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# Asia Pacific: PERSPECTIVES

*an electronic journal*

Volume VI · Number 2

15 September · 2006

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*Asia Pacific: Perspectives* is a peer-reviewed journal published at least once a year, usually in April/May. It welcomes submissions from all fields of the social sciences and the humanities with relevance to the Asia Pacific region.\* In keeping with the Jesuit traditions of the University of San Francisco, *Asia Pacific: Perspectives* commits itself to the highest standards of learning and scholarship.

Our task is to inform public opinion by a broad hospitality to divergent views and ideas that promote cross-cultural understanding, tolerance, and the dissemination of knowledge unreservedly. Papers adopting a comparative, interdisciplinary approach will be especially welcome. **Graduate students are strongly encouraged to submit their work for consideration.**

\* 'Asia Pacific region' as used here includes East Asia, Southeast Asia, South Asia, Oceania, and the Russian Far East.

## Editor's Introduction

by John Nelson, Ph.D.

This special issue represents some of the best and most incisive scholarship on contemporary Asia from individuals who have taken the Masters in Asia Pacific Studies program at the University of San Francisco. Some of the authors have gone on to additional graduate studies, some are still in the process of completing the two-year degree, and still others are gainfully employed in fields related to their interest and growing expertise in Asia.

United States and European policymakers have long held both a fascination for and a fear of Asia. As long as Asian nations and peoples passively accept their goals and agendas, all is right with the world; but when a nation becomes economically or militarily powerful, or summons the resolve to resist those objectives, a comedy of errors on the part of U.S. and European leaders repeats itself time and again.

The first two papers deal with countries in Asia that on more than one occasion during the 19th, 20th, and now 21st centuries have ruffled the feathers of U.S. foreign policymakers. **Francis Shortengen's** discussion and analysis of the recent bid by the China National Offshore Oil Corporation (CNOOC) to take over the California-based Unocal Corporation raises significant issues related to both existing U.S. policy and laws towards foreign companies as well as nationalistic fears about an increasingly powerful and influential China. **Susan Parini's** paper on the growing economy and maturing society of Vietnam likewise evidences both the consequences and benefits of the failure of U.S. military and diplomatic policies during the Vietnam War.

Since wars reflect a breakdown of diplomacy, it is no surprise that history is full of European and U.S. interventions in Asian societies. **Brad Washington's** discussion continues the theme of reconstruction and reconciliation but locates it within inter-Korean politics. Despite the military preparations and posturing of North Korean leaders, Washington believes the future of the Korean peninsula will be determined through economic benefits and not brute force.

One need only look at China (and to some degree, Vietnam) as a sign of what is possible when a former communist regime turns its energies to developing a market economy. China's hosting of the 2008 Olympic Summer Games will shine a spotlight on that nation's gains as well as the social costs of those economic advances. **Charles Costello's** paper takes us into and through the streets of Beijing as it undergoes a historical transformation and prepares for an extended run on the international stage.

China's growing economy has driven its push to host the Olympic Games, but driving the economy has been both party officials and hundreds of thousands of students who were educated overseas and then returned to positions of authority in China's corporate and bureaucratic worlds. **Dannie LI Yanhua's** discussion of shifting governmental policies--which first grudgingly accepted and then fully embraced overseas study--brings to light the role of these pioneers in fostering social and political change within late 20th and early 21st century China.

Finally, in a volume of papers heavy on political policy and economics, it's important to include an extended look at popular culture. One of the most fascinating phenomena of the last twenty years has surely been the internationalization (and concurrent domestication) of the genre of music known as hip-hop. Nowhere is this more pronounced than in contemporary Japan, where the music, fashion, and media industries have profited handsomely from a Japanese infatuation with the "otherness" of U.S. urban black culture and music. **Cary Broder**--once a D.J. in the Manhattan hip-hop music scene--writes convincingly about the interplay between hip-hop and Japanese cultural identity.

We hope this collection of papers will stimulate further scholarship on the topics discussed as well as demonstrate the sophistication and quality of the work of individuals coming through the Masters in Asia Pacific Studies program at the University of San Francisco.

## Protectionist Capitalists vs. Capitalist Communists: CNOOC's Failed Unocal Bid In Perspective

by Francis Schortgen

### ABSTRACT

China, Inc. is on the move. Whether or not this presents a welcome development for particular political and/or business interests – not just in the United States but worldwide – it is a reality that cannot be ignored, wished away, or warded off with protectionist measures in the medium- to long-term. The real question is: What is an appropriate China strategy in the age of Chinese multinational corporations? How and to what extent does the U.S. government's current China strategy have to be revised so as to fit the new reality?

The protectionist impulse that the U.S. displayed in the CNOOC-Unocal debate is a clear manifestation of the inherently flawed nature of the United States' current China policy, at least in the economic realm. Contrary to widespread perception, U.S.-China economic relations in general, and Chinese merger/acquisition attempts in particular, do not connote a zero-sum game. However, politically motivated actions, such as the one displayed in response to the proposed CNOOC deal in 2005, will provide fertile grounds for outcomes that most decidedly will not be in the best interests, whether economic, national security or otherwise, of the United States.

On 23 June 2005, China National Offshore Oil Corporation, Limited (CNOOC) announced an unsolicited takeover bid for El Segundo, California-based Unocal Corporation. The proposed merger came on the heels of a string of notable recent overseas acquisitions by Chinese companies. These have included Lenovo Group's \$1.75 billion purchase of IBM's PC division in December 2004 (completed on 1 May 2005); Haier Group's failed bid, launched in June 2005, for Maytag Corporation; and TCL International Holdings' acquisition of both TV and DVD businesses of France's Thomson SA, announced in November 2003. These are but some of the more prominent endeavors of China's "Go-Out" strategy in recent years.

The rising trend of outward investment by Chinese multinational companies (MNCs) is an unmistakable testament to Chinese economic prowess and the international ambitions of its major corporate groups.<sup>1</sup> The stated goal is an aspiration to see 50 mainland companies break into the ranks of Fortune 500 companies by 2010. Though flush with "Chinese dollars," it remains to be seen how aggressively and/or how soon leading mainland Chinese companies will venture to acquire U.S. corporate entities in the wake of the strong opposition to CNOOC's failed bid. I argue in this paper that the United States' current China policy is inherently flawed. Washington is badly in need of a fundamental and coherent review of its strategic assessment of China. Contrary to stated arguments that U.S. policies toward China have been, and continue to be, dominated largely by narrow com-

mercial concerns, I maintain that the CNOOC case is one of the most concrete examples yet of unfounded and exaggerated fears driving policy decision-making towards China. The policy dilemma that underlies much of the heated reaction to the CNOOC bid is the perennial question of how to deal with a rising and ever more economically powerful China.

### China, Inc. on the Move: From Strategic Partner to Strategic Competitor

American views of China have a documented history of oscillation between fear, affection, and strategic rivalry.<sup>2</sup> In 2001, the incoming George W. Bush administration was quick to distance itself from the Clinton administration's recognition, however tepid and brief it was, of China as a strategic partner. Rather, China came to be viewed increasingly through the lens of strategic competition. Though the "strategic competitor" label was dropped virtually overnight after September 11, 2001 when preoccupation with China, at least from the 'threat' perspective, was relegated to minor secondary status by the Al Qaeda attack and the ensuing focus on waging a "War on Terrorism."

Nevertheless, the notion of competition and challenge has never fully dissipated. Indeed, over the course of the 1990s and into the 21st century, a persistent ebb and flow of fixation on the China challenge took center stage. Defined both in military terms and in economic and trade considerations, China was rarely out of the spotlight.

Indeed, China's growing economic influence and emerging worldview – one in which China is showing subtle signs of shedding the image of a reactive and passive international actor – have led to an exponential proliferation of alarmist predictions from the 'China Threat' or 'China Challenge' schools of thought. China's military modernization and national security strategy,<sup>3</sup> emerging military threat perceptions,<sup>4</sup> the volatile Taiwan Straits issue,<sup>5</sup> and China's rapidly expanding economic and trade challenge and its impact on the global business system<sup>6</sup> are generally the themes receiving some of the broadest and most in-depth coverage.

Amid all these relevant issues, however, China's single most dramatic and far-reaching challenge largely takes on an air of secondary importance, despite the ubiquitous presence of factors that are fueling it. And that is the rising challenge in global energy markets; a challenge that, comparatively speaking, at least was more or less marginalized until the recent highly publicized attempted Chinese forays into the U.S. oil market. How China will meet rising energy demands and address the issue of energy security will determine "whether oil becomes a source of tension or a spur to China's deeper integration into the global economy."<sup>7</sup> China's economic rise is impacting geopolitics in fundamental ways and, although in a more indirect manner, rewriting economic rules.

If viewed in a broader context, the politically-charged reaction triggered by the CNOOC bid for Unocal conjures up memories of a 1980s movie, starring Japan, Inc. Whereas the first version featured what many perceived to be a 'new model of capitalism,' created by Japanese banking and gov-

ernmental policies, the China, Inc. sequel galvanizes popular feelings more easily and makes headlines more prominently, due in no small part to the fact that the challenge is emanating from a socialist/communist base.<sup>8</sup>

The lessons of the 1980s Japanese challenge seem to have largely been forgotten in the United States – if not in corporate boardrooms, then certainly in the maze of what is political Washington. How long before predictions of “China as Number One” will grab headlines? The emergence of China-inspired versions of Clyde Prestowitz’ *Trading Places*<sup>9</sup> and Lester Thurow’s *Head to Head*<sup>10</sup> (recognized for their penetrating analysis of the looming Japan challenge and its consequences at the time) is not a question of if but merely of when. Oded Shenkar sees in the magnitude of China’s economic challenge a potential to trigger a significant backlash in the U.S., driven by “geopolitics, animosity perceptions, and other ‘nonrational’ considerations.”<sup>11</sup> He further argues that commonly accepted views on the nature of national and firm competitiveness, the value of geographic proximity, and the cost of market entry and exit will be questioned by the sheer extent of the Chinese business challenge.

Considering the pronounced aggressiveness with which Chinese multi-national corporations (or MNCs) are expanding overseas and making great strides towards heightened global competitiveness, it is rather disconcerting, if not alarming, that this phenomenon has thus far failed to garner the scholarly attention it deserves. A recent study by Ernest Preeg, a noted international economic and foreign policy specialist and senior fellow in trade and productivity for Manufacturers Alliance/MAPI, constitutes the highest-pitched wake-up call thus far. China, he concludes, “is on track to become an advanced technology super state and the principal U.S. rival in the sector.”<sup>12</sup>

Many recent forays by Chinese MNCs into overseas markets have been scrutinized through the political lens of industrial and economic competition. Whereas the Chinese challenge is primarily depicted as potentially undermining national security (to varying degrees), it has not prompted an equally necessary appraisal of U.S. industrial and corporate competitiveness. Unfortunately, the rather narrow-minded framing of the China challenge to-date merely exacerbates the propagation of an outdated understanding of the dynamics driving Chinese economic growth and of the motivations and capabilities of many Chinese MNCs.

It would be foolish to seek comfort in the notion that China’s economic reform efforts since the early 1980s have only been partially successful. True, many hurdles and challenges prevail in China’s quest to improve global competitiveness, lest the forces of globalization help to marginalize the various effects of reform, much as they have done in Russia.<sup>13</sup> In sizing up the China challenge, it is indeed to be hoped, paraphrasing Nolan, that the U.S. will seek truth from facts rather than indulging in misplaced and outdated illusions.

## What China Strategy?

Other than highlighting China’s growing integration into the world economy and the coming of age of its multinational corporations, the CNOOC move has certainly laid bare a disturbing reality. There is currently an utter lack of a coherent China strategy in the United States, above and beyond touting the need to keep a watchful eye on the country’s military modernization and to plan for appropriate contingencies. Not only did the unsolicited bid blindside commercial and national security officials, it prompted a rash and irresponsible response that not only further exposed Washington’s strategic incoherence concerning international economic and commercial matters but, even more ominously, depicted the United States as backtracking on its free-trade mantra.

Meanwhile, in the characteristic fashion of China hawks and national security advocates, it did not take long before a new wave of alarmist predictions found willing advocates. One of the most ludicrous observations was offered by James Woolsey, former director of the Central Intelligence Agency (CIA) and now a vice-president of Booz Allen Hamilton, when he described CNOOC as the corporate vehicle of “a Communist dictatorship.”

On the other hand, Clyde V. Prestowitz offered one of the most astute and even-handed interpretations. In line with his argument of the shift of wealth and power to Asia,<sup>14</sup> he succinctly captures the hypocrisy of the prevailing U.S. attitude towards trade and economic relations. “We handed China the money they are using to try to buy Unocal,” he says. “And now we’re telling the Chinese, please keep investing in our bonds but you can’t invest what amounts to a sliver of their surplus in an oil company.”<sup>15</sup>

Economic and commercial policies are the result of actions taken by the Department of Commerce, in cooperation with other relevant departments, depending on the nature of the issue(s) at play. In addition, the U.S.-China Business Council is a strong advocate for strengthening China-U.S. economic and commercial relations. Under the rules governing international investment in the United States, foreign companies contemplating a merger and/or acquisition transaction in the United States may be subject to (1) the Hart-Scott-Rodino Antitrust Improvement Act of 1976 (HSR Act), and/or (2) the amended Section 721 of the Defense Production Act (“Exon-Florio provision”).

Implementation of the Exon-Florio provision falls under the purview of the Committee on Foreign Investment in the United States (CFIUS). Established in 1975 by Executive Order 11858, its original function was to monitor and evaluate the impact of foreign investment in the United States. As a result of Executive Order 12661, issued in 1988, the role of CFIUS expanded. Notices of foreign acquisitions of U.S. companies are now to be filed with CFIUS, which is then tasked with determining potential national security ramifications of a particular acquisition that might warrant an investigation. If that is deemed to be the case, CFIUS is then to undertake such an investigation and to submit a recommendation to the president of the United States.



