China and the WTO: The Effect on China's Sociopolitical Stability

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When economics attempts to understand the pattern of growth of a country's economy by representing the country's development as a growth function with endowed resources such as labor, funding, and technology as inputs, there is a tacit assumption that the country's economic system is stable at all times. Where a country's entire sociopolitical system is in a critical condition caused, for example, by war, civil strife, invasion, or natural disaster, these factors are excluded from the economic investigation.

The widely propagated rosy image of China's future economic development is in fact based on an unqualified assumption of systemic stability. Even China's recent accession to the World Trade Organization, often cited as powerful evidence in support of the rose-tinted view, is simply a linear projection by analogy, founded on the premise that China will faithfully fulfill all the terms it accepted vis-à-vis members of the WTO and other countries at the time of its accession to WTO protocols and various bilateral agreements. Moreover the view takes account only of the more palatable evidence, ignoring the rest.

It cannot be denied that the 15 years of negotiations needed to arrive at China's accession were unprecedented in the history of the General Agreement on Tariffs and Trade and its successor, the WTO. The problems that came to the surface in the course of the long process leading up to accession are by no means of a nature to be resolved at one stroke once China has joined the group. On the contrary, they will inevitably throw their shadow on the postaccession process of implementing the commitments made.

Is the rosy picture of China's economic future drawn by some people really justified? This paper is an attempt to answer the question of how stable China's whole sociopolitical system is now that the country has entered a new phase as a member of the WTO.

the meaning of wto membership

It goes without saying that China's membership in the WTO involves two distinct processes. The first led up to the accession protocol whereby the WTO Ministerial Conference formally approved China's accession. The process defined the legal framework of China's accession, specifying the commitments that China was to make vis-à-vis the other member states. This is the pre-accession phase, which I shall refer to as Phase 1. The other process, which began when Phase 1 finished—that is to say, when all the WTO procedures relating to accession had been completed and China had become a member of the WTO—is Phase 2. This phase is the implementation process, whereby China proceeds to put those commitments into practice in the form of its own policy measures.

First, let us reconfirm the significance of China's WTO membership. Every game needs rules. Rules govern the "game" of combat, as in the duel between two gunfighters in a Hollywood western, and even in modern high-tech warfare, with its mismatch between a pilot for whom fighting is like a computer game and the hapless victims on the ground. A game without rules is merely an unrestricted expression of greed. In exactly the same way, unless the game of commerce among states—be it in the area of trade, investment, or another field—is conducted in accordance with certain rules, international economy and society will end up as a lawless zone where force reigns without regard for people's welfare. As a result of the unlimited pursuit of maximization of profits by corporations and other individual economic actors, everything is decided by whether an actor is strong or weak, in particular by the heedless power of those prepared to embark on lawless acts. The Hobbesian world—in which "Man to Man is an arrant Wolfe"—is to be seen everywhere. As the predecessor of the WTO, GATT was the means devised after World War II to regulate international trade, recognizing fully that such trade relations without order were the cause of world wars.

From this point of view the most fundamental significance of China's

WTO accession in the final analysis lies in whether or not a rules-based society is created on Chinese soil.

Although it may sound somewhat arrogant, from the point of view of those outside China this means the application of "our" rules in China. Before China instituted its "reform and opening" policy it operated by a different set of rules, but as its presence in the world economic community was not so noticeable, we were able to ignore this. For years we saw the simultaneous existence of two types of market, capitalist and socialist, a theoretical distinction made since Lenin's day. GATT was essentially a set of international economic rules applicable only to relations among the Western market-economy countries of that time. However, as China changed over to an open-door policy toward the end of the 1970s, China's international presence grew by leaps and bounds, due perhaps to the sudden surge in its exports or to the rapid acceleration of the pace of introduction of foreign capital into the country. China now ranks seventh in the world in terms of total exports and receives the highest level of foreign investment among developing countries. It is for this reason that China is now being required to observe "our" rules. For to call an organization that disregards such a gigantic trading nation as China a "world" trade organization is misleading and contradictory. Indeed, the WTO has been fragile ever since the organization's inception in 1995 and responsible participation by China is essential if the system is to be strengthened.

