

# The Political and Social Implications of China's Accession to the WTO\*

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There is no topic that is more hotly debated in China and more important to the country's future than the anticipated accession to the World Trade Organization (WTO). After 13 years of efforts to achieve membership in the world trade body, the United States and China finally reached agreement in November 1999; shortly thereafter the European Union and China came to agreement and negotiations moved on to Geneva where a working party is expected to formulate a protocol of accession that will allow China to enter the WTO by late 2001. Ironically, after years of fuming that the West was trying to keep China out of the trade body, the prospect of actually joining has set off a flurry of speculation over the impact on China's economy and many have begun questioning the benefits of membership. Many worry that China's industries will be exposed to crippling competition, that farmers will be hurt by the import of cheap (and better quality) foreign wheat and corn, and that China as a nation will become entangled in a global capitalist network that will erode the country's sovereignty and, in the worst case scenario, reduce China to an "appendage" of the West, particularly the United States.

Before looking at some of the economic and social difficulties that may come with China's entry into the WTO, it is useful to remember some of the positive effects membership will have. Perhaps the single most important impact of WTO on China will be to reinforce the directions in which China's economy and polity have been moving in recent years. Few nations have benefited from participation in international trade as much as China has, or in such a brief period of time. In 1978, at the beginning of the reform era, China had about \$20 billion of foreign trade; in 2000 that figure had risen to \$474 billion, a 24-fold increase. This participation in global trade has been critical in China's turn away from an pattern of nearly autarkic, capital intensive growth to an export-led growth that exploits China's natural comparative advantage in inexpensive labour.<sup>1</sup> China's import of capital in the course of this opening up – some \$290 billion over the course of the Ninth Five-Year Plan (1996–2000) – has been vital in job creation, in introducing new technology, and in bringing about better management and entrepreneurship.

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1. Nicholas R. Lardy, *Foreign Trade and Economic Reform in China, 1978–1990* (Cambridge: Cambridge University Press, 1992). The figure for China's foreign trade in 2000 comes from Zhu Rongji's "Report on the outline of the Tenth Five-Year Plan for national economic and social development" at the Fourth session of the Ninth National People's Congress, 5 March 2000 (China Central Television, trans. Foreign Broadcast Information Service, CPP20010305000112 [5 March 2001]).

China's participation in the WTO will reinforce these trends. With the passage of Permanent Normal Trade Relations (PNTR), China will have guaranteed access to the American market, which will allow China's exports to continue to grow. At the same time, the elimination of trade related investment measures and non-tariff barriers and the very specific market access benefits in goods and services granted by the WTO accession agreement will enhance the attractiveness of China's market and give foreign investors greater confidence in the reform process. Economists estimate that China's WTO membership will add 1.5 per cent to its annual growth rate after the commitments it has agreed to make are accomplished within five years of accession. At the same time, Chinese economists estimate that accession to WTO will attract \$1 trillion of foreign investment between now and 2005 (as compared with \$2.5 trillion over the decade of the 1990s).<sup>2</sup>

If WTO membership will enhance the benefits that China has received from participating in the global trade system, it will also reinforce other trends apparent in China's political economy. In particular, it will help weed out inefficient state-owned enterprises (SOEs), break down the bureaucratic interests that have fostered economic paternalism, erode local protectionism and curtail industrial monopolies.<sup>3</sup> There seems little doubt that China's decision to pursue WTO membership vigorously was connected to the deepening crisis of the SOE sector, the debts of which were diverting investment capital from other more productive areas of the economy and threatening the financial system as a whole.<sup>4</sup> But the change in strategy could only be made once the premiership changed hands from Li Peng to Zhu Rongji. Li Peng clearly supported (and was supported by) the bureaucratic interests that made up the old planned economy; Zhu saw the same nexus of interests as the problem rather than the solution. Frustrated by bureaucratic obstruction to fundamental reform, Zhu was willing to avail himself of foreign competitive pressures to force restructuring.<sup>5</sup> As Zhu put it in his report to the recent meeting of the NPC, "China's economy has reached the point where it cannot further develop without being restructured."<sup>6</sup> This restructuring is not just a matter of selling off economically unviable SOEs but of radically restructuring the management of the economy. The 1998 reform of the State Council vastly reduced the importance of the old State Planning Commission (which was renamed the State Development and Planning Commission and given a mandate to draw up macro-economic plans rather than govern the economy) and reorganized all nine industrial ministries as bureaus subordinate to the State Economic and Trade Commission

2. Yu Yongding and Zheng Chengwen (eds.), *Zhongguo "ru shi" yanjiu baogao: jinru WTO de Zhongguo chanye* (Research Report on China's Entry into the WTO: Analysis of China's Industries), pp. 3–4.

3. *Ibid.* p. 3.

4. Nicholas R. Lardy, *China's Unfinished Economic Reform* (Washington, D.C.: Brookings Institution Press, 1998).

5. Joseph Fewsmith, "The politics of China's accession to WTO," *Current History*, Vol. 99, No. 638 (September 2000), pp. 268–273.

6. Zhu Rongji, "Report on the outline of the Tenth Five-Year Plan."

(SETC). This bureaucratic change greatly enhanced Zhu's authority within the government and reduced the ability of ministries to obstruct progress of WTO negotiations.<sup>7</sup> More recently, in autumn 2000, Zhu took another step forward in fundamentally altering the state's management of the economy by eliminating those bureaus. In short, China has been moving away from direct management of the economy and turning toward the use of macro-economic tools. The provisions of WTO will reinforce that trend.

This restructuring of the state's management of the economy has been a part (albeit a major part) of a broader programme of separating government from enterprises. The programme dates from the 1980s, but at that time it was generally regarded as one part of a two-pronged effort to carry out economic and political reform, the other part consisting of separating the Party from government. In the wake of Tiananmen, the latter effort was dropped as too risky for social stability, but efforts to separate government and enterprise were made the centrepiece of the Third Plenary Session of the 14th Central Committee in 1993 and the 15th Party Congress in 1997. Again, the requirements of WTO will reinforce this trend, and with it the likelihood that enterprises will look more to the market than the government.

