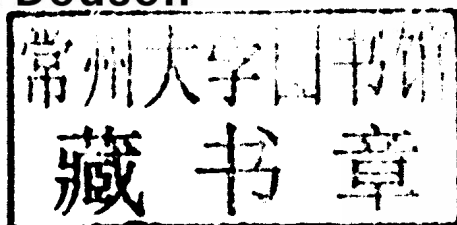


BILL DODSON

China Inside Out

*10 Irreversible Trends
Reshaping China and Its
Relationship with the World*

Bill Dodson



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Foreword

Men and women in China have the right to dress as they please: plaids, stripes, purples, reds, acid-greens, fuchsias, rhinestones, tight skirts, baggy T-shirts—all at the same time, even, if they choose to experiment (which some do). They can buy at bargain basement prices or, those who can afford it, can shop at expensive boutiques. They can dress as peculiarly as they like—or as fashionably—as the glittering catwalks of Shanghai have spotlighted since the opening years of the twenty-first century.

China hasn't always been that way, though. As the bad old days of the Cultural Revolution closed in the late 1970s and the country sought its way out of the economic and social chaos that had defined the lives of generations, the Mao-suit was all the fashion. Actually, it was pretty much the *only* fashion for adults, available in the most drab shades of gray, blue, and green conceivable. The statement the social uniform made was “we are all equal,” though, of course, Communist Party members were more equal than others. For the 30 years after Mao Zedong announced the liberation of the People's Republic of China, Communist Party *apparatchiks* tightly controlled *all* parts of Chinese life: where one lived, if one attended university, what discipline one would study, where one worked, where one shopped, how much one could buy (if shelves were stocked at all), even who to marry (dating was illegal). In other words, up until about 1980, China's government was totalitarian, interested mostly in exercising its power and ideology at every level of its citizens' existence.

Now, Chinese citizens have freedoms those aged 45 and over could hardly have imagined in 1980. They can start their own businesses, they can purchase as many homes as they can afford, they are increasingly owning their own cars—once the sole entitlement of Party officials—they can choose where to send their children to school,

and, if they have enough money, even completely escape the onerous university examination system and send their child abroad for study. Television programming and commercials are as mind-numbing as any in the developed world now, with as many cable stations. The country now sports a wide choice of newspapers and magazines, many of which are simply “lifestyle” publications that give a growing middle class hints on how to dress, how to put on makeup, how to pick up girls, and the best ways to bring your man (or your woman) to climax. Then there is the impact of the Internet, which is perhaps the single greatest lever that has pried open the society to what is possible in the modern world. In some aspects, Chinese society has more freedom than many societies throughout the world.

Of course, as is already well-known, the Communist Party still censors whatever it considers seditious, or anything that could destabilize society; or rather, what could upset its increasingly tenuous control of Chinese society. It regularly arrests and jails political dissidents, it still applies its one-child policy with gusto, its judiciary for the most part is still embryonic and shackled to political expediences, and its lack of consideration of intellectual property rights is still atrocious. The Chinese government has become authoritarian. In other words, it can no longer totally control the lives of its citizens to the same extent it had 30 years before. Economic progress, the development of a high-maintenance middle class, the need to present continuing, uninterrupted economic opportunity to 20 percent of humankind, have forced the Communist Party to reform itself as an oligarchy with visibly reduced powers over its citizens. The Communist Party’s *modus operandi* has changed from impressing its will unilaterally on citizens to survival of its dwindling power base and managing the *genii* it has let out of the bottle of history.

The Party has been learning, though, *genii* do not return to their abodes upon command. Instead, the transformative, almost magical forces, once released, must run their course, with unimaginable consequences for Chinese society and the world.

China Inside Out is about the stresses and strains along social fault lines that have developed as the Party’s entrenched interests in control and self-enrichment rub against economic growth demands, commercial priorities, middle-class requirements, generational warfare, criminal

rivalries, and international standards of engagement and responsibility. Daily, it seems, social and political progress occurs as the battle lines between social and political blocks in China shift with first one faction pushing successfully into the domain of another, and then giving up “territory” on another front, each time with a great deal of energy released in unpredictable bursts of creative destruction.