At the same time, now that economic globalization is inevitably creating world markets and "our" rules have taken on global scope, the era when the Chinese themselves could ignore these rules as being "others' rules" for "others' markets" is past. They are now venturing into the others' markets and it will become clear to them that there are advantages from the standpoint of trade in making others' rules their own. It is this that was behind China's formal application in July 1986 for resumption of its status as a contracting party to GATT. Thus it is not mere rhetoric but hard realism to say that the WTO needs China and China needs the WTO.

WTO rules are a system of international regulations covering trade, economies, and investment. Now that China has acceded to the organization, its own compliance with these rules will come under the surveillance of the member countries making up this system, and the rules will be enforced by the imposition of penalties, when there has been an in-

fringement, or through the dispute-resolution mechanism. This will lead to greater transparency and consistency in China's decision-making process in many areas. In addition, China's trustworthiness as a "rule-observing" country will be strengthened. One effect of this will be enhanced exchanges and dialogue, and it is expected that cross-border movements of goods, services, and capital both out of and into China will be promoted.

Does China itself really want to establish the rules-based principle and switch over to a law-based society in this sense? China's very application to GATT for resumption of status and the fact that it patiently persisted with the marathon negotiation process, with all its twists and turns, for 15 long years thereafter, is surely indication enough of China's response to this question.[1] At least there can be little doubt about the seriousness of its intention at the time of accession to comply with WTO rules and fulfill the commitments it had made in the course of Phase 1.

The next question, then, is: What is the extent of China's capability to fulfill its intention? Let us consider two scenarios. The first is that, irrespective of its original intent, China runs into problems because it is unable to fulfill its commitments. The second is that China does comply with the rules, but that problems arise as a result of doing so.

the noncompliance scenario

The potential for a noncompliance scenario can already be seen in many areas. At meetings of the WTO Committee on Market Access and on other occasions, in connection with fertilizer imports and other sectors the United States has recently intensified its complaint that China is not fulfilling the commitments it made at the time of accession. Moreover, in March 2002 the WTO committee in charge of the Information Technology Agreement postponed the scheduled approval of China's accession to the ITA. The reason for this was that the United States had submitted that China was infringing the agreement, which aims at the abolition in principle of import duties on some 200 items of IT-related equipment and

1. This process itself—in which China's position is reminiscent of a less-than-bright student receiving instruction from a teacher—must have been a humiliating experience for China, which has traditionally seen itself very much as a major power.

parts, including computers, semiconductors, and equipment for manufacturing these. On 15 of these items China proposes to reduce the tariff to zero only on condition that they are for end-use in the domestic IT industry, and is requiring evidence that such imports are for domestic end-use.

It is also suggestive that China is seeking particularly advantageous treatment for new members of the WTO, including itself, at the new round of multilateral trade negotiations scheduled for completion by the end of 2004. China is reportedly arguing that new members are doing all they can for now by committing during the accession negotiations to significantly reducing tariffs on over 7,000 items in such areas as computers and agriculture. Stating that it will be difficult to accept further liberalization even if such an agreement is reached at the new round, China is apparently proposing that the burden on new members should be lightened, either by excluding them from any expanded liberalization obligations that come up during the new round or, in the event that an agreement is reached to reduce tariffs, by allowing new members to count tariff cuts promised during the accession negotiations as part of such reductions. This development demonstrates that even if the Chinese government's intention to fulfill commitments was serious, apprehension about the serious impact on China's industry and its employment situation may lead to a lowered ability to meet those commitments. There are some indications of sympathy for this position from other countries that have recently become WTO members, and it could conceivably make the negotiations stormy ones.