If the effort to separate government from Party was halted in the wake of Tiananmen, the political implications of separating enterprise from government are nevertheless profound. As will be discussed below, efforts to restructure the Chinese economy over the past few years have led to a major increase in the size of the private sector, and the emergence of a significant private sector will remake state-society relations at all levels. First and foremost, there will be an increased demand to define and protect property rights. This need not be done only by strengthening the role of law – informal custom and the supervision of local government by an economic elite (perhaps through chambers of commerce) are other likely mechanisms – but an increased role for law will no doubt be part of the formula. Admittedly, there is a very long way to go in this regard (as Pitman Potter's article in this issue details). Local courts are notoriously corrupt and collusive arrangements between local power holders and the local economic elite are likely to make the spread of law uneven at best. But the areas in which the private economy spreads most quickly and is most diversified are likely to see new demands for political accountability. Just as important, the spread of private enterprise will spur an increase in social capital – and over time such social capital can be mobilized to constrain political power.<sup>8</sup>

For much the same reason (the spread of private enterprise), the increase in competition that WTO will stimulate, and the further breakdown of bureaucratic interests that collect rent because of their control

7. Yong Wang, "China's stakes in WTO accession – the internal decision-making process," paper presented to the conference on "China's WTO accession: national and international perspectives," Hamburg, Germany.

8. Robert Weller, *Alternative Civilities: Democracy and Culture in China and Taiwan* (Boulder, CO: Westview Press 1999).

over economic activity are likely to limit corruption. For instance, as part of its preparations for entry into the WTO, the NPC is scheduled to enact an anti-monopoly law.<sup>9</sup> Similarly, one major incentive for corruption – high tariffs that encourage smuggling and the associated corruption – will be much diminished by the lower tariffs China has agreed to. Many of the largest corruption cases exposed in recent years – those in the port cities of Xiamen, Shantou and Zhanjiang – have been associated with smuggling.

Indeed, one of the benefits of Beijing's recent crackdown on corruption and the parallel effort to remove the military from business is that it will foster the growth of professionalism within government. It may be overly optimistic to think in terms of a professional government at present – corruption seems nearly pervasive – but if China is ever going to reverse the downward spiral of corruption and smuggling that have so badly damaged the credibility of the government, then removing the military from direct involvement in the economy and building a professional customs service and border police is a good place to begin.<sup>10</sup> Joining WTO is likely to reinforce these trends by setting tariffs at levels that discourage smuggling and by setting norms for intellectual property rights that are incompatible with some of the business operations the military has been involved in recent years.<sup>11</sup>

### *Social Impact*

Although WTO is likely to have a positive economic and political impact over the long term, many worry that it will have an adverse effect, particularly in the short to medium term, on social equality (both inter- and intra-regional), exacerbating differences between rural and urban areas and forcing many people out of jobs at a time when economic growth no longer generates new employment at the same rate it did a few years ago. In short, many believe that WTO will spur greater inequality and exacerbate unemployment, at a time when 8–10 million new workers join the work force each year and some 200 million rural workers still need to transfer from agricultural to non-agricultural employment.<sup>12</sup>

Let us start with the urban–rural divide. According to national figures, average labour productivity in agriculture is less than one-fifth that of industry.<sup>13</sup> The reason for such disparity is not difficult to find. As a result

9. Gu Ming and Yang Xiaohong, "Is China prepared for WTO accession?" Xinhua, 9 March 2001, trans. FBIS, CPP20010309000063 (9 March 2001).

10. James Mulvenon, *Soldiers of Fortune: The Rise and Fall of the Chinese Military–Business Complex* (Armonk, NY: M.E. Sharpe, 2000)

11. I do not wish to push this or the other points in this part of the article too far. Obviously WTO cannot force reforms of this sort; the main push must come from within the Chinese government. But the international norms embodied in the WTO do reinforce these policy directions.

12. Shaoguang Wang, "The social and political implications of China's WTO membership," *Journal of Contemporary China*, No. 9 (2000), pp. 373–405.

13. A. Bhattacharyya and E. Parker, "Labor productivity and migration in Chinese agriculture: a stochastic frontier approach," cited in Colin A. Carter, "China's trade integration

of population growth and formal and informal constraints on labour mobility, there are more agricultural workers today than in 1978 when the reforms began (there were an estimated 298 million farm workers in 1978, increasing to 350 million in 1991, but declining to 321 million in 1999; however the number has declined dramatically in the past 20 years in relative terms – from 70 per cent to 50 per cent of the total workforce).<sup>14</sup> With more farmers working a constant or declining amount of arable land, it is only natural that rural wages are depressed.

Those who study the rural economy point with considerable frustration at the bias against the rural areas that have produced these results. For instance, Lu Xueyi, former head of the Sociology Institute of CASS and a long-time observer of rural trends, refers to the “division between cities and countryside, one country, two policies” (*chengxiang fenge, yiguo liangce*) as a policy that has not basically changed since the 1950s. Under this policy, the countryside acts as the shock absorber taking the brunt of economic dislocation or reforms in other parts of the economy. For instance, in 1998 and 1999, many cities, under pressure from deflation, put new restrictions on the use of rural labour, and some 20 million peasants were forced to return to the countryside.<sup>15</sup> Moreover, between 1997 and 2000, the price of grain fell by more than 30 per cent, alleviating the difficulties of workers laid off in the cities, but damaging the interests of farmers.<sup>16</sup> The tax reform of 1994 has done much to help the central government, but it has left village and township finances in straitened circumstances, damaging education and health care. Lu concludes that the current tax system is simply “not sustainable.”<sup>17</sup>

These economic trends, combined with unrelenting demands for revenue, cadre corruption and abuse of power, have contributed to the rising wave of unrest seen in the countryside since 1993. In that year, Wan Li, then head of the NPC, spoke emotionally about peasants, saying they wanted another Cheng Sheng and Wu Guang, legendary leaders of the peasant rebellion that led to the fall of the Qin.<sup>18</sup> According to Bernstein and Lu, half a million people participated in the latest wave of rural riots in May and June 1997.<sup>19</sup> Lu Xueyi reports that there has been a major increase in the number of petitions, both individual and collective, since

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footnote continued

and impacts on factor markets,” paper presented at OECD workshop on China’s integration into the international trading system, Paris, 16–17 November 2000, p. 3.

14. Carter, “China’s trade integration and impacts on factor markets,” p. 4.

15. Lu Xueyi, “Zhongguo nongcun zhuangkuang cunzai wenti de yuanyin” (“The situation in China’s countryside and the cause of existing problems”), in Ru Xin, Lu Xueyi and Dan Tianlun (eds.), *2001 nian: Zhongguo shehui xingshi fenxi yu yuce (2001: Analysis and Predictions of the Situation in China’s Society)* (Beijing: Shehui kexue wenxian chubanshe, 2001), p. 160.

16. *Ibid.* p. 159.

