

Marco Polo 2002: Venice By Way Of China

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Abstract

As part of an executive MBA program, the authors visited with the top executives at multiple Chinese companies and agencies in several major cities during the summer of 2002. Businesses included several that have recently transitioned from being state-owned enterprises; pure entrepreneurial firms; and multi-national enterprises with headquarters outside of China. The visits allowed us to hear how China intends to manage its challenges and pursue its opportunities as well as to witness some early successes, emerging experiments, and looming problems. In this paper, we will share our observations, which are organized around several themes. We conclude that much of what is going on in China must be viewed as transitional and temporary. While there are serious challenges, China should be recognized as having accomplished more positive change faster than perhaps any other country in the history of the world.

1. Introduction

As part of an executive MBA program, the authors met with the top executives at multiple Chinese companies and agencies in several major cities during the summer of 2002. The cities visited included Beijing, Shanghai, Suzhou, Shenzhen, and Hong Kong. In addition, one of the authors went on to regions around Xian, Chengdu, Kunming, Guilin, and Lhasa. All told, a dozen different provinces were visited. The governmental agencies included MOFTEC (Ministry of Foreign Trade and Economic Cooperation), the US Embassy of Beijing, US Commercial Services, Securities Future Commission, and Invest Hong Kong. Businesses included several that have recently transitioned from being state-owned enterprises, multi-national enterprises with headquarters outside of China; and pure entrepreneurial firms. The visits allowed us to hear how China intends to manage its challenges and pursue its opportunities and to witness some early successes, emerging experiments, and looming problems.

In this paper, we concentrate on observations that primarily concern developments within China. In a subsequent paper, we will explore our thoughts on how China will likely connect in the future with the rest of the world. Our thoughts are organized around several themes. These are the rate of China's westernization, contrasts and similarities across Chinese regions, the status of China's relations with Taiwan, and sample strategic posture across Chinese businesses with different ownership histories.

2. Rate Of China's Westernization

For a country that has been closed for so long to the the world outside of China and that has been run by a system that is suspicious of change, it is astonishing to see how much China has been impacted by Western ideas and artifacts. The evidence is everywhere, even in the outlying provinces farthest from Beijing. Posted Pepsi ads form a visual line down the streets of Shanghai and punctuate the missing window in a six-foot-wide "store" in remote Maoxian. The prevalent footwear may not be made by Nike, but the sneakers being worn are clearly not traditional Chinese slippers. The corner Chinese teahouse has become a Starbucks outlet.

Throughout the country, billboards touting contemporary products and services vie for attention with political exhortations to "sacrifice for the good of China." We visited two ad agencies where we saw examples of domestic promotional programs which utilized the same components as one would expect in western markets –

coupons, merchandise tie-ins, emotion-based appeals, etc. We were shown samples of print and television ads for foreign-based (Kentucky Fried Chicken) and local (President Noodles) products. Both were based on recognizable family-centered themes and executions, such as the warmth that follows bringing food home to share with loved ones. Chinese consumers continue to show very clear regional differences, but they are fast entering a worldwide culture in which behavioral similarities dominate.

In another example of adoption of Western thinking, the president of a major real estate firm stated that among Chinese, “owning a home” has already moved from being a family goal to being viewed as a financial investment. A professor from a leading Beijing university noted that he owns two homes, the second one purely for investment purposes. English phrases (“Hello, just Looking,” “Copy watch?”) are used by even the most itinerant of vendors. In the streets of remote villages, parents urge their children to go up to the rare American and practice their English.

While one still sees the morning exercise groups doing Tai Chi and ballroom dancing in every city park, such groups are more often formally organized as part of a for-fee class being offered by a local entrepreneur. Going one step further, direct competition is now coming from full-fledged fitness centers.

The rate of Westernization in China will likely be further accelerated by the multiple MBA programs being conducted by American universities as well as domestic institutions.

3. Differences Across Cities/Regions

The forces that have been at work in China over the last twenty years have not operated in monolithic lockstep. Traveling through the dozen provinces visited on our tour felt more like going through the countries of Europe in terms of observed cultural, physical, and economic variance. In fact, it has been said that Shanghai has more in common with Paris than it does with the city of Xian in central China. On the macro scale, those living in the coastal provinces, some 300 million persons, enjoy a per capita income (something in the neighborhood of \$6,000 per year) that is some ten times that of the rest of the country’s inhabitants. This income level is a result of the high number of skilled workers and professional engineers who inhabit the area. Opportunities for upward mobility and the life style that goes with it, coupled with the flow of foreign direct business investment in coastal provinces, result in a constant influx of China’s best-prepared workers and professionals.