Voicing strongly-worded concerns and expressing overt opposition to CNOOC's attempt to buy Unocal, spanning financing and national security points, Congressional activity against the bid gained momentum rather quickly, as shown with passage of an amendment (H. Amdt. 431) to House of Representatives bill 3058, agreed on June 30, 2005, and Senate Bill 1412 introduced on July 15, 2005.<sup>16</sup> Senators Conrad (D-ND) and Bunning (R-KY) pushed for detailed investigation into financial backing provided by the Chinese government for the proposed deal.<sup>17</sup>

### The Age of Chinese Multinational Companies

McKinsey & Co. has noted that recent M&A activities of Chinese companies (see Table 1) may increasingly be driven not only by global aspirations, but are likely an obvious adaptation to rising competition in the domestic market and a calculated move to reduce what appears to be a widening gap in capability vis-à-vis foreign competitors.<sup>18</sup>

Apart from the recent CNOOC bid, the most obvious manifestation of the growing prominence and aggressiveness of China, Inc. was the successful takeover of IBM's personal-computer division by China's Lenovo Group. This merger and acquisition trend will only increase in the future, as Chinese corporations are determined to extend their reach, marketing, and managerial experience.<sup>19</sup> At the risk of implying a direct correlation between the limited research on the topic and the lack of coherent understanding regarding the significance of this development, and the political, corporate and economic policy fine-tuning it compels, the literature on the coming of age of Chinese MNCs is still in its infancy. Some of the more significant work done to date includes studies on motivations and implications of outward investment by Chinese MNCs<sup>20</sup> and a recognition of their changing nature.<sup>21</sup> Gu (2005a) and Beal (2006), meanwhile, offer one of the few attempts at conceptualizing and contextualizing the Chinese MNC phenomenon and how it is likely to affect global business in the near future.<sup>22</sup>

### CNOOC – At the Forefront of China's Oil Quest

From a Chinese perspective, the extent of oil diplomacy and the commitment to developing an outward oil economy is as understandable from a national security and energy supply rationale as is the U.S. opposition to the CNOOC move. Underlying China's diversified and omni-directional oil investment is a simple, determined, rational decision-making and risk assessment regarding oil supplies. Continued, uninterrupted energy supply is critical to China achieving future economic growth targets. The sustainability of high economic growth rates is crucial to the maintenance of social stability, political legitimacy of the Chinese Communist Party (CCP) (already weakened by the bankruptcy of Marxism-Leninism) and the commitment to SOE reform. The short-term adverse consequences of breaking the proverbial "iron rice bowl" only reinforce the urgent need for maintaining current levels of economic growth, lest the regime be confronted with growing levels of social unrest.

**Table 1: China's Recent M&A Scorecard**

Year/ Month	Chinese Company	Target Company	Outcome
2005/08	China National Offshore Oil Corp. (CNOOC)	Unocal (U.S.)	Bid dropped
2005/07	Nanjing Automobile (Group) Corp.	MG Rover Group (UK)	Successful
2005/07	Haier Group	Maytag (U.S. appliance maker)	Bid dropped
2005/07	CITIC Resources	Thai Petrochemical Industry	Bid dropped
2005/06	Consortium, including China National Petroleum Corp. (CNPC)	Pogo Producing (U.S. energy firms; targeting its Thai oil and gas assets)	Failed
2005/03	China National Metals and Minerals Corp. (China Minmetals)	Noranda (Canadian copper a zinc miner)	Bid dropped
2005/01	Sinochem	Inchon (South Korean oil refiner)	Failed
2004/12	Lenovo	International Business Machines (U.S., PC business)	Successful
2004/07	Shanghai Automotive Industry Corp. (SAIC)	Ssangyong Motor Co. (South Korea)	Successful

Stirring the fires of national pride and nationalism is an opportunistic means to garner support for matters of crucial importance to the state. In the case of China, nationalism has served a rather useful tool in recent years to temporarily divert attention temporarily from matters of pressing concern to the CCP. CNOOC's management labeled the proposed Unocal takeover bid Operation Bao Chuan, or Operation Treasure Ship, in part to capitalize on feelings of national pride conjured up the original Bao Chuan. The historical reference is to Admiral Zheng He's fleet of treasure ships that embarked on ambitious naval expeditions in the 14th century under the Ming Dynasty. The political motive of the extraordinary naval expeditions of the Chinese imperial fleet at the time rested with the Yongle Emperor Zhu Di's desire to increase the list of tributary states to the Middle Kingdom (the literal translation of Zhongguo, the Chinese word for China). The contemporary equivalent to Zheng He's naval expeditions is the tireless search for exploration and development opportunities of a modern-day treasure: black gold. High-level Chinese emissaries are crossing the globe daily in an effort to secure rights in foreign oil fields, sign strategic partnerships with national governments and/or multinational oil companies. The motives of the modern-day Bao Chuan operations are obvious: securing supplies to sustain rising energy demand and consumption levels.

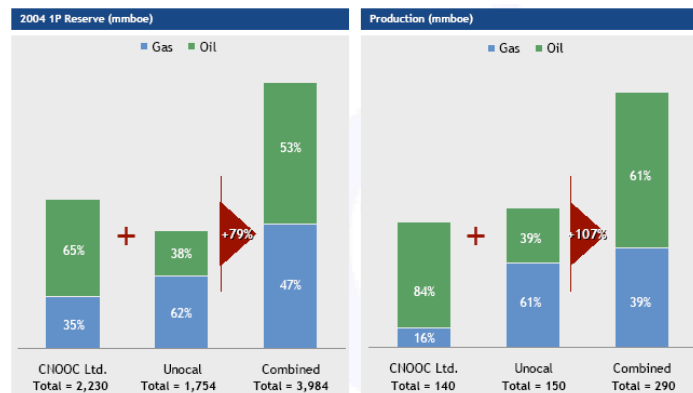
The unsolicited CNOOC bid for Unocal is the highest-profile manifestation of this outward-looking oil economy to-date. Its importance, impact, as well as intended/unintended consequences can be assessed on a multi-faceted levels-of-analysis approach. Geo-political and geo-economic considerations of Chinese oil politics, most appropriate for a systemic-level analysis, are beyond the scope of this paper. Here I shall limit myself to a discussion of the general trade-related issues and concerns that underlie the CNOOC-Unocal merger proposal as well as the corporate strategic considerations that

prompted the CNOOC offer.

The lure of Unocal as a lucrative acquisition target influenced CNOOC's corporate motivations in many respects. Indeed, in corporate strategy terms, a successful merger would certainly have filled CNOOC's coffers. CNOOC would have realized a significant increase in oil reserves and boosted its production capacity. In addition, a more stable division between oil and gas assets (see Figure 1) would have contributed positively to a reduction of the company's "exposure to commodity price cyclicality."<sup>23</sup> CNOOC management pointed to growth platform, optimization of investment programs, proven management and world-class technical expertise, and the potential for the creation of an Asia-focused energy company with a leading regional gas business as notable strengths and opportunities in its strategic business analysis of the proposed CNOOC-Unocal merger.

**Figure 1: CNOOC-Unocal Combined Asset Portfolio**

Source: [www.cnoocld.com/investor/channel/Investor\\_Presentation.asp](http://www.cnoocld.com/investor/channel/Investor_Presentation.asp)



The planned merger would have been compelling in terms of scale, industrial logic, value-creation opportunities, and enhancement of technical skill base. Additionally, in the eyes of CNOOC top management, it offered a nice fit with the company's overall strategic orientations, which primarily centered around three themes: (1) a focus on production and reserve growth; (2) development and expansion of natural gas business; and (3) maintenance of industry-leading cost management and financial discipline.

### The CNOOC Bid in Context

Washington's reaction to the surprise takeover bid suggests the relative unease of the champion free-trading nation in an era of globalization that coincides with the inevitable rise of China to economic superpower status. Accounting for the general receptiveness of alarmist scenarios painted by the chairman of the U.S.-China Economic and Security Review Commission (USCESRC), among others, is a calculated and purposeful omission of relevant information concerning the CNOOC bid.<sup>24</sup>

It was a performance that rivals the best of targeted public relations and interest group lobbying efforts. It spread fears and fantasies that have ultimately struck a most receptive chord in Washington policymaking circles, and unfortunately have also contributed to a reinforcement of distorted

perceptions and stereotypes, including the alarmist predictions of the "coming conflict with China."<sup>25</sup> The result is not only a misconstrued picture of China that will only result in further complicating the formulation of a sound China policy, but also a negative boomerang effect. Though the U.S. may have succeeded in protecting national security concerns, it came at the cost of being caricatured as "protectionist capitalists," compared with "capitalist communists."<sup>26</sup> It does not take too much imagination to figure out which one of these labels is the least flattering.

In hindsight, the timing of the CNOOC bid could not possibly have been worse. Most notably, some of the key issues currently troubling U.S.-China relations should have given top management a pause: the growing 'China bashing' momentum, (stoked by concerns over an ever-rising U.S. trade deficit with China), charges of job dislocation due to offshoring in various industrial sectors,<sup>27</sup> pressures for reevaluation of the Renminbi (RMB, or yuan), continued prevalence of intellectual property right violations that see U.S. corporations foregoing significant portions of revenue flows in China, and charges that Beijing is unwilling to use the full extent of economic leverage over North Korea to work towards a diffusion of the festering nuclear crisis.<sup>28</sup> It does not take the benefit of hindsight to realize that a bid by a Chinese company under these circumstances was destined to run into a wall of opposition. In this context, it is hard to take seriously the allegations of vocal opponents who charged that the deal was essentially master-minded by, and benefited from the unconditional support of, the highest levels of the Chinese government.<sup>29</sup>

Rather, the "sinophobia" argument offers a much more compelling argument for strong U.S. opposition. And though it is easy to dismiss such reactions as a mere replay of the perceived "Japan Threat" of the 1980s, one has to acknowledge striking differences between Sinophobia of the 21st century and Japanphobia of the 1980s; differences that, indeed, give the vehement manifestations of the former an certain air of legitimacy. Not only is there no George-Jintao relationship that can even remotely approach the Ron-Yasu (Ronald Reagan-Yasuhiro Nakasone) friendship, but the Chinese dragon is not comfortably nested in the Allied camp. The Chinese may well prove more successful in the long-term in purchasing icons of American corporate power than the Japanese have ever been.

Arguably, Lenovo's acquisition of IBM's PC division in December 2004 and the failed Haier bid for Maytag may only be the beginning of a Chinese corporate offensive. Viewed in this light, political opposition to the CNOOC bid takes on a new dimension entirely. National security concerns surrounding the proposed merger were certainly not based on thin air; yet, neither were they as pronounced as the political rhetoric coming out of the U.S. Congress suggested. Indeed, to the extent that one may be tempted to buy into the assertion that the CNOOC bid was nothing more than a politically motivated and calculated move by the Chinese government – a move potentially designed to lay the foundation for China credibly rivaling the U.S. on the world stage – so, too, one

cannot ignore the fact that Congressional opposition was driven more by political motivations than economic fundamentals.

Former Federal Reserve Chairman Alan Greenspan and then-U.S. Treasury Secretary John W. Snow called for moderation amid near-immediate calls for retaliation once the unsolicited bid had been announced. Moreover, they cautioned against giving in to emotional and politically-motivated impulses for punitive legislation on the grounds that they could lead both countries down the road of an all-out trade war, which could eventually prove most detrimental to the U.S. economy.<sup>30</sup> Yet, as evidence produced below will show, in their determination to block the CNOOC takeover of Unocal, politicians did not shy away from playing the national security card above and beyond objectively justifiable levels. In the process, information that would have been relevant to a balanced assessment has been conveniently omitted, while other facts have been purposely distorted. Considering the overall context in which the CNOOC bid took place, political motivations have significantly informed the debate on the U.S. side, and thus precluded an objective, balanced assessment of the CNOOC bid. It remains to be seen if the outcome will indeed yield the result that lawmakers intended – safeguarding U.S. national security interests. The verdict on that is likely to be at best a mixed one.<sup>31</sup>

Underlying the heated CNOOC debate was a bitter slice of irony: pressure for Chinese currency revaluation. Revaluation of the Chinese yuan, as the U.S. consistently pushed for at every possible occasion, will only result in increasing Chinese companies' ability to buy U.S. firms; a consideration that is obviously lost on overzealous politicians that are simply eager to ride the wave of China bashers. The Chinese may well bow to growing U.S. pressure in the end, although the extent to which they do will be according to their own timetable. And if they do, the U.S. may well get the outcome it wants; the question, however, will be whether the administration will like what it is going to get. Considering that the irony lies in the fact that currency revaluation will make it even easier for Chinese corporations to buy foreign companies, that answer would decidedly be NO!