17. *Ibid.* p. 163.

18. Lu Yu-sha, “Wan Li delivers speech, expressing worry about peasant rebellion,” *Dangdai*, 15 April 1993, FBIS, No. 72, p. 43, cited in Thomas P. Bernstein and Xiaobo Lu, “Taxation without representation: peasant, the central and local states in reform China,” *The China Quarterly*, No. 163 (September 2000), p. 753.

19. *Ibid.* p. 754.

1997, and notes that some areas have even started classes to teach people how to draw up petitions.<sup>20</sup>

Hardship and instability in the countryside is, of course, not evenly distributed but rather concentrated in the central and western regions. Nation-wide, rural income in 1999 averaged 2,210 *yuan*, but it was 2,971 *yuan* in the east, 2,031 *yuan* in the central region, and only 1,448 *yuan* in the western region. Whereas farmers in the east saw a modest 4.3 per cent increase in income in 1999, those in the central region received an increase of only 2.4 per cent, while those in the west saw income rise 2.7 per cent. Farmers in the three north-eastern provinces (Heilongjiang, Jilin and Liaoning) actually saw their incomes fall in 1999 (by 3.9, 5.2 and 3.1 per cent respectively), as did farmers in Shanxi and Xinjiang (4.6 and 7.9 per cent respectively).<sup>21</sup> In short, regional gaps increase the sense of social injustice that feeds much of the frustration with current economic trends.

Throughout the 1980s and early 1990s, the gap between the countryside and urban areas was partially offset by the growth of township and village enterprises (TVEs), which not only increased rural incomes but also absorbed over 100 million workers who transferred out of agricultural labour. However, TVEs also exacerbated regional differences because most, and the most successful, are concentrated along the east coast. Almost half of the 125 million workers in China's 20 million TVEs in 1998 were employed in the eastern part of the country, and they generated 60 per cent of all TVE output.<sup>22</sup> Moreover, TVEs are deeply involved in the international economy; indeed, two-thirds of the growth in Chinese exports in the 1978–92 period came from the TVE sector.<sup>23</sup> So while TVEs have eased the unemployment situation in eastern China, they have done less to absorb the large quantity of redundant labour – estimated to be close to 200 million – that resides largely in the interior.

Although TVEs have played an important role in easing rural unemployment in the past, it seems apparent that they can no longer play this role as effectively as before. The annual growth rate of TVEs has slowed from an average of 42 per cent during the Eighth Five-Year Plan period (1991–95) to about 17 per cent in the latter part of the Ninth Five-Year Plan period (1997, 1998 and 1999).<sup>24</sup> As growth rates have slowed, TVEs have reduced hiring and even begun cutting back. In 1997 and 1998,

20. Lu Xueyi, "The situation in China's countryside," p. 159.

21. Figures from *1999–2000 nian: Zhongguo nongcun jingji xingshi fenxi yu yuce (China's Rural Economic Situation in 1999–2000: Analysis and Prediction)* (Beijing: Shehui kexue wenxian chubanshe, 2000), pp. 200–204.

22. *Zhongguo xiangzhen qiye nianjian, 1999 (Yearbook of China's Township and Village Enterprises, 1999)* (Beijing: Zhongguo nongye chubanshe, 1999), pp. 119 and 121.

23. Albert Park, "Trade integration and the prospects for rural enterprise development in China," paper presented at OECD workshop on China's Integration into the International Trading System, Paris, 16–17 November 2000, p. 10.

24. *1999–2000 nian: Zhongguo nongye jingji xingshi fenxi yu yuce (China's Agricultural Situation: Analysis and Prediction, 1999–2000)* (Beijing: Shehui kexue wenxian chubanshe, 2000), p. 103.

employment in TVEs fell by 3.7 and 3.8 per cent respectively (from 135 million to 130 million to 125 million).<sup>25</sup>

There are a number of possible explanations for this trend. One is that the TVE sector has entered a new phase of development; intensive growth has begun to replace extensive growth, as reflected in slowing investment in new construction and increased investment in technological improvement.<sup>26</sup> Another is that there has been a massive privatization of the TVE sector in recent years. Since 1997, individually owned and private TVEs have accounted for over 50 per cent of all TVE value added.<sup>27</sup> As private entrepreneurs have taken over, they have no doubt felt freer to lay off excessive or unproductive workers and not to take on new staff unnecessarily.<sup>28</sup> Thirdly, TVEs have continued to have difficulty raising capital as the state has acted against irregular channels of finance and as state-owned banks have continued to restrict loans to TVEs.<sup>29</sup> In addition, increased competition has reduced profit margins while export growth has slowed in the wake of the Asian financial crisis.<sup>30</sup> Finally, many TVEs have begun to suffer from the same sorts of problems that have plagued SOEs, namely that their close reliance on government led them to pursue investments that were not economically viable, and now that credit is not as forthcoming as it was, they have to pay for those poor investment choices. While some of these factors may be quickly overcome as TVE growth enters a new phase, restrictions on credit, slowed exports and increased competition suggest that TVEs will not be the same generators of employment they were in the 1980s and early 1990s.

These difficulties in the rural economy come at a time when SOEs are laying off workers at a rapid rate. By the mid-1990s China's historic "shortage economy" was producing a surplus of goods, and the old "sellers' market" became a "buyers' market." Deficits mounted, and then the Asian financial crisis hit. As a result, the state undertook a drastic restructuring plan in an effort to make the large and medium-sized SOEs economically viable. This involved the selling off or merging of unprofitable SOEs and the release of millions of workers. As a result, according to official figures (which understate the number of workers laid off), employment in SOEs fell from 112 million in 1996 to 86 million in 2000, a reduction of 26 million (23 per cent). At the same time, urban collectives released some 43 per cent of their workers, reducing employment from 30 million to 17 million.<sup>31</sup> The north-east, China's old

25. *Zhongguo xiangzhen qiye nianjian (China TVE Yearbook)*, 1999, p. 7. Shaoguang Wang argues that the employment elasticity of growth has fallen sharply in recent years. This is true if one looks at aggregate statistics, but what seems to be happening is that people are losing jobs in some sectors (SOEs and urban collectives) and finding them in others (mostly the non-state economy). See Shaoguang Wang, "The social and political implications of China's WTO membership," pp. 383–84.

26. *China's Agricultural Situation*, pp. 98–99.

27. *Ibid.* p. 100.

28. Park, "Trade integration and the prospects for rural enterprise development," p. 4.

29. *China's Agricultural Situation*, p. 104.