One thing that must be pointed out in connection with this noncompliance scenario is that a number of difficult problems carried over from Phase 1 may come into prominence during Phase 2. Certainly, on the surface the players who took part in the "negotiating game" that is Phase 1 are the Chinese government and the governments—that is, the ministries responsible for foreign relations and trade—of member countries. But it is not necessarily only the actors who appear on stage who play a part in such negotiating games. Behind the visible actors there are the real players—the various industrial sectors of each country, all with their own individual, differing views. Such actors have separate and conflicting interests, and they exercise their influence to the greatest possible extent by making representations to their country's legislature or executive, lobbying, and carrying out public relations activities in the mass media. The ex-

ecutive as negotiating actor merely participates in the Phase 1 negotiating game to represent a position arrived at in some way, be it the result of compromise, wheeling and dealing, persuasion, or blunt demands.

The increasing diversity and complexity of such differing interests within each country is in a sense the inevitable result of industrial development and economic growth. And with the accelerating globalization of economic activity, what were once conflicting interests within a single country will unavoidably become more complex, going beyond the artificial bounds we call national frontiers. In more concrete terms, the very fact that the U.S. House of Representatives in May 2000 passed a bill granting permanent normal trade relations to China by 237 votes to 197 is a vivid indication of the complex relations among various interests within the United States vis-à-vis China's WTO membership. Also, it would be fair to say that the amendments made to the bill speak eloquently of the different actors in the United States. The amendments provided for the establishment by Congress of a standing commission to monitor human rights in China and a committee to monitor China's compliance with WTO agreements. One can say that the unexpectedly large majority (83 votes to 15) when the Senate approved the bill on September 19, 2000, had several factors in the background: the fact that then President Bill Clinton had stressed the real trade advantages to be gained; Clinton's personal campaign to persuade senators to approve a compromise package incorporating human-rights and safeguard measures; and a skillful campaign by the White House to secure a majority. For the Republican administration of George W. Bush, too, how successfully the interests of these U.S. actors can be reconciled will undoubtedly be a crucial factor, and when one considers the signs of discord within the cabinet on the question of invoking safeguards on steel products, it seems inevitable that the existence of these U.S. actors will cast a dark shadow on the progress of Phase 2.

On the other hand, for China, too, the existence and surfacing of such differing separate interests are a necessary and indeed inevitable product of the shift to a market-oriented economy. In the background of "China's voice" as heard from Chief Representative for Trade Talks Long Yongtu or "China's position" as expressed by Premier Zhu Rongji there is an intricate mesh of the differing interests of various sectors, including agriculture, electronics, automobiles, computers, and telecom industries. As the likelihood of WTO accession grew, voices other than the "single voice" co-

ordinated for purposes of negotiating with the outside—anti-WTO voices—became more audible. A good example is the public criticism in China following Premier Zhu's 1998 U.S. visit that he had made excessive concessions to the United States in regard to China's WTO membership. Of particular interest is the fact that plausible rumors were circulated that Minister of Information Technology and Telecom Industries Wu Jichuan, regarded as the leader of those calling for protection of domestic industries, was going to resign in protest.

It is precisely the identification and coordination of differing interests that ought to be the role of politics in a country. And although China upholds unitary guidance by the Communist Party, here too one can now note clashes of interests between an "international faction" and a "domestic faction," or between a reformist faction taking advantage of external pressure and a faction calling for maintenance of present interests, even if they are kept concealed. Moreover, delays in reconciling the interests of various sectors within China held back progress in Phase 1. For example, Australia and New Zealand offered to lend their full support to China's application if it agreed to a wool-import quota of 180,000 tons per year. However, it is said that the government had given Long Yongtu a maximum figure of 169,000 tons and the negotiations broke down because some departments within the Chinese government insisted on this limit.[2]

Apart from the negotiating games played directly with China during Phase 1, keen games were also being played out among the various negotiating players of WTO member countries. For example, even after agreement was reached between the United States and China in 1999, the European Union pursued its own negotiating policy and continued its consultations with China, inter alia seeking further market opening in such areas as mobile telecommunications, insurance, the retail sector, and automobiles. The position of the European Commission was that up to 80% of the areas in which the EU was seeking market opening in China overlapped with the United States, and that the remaining 20% required separate negotiations between the EU and China. It was a containing maneuver to ensure that agreement between the United States and China did