Behind the socio-economic fragmentation, a political devolvement has already begun. Economic disparities between regions and between town and country are widening and will likely continue to do so. Disillusioned with the perceived ability of the central government to respond to their unique challenges, some provincial governments have taken matters into their own hands. Urban areas are becoming more polarized. As the market economy begins to develop, the state sector is in decay. One can expect that the populace will only get bolder, while the communist party faces increasing corruption. In the paragraphs to follow, we will look at some of the specific regions visited.

Visiting Washington D.C. in the US, one is aware of a feeling of power in the air. A similar aura of energetic authority also pervades Beijing. As the seat of the country’s government, Beijing is far more nationalistic than other Chinese cities. As dusk came to the city one day, we found ourselves in Tiananmen Square. Suggesting an imminent important event, a crowd of several thousand swarmed at one end of the square. Further investigation revealed nothing more than the ritual of the daily lowering of the state flag. The city’s architecture also reinforces the sense of government. There are modern buildings, but contrasted with the skyscrapers of Shanghai, most are large in bulk rather than height, the better to emphasize the trivial importance of the individual. This concept is further reinforced by the street layout, where a single “block” can be close to a mile long.

On one Beijing corner, what used to be one of the country’s most successful McDonald’s outlets was recently ousted in favor of a high-end emporium selling premium designer brands. This came about despite McDonald’s having what it thought was a contractual basis for long-term use of the property. What happened? When a new regime came to power, the leaders were persuaded by their cronies who owned the lot that an emporium would better serve the interests of those leaders, thus providing them a suitable place to shop. This is but

one example of how rules of law can come in second to how well one is connected to the right people in the political leadership.

Shanghai, China's center of commercialization, boasts a reputed 4000 skyscrapers, many with distinctive architecture. The most contemporary region of the city is Pudong. Built just one decade ago on what was farmland, Pudong includes Shanghai's second international airport. There are plans to build a 30-kilometer bridge over the sea to an artificial island on which a deep-water container terminal will be built. A flood of foreign investment is fueling the city's growth.

Can Shanghai become the business and financial center of China? Today it is in competition with Hong Kong, and to a lesser degree with Shenzhen. Shanghai has the advantage of being culturally more familiar with and to mainland Chinese, while Hong Kong remains marginalized, an adopted British "child" with no real rights to the family assets. Since many Beijing officials have come from the ranks of past Shanghai mayors, Shanghai has direct ties to the central Chinese leadership, people who would rather build their own financial center than directly incorporate that of Hong Kong.

Yet Shanghai remains steeped in its political traditions. Its property markets are ill-regulated and chaotic. Vacancies in commercial buildings are rumored to be as high as 70%. The city lacks the sound financial structure and legal system that has kept Hong Kong in the lead. Until the yuan becomes fully convertible, a process that may take another decade, China will continue to need Hong Kong in order to tap international capital markets.

The Hong Kong dollar remains more tied to the US dollar than to the Chinese RMB. Hong Kong will be hard-pressed to attract the educated elite from mainland China. China insisted that the colonial Hong Kong authorities keep government land sales to a minimum in the run-up to the territory's handover. Such policies resulted in creating a bubble market, which burst in 2000. Hong Kong property prices plummeted to less than half their previous worth. Half of the population is exempt from income tax because a 30% rate on land sales provides much of the government's revenues.

Although the SARS epidemic has put a significant blemish on Hong Kong's luster, the quality of life enjoyed in this important city remains the envy of all of China and is sustained by strong education and health services. On January 1 of 2003, China lifted restrictions on the number of tourists allowed to visit Hong Kong.

Hong Kong is the entry port for much of Taiwan's China trade. Taiwan's current ban on direct trade and transport with the mainland makes getting to Shanghai a time-consuming chore. Once the link between China and Taiwan is made, Shanghai may become Taiwan's first port of call. This eventuality will hurt not only Hong Kong but also the entire Pearl River delta region where much of Taiwan's \$60-billion investment in China is based. Shanghai and its hinterland have become the hot new favorite for Taiwan investors. Taiwan's investment in hi-tech industries may make the Yangtze River delta, with its cheaper land and workforce, the hub of China's IT industry, while Beijing provides much of the necessary R & D. Such an occurrence would leave less room for Hong Kong and its ambition to turn into a regional center of IT developments. A Cyberport project, due to be completed next year, may not provide much competition to the science and industrial parks of Suzhou and Shanghai.