30. *Ibid.*

31. *Zhongguo tongji nianjian (State Statistical Yearbook)*, various years.

industrial base, has been particularly hard hit by these trends; between 1996 and 1998, the three provinces of Heilongjiang, Jilin and Liaoning reduced SOE employment by 3.35 million.<sup>32</sup>

Those left unemployed (*xiagang*) by SOE cutbacks are finding re-employment difficult. As might be expected, they tend to be the most vulnerable – women, somewhat older workers and those who are less educated. In the first three quarters of 2000, those re-employed only amounted to 26 per cent of those laid off.<sup>33</sup> They rarely find employment in other SOEs; most of those who find work do so in private and individual enterprises, presumably at lower wages and certainly with fewer benefits than they had in their original jobs.<sup>34</sup>

### *Impact of WTO*

These trends in China's economy and labour market add potency to concerns that WTO might cause serious increases in unemployment, exacerbate regional inequalities and lead to social disturbances. Indeed, the east coast appears much better positioned to capitalize on the opportunities that WTO presents. As one study put it, the east has advantages in human capital, management, information, transportation and infrastructure that other areas cannot match and therefore will capture the lion's share of new foreign investment (as it has of investment to date).<sup>35</sup> However, even within the more prosperous eastern part of China, it is likely that income inequalities will grow as those with better education benefit from development in high-tech and financial services, while ordinary labourers will have to compete for jobs with an influx of workers from the countryside.<sup>36</sup>

The heavily industrialized north-east, as suggested above, is likely to face a formidable challenge in adjusting to WTO. Manufacturing industries are not in China's comparative advantage, and many of those enterprises are located in the north-east, so they will face continuing lay-offs.<sup>37</sup> To a certain extent, these trends will be offset by the prosperity around Dalian, but that will do little to ameliorate the situation in Shenyang and further north in Heilongjiang province.

In the more agriculturally dependent interior, because of the land/labour ratio, the cost of agricultural produce approximates, and perhaps exceeds for some grains, world grain costs. Thus, the spectre of large-scale imports of cheap grain further depressing rural incomes is troubling. The Chinese Academy of Social Sciences (CASS) has estimated that

32. *Ibid.*

33. Mo Rong, "Jiuye: xinshiji mianlin de tiaozhan yu juece" ("Employment: challenges and decisions facing the new century"), in Ru, Lu and Dan, 2001: *Analysis and Predictions*, p. 218.

34. *Ibid.* p. 223.

35. Qiao Jian, "Jiaru WTO Beijing xia de Zhongguo zhigong zhuangkuang" ("China's employment situation viewed against the background of joining WTO"), in *ibid.* p. 318.

36. *Ibid.* p. 317.

37. Nearly 83% of all *xiagang* workers are reported to be from manufacturing industries. See Mo Rong, "Employment; challenges and decisions," p. 218.



Chinese imports of wheat will increase from 2 million tons to 5 million tons, costing a loss of income to China's farmers of 5.5 billion *yuan*.<sup>38</sup> Wen Tiejun, a harsh critic of China's entry into WTO at the Centre for Agricultural Policy Research at the Ministry of Agriculture, has argued that imported wheat is not only cheaper but also of better quality and higher gluten content, making it more in line with China's market demand. Thus, he concludes that the WTO agricultural agreement will allow wheat imports from the United States to increase to 9.3 million tons (almost double CASS's estimate), corn imports will increase to 7.2 million tons and rice imports to 5.3 million tons. Together, these three cereals will equal more than 20 per cent of the commodity grain in China, and therefore will have an enormous impact on Chinese agriculture.<sup>39</sup>

Wen and other critics of China's entry into the WTO appear excessively pessimistic. One reason is that the WTO agreement is two-sided. As it pressures China to conform to its comparative advantage, it will reinforce crop specialization and open up new opportunities for export. Indeed, China may do quite well in the export of some meat, fruit and horticultural products. Secondly, the WTO agreement will strengthen China on the input side. That is, the prices of major inputs will fall, including pesticides, fertilizers and feed-grain to support the rapidly expanding hog industry that is trying to meet growing urban demand. Thirdly, the enhanced protection of intellectual property rights is likely to encourage the improvement of new technologies, both Chinese and foreign, that can be applied to agriculture. Fourthly, there is already large-scale smuggling of agricultural products; lowering tariffs is likely to bring a good portion of this trade within the law, increasing customs revenue.<sup>40</sup> Finally, the shock of imports is likely to be constrained by Tariff Rate Quotas (TRQs) that allow imports to increase only to certain limits before higher tariff rates kick in.<sup>41</sup>

If these predictions are correct, then the impact on China of the agricultural agreement will be more incremental and benign than many critics believe. But it could still have considerable regional impact. For instance, China appears not to have a comparative advantage in corn, which is heavily cropped in north-east and north China, so farmers raising hogs for either domestic or international consumption will turn increasingly to the international market for corn for feed.<sup>42</sup> Similarly, if an east coast city like Shanghai begins to import more of its food needs from the international market (which is likely because of both cost and quality

38. Yu and Zheng *Research Report*, p. 10.

39. Wen Tiejun, "Zhong-Mei WTO tanpan zhong nongye tiaokuan dui woguo de yingxiang" ("The impact that the terms in WTO negotiations between China and the United States involving agriculture will have on our country"), *Nongcun jingji daokan*, No. 6 (June), 1999, pp. 4–5.

40. *Zhongguo nongcun fazhan yanjiu baogao, 1* (China's Rural Development Report, 1), p. 356.

41. Jikun Huang, Chunlai Chen, Scott Rozelle and Francis Tuan, "Trade liberalization and China's food economy in the 21st century: implications to China's national food security."

42. *1999–2000 nian: Zhongguo nongcun jingji xingshi fenxi yu yuce* (Analysis and Forecast of China's Rural Economic Situation, 1999–2000), pp. 64–65.

considerations), then it will import less from its contiguous hinterland, including places like northern Jiangsu (*Jiangbei*) and Anhui, places that have heavy concentrations of people and are highly reliant on agriculture. Moreover, it has proven to be difficult to forge linkages between the prosperous east coast, already well integrated with the international market, with the hinterland. The argument that China's entry into WTO will exacerbate regional differences cannot be dismissed easily.