2. In fact, however, because of the loose regulation of trade, wool imports in the year in question amounted to 310,000 tons.

not mean that everything had been settled and a painstaking effort by the EU to make its existence felt. Long observed that the negotiations with Europe were heavy going because of conflicting standpoints within the EU, and went on to suggest that the EU also felt a need to demonstrate its self-esteem vis-à-vis the United States. This seems likely, particularly as the EU and the United States had been involved in mud-slinging legal battles like the "banana trade war." Recently, with Japan and European countries accusing the United States of breaching its WTO agreements by invoking emergency safeguards on steel products, there have even been signs of a tendency for trade frictions among countries within the WTO framework, including China, to turn into bitter feuds.

the price of success

The second scenario—in which problems arise when China, having joined the WTO, enters Phase 2 and begins to steadily fulfill its various commitments—is a more realistic one. It can be said that Phase 1 turned into a negotiating marathon because of China's economic success during that period: In a sense China was a victim of its own success. A similar situation is being predicted for Phase 2.

The reform-and-opening policy itself can be said to be a challenge to the existing system, under which the party is tantamount to the state. Irrespective of official statements by China, if the reform-and-opening policy is effectively a time bomb—in the sense that the policy, with its consequences, already contains the seeds of a confrontation with socialism—then surely through the country's accession to the WTO it has embraced another time bomb of precisely the same kind.

In its early stages, China's reform-and-opening policy was intended to create a richer life for the people. The policy gave people the "Chinese dream"—that today they will have a better life than yesterday, and tomorrow a better life than today. People took part in the "reform race" with the aim of running to a richer life than the "equal life of poverty" that they had had hitherto. But this was in the early stage of reform. China's most important policy task in the current stage is to resolve the problem of poverty, which has been thrown into relief by the wealth of one part of the populace.

Accession to the WTO will send a new shockwave of unemployment

through the country. Even in the present situation, considering that there are some 10 million registered unemployed and another 10 million or more laid off, China's official urban unemployment rate of 3.1% seems extremely conservative. It goes without saying that nonpayment and late payment of wages should also be treated as unemployment situations. In this connection, the Ministry of Civil Affairs puts the figure for the number of people covered by the government's "minimum wage guarantee" at 13.82 million, while the National Bureau of Statistics puts it at 14.77 million. According to a survey by the All-China Federation of Trade Unions there are 310,000 workers suffering extreme hardship due to such causes as late payment or nonpayment of wages, as well as 10.1 million members of related households. In addition, there are some 30 million people in rural areas living in poverty. If the standard of poverty, defined as income of $1 per person per day, is applied to China, the number of poor in China is 120 million. The employment situation will inevitably become still more serious as a result of the unemployment that will ensue from the weeding out of uncompetitive domestic firms as foreign capital enters China following WTO accession.

As a result, insurrection by impoverished workers is the greatest cause for concern for the Chinese sociopolitical system. China was able to get over the insurrections by poor peasants at the beginning of the 1990s through its successful grass-roots experiments in small-scale autonomy from the mid-1980s, centered on village-mayor elections. But will China, now that it is a member of the WTO, really be able to withstand workers' uprisings in the urban industrial sector? There has been a growing trend of workers expressing dissatisfaction through activities closely tied to social unrest that could be called "insurrections," as well as through official channels.[3]

3. It is impossible to list every incident, but a considerable number were reported in the Western media: the Guangzhou Export Commodities Fair taxi drivers' strike (April 1995); demonstrations in Baicheng, Jilin Province (October 1995); demonstrations by retired workers of the Capital Iron and Steel group (December 1995); demonstrations by senior citizens in Nanchong, Sichuan Province (March 1997), and in Tianjin (May 1997); sit-ins in Mianyang, Sichuan Province, and Zhongnanhai, Beijing (June 1997); a demonstration by middle-aged and older people in Doujiangyan, Sichuan Province (August 1997); and a strike in Zigong, Sichuan Province (October 1997). One is particularly struck by the occurrence of strikes by retired people and senior citizens in what is a socialist country. It is said that young public-safety personnel stood by doing nothing.