However, Hong Kong still holds the upper hand in this card game, due to its legal independence from China and its economic interdependence with the rest of the world. For Hong Kong to remain significant in the coming years, it must reinforce both these strengths.

The Hong Kong manufacturing sector has relocated in the past 20 years to the city's outskirts, which is Shenzhen and the Pearl Delta region. Low wages, a solid infrastructure and efficient logistics are unmatched elsewhere in the country. This seemingly unstoppable juggernaut is churning out \$110 billion in exports annually while sucking in \$17 billion in foreign direct investment. The Delta has become one of the world's most important production bases, for products from stuffed toys to PC's.

To prevent the territory from being deluged with mainlanders eager to settle, the Pearl River Delta is cordoned off from Hong Kong by one of the world's most closely guarded borders. Getting a job in the territory is more difficult for mainland Chinese to do than for a non-Chinese expatriate. The 20-mile trip from the Chinese border city of Shenzhen to central Hong Kong can take some four hours, with most time spent on immigration and customs. We had to offload all luggage from our bus as we left Shenzhen, reload for the 200-meter crossing, only to unload and reload once more to go through the Hong Kong side of customs. The process may improve next year with the introduction of "smart" ID cards that can be checked by machine.

In the hinterlands, nearly 600 million peasants are lucky to earn \$700 per year as individuals, one-tenth as much as do members of the coastal populace. The city of Xian, once the center of Chinese civilization (Tang dynasty renaissance), has a "Forbidden City" some ten times the size of that in Beijing, although not as well preserved, yet it limps along as a tourist center. By 1999, regional inequalities had returned to 1978 levels. Some have suggested that these regional disparities could push China toward disintegration, internal conflict, social dislocation and criminal activity, thereby creating a vast zone of instability in Asia. Another danger is that "downtrodden China" could export their social ills to "rich China."

The entire situation is made even more volatile by the unusual speed at which the income gap between Chinese rich and poor is widening. The streets of Shanghai include three million migrants working on construction. We witnessed a man on a bike being questioned by the police. Instead of his being detained for some traffic violation, the man was being interrogated by police who were looking for proof of the man's residence and employment, or for some justification for his being in the city. The central government's policy is no migration without a job. In Xian, several street corners were occupied by hundreds of farmers looking for non-farm work. However, contrary to conditions in Shanghai, there are few projects on which such workers are needed. But what happens to workers in these hinterland cities when the Shanghai building boom ends? Have such workers attained any transferable skills, or will these people return to the farmlands with nothing to do?

Farmers have already endured four years of stagnating incomes. Agriculture has been consigned to the sidelines. Worse yet, China's membership in the WTO will ultimately open the doors to cheap western grains and fruits, thus driving millions of farmers out of business. One remedy would be to move huge amounts of the surplus labor in the countryside – at least 150m people – into other sectors. Yet such action would do nothing to reduce the labor gap. The continuing inflow of foreign investment will only serve to further widen it, causing urban residents to become even more unsettled. Hence the Chinese government is directing foreign investment for low-skilled manufacturing projects into the hinterlands, while approving only high-tech projects for the coastal region.

4. Similarities Across Cities/Regions

Having pointed out some of the major differences between cities/regions in China, we feel it important to underscore some of the similarities.

In the US, shoppers have become accustomed to a reasonably pleasant store clerk approaching a patron and asking if help is needed, then engaging or backing off as the customer's response dictates. In Germany, it is commonplace for the clerk to wait silently on the sidelines. If a patron should initiate a call for assistance, the clerk will likely reply, "My job is to collect your money, not make your decisions for you." Contrast such sales techniques with those in China, where a customer is latched onto virtually on entering a store and is not allowed to go it alone. At the slightest evidence of a customer's interest in an article, the store clerk will generate a stream of reasons to buy the item and offers to lower the price. This may be partially explained by China's economic stage, combined with a perceived necessity on the merchant's part to make a sale at all costs.