It was, of course, inevitable that the CNOOC bid conjured up national security concerns that to some extent certainly would have warranted careful and diligent scrutiny. However, the nature and dynamics of U.S. opposition to the deal appears to have been driven almost exclusively by national security and political considerations, with scant attention to economic analysis. Indeed, though analysts did not dispute the legitimacy of requesting a substantive review of the CNOOC bid on national security grounds, there was a widespread consensus that a CNOOC-Unocal deal would almost certainly have passed an objective national security test. Arguably, a most basic level of objectivity would include an attempt to achieve a proper balance between economic and national security considerations, especially in light of CNOOC's stated willingness to offer wide-ranging concessions to placate overt security concerns. If anything, pundits supportive of the deal maintained, "China's purchase of

Unocal could have meant more investment in global oil exploration and drilling than Unocal or other American companies have been willing to make."<sup>32</sup>

Hard-nosed, purely economic considerations also run the danger of over-simplifying a complex transaction, to the extent that relevant national security concerns are marginalized. Nevertheless, it is equally hard to refute some of the economic arguments in favor of the proposed merger. The Chinese press was quick to point out the sharp contrast between noted economists and Washington politicians on this matter. Where some economists saw a potential for an inclusion of capital and new markets, others saw Chinese buy-outs of foreign companies as an optimal incentive for China to seek better trade relations, given that it "turns them into a stakeholder."<sup>33</sup>

On a broader economic level of analysis, the economics of China bashing are dismissed as lacking compelling evidence and rationality.<sup>34</sup> Attempted takeovers of U.S. commercial entities by Chinese companies are beginning to spread unease about China's rise as a major financial player. Yet, what about the equally palpable reality that Chinese buy-outs pose significantly fewer risks than does growing accumulation of United States Treasury Bonds, which can be much more easily divested than large-scale investment in U.S. companies? The hypocrisy of U.S. motives to oppose the CNOOC bid was most aptly summarized in the sarcastic note that when Chinese companies aim to diversify their dollar holdings and attempt to buy major stakes in foreign companies, they are demonized as corporate vehicles of a Communist dictatorship, whereas they are deemed acceptable when buying U.S. debt.<sup>35</sup>

In an overzealous attempt to substantiate his opposition to the CNOOC-Unocal deal, Sen. Charles Schumer (D-NY) produced a sound bite that, upon close scrutiny, ought to have undermined the very effect he intended. "Does anybody honestly believe that the Chinese would let an American company take over a Chinese company?" he famously quipped in the U.S. Senate. Apparently, little did he (and his staff) know that the Chinese government had already given the green light to just such a commercial activity in 2004. Apart from U.S.-based Anheuser-Busch buying Harbin Brewery Group, one of China's largest and oldest beer makers, Procter & Gamble hit the M&A jackpot in China in 2004 when it succeeded in buying out Hutchison Whampoa. In fact, the merger & acquisitions (M&A) market in China ranks among the world's most promising.<sup>36</sup>

Though it is entirely possible that ignorance of the facts can, as in Senator Schumer's case, convincingly be attributed to political expediency, it is much more difficult to offer similar excuses for excessive misrepresentation of facts by Richard D'Amato, Chairman of the U.S.-China Economic and Security Review Commission (USCESRC). In a July 13 statement, D'Amato argued that "China has also attempted to persuade Russia to route a pipeline from Siberia directly to China, rather than to the Pacific port of Nakhoda, where the oil would be available to the world market."<sup>37</sup> Absent further contextualization, the statement reads as though the Chinese



government was actively trying to persuade Russia from abandoning the planned Angarsk pipeline route to Nakhoda, which could not have been further from the truth.

In fact, the pipeline route is still set to go to the Siberian Pacific Coast city of Nakhoda in order to serve the Japanese market rather than the world market at large, as argued by D'Amato. The Chinese government has merely succeeded in securing Russia's commitment to prioritize the building of a Chinese branch pipeline. While China's interest in Russian oil sources is undeniable, the Russian government's drawn-out deliberations over the Angarsk pipeline rested on the difficulty of balancing strategic flexibility (focusing on China) with economic profitability (Japan and South Korea).<sup>38</sup> It is indeed interesting to note that, prior to CNOOC's bid for Unocal, the Angarsk pipeline project barely raised an eyebrow among members of USCESRC.

Furthermore, arguing that the CNOOC bid "simply is not a market-based transaction" because "China is not a market economy"<sup>39</sup> shows the determination of the U.S. side to discredit the bid on even the most perfunctory grounds. Above all, it reveals the pervasive weakness of the U.S. argument, and it elucidates the glaring absence of any coherent China strategy, above and beyond alarming and overblown rhetoric.

All the while insisting on the purely commercial nature of the proposed transaction, CNOOC top management also acknowledged some of the more relevant national security concerns that would certainly prevent any deal from being concluded. Hoping to alleviate pressing U.S. concerns, CNOOC announced a range of concessions to address security concerns and insist on the exclusive business aspect of the transaction. The proposed concessions, however, remained conveniently unacknowledged in the CNOOC-Unocal debate in U.S. policymaking circles.

A somewhat more credible charge leveled against CNOOC centered on the notion of unfair trade practice. Specifically, CNOOC's heavily subsidized loan package<sup>40</sup> invited calls of unfair trade practices and raised questions as to the Chinese government's intention in underwriting much of the deal. In the words of the chairman of USCESRC, "the U.S. government should see and treat this proposed transaction as a non-commercial transaction with other motivations and purposes."<sup>41</sup> Responding to the allegations of unfair trade practices, the Chinese side was quick to point out that the United States did not oppose Chinese purchase and present holding of US\$ 230 billion of United States Treasury Bonds, transactions that have repeatedly been facilitated by continuous subsidies.<sup>42</sup>

In addition, the CNOOC bid was instrumental in putting the Committee of Foreign Investment in the United States (CFIUS) under intense scrutiny. The U.S.-China Economic and Security Review Commission (USCESRC) seized the opportunity to lament serious flaws in the CFIUS statute. In the eyes of its critics, the membership expansion of CFIUS over time – it grew from four members at the time of its creation to twelve at present – has resulted in a loss of focus. Most importantly, these pundits argue that having this inter-

agency group led by the U.S. Department of the Treasury effectively hampers prioritization of national security considerations. In light of the CNOOC bid, there have been renewed calls to replace this "fox guarding the chicken coop" with a federal department that would be much more favorably disposed to bringing national security mindedness to CFIUS deliberations.<sup>43</sup>

In the end, the attempt at amending and/or replacing the current CFIUS process played a significant role in CNOOC's decision to abandon its bid on August 2. In a press release, CNOOC noted that it had

"...given active consideration to further improving the terms of its offer, and would have done so but for the political environment in the U.S. The unprecedented political opposition that followed the announcement of our proposed transaction, attempting to replace or amend the CFIUS process that has been successfully in operation for decades, was regrettable and unjustified. This is especially the case in light of CNOOC's purely commercial objectives and the extensive commitments that CNOOC was prepared to make to address any legitimate concerns U.S. regulators may have had regarding our acquisition...."<sup>44</sup>

### Implications for the Future

China's omni-directional and diversified oil investments have for several years been a major subject of concern in various policy circles in the United States. The leading proponent of growing national security challenges related to China's global oil diplomacy has been the U.S.-China Economic and Security Review Commission (USCESRC). In annual reports delivered to the U.S. Congress, USCESRC has offered critical assessments on China's oil investments and raised concerns over China's apparent arms deals in the Persian Gulf region.<sup>45</sup>

In the wake of the withdrawal of the CNOOC bid, The Economist provided a sobering assessment of the potential short- to long-term ramification(s) of the outcome. It noted that "by denying China access to energy assets through legitimate means, America might expose itself to bigger threats."<sup>46</sup> In other words, the erection of a protectionist wall manned by national-security proponents may ironically result in nothing more than a gradual weakening of that very security. Protectionism might also result in an increase in activities that USCESRC has been raising alarm about, most notably highly politicized bilateral energy ties between China and countries such as Angola, Nigeria, Iran, Sudan and Kazakhstan.

Thus, in the short-term, the recent American manifestation of protectionist capitalism is likely to further embolden the Chinese in their search for alternative oil investment opportunities. The immediate results are likely to be highly disconcerting to any U.S. administration. Take for example, China's expanding relationship with Iran, which is currently China's second-largest oil supplier. Not only is Iran well positioned to alleviate China's thirst for oil, but the country's growing appetite for consumer goods can be easily served by China's burgeoning manufacturing industry. Though arms



sales to the Middle East are still a lucrative business, China has significantly expanded its non-petroleum business ventures in Iran. The thinking is that a general willingness to invest in the country will go a long way toward securing oil supplies over the long-term.<sup>47</sup> And judging from the words of Bijan Namdar Zanganeh, Iran's Oil Minister, China has been quite successful thus far in wooing Iran. In comments made during a visit to China in late 2004, he noted that "Japan is our number one energy importer due to historical reasons ... but we would like to give preference to exports to China... From the supply side, we have no difficulties (in making China the top energy oil importer from Iran)."<sup>48</sup>

The deepening Sino-Iranian relationship, however, has also caught Washington's attention in recent years. Sino-Iranian ties have important geo-strategic and geo-political repercussions because, on the one hand, these bilateral ties give rise to weapons proliferation concerns. China is widely suspected of channeling ballistic-missile components, as well as air-, land-, and sea-based cruise missiles to Tehran, in addition to crucial assistance in its nuclear development program.<sup>49</sup> On the other hand, enhanced Sino-Iranian ties could also seriously complicate U.S. strategic and security plans.<sup>50</sup> Indicative of such political roadblocks has been China's strong opposition earlier this year to having the Iranian nuclear issue referred to the United Nations Security Council.

In addition, the Sudan features prominently in China's overall oil import equation, accounting for some six percent of total Chinese oil imports. As such, China has important strategic interests in Sudan, which serves as its supply chain center in Africa. Thus, it comes as hardly a surprise that China has been reluctant to endorse a recent UN resolution over perceived acts of genocide in Darfur for fear of losing its influence over the country's oil reserves and, in the case of a subsequent regime change, seeing these resources become accessible to Western oil interests.<sup>51</sup>

## Conclusion

Ultimately, in the face of a rising China, it is imperative to finally draft a China strategy that is based on sound and balanced assessments rather than over deterministic, one-sided and ill-informed analyses of China. If the executive and legislative branches of the U.S. government continue to leave the China debate to pseudo-China bashers and security hawks, it may encourage exactly the opposite of what it intends. Blindly clinging to neo-realist, rational choice interpretations of China's outward oil-economy and increasingly assertive foreign policy will result in an institutionalization of ill-informed, biased, and unfounded assessments that will lead to further ossification of what is already a hopelessly inappropriate China strategy.

Contrary to stated arguments that U.S. policies toward China have been, and continue to be, dominated largely by narrow commercial concerns,<sup>52</sup> I maintain that the CNOOC case is one of the most concrete examples yet of "bogus fears and hidden interests"<sup>53</sup> driving policy decision-making towards China. The policy dilemma that underlies much of the heated reaction to the CNOOC bid is the perennial ques-

tion of how to deal with a rising and ever more economically powerful China. Is China to be truly put into the "rival" camp or be welcomed as a partner? Taking stock of the current geo-economic and geo-political reality, political and economic return on investment is going to be most attractive by subscribing to the latter approach.

Ultimately, it boils down to an intricate cost-benefit analysis. The choice of approach will significantly determine the extent to which China can be 'guided' along the political and economic growth path on terms most appealing and beneficial to the U.S. Contrary to widespread perception in policy-making circles in the United States, U.S.-China economic relations in general, and Chinese merger/acquisition attempts in particular, do not connote a zero-sum game. However, replays of politically motivated actions as were evident in the recent case provide fertile grounds for outcomes that most decidedly will not be in the best interests of the United States, whether economic, national security or diplomatic.

Chinese MNCs are making credible, and at times risky, advances into the global marketplace.<sup>54</sup> Whether or not this presents a welcome development for particular political and/or business interests – not just in the United States but worldwide – it is a reality that cannot be ignored, wished away, or warded off with protectionist measures in the medium- to long-term.<sup>55</sup> The real question is: What is an appropriate China strategy in the age of Chinese MNCs? How and to what extent does the current China strategy have to be revised so as to fit the new reality?

The failed CNOOC bid offers policymakers plenty of tea leaves to read. One thing, however, is certain: discarding free market rhetoric for protectionist impulses – except for immediate and substantiated national security arguments – is a fail-safe political mechanism to have China emerge truly as a rival in the global marketplace, with all the geo-economic and geo-strategic implications. Better to co-opt China into greater global integration with a few sacrifices than to trumpet short-term success in thwarting Chinese corporate takeover efforts at the expense of medium- to long-term adverse outcomes. The sad reality, though, is that most of the China-bashing political crowd of Washington D.C. is unaware of the futility, and indeed the counterproductive effect, of their current policy stance and flawed China strategy. In other words, Washington is badly in need of a fundamental and coherent review of its strategic assessment of China.

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## Economic Reform in Vietnam: Challenges, Successes, and Suggestions for the Future Economic Situation Prior to Reform

by Susan Parini

### ABSTRACT

This paper presents an analysis of economic reform in Vietnam. From the end of the Vietnam War and the reunification of the country in 1975, Vietnam has shown remarkable resilience in its transition to an open-market economy. Despite the state's centrally planned, one-party political and economic system, the government recognized that immediate action was necessary to pull the country out of its downward spiral. The article emphasizes the successes and shortcomings of state-owned enterprise reform and offers recommendations to expand the process. To conclude, the paper poses several social and political issues facing Vietnam today that—if resolved—will improve the quality of life for many Vietnamese citizens.

It is nearly impossible to discuss Vietnam's past or current economic situation without mentioning the Vietnam War, which had a direct and lasting impact. The war squandered valuable resources such as coal, and American bombs and defoliants destroyed prized forests and agricultural land. Hundreds of unexploded landmines riddled the landscape and are still a problem today. The toll on one of Vietnam's largest assets—its human capital—was also high, with over three million Vietnamese killed and incalculable civilians wounded.

The Vietnam War was only one of several tumultuous periods for this region. Beginning with French colonial rule in the mid-to-late 1800s, it has endured social and economic strife and violent conflict which lasted over seventy years. As French colonization ended, Vietnam engaged in a series of wars from the 1940s to the 1980s, with the country's reunification as the primary issue. This single-minded desire to unify the country is understandable when one considers that Vietnam is unique among its Asian neighbors for its existence as a distinct political unit for over one thousand years (Heenan and Lamontagne 2001, 123).

Vietnam has made rapid advances in the past twenty years toward social and economic recovery and growth. With plans to become fully industrialized by 2020, Vietnam has actively developed reform policies to facilitate its progress. This paper begins with an analysis of conditions in the country prior to reform, the circumstances that triggered economic reform, and the barriers to reform implementation. The second part includes an examination of the successes and challenges of state-owned enterprise reform and suggestions to improve the process. It concludes with a summary of unresolved social and political stumbling blocks that should be

addressed to ensure Vietnam's successful integration into the global economy.

As Vietnam unified in 1975, the North (formerly known as the Democratic Republic of Vietnam, or DRV) imposed its state-controlled organizational model on the South (formerly known as the Republic of Vietnam) (Ibid., 125), forming the present Socialist Republic of Vietnam in 1976. The Communist Party of Vietnam (CPV) controls the country in conjunction with the Political Bureau (Politburo), a small, powerful group of Central Committee members (Ibid., 126). The Politburo has remained largely intact for the majority of Vietnam's post-war history. Douglas Pike illustrates the potency of their authority by stating "the Hanoi Politburo is probably the longest-lived ruling group in the world" (Jackson and Soesastro 1984, 229).