Workers' disturbances in the Daqing oilfield of Heilongjiang Province have erupted recently. The Daqing oilfield was a state enterprise that had once been held up as a political model under the slogan "In industry, learn from Daqing," following the successful development of the field in the 1960s with the aim of boosting China's self-sufficiency in oil. However, laid-off and unemployed workers embarked on extensive protests on March 1 of this year, after the management unilaterally broke off wage negotiations, refused to pay the workers heating allowances, and raised social security contributions. By March 4 the number of people participating in the protests had reached a peak of 50,000. The protesters put forward demands relating to various matters including allowances to laid-off workers, retirement payments, and medical costs. At the same time they announced that they would form an independent labor union.[4] A revolt by workers of a large state-run enterprise—especially one that had been a symbol of Chinese socialism since the 1960s—lies outside the scope of the labor disputes known up to now. The authorities—who were on their guard for signs of possible erosion of their control, as happened in Poland with the Solidarity movement—were particularly apprehensive about the possible formation of an independent labor union, that is to say, the emergence of a self-organized labor movement. Such labor unions as the Workers' Relief Committee, the Great Workers' Federation, and the Committee for Protecting Workers' Interests, in the past created in Wuhan, Taiyuan, and other places, were all disbanded by the authorities. At about the same time, unemployed workers staged large-scale protests in Liaoyang, Liaoning Province, in northeast China, sparked by similar complaints. China's large state enterprises are concentrated in the northeast, and if these separate protest actions lead to some kind of Solidarity-like movement centered on independent unions, then the Chinese authorities' worst post-accession nightmare will have come true.[5]

greater openness and transparency

It can be said that the Chinese system, equating the Chinese Communist

4. This was reported in "Daqing xiagang gongren linshi gonghui weiyuanhui" (The temporary union committee of Daqing laid-off workers), *Mingbao*, March 18, 2002, and some foreign media reports.

Party with the state, has up to now in a sense asserted the validity of party rule and reinforced it by monopolizing or "oligopolizing" information. Does this not mean that if information is made public or at least more easily accessible, the foundations of party rule will be shaken? Furthermore, what is thought to cause the greatest difficulty for China is the collision of the WTO process with existing Chinese rules in areas like values, morality, custom, and tradition. The government's intention to have WTO rules become firmly established is evident, and the eyes of other WTO members watching to see how thoroughly the rules are being observed will serve further to establish the rules. If, as has long been hoped for, the rules-based principle successfully permeates the system, it is likely that such factors as the overhaul of the legal system and progress in the disclosure of information will cause social relations under Chinese socialism to change from their present form—centered on close face-to-face relationships typified by expressions like *guanxi xue* (contact-making tactics) and *zou houmen* (back-door connections)—to relations centered on contractual relationships based on mutual trust between individuals. This is the greater transparency that foreign companies are hoping for, and it signifies a greater trustworthiness. On the other hand, the tendency prevalent among the people to blindly obey those in authority, sometimes mockingly described as "officialism," is gradually weakening, and the people will probably aspire to relationships of equality governed by rules. While a complete shift to "our" rules founded on modern Western rationalism is unlikely, if the positive aspects of traditional Chinese rules as represented by the commercial success of overseas Chinese throughout the world combine with "our" rules, the money-making spirit will take firm root in China as another Chinese tradition and China may well build up worldwide commercial supremacy.[6]

But as I mentioned earlier, standing in the way are the various domestic actors with their conflicting interests, the clashes among whom are

5. This is entirely a result of the suspicion with which the already established labor unions (*gonghui*) are viewed. As I explain later, it is connected with distrust of the Communist Party, which is behind the *gonghui*. But what is even more relevant here is the connection with the social clause, or labor conditions associated with WTO accession. This is because it is not simply a question of trade rules at the enterprise level but also impacts the aspect of labor legislation, implying subscribing to international labor standards.