Most international commentators on China—and many Chinese scholars themselves—ascribe the country’s rapid transformation to one or another Party genius or dissident-hero or corporate maven—the so-called “great person” theory of history. Instead, China is shooting economic and social “rapids,” the untamed flow of which is the confluence of technological, social, and economic trends. The world is “flatter” than it’s ever been in human history, as Thomas Friedman wrote in his book *The World is Flat*, and China is taking advantage of the leveling to heft itself into the twenty-first century. International business, Western consumers, and the Chinese Communist Party, for the most part, have been able to capitalize in the most literal sense on this juxtaposition of trends.

The chaos of the Cultural Revolution reduced the Communist Party to one of two courses through which to pursue its future. It could accompany its eastern neighbor North Korea further in the direction of totalitarianism, insularity, and poverty, or it could allow the shoots of Western-style entrepreneurship that had already begun to sprout in farming communes in the early 1980s to take hold and to thrive, and to rebuild industry from a capitalist orientation. The choice to allow capitalism a foothold in the society unleashed powerful social forces that had major ramifications for China’s Communist Party. The citizenry began to question the Party’s Mandate of Heaven—the permission from the citizenry to rule that every Emperor throughout Chinese history has required to retain power. During the events of the Tiananmen Square protests in 1989, political leaders came very close to the same fate as their Soviet cousins had that same year—expulsion and obsolescence.

Now, at the outset of the twenty-first century, the Party is as sensitive as it has ever been about the balancing act it performs in its stewardship of the country, even though it has encouraged and even accelerated the pace of social transformation. What concerns the Party

most is that the currents it has chosen to follow have passed beyond its absolute control. The cascade of activities and events that form the trends discussed in *China Inside Out* are irreversible now, to the extent that to drastically alter the direction and/or speed of any of the trends would be to rupture a society just injecting itself into modernization. Disruption could possibly result in protests and riots greater in scale than even those recently seen in the autonomous regions Tibet and Xinjiang. Termination of any of the trends is not an option for a government that wants to maintain some semblance of control over the country: the people will simply not submit to an untimely end to the boom times.

Each chapter in *China Inside Out* discusses an irreversible trend and its implications for neighbors near and far, and for international businesses invested in China. Chapter 1 opens with the impact the Internet is having on the shape of Chinese society, identity, policy, and moral behavior. Many Chinese are increasingly seeing unfettered Internet access as a right, not a luxury, much to the government's dismay. For the first time in Chinese history, the ruler and the ruled are on a much-leveled playing field. Chapter 2 discusses the drive nearly every Mainland Chinese has to achieve a middle-class lifestyle and the attendant anxieties and strains placed on the society, on individuals, and on institutions such as marriage and childbearing. Chapter 3 explores how the backbone of a middle-class lifestyle, mass urbanization, has created tensions between urbanites and country folk that have surfaced as a sort of policy-driven apartheid, which society actually needs to continue its economic development. Chapter 4 relates how China has needed and continues to believe polluting industries are essential to kick-start its economy and develop its interior.

Chapter 5 explores how China's insatiable appetite for land, oil, and minerals has forced it far beyond its borders to meet its industrial and consumer needs, while its growing lack of water—polluted or not—is already impacting its growth prospects. Chapter 6 is a discussion of the challenges China faces in developing its local economies and improving living conditions outside the prosperous Yangtze and Pearl River Deltas. Chapter 7 takes the reader into Chinese hospitals, its hospitality industry, customer-service care and wedding industry—likely the best-run services industry in the country—for insights into

its nascent services sector, the key to full employment in China. Chapter 8 examines how China's foray into the international marketplace is showing Chinese government officials and entrepreneurs rampant offshore investment has severe shortcomings in international business dealings, and that money isn't always the most important part of a transaction in many countries worldwide. Chapter 9 delves into how China's population pressure throughout its long history has been both a boon and a liability to its economic development, and how its one-child policy is already affecting social and family structures in ways never before seen. Finally, Chapter 10 relates how modernization has exposed to the world China's national insecurity through a shrill variety of nationalism, an accelerated buildup of its military, and an inflexible foreign policy.

Ultimately, *China Inside Out* is a personal journey of discovery during one of the most important social transitions that any country has ever undertaken in human history. I wanted to dig as deeply as I could into modern Chinese society to gain insight into how a country can remake itself time and time again, and to understand what its latest incarnation means for us outsiders. The country's resurrection from the collective suicide of the Cultural Revolution is one of the most important stories to be told in this century. *China Inside Out* is my earnest attempt at relating to those who don't know China very well what I and others have observed and experienced in "the country that doesn't sleep."