The CPV was originally structured in a fashion similar to the defunct Communist Party of the Soviet Union and the current Chinese Communist Party (Heenan and Lamontagne 2001, 126). It therefore followed similar economic concepts and policies. Prior to unification, the North strictly controlled all aspects of the DRV's economy—from agriculture to industry—while the South followed a more capitalist, open-market style. The DRV gradually instituted the cooperative farm model that Mao Zedong implemented in China, collectivizing agriculture in the North. There was limited private land ownership, and the state directed the type and quantity of each collective's crops. Industry followed suit, as the state nationalized its factories. As stated in *The Political Economy of South-East Asia*, "Output targets and prices, input supplies, domestic wholesale and retail trade, and imports and exports were determined by central government... Individual production units had no commercial contact with each other, exchanging goods only with higher levels which... distributed them according to plan" (Rodan et al. 2001, 209). Industry was heavily subsidized by the government and, according to Richard Vokes and Ingrid Palmer, the state made no consideration with respect to "...market demand, profitabilities... or any rational form of valuing resources" (Dixon and Drakakis-Smith 1993, 171). The state's monopolistic control of the markets hindered their development (Harvie and Van Hoa 1997, 33).

Because of the North's extreme control and lack of consideration regarding market demand, there were virtually no free market exchanges outside of the black markets in smuggled goods and U.S. dollars. The country was isolated, trade was limited to countries in the Soviet bloc, and no foreign direct investment (FDI) was permitted (Heenan and Lamontagne 2001, 125). Economic growth prior to and during the war was negligible. In the North—the center of most industry—per capita Gross Domestic Product (GDP) growth averaged 3%. The South's GDP growth averaged 0.8%, plummeting to negative numbers during the war despite U.S. aid—resources were simply stretched too thin (Tran-Nam and Do Pham 2003, 16). From 1950 to 1973, Vietnam's GDP growth was nearly the lowest in the region, second only to the Philippines (Ibid., 17).



In the early 1960s, the North attempted to stimulate its economy by implementing a reform plan known as the First Five Year Plan (FYP). The FYP's premise was to use the state's power to focus on rapid industrialization—emphasizing heavy industry such as coal and steel—to strengthen the economy. However, due in part to resources diverted towards the impending conflict with the South, this state-controlled plan was not successful. Vietnam's Reforms and Economic Growth reinforces this by stating, "Both human, fixed, and institutional capital was poorly utilized and misallocated, preventing the country from realizing its growth potential" (Harvie and Van Hoa 1997, 33).

Meanwhile, the South's service-based economy and focus on light industry developed a very different, open-market style. The South—due in part to heavy U.S. intervention—had better infrastructure and organized labor unions, and was able to advance their manufacturing, construction, and consumer goods sectors. The South supported both foreign trade and entrepreneurialism (Ibid., 33), and their garment manufacturing and food processing industries better utilized the region's skilled and educated workforce than the North's heavy industry (Van Arkadie and Mallon 2003, 42).

### Catalyst for Pursuing Reforms

Tensions mounted in 1975 after the Vietnam War's end as the country unified and the state imposed the North's centrally planned economy on the economically liberal South. Many factors combined to cause the Vietnamese economy's rapid downward turn. Certainly one of the most immediate and devastating impacts was the loss of Western and Chinese financial aid around the same time. This economic assistance sustained both the North and the South, so its elimination by China in 1978 and the West in 1979 was a blow to the recovery efforts of a country ravaged by war (Dixon and Drakakis-Smith 1993, 172). Although Hanoi's call for war reparations from the U.S. was not fruitful, France did provide annual monetary support as a means of colonial restitution after its withdrawal in 1954 (Engelberg 1993, p. 20). Vietnam's dismal economic growth and large unemployment rate contributed to increasing poverty across the nation. The standard of living fell and inflation soon spiraled out of control—from an annual inflation rate of 34.9% in 1981 (Alpert 2005, 36) to 1,000% by 1987 (Heenan and Lamontagne 2001, 129).

Agriculture—one of Vietnam's most important industries—also endured many setbacks. In an essay written near the peak of Vietnam's postwar crisis, Pike stated that "...in Vietnam the 'economy' and the 'agricultural sector' are virtually synonymous" (Jackson and Soesastro 1984, 231). The cooperative production system, natural events, and the consequences of war battered Vietnam's vital agricultural industry.

First, the cooperatives initially established by the DRV did not encourage farmers to produce higher yields, since there was no economic incentive (Heenan and Lamontagne 2001, 127). Farmers could neither keep for themselves nor benefit financially from any surplus food they produced; government demands only increased to feed growing num-

bers of urban cadres. Interestingly, Pike also stated with regard to Vietnam: "...no socialist country has ever been able to solve the agricultural production problem and...those which have come the closest have done so by embracing capitalist devices and incentives (while labeling them something else)" (Jackson and Soesastro 1984, 233).

Second, several years of harsh weather damaged crops in the late 1970s. By the middle 1980s, the country was unable to produce enough rice to feed its population and food shortages were common (Heenan and Lamontagne 2001, 128). The problem escalated to the point that by 1989 nearly one million Vietnamese did not have enough to eat (Jones 1989, 3). Food scarcity, combined with reduced food aid imports, resulted in rising food prices (Dixon and Drakakis-Smith 1993, 173) which, in turn, contributed to Vietnam's skyrocketing inflation.

Finally, in the agricultural zones, bomb-damaged infrastructure hindered food transport. Roads, streets, bridges, canals, ferry stations, and irrigation systems were common targets during the Vietnam War in an attempt to incapacitate food production and shipping (Weiss 1969, 25). Toxic herbicide sprays destroyed thousands of acres of crops—as well as the environment—and caused a prolonged cycle of birth defects and disease (Van Arkadie and Mallon 2003, 43).

An abundance of social problems contributed to pressure for reform. Nearly every Vietnamese family felt the effects of years of war. The urban areas—packed with displaced rural citizens escaping the bombing—rapidly became slums. Drug abuse and prostitution were common (Ibid., 43). People, particularly soldiers, were disillusioned; they had won the war but victory did not bring the sustained peace and prosperity that they expected. It was during this time that refugees, or "boat people," who had nothing to lose began fleeing to nearby countries to escape the poverty, starvation, crime, and destruction.

### Challenges in Implementing Reforms

As the county's crisis deepened, Vietnam had no alternative but to try to remedy its problems. Up to this point in Vietnam's history, its economic policies were largely based on ideology: closely following socialist principles as a rejection of everything capitalist (McCargo 2004, 199). In fact, there was a tendency for both Vietnamese citizens and politicians alike to believe that "socialism was entirely good and capitalism was bad" (Ibid., 199). This belief was a factor in their political isolation and economic stagnation. Changing this philosophy would involve a radical shift from the status quo.

In a state-controlled, socialist system such as Vietnam, however, it was difficult for the state to loosen its grip on the economy to allow the country to integrate into the global marketplace. Decades later, ambivalence towards globalization still exists among many government policymakers (The Asia Foundation, June 2001). As much as the government knew that immediate action was necessary, changes did not occur without tribulation. Vietnam's situation was an example of what is called "orthodox paradox" theory: even though politicians will be hurt by reforms, they are best able to—and

should—implement reforms for the good of the state. Consider Stefan Haggard's comment: "...it is not only social interest groups that constitute barriers to reform but the state apparatus itself: the political leaders, bureaucrats, and party functionaries..." (Krueger 2000, 38). Here Haggard refers to an authoritarian regime that creates barriers to reform, as in Vietnam with its centrally planned, one-party political and economic system. Although the power held by government officials would weaken with the economic liberalization process, immediate action was necessary to pull the country out of its downward descent.

In 1986, Vietnam instituted its first round of policy reforms known as *Doi Moi* or "renovation" (Van Arkadie and Mallon 2003, 66). In a speech, Party Secretary General Truong Chinh acknowledged his party's errors of the past by stating, "...cadre and Party members have alienated themselves from the people...thinking that...in the struggle for socialism the people only have to obey them. Lenin said, 'The danger facing a party in power lies in severing ties with the masses'" (Ibid., 66). The government realized that their policies were not working. As they found themselves in the domain of losses, they became more willing to take risks (Weyland 2002, 38–39). The state moved forward, initially focusing on critical sectors to increase food production and generate revenue: agricultural development, consumer goods production, and trade and foreign investment expansion (Van Arkadie and Mallon 2003, 68). As diplomatic ties with China dissolved over the Vietnamese invasion of Cambodia, Vietnam—spurred by economic necessity—reassessed its bilateral relationships. As part of its *Doi Moi* development plan, Vietnam withdrew from Cambodia in 1988 and set a course to resolve conflicts through peaceful means (McCargo 2004, 199).

Certain special interest groups assisted the reform process. For example, some Party officials left the government to support pro-democracy movements. One such man, a poet named Le Dat, was expelled for his inconsistent views with the Party line. He summarized the conflict by stating, "...To survive, the Party must change. That's all." (Mallet 1999, 248). Haggard confirms that in the post-communist world, "...the extent of democratization [proves to be the] single most important determinant of subsequent propensity to reform" (Krueger 2000, 39). As stated previously, Haggard believes that authoritarian regimes hinder the reform process. The openness of democracies runs counter to the closed, obstructive characteristics of a state-controlled economy, such as directing consumer product production and consumption.

Prior to Vietnam's initial *Doi Moi* development, the country aligned itself with politically like-minded countries—primarily China and the Union of Soviet Socialist Republics (USSR). With the USSR's collapse in the late 1980s, the Russians dramatically cut financial assistance to Vietnam, stopping entirely by 1991 (Rodan et al. 2001, 216). Despite the state's initial attempt at reform, the loss of Soviet monetary support was the last straw for Vietnam's flailing economy. The state became more convinced that radical reform was the only option (Ibid., 216). It was time to make drastic revisions to the state's *Doi Moi* plan.

In 1988–89, the government implemented additional *Doi Moi* reforms designed to accelerate the state's transition to a market economy. These changes allowed for 100% foreign enterprise ownership, decollectivized agriculture, cut subsidies to state-owned enterprises (SOEs), and established interest rates to encourage saving (Ibid., 217–218). The effects of these modifications were dramatic—inflation was reduced to 36% in 1990, and the country's GDP rose to an average of over 8% annually between 1992–97 (Ibid., 218). Vietnam's economy was on the rebound.

However, in 1997–98, unexpected disaster struck: the Asian financial crisis. Vietnam was primarily hard-hit in the area of FDI, as investors withdrew funds to protect their assets. Vietnam's foreign investment commitments decreased by 46% in 1998 (O'Rourke 2004, 116). Export growth was also reduced, as Vietnam had to compete against its trading partners' depreciating currency and weaker purchasing power (McCargo 2004, 76). As a result, growth slowed significantly.

In response to this decline in growth, nervous politicians started to question the capitalist transition. Vietnam began to backtrack on the progress that it had made to date. The country experienced a conservative backlash in 1997 as Communist Party hardliner Lt. General Le Kha Phieu was appointed to Vietnam's most powerful position—Secretary General (Lamb 1998, A.14). Phieu and other Party traditionalists believed that the state's loss of control over economics, politics, and the people themselves somehow contributed to the sudden and dramatic economic downturn. Phieu—famous for stating, "Capitalism will definitely be replaced, as it is backward in satisfying the people's desire for happiness"—wanted to slow down the pace of change (Ibid., A.14). Probably more than coincidentally, Phieu was forced to resign in 2001 as Vietnam's economy began to show signs of recovery. He was replaced by political moderate Nong Duc Manh, who today—as Secretary General—serves as the head of the Politburo. Manh was likely selected due to his reputation as an uncorrupt consensus-seeker who was expected to advocate bureaucratic reforms (BBC News, April 19, 2001).

After his election in 2001, Secretary General Manh vowed to ramp up the decades-long battle against corruption in Vietnam (BBC News, April 7, 2006). While there may not be an abundance of proof to suggest that the state is a hindrance to reform, the state's continuing struggle with corruption is clearly evident. In 2001, Vietnam was rated the 15th most corrupt government in the world by Transparency International, trailing behind only Indonesia and Bangladesh in Asia (O'Rourke 2004, 32). In Transparency International's 2004 Annual Report regarding perceptions of the level of corruption as seen by business people and country analysts, Vietnam received a discouraging score of 2.6 out of 10 possible points (Kotalik et al. 2004, 9).

Political corruption in Vietnam is found in many forms, from abuse of public roles to using resources for private benefit (Ibid., 32). In Vietnam, government inspectors are widely believed to accept bribes to supplement their salaries (Ibid., 167). Accepting bribes to win contracts—a common form of corruption found in nearly every country—is particularly

prevalent in Vietnam. An Asian Development Bank employee stated in 1998 that "...up to 30% of project budgets can disappear in kickbacks for employees and contractors" (Ibid., 168). When dishonesty like this becomes standard operating procedure, it becomes more and more difficult to eradicate.

Rates of corruption are nearly impossible to report in a command economy—where government dictates everything from resource allocation to production and consumption rates—because the Party's strict control facilitates the suppression of the news media. Essentially, Vietnam's politicians are corrupt because they are unlikely to be caught and punished. According to a recent report by The Asia Foundation, "...the essential connection between corruption and a highly regulated economy...is not clear to many, even though some have pointed it out" (Dalpino 2005, 38). The connection is probably unclear to the politicians themselves, who are likely living in denial that their actions are wrong. Occasionally, lower-ranking crooked politicians are "discovered" and disciplined. However, in these cases, the state is not actually clamping down on corruption. It is more likely that certain Party members are using dispensable politicians to set an example of how a particular reform that they oppose—such as decentralization—is not effective (McCargo 2004, 49–50).