expected to become even more marked. The application of WTO rules to China means not simply opening markets to foreign corporations; it also means equal relationships among Chinese domestic corporations. Discriminatory treatment of companies on the basis of the type of ownership—whether state-owned, privately owned, collectively owned, or foreign-owned—must be abolished. Two shock waves, external and internal market opening, will hit the country simultaneously. Establishing the conditions for fair competition means depriving those who currently have power of their vested rights and interests against their will. This is a race that will have clear winners and losers. The collapse of uncompetitive companies, the resulting loss of employment by workers, and in turn increasing social unrest—these will contribute to greater social mobility, but at the same time they will increase skepticism about Chinese socialism as it has been understood. The situation will be far more serious than is envisaged in China's optimistic belief that "the long-term advantages can cancel out the short-term disadvantages."

At the same time, even in the midst of its reform-and-opening policy efforts China has been actively building up its legal system. It has promulgated what is for a developing country a vast number of laws, ordinances, and notifications. Now that China has become a member of the WTO, the permeation of the rules throughout the Chinese system will start in earnest. The question is whether the legal system's taking root will negate the still strong present system equating the Communist Party with the state, given that China's rules are still by no means clear.

Once legal awareness and the rules themselves have spread among the people, sooner or later the system that is not rules-based will disappear, or at least people will make known their rejection of it. It must be made clear, however, that what I am talking about is a long-term trend. One cannot hope for the permeation process to be completed in the short term, and the present system will not be seriously shaken in the immediate future.

For one thing, the very act of constructing a legal system is being undertaken to create the basic infrastructure for a market economy. It is true

6. Should, however, WTO rules fail to become established behind China's superficial commercial success, business from all over the world may be slotted into the structural corruption now seen in China and the country's role may change from "the world's factory" to "the world's corrupt production base." This is another nightmare.

that in China legal actions indicating a strengthening of legal rights, taxpayers' rights, and so on (including cases of private-sector economic disputes and of complaints being brought to administrative institutions) are showing pronounced growth. But apart from this, the creation of a legal system as part of the infrastructure for a market economy is likely to contribute to the state's management capability and its ability to run a market economy. It seems to me that this will have the effect of strengthening the "party equals state" system.

In the context of openness, the spread of Internet use in China should also be considered. As a result of increased Internet use, external information will enter China, and a virtual politics, so to speak, may spring up in the country in cyberspace, separate from the real politics. This brings up the question of whether a kind of new public sphere could be born there, outside the framework of the "party equals state" system.

According to official statistics of the China Internet Network Information Center, the number of *wangmin*, or "Net people," has doubled every six months since records were started in 1997, and at the end of 2001 there were 33.7 million Chinese online. Internet users belong predominantly to the younger age groups, with 68% aged under 31 and 76% under 41. As regards economic classification, 70% of Internet users have average monthly household income of up to 2,000 yuan, while 80% have income of up to 4,000 yuan. For comparison, the average assets of the nouveau riche "new middle class" stand at 863,000 yuan. It can be seen, therefore, that Internet users do not necessarily belong to the well-off "middle class" of entrepreneurs.[7] Classification by educational background gives similar results. An examination of distribution by profession or occupation also leads to the conclusion that Internet users cannot be identified with the "middle class." As a side note, given that in China Internet service providers are publicly managed, and judging from the fact that records are kept of Internet users' personal details and that various technical means are used to limit their access,[8] one must remain skeptical as to whether the spread of the Internet in this way can really lead to the creation of a new public sphere.