In China, merchandizing is clearly at an earlier stage of development than is evident elsewhere, even in larger more modern stores. Western retailers have long since moved to lifestyle presentations in which entire collections of clothing are put into one display. In China, one will find mounds of purses, shirts, and the like heaped together with little concern for order. At best, goods will be arranged in logical order, with all varieties of one item

together. The insides of stores often replicate street vendor structures, only featuring fancier display cases and better atmosphere, but with no real improvement in value for the shopper.

Yet one still finds a veritable “Rodeo Drive” of top end brands. Bentley and Rolls have dealerships in Beijing. There would seem to be three reasons for the presence of these ultra-brands. The first is that there is a small market consisting of government agents who do have funds to buy and who are the ones needing to be courted by vendors for political survival reasons. A second reason is that these top end product manufacturers want to be ready for potential buyers that will emerge as the Chinese economy grows. The third reason is that there are an additional few who will buy now in the hopes of expressing status well above their economic means. While local-made cars are cheaper and more accessible, the more expensive foreign-made brands offer better opportunity to show status. And in the final analysis, in China, status yields power.

A somewhat unexpected experience for us was the positive attitudes we experienced from people on the street. Even amidst radically divergent conditions, people seem surprisingly happy. One finds far less of the dour serious looks of European pedestrians, or the detached wandering so common among throngs of people in the US. Instead, people in China smile and acknowledge others. This was observed as much in the suburbs of Beijing, where peasants living in the shadows of high-end housing projects merrily carried on conversations while luxury cars delivered their occupants, as it was in the countryside, where colorfully dressed residents strolled the roads seemingly oblivious of the commercial traffic rushing by.

One possible explanation for this “positivism” could be China’s religious/philosophical history. It has emphasized a focus on the family, in which the goal of life is to improve one’s children’s lots, not one’s own condition. Traditionally, parents provided the means of support for their children during the growth years. In turn, the children were expected to support their parents in the latter’s old age. Under the one-child policy, ideally each family has six supporting members – two parents and two sets of grandparents. The next generation of Chinese will most likely have more propensity to consume than to save. They will be more pampered and more educated than are members of the present and older generations. This observed focus on positives is reinforced via the concept of Ren – a sense of benevolence, and concern for other humans – combined with a somewhat romantic view “so what if life is miserable now – it’s just temporary.” China’s increasing recognition from the rest of the world also gives reason for its inhabitants’ pride and joyfulness.

When asked what are the best opportunities for businesses in China, several of our executive hosts responded with the same triad – “Toys, food, and anything for women!” With respect to the first response, the state’s one-child policy has resulted in a pampered existence for most children, with heavy spending on toys and clothing reminiscent of behavior attributed to US yuppie parents. However, China’s traditional and initial fascination with producing males for the sake of lineage preservation has already begun to fade. Little emperors stand side by side with young princesses, whose parents realize that the artificially induced shortage of females has made daughters equally desirable as offspring. This change in attitudes about children would seem to render moot the oft-publicized fears that China could become a nation of warriors wanting to conquer other countries to get access to their women.

Regardless of where one goes in China, food is always the top issue, but not in the sense one might expect. The common greeting is not, “How are you?” but “Have you eaten?” Such queries do not stem from fear about where the next meal will come from. The authors were surprised to see that even amidst relative poverty, there seemed to be no shortage of food. In the simplest back street eating facility (we were hard-pressed to call a collection of three bare tables a “restaurant”) a patron’s plate will overflow with whatever simple fare is offered. Streets of remote villages teemed with carts piled high with apples, vegetables, and other such produce. In China, food is everywhere part of the experience of life. No person can come to another’s home without being fed something. Such hospitality is expected.

In the days of the agrarian economy, men would perform the work while the housewife sat at home. Today’s Chinese women are part of the labor force, and at once are more conscious of how they look in the business world. As with other societies, Chinese women have leapfrogged directly to the contemporary fashion world. The

rise of consumerism has made them a major spending target. Shopping malls are filled with colorful clothing, handbags piled to the ceiling, and cosmetics counters. Stores solely dedicated to cosmetics are already cropping up among the purveyors of life's more pedestrian goods.

5. Integration Of Taiwan

Given the bellicose statements about China-Taiwan relations so often seen and heard in the international and local press, many outsiders might be led to suspect that there are two distinct Chinas and that this split is worsening. Yet the reality is much more complex. It is often the case that business interests pay less attention to political boundaries than they do to perceived economic opportunities. So, too, it goes with China and Taiwan. When the Taiwanese originally invested in mainland China, they went to the Pearl Delta where cultural similarities provided a sense of comfort. They focused on businesses producing such products as clothing, toys, and shoes.