Not surprisingly, a "culture of secrecy" has developed hand-in-hand with corruption in Vietnam's command economy. Even though this lack of transparency has hindered Vietnam's reform progress, the state has proven to be reluctant to change. For example, in 2003 the International Monetary Fund (IMF) delayed implementation of a \$400 million reform package for nearly a year because Vietnam would not submit to an independent audit of the central bank. Such an audit was illegal under state law, under punishment of death (Economist Intelligence Unit 2003). The habit of concealment is emerging in the developing private sector as well, where "...entrepreneurs' lack of openness is hampering their ability to develop businesses" (Ibid.). The high level of secrecy is certainly a contributing factor to the country's poor rating in the World Bank's *Doing Business* in 2006 report, where Vietnam ranks a disheartening 99th place out of 155 countries regarding the ease of conducting business (World Bank 2006, 92).

Today, as Vietnam attempts to complete its accession to the World Trade Organization (WTO) by 2006, it is under pressure to make its operations more transparent. Once reforms have been established, executing the new policies can be a challenge due to the lack of local government staff to support them. For example, Vietnam's government instituted policies to grant more decision-making power to local governments and to inform citizens of their rights under Vietnamese law. Yet according to The Asia Foundation, People's Inspection Boards—created to "act as government watchdog agencies"—lack staff and resources to fulfill their role (The Asia Foundation, February 2006). In an environment of rapid changes, it can be difficult to coordinate and transmit information from the top down, so that everyone involved is informed and enabled to execute new policies and procedures.

## Analysis of State-Owned Enterprise Reform

While some reforms were rapidly implemented, the government employed others—such as state-owned enterprise reform—at a cautious pace. This was due in part to the Vietnamese authorities' unwillingness to take any action that would weaken Party members' privileges (Alpert 2005, 39). SOEs were (and still are) a source of power to the Party because of the capital that they generate, especially for the Politburo. Once that power is gone, the Party will not be able to reclaim it. Because there was a general reluctance within the state to restructure SOEs, their reform began with a slow start.

To assess Vietnam's SOE reform process, it is worthwhile to define the terms "equitization" versus "privatization." Many publications use the terms synonymously. However, there is an essential difference. Equitization is the common process of SOE reform, which is more ideologically palatable to the state. In equitization, an enterprise is converted into a joint-stock corporation (JSC) in which the state, employees, and private investors all own and control share capital (McCargo 2004, 94). In a JSC, the state can still legally own and control a majority of the enterprise. This differs from full privatization, in which state majority ownership would not be allowed. The government actively encourages equitization over privatization, stating that while the private sector "could contribute to national reconstruction," the process should be "assisted and safeguarded"—i.e., closely controlled (Heberer 2003, 32). For this analysis, I will use the more accurate term, "equitization."

Since farming, forestry, and fishing are so vital to the Vietnamese way of life as well as their economy, it made sense to focus initially on the agricultural sector. The first non-state-controlled markets naturally developed in the agricultural sector, as the Party restructured cooperative farming ventures in one of its first *Doi Moi* efforts. Private agricultural markets flourished after 1987 with the reduction of domestic trade barriers (Van Arkadie 2003, 68). For the first time, Vietnamese food exports increased—more than 16 times from 1988 to 1990 (Nørlund et al. 1995, 119).

Additional enterprise reforms followed that were designed to increase the independence of SOEs. A positive outcome was the disassembling of a large portion of the central planning structure (Alpert 2005, 39). Progress continued until late 1989 when the impending Soviet crisis forced a reduction in aid to Vietnamese SOEs. Immediate action was necessary to prevent the collapse of SOEs that had been receiving substantial Soviet support (Van Arkadie 2003, 99). Contrary to the experience of other transitioning Asian economies after initial reform implementation, however, Vietnam's state-sector output growth equaled or exceeded private-sector growth in the years prior to the end of Soviet assistance (Ibid., 113). Data indicates that the state's portion of GDP actually increased overall throughout most of the reform period, despite reduced barriers to private investment and increased competition (Ibid., 115). Vietnam was able to avoid some of the common negative impacts of equitization. Several reasons account for this, including encouragement of



FDI to increase capital and technology skills in the SOE sector, initial reforms designed to liberalize trade and end state price control, and the fact that Vietnamese SOEs were not a primary employer (Ibid., 122–123).

At the time *Doi Moi* was implemented in 1986, SOEs accounted for only 15% of the total workforce, compared to more than 75% in other communist states (McCargo 2004, 92). Vietnam's reliance on agriculture—more so than China or the USSR—served to benefit the transition of SOEs by cushioning the overall impact of job losses (Ibid., 92). One downside of equitization is high levels of unemployment as the state closes underperforming enterprises and eliminates redundant positions. However, Vietnam fared better in this respect than many transitioning economies. For example, nearly 800,000 Vietnamese SOE workers lost their jobs between 1989 and 1992 (Ibid., 96). Yet despite this loss, Vietnam's total labor force increased by six million from 1991 to 1997 (Ibid., 84). The new jobs were largely created in the private small and medium enterprise (SME) sector.

As in many transitioning economies, SMEs—from “mom and pop” shops that sell goods in local market stalls to light household industries such as garment production—play an important economic role in Vietnam. Not only do they provide a significant source of employment opportunities, but they have proven to equitize more easily than larger SOEs. In 1998 the Mekong Project Development Facility conducted a survey of 14 small and medium SOEs that had completed the equitization process into JSCs. The general results indicated that the equitized firms were performing well. The survey report's analysis identified both positive aspects of business development as well as areas for improvement. The most promising sign of progress was the employees' increased concern with company performance once they had ownership in the organization. In one instance, employees agreed to a pay cut to sustain profits during a slow period (Webster and Amin 1998, 13). This demonstrates that when employees have a stake in their company, they are more likely to want to improve their company's bottom line, whether through pay cuts or increased productivity. It is an indicator of equitization's success.

Regardless of this achievement, the Mekong Project report indicated deficiencies in the equitization process. The main constraints included lack of capital financing, bureaucratic red tape regarding the transition process, and discriminatory business practices that favor SOEs, particularly with respect to long-term, local bank loans (Ibid., xi). These conditions are not irresolvable and could be remedied in the future through further reform.

Regrettably, growing gender inequity in the workforce is one indicator of failure of the equitization process. During the Vietnam War—similar to what happened in the U.S. during World War II—women entered the workforce in large numbers as men entered military service. As the war ended and *Doi Moi* reforms were implemented, women were laid off in disproportionate numbers (McCargo 2004, 101). As SOE reforms were applied, women tended to be employed on fixed-term contracts, while the majority of men received per-

manent contracts (Ibid., 101). Fixed-term contracts made the women more vulnerable to layoffs, and they were not eligible for social security benefits or redundancy pay regardless of their length of employment (Ibid., 101&105). This trend is of special concern in Vietnam's growing textile industry. The textile and garment industries are among the most important business sectors in Vietnam, and young women constitute the majority of these sectors' labor force. According to Gerard Clarke, Vietnamese women in the garment industry “...suffer significant gender discrimination and stand to lose significantly from the SOE reform process” (Ibid., 105).

Prior to passing the Law on State Enterprises in 1995, the number of Vietnamese SOEs was cut in half from approximately 12,000 to 6,000 (Webster and Amin 1998, 1). The number has been reduced to about 4,000 today to increase Vietnamese business competition and to prepare for accession to the WTO (Hien, 2005). Brian Van Arkadie illustrates the evolution of SOE reform with the following analogy. In the late 1980s, a tourist in Vietnam would have stayed in a state-run hotel, eaten at a state-run restaurant, and rented a car from a state-owned agency. Merely ten years later, a visitor would likely attain the same services from a combination of JSCs and foreign-invested enterprises (Van Arkadie 2003, 112). In 2001 there were nearly 32,000 non-state enterprises, including private companies, JSCs, and enterprises with foreign capital (Heberer 2003, 45). The state has set an ambitious goal of having a mixture of 500,000 established JSCs, limited liability companies, partnerships, and private enterprise firms by 2010 (Quynh, 2006). This can be achieved only if Vietnam improves its business climate and moves forward with further reforms in the legal and banking sectors.

Vietnam's initial Law on State Enterprises and its subsequent incarnations after 1995 have facilitated growth of the non-SOE sector. In particular, the Enterprise Law implemented in 2000—in combination with other reforms such as liberalized trade laws for private firms—sparked a surge of entrepreneurial start-ups (McCargo 2004, 50). The 2000 Enterprise Law converted the system of business licensing to business registration, thereby eliminating licenses that restricted entry into various industrial sectors (Ibid., 87). This revised registration system reform eased the entry requirements for emerging SMEs into the business arena. These laws have provided confidence to entrepreneurs who benefit with the knowledge that the state is supporting their business development efforts. The most recent version of the Enterprise Law, passed in December 2005, reduces restrictions on foreign investors to increase FDI levels.

### SOE Reform: Strategies for Success

To date, Vietnam's SOE reform process has shown both positive and negative results. The process may be slow-going, but the government is evidently making efforts to change. As reforms progressed, several winners quickly emerged: SMEs and individual entrepreneurs.

Once the state removed initial barriers to private businesses and later implemented the Enterprise Law, SME development thrived. In 1995 the majority of Vietnamese



companies—over 66%—had 10 or fewer employees (Heberer 2003, 41). According to the United Nations Development Program, 95% of Vietnamese companies today are SMEs. Many of these people are self-employed entrepreneurs, conducting agricultural, service, and light industrial businesses out of their homes. For example, one Vietnamese textile worker voluntarily quit her factory job to open a small production shop in her home. Not only did she earn more money being self-employed, she was able to care for her young child (Nørlund et al. 1995, 146). Household economies like hers account for a majority of current and future job growth in the country. There are several ways that these workers can mobilize to streamline their efforts and become a more united front to help implement favorable changes to their businesses.

There is a significant lack of business organizations and associations in Vietnam—especially for entrepreneurs—and participation is low in the few that exist. As of 2003, fewer than 23% of entrepreneurs were members in the most prominent organization, the Vietnam Central Council for Cooperative Union and Small and Medium Enterprises (now known as the Vietnam Cooperative Association) (Ibid., 218). Although there are no restrictions barring such associations, the state—having had control over industries for years—is clearly wary of organizations in which they are not involved. Consequently, small business owners are disjointed from other business owners in similar industries. Because they are not able to learn from one another, their fragmentation weakens them all. It would benefit SME owners to form their own associations, perhaps organized by industry. The familiar expression “there is strength in numbers” is particularly applicable in this case. Better organized SMEs could lobby together for reforms that would help their establishments, as well as defend themselves better against changes that could hurt their businesses.

In many Confucian-influenced Asian countries such as Vietnam, business is facilitated through *guanxi*, the development of personal relationships. Vietnam’s communist roots that emphasize the significance of groups over individuality further increase the importance of being aligned with a group through a social connection. Whomever a business owner knows can be as important to one’s success as basic knowledge of business tactics. It can be advantageous to know certain influential people such as policy makers and business leaders who support the small business owner. Building social *guanxi* networks among business owners could enhance business opportunities and help protect a business owner’s interests.

Once business groups have unified, they would have more power to encourage reform-minded politicians like Secretary General Manh to improve Vietnam’s business climate. As stated previously, the World Bank ranks Vietnam in 99th place out of 155 countries regarding the ease of conducting business. This is due in part to an inordinate amount of administrative and bureaucratic procedures. For instance, it takes 11 procedures and 50 days to start a business in Vietnam, compared to 5 procedures and 5 days in the U.S.

(World Bank 2006, 97). The World Bank estimates that it takes an average of 1,050 hours a year for a Vietnamese business enterprise to prepare and file the requisite business tax payments (Ibid., 46). These cumbersome policies are hampering SME development, Vietnam’s most promising source of future employment opportunities. Business groups should urge politicians to decrease red tape and simplify tax laws to promote new enterprises, which would help Vietnam reach its goal of 500,000 established firms by 2010.

Business organizations should also work with politicians to decrease corruption from the top down. Recently, several senior Vietnamese officials resigned after being accused of embezzling millions of dollars from construction projects and using it to buy houses, cars, and the services of prostitutes, as well as to gamble on sporting events. Secretary General Manh said in response that corruption is threatening the very survival of the Party’s regime (*BBC News*, April 18, 2006). Business groups should persuade like-minded politicians such as Manh that high-level corruption could damage foreign investor confidence, which could in turn impact new and existing enterprises that rely on foreign financing. The government needs to make a commitment to fellow politicians and citizens alike that they are not going to tolerate corruption of any form.

The state should launch a public awareness campaign that not only details their zero-tolerance policy towards corruption, but also promotes the benefits of equitization. Workers in JSCs might not realize the advantages of purchasing shares in their company. Many citizens over 18 are not aware that they are eligible to buy shares. Not only would an outreach campaign inform the public, but it would inspire more confidence in the state’s reforms.

There is a large income discrepancy between urban areas, where the majority of industry is located, and rural regions that primarily subsist through agricultural endeavors. Several methods could help balance income between the sectors by promoting private entrepreneurship in less developed regions: improved educational and vocational training opportunities, less state-controlled media, and encouragement of FDI to fund these endeavors.

Education is a priority to the Vietnamese, and their comparative advantage is certainly their sizeable, educated workforce. Per the *CIA World Factbook*, Vietnam’s literacy rate rivals China’s at 90.3% of the total population, and exceeds China regarding women’s literacy rates. According to Dr. Hien Duc Do, Associate Professor at San Jose State University, there is presently a huge demand for education in Vietnam, particularly English language and business skills training in Microsoft Office software. There are many more students than there are schools to teach them. Dr. Do said that even though these schools are expensive, the Vietnamese are so anxious to develop a middle-class lifestyle that they feel the investment is worth the cost. To maximize benefits for both the Vietnamese and foreign investors, the state should actively encourage foreign investors to open such schools in Vietnam, particularly in less urban areas. To promote this plan, the state could offer to partner financially

with a foreign investment firm. Not only would this increase the investor's confidence, but it would guarantee an excellent return on the state's investment in the country's human capital. A skilled workforce brings money to the state and helps raise the overall standard of living.