7. Of course, this does not preclude the existence of Internet users who are entrepreneurs or members of the "new middle class." But it does indicate that these are not the principal category of Internet users.

ideological aging and internal party reform

Finally, could internal reform of the Chinese Communist Party brought about by WTO membership challenge the present "party equals state" system? The biggest background factor is the loss of credibility of the socialist ideology—a kind of progressive ideological "aging" or "weathering." The 2001 Shanghai Social Report put out by the Shanghai People's Publisher shows that ideology's capability to unify society has suffered a considerable decline. In response to survey questions on people's understanding of communism, fully 77.7% of CCP members who responded believe that "it is a beautiful ideal but far removed from reality," and 82.2% think that a "new understanding and perception of communism is needed." The majority of respondents feel that "the traditional perception of communism contains an element of fantasy" (54.0% of party members and 58.3% of the general public), and their perception of the party's role itself—that "it should be grounded in practicality, and rather than talk ideology, it should be trying to strengthen the country and bring concrete benefits to the people" (79.7% and 87.3%)—has undergone a major change.

Against this background, the "three representations" theory of Jiang Zemin—China's president and general secretary of the CCP Central Committee—will be noted with interest. This theory is intended to promote a repositioning of the party from its traditional status as a class-based group to that of an inclusive party. Also sure to be watched are such moves as President Jiang's speech on July 1, 2001, given on the occasion of the eightieth anniversary of the founding of the Chinese Communist Party, when he clarified the issue of party membership of entrepreneurs. These developments harbor the seeds of a sea change in the party's mode of existence. Since the end of 2000, China's traditionally conservative left wing has been conducting a campaign against these trends in *Zhenli de zhuiqiu* (Seeking truth), a journal of the Chinese Academy of Social Sciences, and other publications. The conservatives condemn the idea of allowing entrepre-

8. Illegal access to the Internet without going through a Chinese service provider is quite conceivable, either by an international telephone connection or by rerouting a connection so it appears to come from a different part of the Internet; but when one considers the costs and the illegality of such actions, it is likely that the effect on the total situation will be limited.

TABLE 1
Motives for Joining the Communist Party

		%
Others' motives	For business or personal advancement	25.7
	To pursue ideals or convictions	19.8
	To enhance personal social competitiveness	11.1
Own motives	To pursue ideals or convictions	41.7
	For business or personal advancement	16.2
	To receive organizational education	11.6

Source: "Opinion Poll of 1,000 Shanghai Party Members," (Shanghai Social Report, 2001), p. 41.

TABLE 2
Opinions on Allowing the Self-Employed and Private Entrepreneurs to Join the Party

	Agree	Don't know	Disagree
			%
The self-employed and entrepreneurs are also workers; they should be able to join	82.5	10.3	7.2
They are oppressors and should be expelled from the party	6.3	16.1	77.5
"Showing the way and becoming rich": in the new age they are the embodiment of party members' function as vanguard and models	59.3	25.5	15.2
Party members should "enjoy ease later, taste hardship first"; membership should be restricted	22.6	16.3	61.1
Allowing membership would transform the party's fundamental principle of "serving the people"	8.7	21.7	69.7

Source: "Opinion Poll of 1,000 Shanghai Party Members," (Shanghai Social Report, 2001), p. 49.

neurs to join the party as a serious political mistake, arguing that it will transform the Chinese Communist Party's class-party character. The crux of this issue can be considered on three levels: (1) how to deal with those who were party members before becoming entrepreneurs; (2) how to deal with entrepreneurs who have been allowed to join the party by regional authorities in flagrant defiance of a Chinese Communist Party decision of 1998; and (3) whether to allow as members people who have become influential through their entrepreneurial activities. Moreover, motives for joining the party are now becoming more diverse, as can be seen from Table 1. Even setting aside the motives given by people for their own party membership as being somewhat pious, the motives ascribed to others show that many have practical advantages in mind. To that extent, per-

haps rather than an ideology-based political party, the Chinese Communist Party should now be considered the country's largest interest group serving its "best and brightest" human resources on a countrywide basis.