If the critics are right that WTO will create greater unemployment at a time when the Chinese economy is generating fewer jobs and that it will exacerbate inter- and intra-regional inequalities, it must be remembered that the massive structural readjustment that the Chinese economy is undergoing is largely a product of the failed policies of the past: the protectionist policies that allowed inefficient SOEs to be propped up too long, a financial structure that funnelled funds to the least efficient sector of the economy (SOEs) while starving the most efficient (the private sector), and a relationship between government and business that fostered corruption and distorted economic incentives. The economic reforms of the past two decades have moved China towards its comparative advantage by opening the economy to foreign competition, to the rapid expansion of labour-intensive industries and towards privatization. WTO will ultimately create more jobs and make the economy more efficient by reinforcing these trends, but no doubt there will be dislocation and hardship in the near to medium-term (the next five to ten years, assuming that the full impact of WTO will not hit until all tariff provisions are in place in five years after accession).

The impact of these dislocations depends very much on the effectiveness of government policies, particularly in stimulating the economy, softening unemployment with social security, opening labour markets and fostering the growth of the non-state sector. In this regard there is room for both optimism and pessimism. On the optimistic side, in 2000, after three years of decline, China's economy began to pick up, accelerating from 7.1 per cent growth in 1999 to 8.3 per cent growth in 2000. Particularly impressive was the growth of exports, which increased over 20 per cent.<sup>43</sup>

The other area for optimism is the rapid growth of the non-state economy. Official figures (which are almost certainly understated) show that employment in the non-state sector from 1989 to 1998, including individual entrepreneurs (*getihu*), private enterprises (*siying jingji*), foreign invested enterprises (*waishang touzi*), and enterprises established by investors from Taiwan, Hong Kong and Macau has increased four-fold, from 21.51 million to 87.01 million, an average annual growth rate of just over 16 per cent (see Table 1). Although the 17 million people added to the private sector between 1996 and 1998 cannot compensate completely

43. "2000: fenshuiling bian de Zhongguo jingji" ("2000: a watershed in China's economy"), *Nanfang zhoumo*, 18 January 2001, p. 9. For the first time, per capita income in China topped \$800 (\$849, according to official statistics), reaching Deng Xiaoping's goal of a "prosperous" (*xiaokang*) society.

**Table 1: Growth of the Non-State Economy**

	<i>Private</i> (millions)	<i>Individual</i> (millions)	<i>Foreign</i> (millions)	<i>Taiwan, HK, Macau</i> (millions)	<i>Total</i>	<i>Percentage</i>
1989	1.64	19.4	0.47	n/a	21.51	–
1990	1.70	21.0	0.66	n/a	23.35	8.6
1991	1.84	23.1	1.65	n/a	26.59	13.9
1992	2.23	24.7	2.21	n/a	29.14	9.6
1993	3.73	29.4	2.28	1.55	36.46	25.1
1994	6.48	37.8	4.06	2.11	50.45	38.4
1995	9.56	46.1	5.13	2.41	63.2	25.3
1996	11.7	50.2	5.40	2.65	69.95	10.7
1997	13.5	54.4	5.81	2.81	76.52	9.4
1998	17.1	61.1	5.87	2.94	87.01	13.7

Sources:

*Zhongguo siying qiye fazhan baogao (1999)* (Beijing: Shehui kexue wenxian chubanshe, 2000), p. 33; and *Zhongguo laodong tongji nianjian* (Beijing: Zhongguo laodong chubanshe, various years).

for the 22 million workers dismissed from SOEs in those years (much less those dismissed from urban collectives, those newly added to the workforce and those switching from agricultural to non-agricultural employment), it nevertheless suggests the way China's economy is developing and where the new jobs will be created.

Other areas in which government policy is likely to lag behind evolving needs include labour and financial markets. If rural workers remain locked on the land in interior provinces, then farm labour wages will continue to deteriorate and urban industrial wages will climb. Given the Chinese government's long-term stress on local self-sufficiency and fear of large-scale mobility, this is likely to happen. If, on the contrary, the government moves to open labour markets, then the negative impact of WTO membership on rural wages will be minimized and perhaps reversed – but more pressure will be placed on the wages of urban workers.<sup>44</sup> Similarly, if TVEs and other non-state enterprises continue to have difficulty accessing credit, then their ability to expand and employ new workers will be restricted. Expanding credit to TVEs, however, is likely to involve the opening of private credit facilities. In short, meeting the challenges that WTO membership presents will necessitate major changes in China's political economy.

### *The Debate on Globalization*

The Western discussion on WTO's impact on values in China focuses on the belief that growing numbers of Chinese will accept Western values as they become a part of the trading regime WTO represents. As

44. Carter, "China's trade integration and impacts on factor markets."

President Clinton put it, China's accession to the WTO and the expansion of free trade would "unleash forces that may hasten the demise of the mainland's one-party state."<sup>45</sup> There are certainly those in China who agree with these arguments. Liu Junning, the liberal political philosopher who was forced to leave CASS because of his views, has argued for WTO on the grounds that it will force a separation between politics and economics, increase the transparency of policy-making, increase pressure to implement the rule of law and undermine the structural basis of corruption. In short, "China's entry into the WTO implies that China will start formally (*zhengshi*) to integrate itself into the world capitalist economic and political system, the basic characteristics of which are market economics and democratic politics."<sup>46</sup>

Many intellectuals, however, either oppose China's entry or are highly sceptical of it precisely because they oppose the international capitalist relations that Liu welcomes. This critique of the global capitalist order is rooted in a broader analysis of economic and social trends in China and around the world that has developed since 1992–93. Its advocates are usually referred to in China as the "New Left" (*xin zuopai*); "new" to distinguish them from the "Old Left," those conservative ideologues who seek to uphold traditional understandings of Marxism in the face of reform, and "left" because they reject liberalism as it has been articulated in the Anglo-American tradition and in China since the May Fourth Movement (referring to the liberal May Fourth tradition, not the radical May Fourth tradition). The starting point of New Left thinking is a disillusionment with the results – particularly the inequalities, the corruption, and the connections between money and power – that have arisen in China after a decade and more of reform. New Left scholars look at these results and say, in effect, to the 1980s liberals who advocated the introduction of capitalism and democracy, "see, this is what your adoption of Western definitions of modernity have brought."<sup>47</sup> Thus there has been a strong tendency to turn away from neo-classic liberalism and inward towards various nativist models. This critique of liberalism is rooted in a demand for social justice, but it is also joined by a neo-Marxist critique of capitalism and particularly of globalization. New Leftist critics believe that capitalism is inherently incompatible with democracy (they might say, "real" democracy), and they draw on a range of social critics – Michel Foucault, Fredric Jameson, Edward Said – to argue that capitalism merely covers up the power relations that dominate society. The critique of capitalism is extended internationally by drawing on scholars such as Immanuel Wallerstein, who argue that international

45. Cited in Heike Holbig, "The evolution of China's political system: new rules for CCP rule?" paper presented at fourth ECAN annual conference "China's WTO Accession: National and International Perspectives."