To enhance the citizens' burgeoning education, the state should ease its restrictions on the media. Television, newspapers, books, movies, and the Internet are all subject to government oversight. The state retains a controlling interest in enterprises that publish academic textbooks, political papers, and current event and documentary films (Van Arkadie and Mallon 2003, 141). These limitations are detrimental to developing an innovative population because they stifle creativity. For example, if someone has an inventive business idea to explore, one's access to quality market research is questionable. State-controlled textbooks are especially egregious if they provide a limited, incomplete view of social and historical events. The state should desire well-informed citizens and should provide increased access to materials that will allow them to expand their knowledge.

Establishing and implementing legal reforms would further cultivate the private sector. As of 2005, Vietnam has no legally established system of property rights, and private land ownership is not recognized by the Constitution (Alpert 2005, 128). In 2006 the *Heritage Foundation Index of Economic Freedom* gave Vietnam a "repressed" score of 5 points—the lowest possible rating—with regards to property rights. This score has remained unchanged throughout the Foundation's eleven years of records. In addition, the judiciary members are all Party members, which reinforces a general bias towards the state. The country has made some progress by building courthouses and establishing standards for lawyers and judges, but they lack a systematic plan to overhaul the legal system. Vietnam's current legal and judicial systems are impeding its efforts to develop the private sector. The government needs to implement laws that demonstrate that their pledge to develop a free market system is more than just lip service. These reforms should be a high priority to the state, regardless of the fact that they are necessary for Vietnam to complete its WTO accession in 2006.

To complement legal reforms, the government should also execute banking system reforms to make business practices between state-owned and non-state-owned enterprises more equitable. Current banking systems favor lending money to SOEs over private enterprises, but it is often private enterprises that are in the most need of funding. Private and equitized enterprises are discriminated against, as they are not allowed to receive domestic, long-term (more than one year) bank loans (Webster and Amin 1998, 19). Local banks should be allowed to provide loans to any viable business, regardless of its organizational makeup. Improved reliability of banking systems would also encourage citizens to reinvest in their country, which is not presently a priority to the Vietnamese.

## Conclusions: Remaining Issues

Vietnam has come a long way towards industrialization since the state implemented initial Doi Moi reforms in the 1980s. Currently the second fastest growing country among its Southeast Asian neighbors, the country's GDP has ranged between 7 to 8% since 2002, earning it 17th place out of 214 countries with the highest estimated GDP growth rate for 2005 (*CIA World Factbook*, 2006). Not only has Vietnam set its sights on capturing a piece of China's manufacturing industry, but it is looking at India's technology sector as well. At the invitation of Prime Minister Phan Van Khai, Microsoft founder Bill Gates visited Hanoi in April 2006, promoting the Internet and the advantages of participating in the global economy. Gates encouraged Vietnamese leaders to consider not only manufacturing, but software development and outsourcing opportunities as well (Tran 2006, A14).

Aside from its robust growth, there are several lingering issues to address to complete Vietnam's successful incorporation into the global economy. Poverty is an ongoing problem. According to the current *CIA World Factbook*, an estimated 19.5% of Vietnamese live below the poverty line. The large income gap that exists between the urban and rural areas is particularly concerning because most of the population lives in rural areas. The rural population—primarily agricultural workers—needs improved higher education and health care, as well as better infrastructure to facilitate their mobility to access these services.

Vietnam's roads, railways, sanitation, and irrigation systems require further development. Enhanced infrastructure would attract more foreign investment, as it would allow goods to be transported more easily. It would also enable rural workers to travel longer distances for higher paying jobs.

In the rural areas, U.S. landmines and artillery shells left over from the Vietnam War continue to harm people daily, killing approximately 38,000 people and wounding 100,000 since 1975. The victims are mainly farmers and children. The government is working with U.S. war veterans to conduct a survey of the remaining devices, which need to be located and safely detonated to prevent future accidental injuries and deaths (*BBC News*, February 25, 2004).

Vietnam is facing several human rights issues including freedom of religion, human trafficking, prostitution, and child exploitation. For example, in 2004 Vietnam was declared a Country of Particular Concern by the U.S. Department of State for its severe violations of religious freedom. The nongovernmental organization Human Rights Watch is monitoring the situation. They are concerned about reports of security forces beating citizens to death to disperse protests regarding the right to religious freedom (*BBC News*, April 14, 2004).

According to a World Bank report, the Vietnam Youth Association estimates that up to 50,000 children live and work on the streets of Vietnam today. A 2001 UNICEF presentation at Vietnam's National Conference on Programs of Action for Children reported that increasing numbers of such children are victimized by prostitution and sexual trafficking. Many are from troubled, impoverished families who cannot afford to

keep them in school (UNICEF, February 2001). Unfortunately, in indigent areas, these types of crimes are common as people struggle to survive. Balancing Vietnam's income disparity would help alleviate these problems, as would tougher penalties for ringleaders who profit from the industry.

With all of the changes that have occurred in the country over the past twenty years, Vietnam has shown remarkable resilience. Its economic progress to date—from SOE reform to liberalized trade laws to steady GDP growth—has attracted the attention of global corporations like Intel, which announced plans in 2006 to build a production facility in Ho Chi Minh City. As Vietnam enters the final phase of its accession to the WTO, the country will focus on issues of particular interest to the WTO—such as legal and judicial reforms—to bring Vietnam into compliance with other WTO members. However, the Vietnamese continue to grapple with ongoing social and political problems that they must address in order to complete their industrialization process. As its market economy evolves, the hope is that Vietnam's growth will benefit all of its citizens and provide them with happier, healthier, and more productive lives.

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## United Korea: A Work Already in Progress... A Presentation on the History and Future of Inter-Korean Politics

by Brad Washington

### ABSTRACT

On the eve of the 2005 Asia-Pacific Economic Cooperation (APEC) conference, the governments of the Korean peninsula found themselves in familiar positions: security and economic policies determining the immediate future of Koreans were being heavily influenced by foreign nations. Outside interest is high because the Republic of Korea (South Korea) is noted as having the world's tenth largest economy (Fifield 2005), while the Democratic People's Republic of Korea (North Korea) is cited as a nation with nuclear weapons and military strength.

Within these over-simplified labels of North Korea and South Korea lie several critical discussions: how will economic stability, the process of reunification, and foreign policy shape the future of the Korean peninsula? What are the perceptions of Koreans about themselves? What is the nature of negotiation between Pyongyang and Seoul, without the mediation and intrusion of other governments? The goal of the following discussion is to further investigate inter-Korean diplomacy to project the vision of a united and stable Korea. Evidence will conclude that the reunification of Korea is inevitable, and has been an ongoing process since the nation's division.

Before exploring the relationship between Pyongyang and Seoul, it is prudent to revisit the Korean War, focusing on the roles of the international community before armed conflict and after the signing of an armistice.<sup>1</sup> The presence of nations and policies involved in the Korean War will become a consideration that re-emerges throughout inter-Korean affairs. Along with an analysis of Korean economic stability and foreign policy, this discussion will also cover the significance of Korean family and spiritual ties in politics. Finally, scenarios will be provided on how regional stability in East Asia can be achieved through a united Korea. Moreover, the evidence that serves as the basis of Korean reunification will delve into why one Korea is important to Koreans and the international community beyond avoiding a nuclear endgame.<sup>2</sup>

### Origin and nature of the conflict

"The origin of the conflict is to be found in the artificial division of Korea and in the failure, in 1945, of the occupying Powers to reach agreement on the method to be used for giving independence to Korea. ...Had internationally supervised elections been allowed to take place in the whole of Korea, and had a unified and independent Korea thereby come into existence, the present conflict could never have arisen" (Halsall 1998).

In order to understand the Korean War and the quandary of Korea, the territorial rationale of China, the United Soviet

Socialist Republic (USSR) and the United States of America (USA) have to be taken into consideration. By the end of World War II, Korea was emerging from a Japanese occupation that had lasted for the first half of the twentieth century. From 1900 to 1945, the suppression of Korean people was not coming entirely from a foreign aggressor. There were Koreans who not only enforced Japanese policy, but also profited from the deaths and suffering of fellow Koreans (Cumings 1981).<sup>3</sup> It is worth stating that the idea of a chosen few from an occupied people or nation carrying out the commands of the colonizer (whether to gain favor or to preserve one's own life) is not unique to Korean history. Nonetheless, the sight of privileged Koreans inflicting harm upon their own people "strip[ped] legitimacy from dominant Korean groups and classes" (Cumings 1981: 31). Korea was facing questions of morality, self-hatred, fear, and uncertainty at a brief moment in time where it was relatively free of foreign control.

In 1949, Korea represented the "only country in the world where [American, Chinese, Japanese and Soviet] interests and security concerns...directly intersected" (Oberdorfer 1997: xiii). After World War II, the amazing speed at which the United Soviet Socialist Republic and the United States of America struggled to gain hold of Korea is directly related to their aspirations in determining the future of the world's political landscape. However, research suggests that the USSR's and USA's desire to shape policy, in East Asia, could not be decided by control of Korea without giving serious consideration to the status of Japan. Over the nineteenth and twentieth centuries, Japan, the Soviet Union, and the United States had become extremely familiar with each other.<sup>4</sup>

Japan had defeated Russia in a previous war, launched a successful attack on the United States on American soil, and occupied Korea and much of China during World War II.<sup>5</sup> Now that Japan was defeated, the acquisition of its former occupied territories for all countries involved became prevalent. As the United States was in Japan measuring the devastating impact of the world's first atomic bombs and planning a strategy on how to now maintain a presence in East Asia, the Soviet Union declared war on Japan and moved into Korea from the north. The USSR movement into Korea was seen as part of the Soviets' declaration of war on Japan (Halsall 1997).<sup>6</sup> However, the United States slowly began to realize that "[Soviet] occupation of Korea would have important military implications for the future of Japan and East Asia" (Oberdorfer 1997: 6).

The Americans quickly scrambled to propose a boundary zone in Korea along the 38th parallel. The division was made to protect each country's interests in Asia. "Though [Soviet] forces in Korea advanced south of [the 38th parallel]" (Hinton 1983: 15), they eventually fell back after agreeing to recognize the proposal. There are many theories that exist as to why the Soviet Union agreed to recognize what has become to be known as the DMZ. Some of these are based on American ignorance about Korea and an erroneous Soviet perspective on the United States:

[The United States had no] Korea experts...involved in the decision [to divide Korea]. [Lieutenant Colonel Dean] Rusk later confessed that neither he nor any of the others involved were aware that at the turn of the century the Russians and Japanese had discussed dividing Korea into spheres of influence at the thirty-eighth parallel, a historical fact that might have suggested to Moscow that Washington had finally recognized this old claim. "Had we known that, we almost surely would have chosen another line of demarcation," Rusk wrote many years later (Oberdorfer 1997: 6).

The actions taken by the USSR and the US following 1945 would continue Korea's long period of foreign occupation. Kim Song Ju was entrusted with the leadership of North Korea by Russia. Kim Song Ju, who later became Kim Il Sung, gained the respect of Koreans "because the prime test of legitimacy in post [World War II] Korea was one's record under the hated Japanese regime" (Savada 1994: 37). Kim was able to consolidate his power quickly with the aid of the Soviets.

Kim Il Sung's doctrine of *Juche* (Cumings 1990: 313) explains that in order for Korea to be truly independent and self-reliant, it had to free itself from all foreign power and reliance. It may be because of the previous statement that historians recount the absence of *Juche* doctrine before the signing of the armistice in 1953, and during Soviet occupation of North Korea. Kim Il Sung was concerned that the USSR in time would be a replacement of Japanese occupation in the sense that Koreans would adopt Soviet ways and again favor opportunities for personal advancement over sacrificing for the prospect of Korean sovereignty.

Yi Sungman (otherwise known as Syngman Rhee, 1875-1965), was a charismatic and determined Korean who saw himself as destined to reunite his country. Rhee was old enough to remember the international world condoning Japan's annexation of Korea in 1905. The popularity of Rhee in South Korea was dependent on various platforms, the most important of which was how he defined himself as anti-Communist. Rhee's charisma with Koreans south of the 38th parallel was unmatched by any other politician contending for the Presidency. However, what Rhee had in vocal support he lacked in financial backing. As Rhee spoke out against Communism, Koreans who had achieved wealth during the Japanese occupation supported Rhee's political adversary Kim Song-su (who was also a wealthy landlord).

Further complicating matters for Rhee and Korea was the constant state of disarray the United States found itself when addressing the future of South Korea. One of the many problems facing Rhee was that the United States had invested heavily in the idea of using Japanese forces (and Koreans that aligned with the Japanese) and advisory panels in its occupation program in southern Korea. While Syngman Rhee's condemnation of Communism won him some level of support amongst the conservative base of government in the United States, there was still the obstacle of dealing with the wealthy people of South Korea.<sup>7</sup> By stressing his commitment to pro-

tecting the wealthy against multiple political (and extremely nationalistic) groups that grew out of Korea's independence, Rhee's political base was boosted (Kim 1983: 12).

As Rhee cradled the wealth of Korea under his banner, his road to the Presidency came in the form of a landslide.<sup>8</sup> Unfortunately for the land owners, their relationship with Rhee soured rather quickly after the election of 1948.<sup>9</sup> After Rhee's victory ensured that he (at the age of 72) would be the first President of South Korea, "he never ceased to call for a "march north" to unify the country by force."<sup>10</sup>

As to the question of who started the Korean War, the revision of history in Pyongyang and Seoul has made it difficult to cite a statement or an act that began conflict. What can be stated more accurately is the level of international participation in the war. As major combat in the Korean War developed, it became apparent that North Korea was receiving support from a country other than the Soviet Union. "Kim [Il Sung] sought Stalin's backing for his assault, but documents from Soviet and Chinese sources suggest that he got more support from China" (Savada 1994: 39). Much of the military support from China were Koreans who fought in China during their civil war. While Kim Il Sung was initially successful in his war for reunification, the entrance of the United States (at the urging of Syngman Rhee) alongside fifteen other nations drove North Korean forces back across the 38th parallel. The three-year war ended in a stalemate with the entrance of additional Chinese forces to protect North Korea in 1953, marking the time of a truce between the warring factions.

