FOR MILLENNIA, THE SKY IS HIGH AND THE EMPEROR LIVES FAR AWAY. IT IS NOT YET OBVIOUS THAT REGULATORY CHANGES MANDATED BY BEIJING HAVE FILTERED ALL THE WAY DOWN TO THE CUSTOMS OFFICERS IN URUMQI, XINJIANG, 6,000 KILOMETERS TO THE WEST. NOR SHOULD ONE UNDERESTIMATE THE ABILITY OF LOCAL GOVERNMENTS TO STYMIE OR SUBVERT THE GOOD INTENTIONS OF THE CHINESE NEGOTIATORS AND THE AGREEMENTS SIGNED BY THE CENTRAL GOVERNMENT IN BEIJING. A MASSIVE EDUCATION CAMPAIGN, AND A SUBTLE CULTURAL ADJUSTMENT IS TAKING PLACE, BUT IT WILL TAKE TIME FOR THE SYSTEM TO CATCH-UP. WE HAVE TO UNDERSTAND THE DIFFERENCE BETWEEN COMPLIANCE VS. FOOT DRAGING VS. NON-COMPLIANCE.

NOT FOR THE FAINT-HEARTED: OFFENSIVE AND DEFENSIVE STRATEGIES FOR
CANADA

ALL OF THAT SAID, AND EVEN ACKNOWLEDGING THE HARD-NOSED REFORM OBJECTIVES OF PARTY CHAIRMAN ZHANG ZEMIN AND PREMIER ZHU RONGJI AT THE TOP, AND THE NEW WTO WORLD CHINA LIVES IN, DOING BUSINESS IN CHINA IS STILL

NOT FOR THE FAINT-HEARTED OR UNPREPARED. IT IS CRUCIAL THAT CANADIAN ENTERPRISES STUDYING THE CHINESE MARKET AND ITS TRADE POTENTIAL DEVELOP A CLEAR STRATEGY AND SET OF OBJECTIVES THAT HAS THE BOARD OF DIRECTORS AND STAFF ENGAGED AND COMMITTED. DUE DILIGENCE IS ESSENTIAL. EXPECT THE UNEXPECTED. NEVER ASSUME ANYTHING. FINANCIAL PARAMETERS – EXPENSES AND R.O.E. HAVE TO BE CLEAR...BUT ALSO FLEXIBLE. DON'T BET THE COMPANY, AT LEAST NOT YET.

AND DON'T FORGET: ON MATTERS BEYOND BUSINESS OR OTHER CONSIDERATIONS, IT'S THEIR COUNTRY. FURTHERMORE, 'THEIR COUNTRY' IS NOT ONLY DEFINED BY AN UPWARD ECONOMIC CURVE, EVEN AS IT IS LIKELY TO BE ACCELERATED BY JOINING THE WTO. THIS GROWTH WILL NOT LIKELY ENGAGE ALL OF CHINA'S VAST POPULATION AND THE POLITICS THAT DEFINE THEIR DAY TO DAY LIVES. IN OTHER WORDS, THE SOCIAL IMPACT OF ECONOMIC OPENING REMAINS TO BE SEEN.