46. Liu Junning, "Zhongguo jiaru WTO de zhengzhi yiyi."

47. Wang Hui, "Dangdai Zhongguo de sixiang zhuangkuang yu xiandaixing wenti" ("The circumstances of contemporary Chinese thought and the problem of modernity"), *Wenyi yu zhengming*, No. 6 (November 1998).

capitalist relations perpetuate international inequality; those nations stuck on the periphery of the capitalist order are condemned to stay there.<sup>48</sup>

Although the New Left has generated an intellectual critique of the domestic and international orders, it is important to recognize that this critique, and its acceptance, rests upon a foundation of nationalism. There is a real irony in this. In the West, the critics that the New Left like to draw upon tend to be anti-statists and anti-nationalists. They try to expose the rhetoric and power relations that are used to justify domestic inequalities and perpetuate expansion abroad. In China, however, they are critics not of the Chinese state, but of the West, particularly the United States. Thus one finds many efforts to “deconstruct” Western “narratives” of China, but little effort to apply such critical tools to analyse the Chinese state. To do so would obviously be politically extremely sensitive because one would have to confront not only the exercise of power by the state but also the relationship between the Han majority and various minority populations. To the extent that the New Left criticizes the Chinese state, it does so to urge it to adopt more specifically “socialist” (non-capitalist) solutions (the New Left generally believing that the Chinese leadership is over accepting of Western definitions of modernity).

This intellectual critique overlaps with the emergence of popular nationalism, as reflected in a number of best selling books: *China Can Say No*,<sup>49</sup> *Behind the Demonization of China*,<sup>50</sup> *China's Road Under the Shadow of Globalization*,<sup>51</sup> and a host of imitators. Even more serious analysts of international affairs have adopted a more nationalistic tone and entered the fray of public opinion. There seems no question both that public opinion has become more important over recent years and that that opinion has become more nationalistic (but one should not, as is often done, overplay this rise of nationalism; there remains a large reservoir of good feeling towards the West, including the United States).

This brief exposition of nationalism and intellectual debates may seem like a detour from the issue of the impact of the WTO, but in fact it is extremely closely related. In recent years, particularly since Zhu Rongji's April 1999 trip to Washington, the WTO has become a hot topic among Chinese intellectuals. Predictably, a number of prominent New Left scholars have come out either against China's entry into the WTO, or against it in its current form (which amounts to the same thing, since that is the only deal on the table).

Cui Zhiyuan, who was then teaching at MIT, argued that the benefits of joining the WTO at this time are uncertain but the costs are very real (indeed, even proponents of WTO recognize that the costs are likely to be

48. The arguments of the New Left are discussed in Joseph Fewsmith, *China Since Tiananmen: The Politics of Transition* (Cambridge: Cambridge University Press, 2001).

49. Song Qiang, Zhang Zangzang, and Qiao Bian, *Zhongguo keyi shuobu (China Can Say No)* (Beijing: Zhonghua gongshang lianhe chubanshe, 1996).

50. Liu Kang and Liu Xiguang, *Yaomo Zhongguo de beihou (Behind the Demonization of China)* (Beijing: Zhongguo shehui kexue chubanshe, 1996).

51. Wang Xiaodong, Fang Ning and Song Qiang (eds.), *Quanqiuhua yinyingxia de Zhongguo zhilu (China's Road under the Shadow of Globalization)* (Beijing: Zhongguo shehui kexue chubanshe, 1999).

in the short term and the gains only in the more distant future). For example, he argued that WTO membership, by protecting the intellectual property rights of the United States and other advanced capitalist nations, will hurt the development of China's high-tech sector. His argument is based on the need to protect infant industries from foreign competition; if China agrees to the provisions on trade-related property rights, China's high-tech industries will not have time to develop. He also argued that WTO provisions would force China's financial markets open, preventing China from using capital controls to protect itself from events like the Asian financial crisis.<sup>52</sup>

A sharper expression of New Left opinion regarding international capital and the WTO comes from a Beijing-based scholar named Shao Ren (perhaps a pseudonym). He argued that the only reason the United States had changed its mind and had become eager for China to join the WTO was because the American strategy of globalization had encountered difficulties in 1998. On the one hand, Japan had unilaterally announced economic aid for countries hurt by the Asian financial crisis, Hong Kong had interfered in its stock market and fought off international speculators, and Malaysia announced capital controls, while on the other hand China had announced a policy of expanding domestic demand, thus threatening to pull away from the international economic order. Clearly this scholar saw the WTO as part of a broader web of institutions designed to enhance the control of Western capitalist states, particularly the United States, over the developing world. As he wrote:

The U.S. controls the regulations that have been formulated by the international economic organizations; all are designed to accord with the interests and needs of the institutional model of the strong capitalist states. As soon as China joins the WTO, the U.S. can at any time find an excuse to interfere in, sanction and intimidate our country into accepting so-called "international norms" that do not accord with our national characteristics. And to help the multinational companies to control China's industrial and financial lifelines, it [the U.S.] will usurp our economic sovereignty and force us to carry out suicidal reforms just as it has in Latin America, Russia, South-East Asia and elsewhere.<sup>53</sup>

A fairly typical expression of this line of thinking returned to the issue of globalization. According to the authors, "globalization is really Americanization and incorporation into multinational corporations." Its purpose is to force governments around the world to take orders from the "multinational corporations and international financial chieftains who control the world's economy" and from the "IMF, World Bank, WTO, UN and other organs controlled by the U.S. government and Federal Reserve Bank" – all of which is to serve the interests of the United

52. Cui Zhiyuan. "Jiaru shijie maoyi zuzhi bushi Zhongguo dangwu zhiji" ("Entering the WTO is not an urgent task for China"), *Zhongguo yu shijie (China and the World)*, internet journal.

53. Shao Ren, "Zhongguo: Ruguan buru tao" ("China: joining the WTO without falling into the trap"), *Tianya*, No. 3 (May 1999), p. 6.