By 1953, the concept of what it was to be North Korean and South Korean no longer lay in international doctrine and law. The cardinal labels that divided the nation of Korea had become owned by the Koreans, defining differences among beliefs, family and culture to acknowledge the necessity of a massive foreign military buildup. Where should Koreans now turn for help?

## The Challenges of Reconciliation

"Korea has been invaded more than 3,000 times so Koreans are now enjoying doing some invading, but without guns and cannons" (Fifield 2005).

Reconciliation between North and South Korea begins with the unifying power of the global economy (Cumings 2005: 509). Ironically, for as long as Korea has been divided, plans have been constructed on how to unify it. Historians, politicians and media outlets have invested an immeasurable amount of time and money exploring when and in what manner Korea would again be one nation. Still, both the governments of Pyongyang and Seoul seem content on pursuing the question of unity through a gradual policy. The stages of this gradual policy would allow for trade and domestic interactions between the two countries, call for intimate cooperation between the Korean governments, and finally agree upon a new and central government for the country.

In investigating the stage at which this gradual policy exists, it is important to not focus on other countries that have a stake in the success of Korean unification. If one is to

read the stories about Korea from foreign media sources, the headlines rarely stray from the Six-Party talks that are to convince North Korea to end nuclear proliferation (and that the future of a united Korea hinges on the day-to-day results of nuclear talks alone), or the development of the South Korean economy.<sup>11</sup> While both of these issues are obviously important in Korean media as well, the foreign press does not extensively explore how the unification process has long been established through economic interaction between North and South Korea.

In order to evaluate how economics unifies the Korean peninsula, Koreans have looked to history and innovative programs to spur monetary growth and stronger ties between each other. The former South Korean President Kim Dae-jung helped to begin the Sunshine Policy in 1992. Though criticized as being no more than legislation appeasing a North Korean government that should be handled with more force than negotiation, President Kim used the Sunshine Policy to successfully communicate with North Korean President Kim Jong-Il. The Korean economy represented an avenue South Korea could use to “actively push reconciliation and cooperation with the North [Koreans]”.<sup>12</sup>

Businesses in South Korea have invested in ventures in North Korea to protect government interests and provide opportunities for family reunions. Since the fall of the Berlin Wall, South Korean officials and economists have studied how West Germany’s economy was severely weakened by the incorporation of East Germany. The potential windfall of a devalued South Korean currency could have a devastating effect on investment in Korea, as well as the world’s markets. For North Korea, the idea of their government simply being absorbed into Seoul is a greater concern than economic balance. Therefore, the concern over a potential economic crash helps Seoul align very closely with Pyongyang on the idea of a gradual move towards reunification.

Yet, there is still one very important economic consideration that weighs on a united Korea: “[T]he idea of special assistance cannot be automatically applicable in North Korea’s case unless the nation is classified as a conflict or postconflict state in need of emergency financing for the reconstruction of its impaired physical infrastructure” (Lee 2003: 358). As a result, there would be no guarantee of economic aid from organizations like the World Bank or the International Monetary Fund for Korea. While Korea would not be without its international alliances, foreign edicts and agreements have not worked out well historically.

The Hyundai Corporation, located in South Korea and a huge player in the international market, began tours to North Korea in 1998. While the viability of the venture being economically prosperous was always in question,<sup>13</sup> the strength of the program lay in its dedication to start the process of Koreans working with Koreans as soon as possible. Hyundai’s attempt to work with North Korea has spurred small businesses and entrepreneurs in South Korea to start companies in the north. While the politics and genuine fears of nuclear proliferation and the Korean War still loom over these ventures, a wide variety of business offering everything

from clothing to golf clubs are taking a stake in North Korea.<sup>14</sup> The margin of profit loss in inter-Korean businesses is developing as a prominent topic as South Korea’s economy continues to boom. However, Seoul is committed to building the foundation of a Korean economy with Pyongyang that it hopes will ultimately allow for further cooperation on the peninsula.<sup>15</sup>

Before envisioning the role a united Korea would have in the world, it should be mentioned that unification could not take place without an emotional longing for family reunification among the Korean populace. Though Koreans acknowledge separate governments, they share a common history and lineage spanning several millennia. Family reunions, a program that began at the end of the twentieth century, have connected families with relatives not seen for decades. The coverage of these emotional events in Korean newspapers and on television has helped to change North Koreans’ perception of South Koreans and vice versa.

Popular culture in South Korea, a growing international phenomenon, has dramatically shifted the perception of North Koreans from sworn enemies to misunderstood family members. Through music, television and cinema, Koreans are seeing themselves as sharing a common thread. And while the Korean governments place limits on the number of visits and visitors to their respective countries, there is a shared responsibility in preserving their image of how Koreans should be defined at every level.<sup>16</sup>

“A unified Korea’s diplomacy for the post-Cold War world might well recapitulate Huang Tsun-hsien’s 1880 recommendation that [Korea] have “intimate relations with China, association with Japan, and alliance with America” (Cumings 2005: 507).

For the first time in nearly a century, Koreans will determine the future of Korea. Over the last two decades, the governments of North Korea and South Korea have faced each other in negotiations and across the DMZ, usually in the presence of international diplomats. The plans and documents Koreans have comprised allow them to shoulder inter-Peninsula policy and work towards reunification. So why would the nations of Japan, the People’s Republic of China, and the United States of America be skeptical of a new Korea?

First, the role of international interests (for the sake of military or political gain) would dramatically be diminished in Korea. Korea would not antagonize a rift from its traditional trade and military partners. However, the potential economic and geographical positioning of Korea would see diplomatic discussions become more evenly balanced and significantly change the nature of international negotiations on everything from farming subsidies to arms trades.

Second, what would other countries gain or lose from a new Korea? In the case of China, military and economic security are at the forefront of its concerns. The government of Beijing has been one of the very few to keep a working relationship with North Korea and South Korea. It is my opinion that China favors the gradual plan of Korean reunifi-



cation. Specifically, China would support keeping in place two separate governments for a period of time, especially when considering the imaginary barrier the 38th Parallel provides against a U. S. presence at Chinese borders. While it is clear that China and the United States are global partners, they are still global competitors, and the idea of military action in Taiwan keeps the attention of both nations.

At the same time, China would welcome a united Korea if it offered a stronger economic stimulus in East Asia. In the past, China has helped to provide billions of dollars in support for North Korea, mostly in the form of food and medical aid. Yet, the growing desperation of the North Korean economy, coupled by the mass of refugees fleeing across into Chinese borders, is a problem China will not continue to tolerate. In the end, if Korea can offer a large and robust economy in a partnership with China (South Korea is currently one of China's top trading partners), China may be willing to work with the initial challenges faced by a unified Korean economy.<sup>17</sup>

For Japan and the United States, Korea could be a solidifier or a hindrance in their relationship. If a strong South Korean economy would merge with North Korea and continue to thrive, Japan would be faced with two nations (the other being China) that could compete legitimately on its level. "That is one reason why [some] Japanese eaders...have taken a dim view of Korean reunification, and in the past actively thwarted it by lining up almost exclusively with [South Korea]" (Cumings 2005: 508). Nonetheless, if a united Korea would mean an assured stabilization of the Pyongyang government and allow a closer look on just what is the extent of nuclear weapons in northern Korea, Japan would still benefit.

The United States has as little clarity on the impact of a united Korea as it had on a divided Korea in the 1950s. There is vague evidence at best to suggest the United States has even considered the possibility of an alliance between the governments of Pyongyang and Seoul. The current leadership in Washington, D. C. would prefer a united Korea under the same pretext as a united Germany, void of any trace of a communist government. However, as stated earlier, the reality of such a unification process taking place is small and undesirable by both Korean governments, especially because it may lead to yet another lengthy stalemate on the future of the peninsula. On the other hand, despite a mixed view on the United States in South Korea, both countries remain strong trading partners, and the Republic of Korea has continued to shoulder American debt. With Japan as a strategic partner, an alliance with a united Korea could allow the United States to have a larger position in East Asia, and a strategic edge over China. Whatever the scenario, the forces of a rising economy, common identity, and political confederations have steered North Korea and South Korea on a path towards unification.

The most difficult and promising aspect of a united Korea is that there is no multinational timeline when the process should begin and end. North Korea's constant threat to produce nuclear weapons and break off negotiations, and

South Korea's determination to not completely break-off discussions with Pyongyang, have kept many nations from heavily investing in Korea's future. Ironically, tension on the Korean peninsula has allowed Koreans to delve further into the challenges they will continue to face, and decide how their interests can best be served. The process of one Korea becoming a reality has already begun, and the speed and nature of how it will be manifested depends on the collaboration among the Korean people themselves.

#### ENDNOTES

1. In interviews conducted on Thursday, November 22nd, 2005, Scott Bruce of the Nautilus Institute and Dr. Patrick Hatcher of the University of San Francisco were clear to cite that the signing of the armistice was in no way an acknowledgment that the Korean War had officially ended, leaving open the very real possibility of future military conflict.
2. In the following discussion, I have made the decision to use North Korea (instead of The Democratic People's Republic of Korea) and South Korea (versus The Republic of Korea) in order to emphasize the significance of the Korean War and the DMZ on the future of the Korean peninsula.
3. "Koreans could no longer simply blame [Japan] for the misfortunes that befell them, since the regime often presented itself in the person of a Korean official" (Cumings, 1981: 30).
4. From the entrance of Commodore Perry opening U. S. trade in Japan to the 1905 Treaty of Portsmouth that ended the war between Japan and Russia (with U. S. President Theodore Roosevelt acting as an intermediary), the contentious history amongst the three nations reads as a series of forced cooperation with attacks and counter-attacks that always followed.
5. It is worth quickly noting that at least the Japanese occupation of Korea was a formal agreement between Japan and the United States, so long as Japan acknowledged U. S. interests (often referred to as freedom of action) in the Philippines.
6. At the Yalta Conference of 1945, Russia agreed to align with America and Britain if "[t]he former rights of Russia violated by the treacherous attack of Japan in 1904...be restored" (*Modern History Sourcebook*, 1997).
7. In some ways, it much more difficult for Rhee to rally support than Kim Il Sung. Rhee won support with anti-Communist language, but lacked the heroic stance against the Japanese that Kim Il Sung possessed.
8. "Rhee [was] determined to protect Kim's [Kim Song-Su was Rhee's closest competitor in the race for the Presidency in 1948] group from the attacks of the nationalists in exchange for their financial and political support" (Kim 1983: 12).
9. "As soon as Rhee had used Kim's group to achieve his election to the presidency, he turned against this wealthy group of landlords in order to establish his own independent leadership of the Korean government" (Kim 1983: 12-13).
10. 'Syngman Rhee (Yu Sung-man; 1875-1965)' (*The Encyclopedia of Asian History*, The Asia Society, 1988).
11. As an extension of the nuclear Six-Party talks, South Korean President Roh Moo-hyun and United States President George W. Bush met ahead of the APEC summit to condemn nuclear weapons in North Korea. It was a statement born potentially just as much out of a united front against nuclear weapons in Pyongyang as South Korea being called on by the U. S. to uphold a partnership originating from American support in the Korean War (*CBS News*, November 2005).
12. Federation of American Scientists, 1999.
13. People in South Korea are still very skeptical of North Korea and



- fear for their safety by traveling north.
14. In the fall of 2006, North Korea will embark on creating a 18-hole golf course sponsored by American companies as an experiment in capitalism (*Kansas City Star*, 2005).
  15. "The Korea International Trade Association (KITA) said trade between South and North Korea will hit the US\$1 billion mark for the first time this year thanks to progress in the joint industrial complex in the North's border city of Kaesong" (*Chosun Ilbo*, 2005).
  16. "Ghost Recon 2, designed for Xbox players, is one of several new video games in which the virtual bad guys are North Koreans. But if the Korea Media Rating Board has its way, its boxes will be stamped "Banned in Korea." While U.S. game designers see North Koreans as diabolical enemies, South Korean game censors say they see North Koreans as wayward cousins" (*International Herald Tribune*, 2005).
  17. As an example of China's consciousness on supporting nations that can support the Chinese economy came last week as Beijing announced it did not favor an Asian Bloc economy (i. e. European Union) because it did not include the United States and Europe, extremely important trading partners for the nation (

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## A Hard or Soft Landing for Chinese Society? Social Change and the 2008 Beijing Olympic Games

by Charles S. Costello III

### ABSTRACT

The Beijing Olympics promise to bring positive changes to China's ideological landscape and act as a positive agent for change. With less than two years remaining, the Beijing Olympic Committee (BOC) has reached all of its milestones leading up to the games and has estimated it will spend 40 billion dollars in construction and infrastructure improvements, more than three times the amount spent on the Athens Games in 2004. Despite the early successes however, the Chinese government's actions do not always embody the lofty goals of Chairman Mao's frequent assertion that "in sports, it is the friendship, not the victory, that counts." Beijing's old hutong neighborhoods, rich with long cultural traditions, continue to be demolished at an unprecedented rate to make way for hotels, new apartment complexes and shopping malls. Will the hard-line rhetoric of the Communist government prevail as the world watches or will a softer more diplomatic, more polished government emerge and stand as a legacy of these Olympic Games?