With time, experience, and changing sectors offering the best returns, Taiwanese investors transitioned to higher tech industries. These businesses in turn were concentrated just outside of Shanghai, in the city of Suzhou and the surrounding region. The physical proximity to Taiwan and the anticipated relaxing of government-decreed travel restrictions hastened the shift in capital. While the Chinese government is reluctant to publicly admit it, the government may actually be providing financial support for Taiwanese industrial ventures in this region. It is rumored that the Suzhou-Taiwan Industrial Park has been partially subsidized by the Chinese government to attract Taiwanese industrial ventures. In sum, business opportunity and reality often trump politics. As the mainland leadership grows in its understanding of the benefits and realities of economic development, we should only expect a growing economic integration of the two "countries" despite their strong political tongue lashing and posturing.

6. SOE's, MNE's and ENT's

Large-scale businesses in China can be divided into three groups: current or recently State-Owned-Enterprises (SOE's), Multi-National Enterprises (MNE's), and entrepreneurial firms (ENT's). Our visits to representatives of these groups provided multiple illustrations of ways in which the degree of contemporary thinking varies across their leadership.

As for the SOE's, their bureaucratic administrators often rose to the top and obtained loans because of political connections rather than any business acumen that they themselves possessed. Having been under government protection for so many years, such administrators lacked any sense of competitive urgency. Our visit to MOFTEC made it very clear that Chinese officials had come to believe that the SOE's would never compete on the global stage, and indeed would not even be able to meet China's internal needs. Consequently, the SOE's are being privatized, effectively being tossed into the pool to swim for themselves. After reaching a peak of 113 million in 1995, the number of people employed by urban SOE's has already fallen by nearly a third. Nonetheless, this sector is still vital to China's economic and social stability because it employs 45% of the urban workforce and continues to receive most of the state's banks' loans.

In earlier times, the central government had placed restrictions on cross-regional travel in an effort to control the economy, not understanding the benefits of an economic system where factors of production are left to find their highest use. As a consequence, employees still maintain multiple personal relationships and are seen by administrators as part of a family community. This is but one limitation to the speed with which the privatization effort is being implemented. To illustrate, the president of a recently privatized computer chip factory noted that one of his greatest concerns was how to improve efficiency without laying off workers, most of whom he knew personally and had been with the firm for their entire careers. He felt obligated to provide pensions, despite liabilities growing faster than the contributions. Such a policy may fly in the face of the outsider's perception of the monolithic state business for which the employee is just another asset.

At the same time, the MOFTEC representatives were also clear that they would not be happy with China's becoming the "world's factory", in effect by building an economy centered around China's advantages of low production costs due to lower wages and fewer obligations for environmental and worker protection. Hence, now

China is putting an enormous emphasis on supporting high tech operations that in turn do not offer as many jobs per dollar of investment as would normally be required for a “successful” business venture.

Clearly struggling with the basic concepts underlying privatization, leaders of SOE’s are not truly ready for advanced concepts of strategic management. The authors listened to a 20-minute presentation of a computer chip firm’s strategic plan, which included references to core competencies, market segments, and other sophisticated terms. They outlined very ambitious goals. Yet, when pressed to describe how these goals would be achieved, the management staff could only note their willingness to match competitors’ prices. Like the street vendors who meet all reluctance to purchase with continuing price cuts, this group could not fully comprehend the possibilities for differentiation based on quality, service, or other such dimensions. Similarly, a recently privatized restaurant chain waxed effusively about a global franchising program, yet had very little idea of which markets were best suited to their offerings, or how they would establish and manage an efficient supply chain.

Contrasted to the struggles of the SOE’s, our visits to several MNE’s indicated that they had clearly benefited from exposure to the viewpoints and tools of multiple management systems. Nevertheless, they had to wrestle with implementing their home-grown management systems in a different culture. At a communication software R&D company, the president recalled how he had to contend with the home office’s belief that “You can’t do R&D in China.” However, after trying traditional programs for managing these efforts, he found success when he switched from top-down directives to establishing values (“daring to try, taking responsibility, being open to and giving feedback, and developing a sense of teamwork”), training employees, and then getting out of the way. The president described the resulting environment as exhibiting the “bamboo spirit” – fast growing, flexible, healthy and green, strong, persistent, durable, and networked. Operating with this employee-centered philosophy, the company: has generated a record of 99% on-time project delivery; has reached a cumulative break-even status one year ahead of target; has been named the number one software exporter out of 1000 in Shanghai; and has enjoyed expanding sales in China while the rest of the firm’s world-wide units are struggling.