States.<sup>54</sup> The same authors warned that entering the WTO presented a greater risk than any other reform undertaken by China, that it could destabilize society, and that “as soon as China enters the WTO, the U.S. will be able to find an excuse at any time to interfere in our country and sanction us.”<sup>55</sup>

Another major expression of this view comes in a book called *Pengzhuang (Collision)* by an economist, Han Deqiang, in the Management Institute of the Beijing Aeronautics and Space University. An eye-catching cover design, with the international interdiction sign, a red circle with a line through it, emblazoned over the letters “WTO” conveys both the message of the book and the effort to cash in on the post-embassy bombing market for expressions of nationalism. Han, who, it should be said, lies well outside the mainstream of Beijing economists, juxtaposes “market romanticism” (*shichang langman zhuyi*) – that is neo-classic liberalism – against “market realism” (*shichang xianshi zhuyi*) to position himself as opposed not to markets *per se* but to an “unrealistic” reliance on pure markets. Specifically with regard to the agricultural agreement, Han argues that “as soon as American agricultural products can push open the door to China’s market, China’s farmers are likely to be unable to afford to buy oil, salt, soy and vinegar, and even more of the rural population will flow into the cities.”<sup>56</sup> (It should be noted that this fear of rural migration into the cities has been a staple of nationalist rhetoric since Wang Shan’s 1994 book, *Looking at China Through a Third Eye*.<sup>57</sup>)

This brief discussion of liberalism, the New Left and popular nationalism underscores the awkwardness of the government’s position vis-à-vis “public opinion” (referring here primarily to urban, intellectual opinion). Mainstream government opinion – that associated with Jiang Zemin and Zhu Rongji – has touted the inevitability of globalization and championed the benefits to be derived from “joining tracks” (*jiegui*) with international practices. However, it is clearly ambivalent about globalization. It takes the classic self-strengtheners’ position of wanting the benefits of globalization without the “dross” (or in Deng Xiaoping’s famous metaphor, opening up the window to let the fresh air in while putting up screens to keep the flies out). Jiang Zemin has coupled his drive for China’s internationalization with repeated warnings against American efforts to Westernize (*xihua*) and divide (*fenhua*) China. In terms of the schools of

54. Di Yinqing and Guan Gang, “Meiguo weishenme jiyu yu Zhongguo chongkai ruguan tanpan” (“Why is the U.S. anxious to reopen negotiations on entering the WTO?”), *Gaige neican*, No. 8 (20 April 1999), pp. 39–42.

55. Di Yinqing and Guan Gang, “Guanjian shi yao zhangwo jingji fazhan de zhudongquan” (“What is critical is grasping the initiative in economic development”), *Gaige neican*, No. 11 (20 May 1999), pp. 35–39. See also Di Yinqing and Guan Gang, “Ruguan dui Zhongguo changyuan liyi jiuqing yiweizhe shenme” (“What after all are the implications of entering WTO for China’s long-term interests?”), *Gaige neican*, No. 9 (5 May 1999), pp. 34–38.

56. Han Deqiang, *Pengzhuang: quanqiu hua xianjing yu Zhongguo xianshi xuanze (Clash: The Pitfalls of Globalization and China’s Realistic Choices)* (Beijing: Jingji guanli chubanshe, 2000), p. 5.

57. Wang Shan, *Disanzhi yanjing kan Zhongguo (Looking at China Through a Third Eye)* (Taiyuan: Shanxi Publishing House, 1994).

thought outlined above, Jiang wants the economic benefits that liberals argue for (greater competition, more emphasis on law, fewer opportunities for extracting rent) without the political effects they hope for (democratization). At the same time, Jiang accepts the nationalism of the New Left and others (hence his campaign to promote patriotic education and his warnings against *xihua* and *fenhua*) but rejects their scepticism of global economic forces. One way of looking at this situation is to say that the government straddles differences in public opinion, perhaps the way the policy of any government does. Another way, however, is to say that the government has not made the case for globalization in a way that is consistent and persuasive.

The government's failure to set out the benefits of globalization can have negative effects on policy implementation. In looking at the differing impacts of globalization on Western Europe (an area that is far more accepting of it than China), Vivien Schmidt has argued that those countries that have had the most difficult time adjusting (such as France) are precisely those that have not articulated their policy rationales in a way that the public can accept; they tend to say their policies are necessary but do not explain how they serve public purposes or benefit the population. As Schmidt put it, "legitimizing discourse is necessary to foster public acceptance of change." This argument seems particularly relevant to the case of China, first because, as in France, the push for change (that is, policy changes adopted in response to globalization) comes from the top down, suggesting that public acceptance cannot be taken for granted. Unless persuaded, the public can resist change, often through public protest. Secondly, as Schmidt argues, the changes involved often "strike at the very core of national values and identity."<sup>58</sup> If this is the case in European countries with a long history of integration into the world economy, then it can be imagined that the attitudinal adjustments necessary in China are significantly greater.

Given that there is clearly resistance to the terms of China's accession to WTO in various parts of China's government (at both the national and local levels) and that there will inevitably be adjustment problems to some degree, the existence and indeed prevalence of a discourse that rejects globalization is likely to legitimate various forms of resistance. These need not take the form of social protest, though that seems likely in areas that suffer negative impacts, but are likely to be policy proposals designed to lessen the impact of WTO. The plan to develop the West might be seen as an example of such a measure, arising out of concern over increasing income inequality, worries about migration to urban areas and the desire to mitigate the impact that WTO accession will have on regional differences. The programme, adopted when China was trying to apply classic Keynesian fiscal measures to kick-start a slowing economy, appears to be an alternative to the sort of large-scale financial support

58. Vivien A. Schmidt, "Democracy and discourse in an integrating Europe and a globalizing world," *European Law Journal*, Vol. 6, issue 3 (September 2000), p. 278.



Shaoguang Wang has called for to mitigate income differences.<sup>59</sup> Policies designed to mitigate the impact of WTO – such as helping people relocate, adopt new crops or better technologies, or increase human capital through better education – may be socially and politically useful. But if funds are spent on reinforcing local self-sufficiency in the face of competitive pressures, as might well be the case, then such measures are not only financially unsustainable but are likely to make adjustment more expensive and socially difficult in the long run.

Finally, it should be noted that China's political and social adjustment to WTO is not just to the economic pressures that entry will exert but also to the broader international environment. This was graphically demonstrated by the unfortunate compounding of Zhu Rongji's failure to secure a WTO agreement during his April 1999 trip to Washington and the tragic bombing of the Chinese embassy in Belgrade only weeks later. It is unlikely that such a dramatic coupling of events will occur again, but the history of Sino-U.S. relations has been uneven at best – as the unexpected events off Hainan island last spring demonstrated. Unexpected tensions, perhaps over arms sales to Taiwan or national missile defence, could easily stir up nationalist feelings once again, with consequent damage to the leadership's efforts to lead China, however haltingly, along the road to globalization.