Opinions on this within the party are divided (see Table 2) and hot debate is in progress. Soon after Jiang Zemin's speech, a "Letter From Old Communist Party Members" appeared on the Internet on July 20, signed by Deng Liqun, Yuan Mu, and other old-style ideologues, launching a bitter criticism of Jiang Zemin by name. The criticism appears to hit the mark. It is not simply a personal criticism of Jiang Zemin, but cites the party's constitution, accusing Jiang of creating a personality cult and contravening various clauses, and states that he has not followed the proper decision-making procedures. Inasmuch as these concern the party's fundamental character, going beyond the usual power struggles and infighting about the party line, they may be considered evidence that a very serious rift has arisen at the heart of the party.

On the other hand, a group of Chinese sociologists headed by Lu Xueyi are undertaking a classification of Chinese society into 10 classes on the basis of such criteria as occupational group, organizational resources (administrative and political), economic resources (rights of ownership, utilization, and management of producer goods), and cultural (technological) resources (possession of socially recognized knowledge or skills). Based on this they are also producing a classification into five socioeconomic groups: upper, middle-upper, mid-middle, middle lower, and lower.[9] Lu's work may be said to be a political containment tactic in the

9. Lu Xueyi, ed., *Dangdai Zhongguo shehui jieceng yanjiu baogao* (Study of class in contemporary Chinese society) (China Social Sciences Publishing House, 2001). This research was designated as a priority national publication project and was conducted by the Chinese Academy of Social Sciences. The results were published as part of the same publisher's *Zhongguo shehui jieceng yanjiu congshu* (Studies in social class in China series). The report is highly political in nature but contains much of great interest.

10. The study started in November 1987 as a priority research project in philosophy and the social sciences. In August 1998 Academy President Li Tieying instructed the Institute of Sociology to research "changes in social structure." At the beginning of 1999 a project team was set up to research "changing social structure in contemporary China," and a questionnaire survey was carried out on 11,000 respondents, including workers and students, in a range of locations. In June 2001 a sampling survey was started (6,000 samples covering 72 cities in 12 provinces), but the results of this survey are still being analyzed.

form of the results of sociological research aimed at those against allowing entrepreneurs into the party. The research had been undertaken as a purely academic activity,[10] but following Jiang's July 1 speech, there was a request from "relevant quarters" for survey data and research results to be made available as early as possible. Publication of the survey took place quite abruptly. At the end of 2001 a report was suddenly compiled without waiting for all the survey results to come in and was published in January 2002. The conclusion of these researchers is that some tangible means should be introduced for removing ideological barriers, the social role of the entrepreneurial class should be fully affirmed, and this group should be accorded equal political status with other classes. The report maintains that entrepreneurs have now become a leading class within Chinese society, and that effective means should be used to promote its healthy development. Specifically, the lawful interests of entrepreneurs should be recognized, both politically and legally, and people at the forefront of advanced production should be absorbed into the ruling party, thus enlarging its sociopolitical base. The researchers' position, judging from their research data, can be described as reinforcing Jiang's call for entrepreneurs to be allowed into the party.

If entrepreneurs are allowed in, the Chinese Communist Party will almost inevitably become a more inclusive institution and will move, as I suggested above, in the direction of an interest group. However, the lack of the mechanism or channel required for the reconciliation of conflicting interests will probably make the process of transformation of the party's character unstable. Ultimately, it need hardly be said, accession to the WTO is for China both an opportunity and a challenge, as the Chinese frequently say. The main reason that Phase 1 took such an extraordinarily long time is that China itself was growing into a huge entity. Normally accession negotiations should stay at the level of trade, but because of the difficulty of identifying the nation's shifting economic character they in effect became a political issue. In Phase 2, as the Chinese economy is expected to take on even more gigantic proportions through fulfillment of its commitments, the same problem will inevitably arise, and difficult political adjustments with WTO member countries will called for. At the same time, for the successful progress of Phase 2 China must pursue difficult adjustments among its internal actors. In that sense Phase 2 is likely to turn out to be doubly difficult for China—a serious political test both

internally and externally. On top of that, it will have another double difficulty—that is, whether it fulfills its commitments or fails to fulfill them, the resulting situation will be serious.