Identifying the irreversible trends reshaping China was the first step in the expedition, while the travels, the people, the research, and the countless conversations made up the second. Tracing the arcs and intersections of the trends eventually brought me to three important conclusions about China's development and the challenges confronting her. First, the advancement of China's economic and social agenda is far more dependent on the stress released from friction between divisions in society than to the heavy hand of authoritarian self-styled genius. As British historian Edward Hallett Carr wrote in his book, *What is History?*, "History is, to a considerable extent, a matter of numbers." Players both famous and pedestrian fill out the roles created by the swirling eddy currents of the flow of history. However, it's how individuals respond to the predicaments thrust upon them or the roles

that they have taken up in the midst of great upheaval that anchor historical narratives and make for a good read.

Second, China's domestic priorities and challenges as well as its national identity will preclude China from "ruling" the world, though the adolescence of its ascent as a world superpower will be trying at times to the international family of nations and to international businesses invested in the country.

Finally, China's Communist Party has done a colossal and impressive job of transforming itself from an intrusive totalitarian governor (with the exception of Tibet and Xinjiang) that micro-manages its citizens' lives to a form of government more similar to most of its Asian neighbors; that is, one-party rule with democratic characteristics.

If there is anything I hope readers take away from this odyssey, it's that China is now at the leading edge of history. How the society negotiates the inevitable shocks of trends that come into confluence, and how, most importantly, it manages the eventual wind-down of those powerful social and economic forces in the next 10 to 15 years, will have major repercussions for its citizenry, its neighbors, international businesses invested in the country, and for Western civilization.

China's success is just that important to us all.

Bill Dodson
Suzhou, China
October, 2010

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CHAPTER 1

The Rise of Generation W(eb)

HUMAN FLESH SEARCHES

On the evening of May 10, 2009, Deng Yujiao, an attractive 21-year-old waitress, greeted the three guests entering a private parlor at a bathhouse in Badong Xiongfeng Hotel just as she normally would any other evening. Badong is a township in Hubei Province, nestled in tree-lined mountains, an ancient callous on an elbow of the Yangtze River, deep in the interior of China. The bathhouse was not luxurious by the standards of similar Shanghai or Beijing venues, with their great marble facades and Romanesque statues surrounding the Jacuzzis, scrubbing tables, and lounges attended by smartly dressed service staff. Rather, the Xiongfeng Hotel bathhouse was much more modest in scale and offerings; it was enough, though, for the three government officials who had come for massages to feel like kings. Deng followed her customers into the private parlor to take their orders for drinks and snacks. The three men pressed Deng to offer them “special services” a code phrase in China for prostitution. Deng declined, saying that was not her job. Deng Guida (no relation to the waitress), the chief of the county investment promotion bureau, threw a wad of cash at her head. She ignored the provocation and tried to leave the room. The officials barred her exit. She tried to push past them, but they continued playing cat-and-mouse with her, blocking her escape.

Two of the administrators pushed her onto a sofa in the parlor. She broke away, only to be roughly pressed back onto the couch. She snatched at a fruit knife at a nearby table, and slashed out. One of her tormentors fell back, cut. She thrust outward again. Deng Guida, slow to realize the turnabout of events, suddenly clutched at his throat. He stumbled to the ground. Blood spurted from the wound the waitress had dealt him. Slipping into shock, she phoned the police about the incident, and told them one of the guests was bleeding.

Deng Guida died in the ambulance on the way to the hospital. Local police arrested Deng Yujiao for murder.

Chinese Internet users around the country flew into a rage over the arrest. Immediately, online Bulletin Board Systems (BBS) and forums on Chinese websites such as Sina.com, Tianya.com, and Netease.com as well as countless bloggers flooded cyberspace with thousands of threads of arguments and condemnations of government officials. One post from People.com stated a common sentiment: "How come these officials have so much money? During the dispute, the victim hit the girl on the head with a wad of money. How could a public servant on a salary have so much to spare without any thought or scruple? Was it public funds or embezzled money perhaps? How could they visit entertainment venues so frequently and are obsessed with 'special services' so much? [sic]"¹

The online furor of hundreds of thousands of Internet users spread all the way to Beijing. Local police, in a preemptive move to forestall any edicts from high-level Central Government officials, reduced the charges against Deng Yujiao to "excessive use of force." Still, the reduction in charges was not enough to satisfy Chinese netizens. Nearly every commentator responded that it was clear Deng Yujiao was defending herself against the officials, and that she should be freed. Eventually, the police dropped the charges and released her at the end of May 2009, to much fanfare. She even received an offer from a Chinese movie director for a role in a film he was making.