### *Conclusion*

As the overview of socio-economic and political trends outlined above suggests, the impact of WTO is likely to be complex, affecting some sectors negatively and others positively, and varying over time, with the costs likely to be seen in the short term and the benefits more evident over the longer term. At the same time, disentangling the effects of WTO from domestic trends (if these can be analytically separated) will be difficult and the pressures of WTO are likely to be blamed for results that would have come about anyway. Moreover, there will be a tendency for the costs to be concentrated and visible (lay-offs, strikes and rural violence) and the benefits to be more diffuse and less visible (a more efficient economy, cheaper consumer goods and incrementally improving government). The complexity is such that perhaps the only prediction that can be made with confidence is that WTO's impact will be subject to debate for some years to come.

Such debates are natural, but they will feed into the already widespread arguments over globalization and the direction in which China should develop. And that suggests that the nationalism and populism of the past decade will continue to grow. The debates will take place against a growing background of civil unrest as workers agitate for more rights (such as forming unions and job security), farmers protest against low procurement prices and corrupt government, and migrants make the job of social control more complex and difficult. If there are such trends, and

59. Shaoguang Wang, "The social and political implications of China's WTO membership." I appreciate Richard Suttmeier calling my attention to this.

they seem inevitable with or without WTO, there are likely to be more incidents of human rights violations, at least in the short run. And that will bring more condemnations from abroad, which will, in turn, feed into the sense of nationalism. Managing relations with China, particularly in the United States where such issues are always close to the surface, will become yet more difficult.<sup>60</sup>

Another irritant that will exacerbate China's relations with other nations will be the inevitable charges of non-compliance with WTO provisions. China has taken preparations for WTO accession very seriously. The major cutbacks in SOE employment, the consolidation of the auto industry and the fostering of competition in telecommunications are all in part in anticipation of the pressures entry into the WTO will bring. Similarly the changes in government organization to emphasize macro-economic management are partly in response to the needs of WTO. The NPC Standing Committee has amended laws on patents, customs and Sino-foreign joint ventures, and anticipates revisions of the copyright and trademark laws. Altogether some 140 trade statutes are to be amended and 570 administrative regulations abolished.<sup>61</sup> Yet, despite these and other preparations, there will inevitably be cases of non-compliance. Some will be because China simply cannot change its political economy rapidly enough before WTO provisions come fully into effect within five years of accession; others will be because of fights to preserve entrenched interests, often with government backing (at one level or another); and still others will happen if it is believed that compliance will incur social disorder. Other nations violate WTO provisions, but China will be under a microscope. It can be expected that violations will be found, and that will make managing relations with China more difficult.

One reason why policy makers in the United States decided to pursue WTO negotiations when they did was the hope that China's entry into the WTO would build upon the common interests existing between the United States and China and therefore provide ballast for a relationship that had been sorely strained in recent years. The possibility of increased human rights violations, at least partly a result of the pressures of WTO, heightened Chinese sensitivity to criticism because of nationalism and doubts about globalization, and the likelihood that China will be criticized for not complying with WTO provisions mean that WTO is unlikely to provide the sort of steadying force its backers in China and the United States hoped for only a short while ago. Indeed, WTO may become a new source of tension, at least in the short term – especially if one keeps in mind the major change in leadership expected at the 16th Congress of the Chinese Communist Party in 2002.<sup>62</sup> Such tensions could emerge either because of differences over handling the effects of increased international competition or simply because a new leadership

60. Xinmin Pei, "Future shock: the WTO and political change in China," Carnegie Endowment for International Peace Policy Brief, Vol. 1, No. 3 (February 2001).

61. Xinhua, 4 March 2001, trans. FBIS, CPP20010304000049 (4 March 2001).

62. Xinmin Pei, "Future shock: the WTO and political change in China."

may have less authority to enforce policy. In short, both new and old problems will attract attention and critics will charge both that the Chinese leadership is not living up to its commitments and that WTO is not living up to expectations. Keeping the difficulties in implementing WTO provisions and the progress that is and will be made in perspective will not be easy.

If such tensions can be managed, prospects for the longer term appear to be considerably better. First, China's opening to the outside world has over the course of the past two decades created a variety of economic and political forces in China with an interest in preserving and expanding those relations. The number of people and institutions with a commitment to internationalization will only grow under the impact of WTO – whether or not China experiences economic crises attributable to its greater openness. Indeed, such crises usually spur greater openness, not less.<sup>63</sup> That means that China will gradually become more committed to the international economic order.

Secondly there seems little doubt that participation in WTO will, over time, have considerable impact on China's political system. The gradual opening of labour markets, whether resisted at first or not, will alter state–society relations. The Chinese state will have to find new ways of relating to its population other than through the increasingly anachronistic *danwei* (work unit) system. Moreover, assuming that significant portions of Chinese society remain dissatisfied with those governing them, pressures to expand local elections seem inevitable. There have already been several experiments with elections at the township level, some publicized and some not, and it seems likely that there will be such elections in large parts of the country within five to ten years. Given that the township (*xiangzhen*) level is the lowest part of the formal government (villages being defined as “self-governing” units below the state apparatus), the implications of such a step far exceed those of the village elections witnessed to date. Although calls for political reform are likely to be resisted by some (especially at the township level), there are signs that local leaders are currently more willing to experiment with political reform than the national leadership. For instance, one survey of provincial department (*ting*) level cadres attending the Central Party School in 2000 revealed that a significant minority (35.2 per cent) believed that reform was progressing too slowly in their areas. This compares to only 9.1 per cent who believed this in 1998 and 25.2 per cent in 1999. The increasing demand from below to accelerate the pace of reform is apparent, and that demand is not limited to economic reform.<sup>64</sup>

These trends, along with the economic impact discussed at the beginning of this article, suggest that the long-term impact of WTO will be both considerable and positive. Unfortunately, getting there will not be easy.

63. Robert O. Keohane and Helen V. Milner (eds.), *Internationalization and Domestic Politics* (Cambridge: Cambridge University Press, 1996).

64. Qing Lianbin and Xie Zhiqiang, “Dangzheng ganbu dui 2000–2001 nian shehui xingshi de jiben kanfa” (“The basic views of Party and state cadres toward social trends in 2000–2001”), in Ru, Lu and Dan, *2001: Analysis and Predictions*, pp. 46–51.