The companies who play an increasing role in the Chinese media scene are often MNE’s. As noted before, they rely on strategies and techniques very familiar to Western business. Such a practice acts as a multiplier for cultural change. As one example, the managing director of the local office of Ogilvy identified one of the key changes in the Chinese B2B market. Local firms are less likely than they were in the past to bounce from agency to agency seeking cuts in fees. Instead, they are adopting the Western model of building a longer-lasting knowledge-based relationship with their agencies.

Perhaps nowhere else is the use of contemporary business practices as pronounced as it is in the offices of China’s entrepreneurial organizations. Our entrepreneurial visits included one to a B2B manufacturer of electronic components, several business services, and one consumer products firm. While the SOE’s directed primary attention to cost reduction programs, executives in these entrepreneurial firms recognized the potential for return on investment from expenditures in employee training, state-of-the-art production and information systems, sophisticated marketing programs, and other such engines of growth. They also took advantage of complex venture capital funding vehicles.

As we listened to a senior executive with the components manufacturing firm, it was very clear that the company’s bold visions for growth (“to be the world’s leading telecom manufacturer and provider of network solutions”) was supported by detailed plans carefully worked out on a segment-by-segment basis. More subtle evidence of different thinking was their company’s commitment of resources to a customer-reception area that documented the firm’s history, its state-of-the-art products, and its future markets. Such evidence stood in stark contrast to the austere waiting room of the chip manufacturer.

The offices of a real estate investment firm, a call management service, and a legal agency all reflected appreciation for investment in image creation and management. Not only had the real estate operation adopted many western standards such as the company’s architecture, its style, and its designs, but the company’s marketing efforts were also as sophisticated as those seen in the US. The firm had placed contemporary life-style ads for various developments on both the front and back covers of the in-flight magazine for all China airlines. We also saw its logo

on billboards exhorting the good life that comes from owning one of the company's homes, and we viewed frequent television ads reinforcing the same themes. They also provided a clear example of creative financing, having adopted a Silicon Valley-style model to structure their investments, featuring 60% of operating funds coming from outside of China, 30% from government sources, and 10% from private mainland Chinese.

At a consumer products firm, the president (the son of a Taiwan-raised man) managed a ceramic tile production and distribution operation. He illustrated the company's willingness to take well-defined risks in having sited the factory on the basis of rumors of the construction of an impending nearby highway. He had just returned from a trip to Milan to view the latest ideas in clothing fashion, which his staff would turn into new tile designs. He made it very clear that this was a cornerstone in the firm's development of competitive advantage.

7. Summary And Conclusions

One must appreciate the challenge facing both the Chinese government and its business leaders. Even if the government is totally committed to building an open market system, the government cannot allow this to happen too quickly due to the massive size of the populace. In the absence of complete restructuring or reorganizing, a bail-out policy will not work because such a policy still leaves in place inefficient management or cronyism.

The Chinese government has managed to dichotomize the politics and economics of the country. The central government has kept a tight grip on the political issues; while allowing the provincial governments to undertake the economic decisions of their regions. Although this has worked and created enormous economic growth and wealth for the nation, the tradeoff is the widening disparities of income and growth in the regions. With the opening of China to compete fully with the outside world under the WTO agreement, China is at its crossroads. Economic as well as political reforms need to be done to prevent instability in the country.

Nonetheless, fears of letting go of the Old Ways can restrict otherwise safe moves. Due to government control, media often contribute to rather than expose distortions. The handling of the SARS situation provides a very visible example of the government's unwillingness to report bad news.

The centralized control that the Chinese government wields has indeed resulted in overprotection of mature industries. Yet, when an experiment is thought to be appealing, the government is nonetheless able to muster implementation forces far beyond those enabled by open markets. The outcome of these moves will ultimately be determined by the character of the people at the very top of government and industry, combined with the degree of patience that can be mustered and maintained by the general populace. The Chinese people are known for their flexibility and tenacity. Like the bamboo, we sense they will be able to flex when the wind blows. 📖