China's government officials at national and local levels are both thrilled and petrified at the potential the Internet holds for the welfare of the country and for their continued control of the economy and society. They have enthusiastically embraced the possibilities for greater monitoring and filtering of information, as well as the new

avenues for government propaganda that shapes Chinese views on domestic and international issues. Indeed, China has more Internet users than the entire population of the United States, according to the China Internet Network Information Center. By January 2010, China had 384 million Internet users, an increase of nearly 50 million users from the end of June 2009, which itself was a 13 percent jump since the end of 2008. China supported a penetration rate of 29 percent of its population who could use the Internet.

In 2010, China's State Council Information Office set a goal of raising the penetration rate to 40 percent before the year 2015. Factors such as rapid economic growth, increasing wealth and disposable income, and greater access to the Internet in large cities, small towns, and households have made China the largest user base in the world. Central government and citizens alike see no chance of the country going back to pre-Internet days. Internet use has passed from being a privilege of a few to a right of the many millions who have already invested their livelihoods and even identities in the technology medium.

Though only a third of potential users in China currently log onto the Internet—compared with more than 70 percent in the United States, according to a study by the Pew Internet and American Life Project—nearly half a billion Chinese will be Internet users by 2012.² Chinese users create nearly 3,000 websites daily, with 162 million bloggers in 2009 tracking and commenting on an assortment of social issues and government policies.³ The wealth the new technology is creating for private e-commerce companies, advertisers, and state-owned media is without bounds. Already, a US\$20 billion industry has been built around Internet cafes, which serves up 40 percent of the US\$2.5 billion in online gaming revenue annually.⁴ Total revenue for all Internet companies in China in 2007 was US\$5.9 billion. Though only a quarter of the revenue generated by American firms in the U.S. in the same year, industry income is set to increase double digits annually.

But the Internet as it is evolving in China means more than just a money-making opportunity. It is also more than just another way for the Communist Party to control its citizens. No other medium so transparently reflects the tectonic fault lines between dramatically disparate parts of Chinese society: government *apparatchiks*, mob rule, legitimate business interests, gamers, bloggers, social networkers,

political activists, and underworld snakeheads. Factions collide and collude online to reveal a nation grasping to promote collective interests, to shape and project a modern national identity, and to push back boundaries for creativity and expression.

The relatively low cost and high-level sophistication of the technology means that Big Brother's own wards can and are keeping an eye on Big Brother nearly as effectively as Big Brother himself. The quite visible gaps between the lifestyles of many government officials, the *nouveau riche*, the new middle class, and the country folk has made anyone a target who seems to have become wealthy through ill-gotten means.

One of the most daring and brazen wiki-style detective efforts on the Chinese Internet involved the search for the identity of a government official from Shandong Province, in China's north, who tried to push a little girl into the men's washroom of the Plum Garden Seafood Restaurant in the Nanshan District of Shenzhen on October 28, 2008. Shenzhen is in China's deep south, near Hong Kong, a large frontier city that has grown with the rise of manufacturing in China from a seaside village to one of the four largest cities in the country in a mere 20 years. A grainy closed-circuit video clip shows a fat, puffy-faced man in his mid- to late 50s asking an 11-year-old girl where the bathroom is. The girl shows him the way. Footage then shows the man cuffing the girl at the neck near the entrance of the men's room, followed seconds later by the girl rounding the wall and hotfooting it back to the restaurant lobby, sobbing. Her parents see her crying; she explains how a big man had tried to force her into the men's washroom. The man himself strides up to the parents, elbows akimbo as though he's about to draw pistols. The parents begin shouting at the man. The man shouts his admission that he tried to get the little girl into the bathroom: "I did it. So what? How much money do you want? Give me a price! I will pay it!" He pushes at the father: "Do you know who I am? I was sent here by the Beijing Ministry of Transportation. My level is the same as your mayor. So what if I pinched a little child's neck? Who the f*** are you people to me?! You dare f*** with me? Just watch how I am going to deal with you!"

The family knows it's licked. It has no legal recourse against the official, no hope of bringing the man to justice. Chinese Internet social networks, however, swiftly filled the vacuum of inaction.