The Summer Olympics are the only sporting event that truly brings the entire world together. Unlike the World Cup of soccer, where thirty-two qualifying countries compete in the final tournament, the International Olympic Committee (IOC) invites every country in the world to participate in a spectacle like no other. With the 2006 World Cup in Germany completed, the Summer Olympics in China will now be the focus of the sporting world as Beijing races towards the completion of the Olympic venues. It looks as though they will complete the preparations in more than enough time and plan to spend a record 40 billion dollars or so doing it. They are moving so fast that the IOC has asked them more than once to slow down and reevaluate some of their designs and concepts. The IOC president, Jacques Rogge, early on advised the Chinese to pace themselves, lest they spend money too quickly and allow the games to get too grand. "I am usually in the position of telling people to hurry up. I am now saying, 'Slow down.'"<sup>1</sup>

Since the Olympic Games were awarded to Beijing in the summer of 2001, the Chinese have made unprecedented economic and cultural investments in their preparations for the 2008 Olympic Games, reaching all of the milestones outlined by the IOC. But despite the pace and early successes, their actions do not always share the lofty goals of Chairman Mao's frequent assertion that "in sports, it is the friendship, not the victory, that counts."<sup>2</sup> Numerous articles have examined the Chinese governments' policies and whether or not

the Olympics can be an agent for positive change in China and perhaps even a peacemaker for the world. While some continue to condemn China for its human-rights record and its seeming unwillingness to change how "human-rights" are defined, others argue that the Olympics are already bringing about more cultural openness to China and improving human rights. Still others wonder if the Chinese are really interested in the true ideals of Olympism,<sup>3</sup> or are the Games simply a venue for accelerated economic development? Pierre de Coubertin, the founder of the modern Olympic Games, wrote consistently that high-minded international sport, especially the Olympic Games, could foster individual and collective goodwill, and even contribute to world peace.<sup>4</sup>

Is it too naive to think that in a world with the internet and space adventure trips on the horizon, that sports, in particular the Olympic Games, might influence world peace? Although the history of the Olympic Games dates back over 2000 years when Greece held Olympic festivals, the question remains whether the concepts on which the modern games were founded are still valid in the 21st century. Jacques Rogge, the IOC chief, was quoted recently as saying, "The IOC is absolutely clear that it wants full respect of human rights....It is however not its task to monitor human rights; we are not equipped to do that."<sup>5</sup> Despite the big money and corporate sponsorships that now dominate a once "amateur" sporting event, the Olympics can be an agent for positive change and improved human rights for China and the world at large. Whether it is the impact of modern technology, corporate dollars, or the improvement of human rights, the question remains whether it will be a hard or soft landing for Chinese society as a result of the 2008 Summer Olympics. Will the hard-line rhetoric of the Communist government prevail as the world watches or will a softer more diplomatic, more polished government emerge and stand as a legacy for these Olympic Games

These questions and many more were on my mind in 2005 as I arrived in Beijing, on one of their biggest national holidays, May 1st. This holiday known as May Day or International Workers Day is meant to honor the working class or labor movement and Communist China is no exception. In modern Beijing, this day did stand for labor, with many job sites working around the clock to tear down and rebuild a new Beijing (see Figure 1).<sup>6</sup> I soon came to find that when it comes to construction in Beijing these days, "location, location, location," often means "eviction, eviction, eviction." Old hutong neighborhoods, rich in long-standing cultural traditions, are being demolished to make way for developments such as new shopping centers, hotels and parks. This development, coupled with growing labor concerns and a flood of nationalism that could threaten the games themselves are among the many challenges still facing the Beijing government.

Even though a myriad of construction projects continue in the preparation of the games, including the Olympic facilities themselves, if you didn't know Beijing was going to be the host for the 2008 Summer Olympics, you would be hard pressed to find any evidence of the Olympics themselves. As

**Note** –This report includes a series of online photo essays that can be found at [www.marilark.com/beijing/beijing\\_index.html](http://www.marilark.com/beijing/beijing_index.html)



of the summer of 2005, many of the major hotels didn't seem to know where the Olympic stadium or the Olympic village was located and none of the maps in any of the major hotels had this information printed on them. I wanted to visit the Olympic sites, even if they were simply open fields, but had a hard time even getting a hotel or taxi driver to take me there.<sup>7</sup> The dust from the many construction sites and the large cranes that litter the expressway from the airport straight into the downtown tell a different story: the Olympics are indeed fueling much of the construction boom in and around Beijing.

**Figure 1:**



Despite the general lack of evidence signaling the arrival of the Olympic Games in Beijing, a visit to Tiananmen Square provides concrete examples of the coming spectacle. As I entered the main square, vendors, (many of them elderly ladies) immediately accosted me, selling an assortment of kites, postcards, pirated Nike hats, Olympic logo items and even plastic Olympic medals. The Beijing Olympic Committee (BOC) has since cracked down on those vendors selling pirated Olympic logo items, threatening to fine those caught selling the items several times more than they would for other pirated items such as Adidas or other well-known brands.<sup>8</sup> As you make your way across the square towards the row of large flags marking the center an indication that the Olympics are arriving soon comes into view. It is from here where you can see the large clock with the Olympic logo, counting down to the exact point when the Olympic Games begin, at 8:00 in the evening on August 8, 2008 (see Figure 2).<sup>9</sup> When the Olympics were awarded to Beijing in July of 2001, the opening ceremonies were scheduled a couple weeks earlier. After further review, stating the extreme heat of late July as the primary reason, the BOC managed to get the opening ceremonies moved to take full advantage of the number "8" coming together; the eighth year, eighth month, eighth day, eighth hour and perhaps even the eighth minute. The Chinese are famous for their symbolism and this date and time is no exception. The number eight is a lucky number, of which the Chinese have many, because it sounds

like the word for good fortune, and consequently is favored, especially by businessmen.<sup>10</sup>

**Figure 2:**



I wondered initially if my trip was poorly timed, arriving during the biggest holiday week of the year, May 1-8, when most of the governmental offices were closed including those of the Beijing Olympic Committee. But since I wanted to talk to the people of Beijing, an unintended benefit of the holiday was that more people would be taking time off. As a result, I was able to make contact prior to my trip with a married couple, two Chinese nationals who were both competitive athletes at one time. I met Yang, who works for the Ministry of Sports and helps organize international sports exchanges, and his wife May at the posh Beijing Hotel (a beautiful facility with all of the amenities you would expect and only a couple of blocks from the Forbidden City and Tiananmen Square.) They came by bicycle and so did I as they had recommended, so we hopped on our bikes and headed out to get a bite to eat (see Figure 3).<sup>11</sup> They were both dressed casually and looked like athletes.

**Figure 3:**





By chance we rode our bikes close to Yang's former neighborhood, a hutong that now partially sits in the shadow of a building under construction. A portion of the hutong remains, and in Yang's opinion, his family was given a fair price for their property. As we passed by on our bicycles, his wife chimed in, saying that "most of the people are quite happy to get payment for their hutong property." Many of these buildings are in fact sadly run down, full of the dust of Beijing. Their brick walls are crumbling, often with concrete patchwork slapped on in an attempt to keep the walls from further decay (see Figure 4).<sup>12</sup> Although there are still many well maintained and livable hutongs all over Beijing, those in the downtown area are disappearing at an increasingly rapid pace. Even if most people go willingly, some are being forced out or evicted from their homes against their will. Recent cases in the United States concerning property and the law of eminent domain remind us that this is an issue in many countries, not just in China.<sup>13</sup>

**Figure 4:**



As we reached the local restaurant, Yang and May both talked about their time as athletes in China. They are both still in good shape, Yang lifting weights, jogging and both of them riding their bikes when they can around town. May teaches swimming and remembered that after a long and hard day of athletic training, she was required to go watch army movies at night. She started her sports career as a swimmer in Shenyang when she was eight or nine years old, competing for the city in national meets. Later on she joined the PAL (Army) pentathlon team and competed for a number of years. I found them both to be very pleasant and open about their experiences. As we went our separate ways I left the restaurant on my rented bicycle, heading back towards the Beijing Grand hotel where the new Beijing, the land of cell phones, rock music and corporate icons, enveloped the flat landscape bordered by the wide avenues, cars, busses and hundreds of bicycles. In this "new" Beijing, I was often approached by college-aged students, at first making conversation and then finally telling me about their "exhibition" which I learned the hard way was a front for selling their art

work to the gullible tourist. Others were a front for a jewelry store or even still a massage parlor. I did however use these encounters as an opportunity to ask them what they thought of the Olympics. Most of them thought the Olympics were a good thing but some felt money was being diverted from important projects, many of them hurting the farmers in the greater Beijing area.

The Olympic Games have surely been an agent for the physical transformation of Beijing. Riding a bike around the city is one of the best ways to experience its complexity and energy, but it is not for the faint of heart. Despite the traffic, pedestrian, and environmental hazards, I felt most at ease on the bike because it seemed as if people accepted me more as a local, even as my fellow foreigners puzzled over why someone like themselves would risk his life on a bike. As I rode through the city, I saw few playgrounds, no soccer fields, basketball courts or even much grass at all. I wondered where all the kids were playing, or perhaps where the Chinese Olympians of the future were practicing. I rounded a corner on my bike near the east side of Tiananmen Square where I did see some kids playing soccer, but the game was on the concrete courtyard in front of one of the national buildings that borders the square. Perhaps this is a local access point to sports where the young Chinese athletes refine their skills and gain the passion one needs to "get in the zone," or experience the flow of non-action called wu wei, as the philosopher Chuang Tzu might have said.

As with most big cities, the downtown is not where you typically find outdoor sport facilities, but on another bike tour, this is where I stumbled upon a large athletic complex made up of several soccer fields and at least ten full-size outdoor basketball courts crowded with young athletes (see Figure 5).<sup>14</sup> The soccer fields were not real grass, which would be quite exotic in downtown Beijing, but were well-appointed fields with what looked like new artificial turf. The soccer fields were not crowded with players, but Yao Ming, the Houston Rockets basketball star from China, would be proud to see the hard fought games being played on the basketball courts all day long. The athletic complex was sponsored by a consortium of local and international companies such as Nike (Suzhou) Sports Co., Ltd., Yue Yuen Industrial Holdings (Limited) and a number of athletic shoe companies. As I continued on my bike tour, I soon found myself behind a big group of high school aged kids, all wearing sweat suits and carrying backpacks stuffed with balls and tennis rackets as they headed out for the day. I was curious where these kids were going so I followed them to what appeared to be a school. It was a Saturday, so perhaps they were heading to school anyway or maybe it was a special sports day. Most likely they belonged to intramural sports clubs that practiced on Saturdays.

### Sports and the Olympic Movement in China

China's history in the modern Olympics dates back to the first Los Angeles Summer Games in 1932 with one athlete, Liu Changchun, a track and field participant who was eliminated in the preliminary rounds of the 100- and 200-meter dashes. They took part in the 1936 Berlin Games, and

again when the games resumed after World War II in 1948 in London. After the Communist victory in China in 1949, sports were deemphasized, especially on the international front. Consequently, from the 1952 games in Helsinki through the 1980 Moscow games, mainland China did not take part. During these years, "China" in the games meant Taiwan.

**Figure 5:**



In the late 1970's and early 1980's, sports in the post-Mao era began to change on a national level. They were no longer interested in ping-pong diplomacy, when many of the national level sporting events were staged "friendship" competitions. During the Mao Zedong years, Beijing boycotted just about every international sports event, refusing to share the same venue with fellow Chinese across the Taiwan Strait. China did participate in a few staged events, 'Friendship First, Competition Second' was the theme of these so-called events that were called the "Friendship Games."<sup>15</sup> As a result of the normalization of diplomatic relations in 1979 between the United States, China rejoined the IOC after an eleven-year absence due to the unsatisfactory resolution of the "Two China Problem."<sup>16</sup> In the second Los Angeles games in 1984, the mainland Chinese reappeared, although Taiwan appeared as Chinese Taipei.<sup>17</sup> Despite a last minute boycott of the 1984 Los Angeles Olympics by most of the communist contingent, China competed, winning its first Olympic gold medal. The women's volleyball team became national heroes, and went on to dominate the international volleyball scene, winning three world titles. This was the beginning of what is now an Olympic "gold rush" for the Chinese. Their athletes continue to gain confidence in themselves in the international sporting arena.

Building on its success in the 1984 Summer Olympics in Los Angeles, the mindset of the Chinese athlete was beginning to change as was the attitude of many of students, intellectuals, workers, and regular citizens that later led to the democracy movement of the late 1980s. With the changing culture in the mid 1980's came a shift in the psychology of sports and competition. Susan Brownell, author of *Training the Body for China*, looked further into what social scientist

Marcel Mauss, in 1939, described as "body techniques" (1995:30). As an athlete herself participating in the 1986 National College Games of the People's Republic of China, she reflected on how "body culture reflects the internationalization and incorporation of culture. Body culture is embodied culture."<sup>18</sup> Some have said that the Confucian values of the general population were not meant for competition. Chinese sports scholar, Lu Yuanzhen, has argued that sports training could help transform this traditional mentality. "In a sense, competitive sport not only has actual significance in stimulating the national spirit, but also has a deep value in shaping the character of a new generation of the people."<sup>19</sup>

After hosting the successful Chinese National Sports Games in 1987 (with then IOC president Juan-Antonio Samarach in attendance), the world watched in the summer of 1988 as South Korea played host to the Olympic Games in Seoul. The games were very successful and, as a result, China began to seriously consider its own bid for the 2000 games. They put together a strong proposal, but the year 2000 games were awarded in 1993, only four years after the Tiananmen Square "incident" that occurred in the spring of 1989. Despite a close vote (they lost to Sydney by two votes) the international community just wasn't ready for a Chinese Summer Olympics. China decided not to bid for the 2004 games, with Athens being a strong sentimental favorite after losing the bid for the 100-year anniversary games in 1996 to Atlanta. The fact was that China wasn't ready in the year 2000 and would have to wait for their time to come. It also appeared that you had to first lose to later win in the bidding, as Athens did in its 2004 bid after losing in 1996 to Atlanta. In the meantime, China had reinvented itself as one of the top medal-winning countries, winning twenty-eight gold medals in the 2000 Sydney games and thirty-two in the recently completed 2004 Athens games. Their resurgence at the Olympic stage has drawn worldwide attention. They have over 17,000 athletes in their elite training system while the United States Olympic Committee (USOC) system only has capacity for 1,000 athletes on a permanent basis.<sup>20</sup>

### **Destruction of the Hutongs**

As Beijing continues to transform itself on a daily basis, racing to put on a show the world will never forget, the pace of change itself comes with its own set of cultural problems as the city and the suburbs grow rapidly. And with that rapid change, it is "old Beijing" that is in large part being demolished to make way for the new China. I spent a lot of time in old Beijing, the hutongs south of Tiananmen Square and those north of the Forbidden City, where I wandered on my bicycle to escape the traffic and noise of the "new" Beijing, the land of cars, gaudy department stores and new "villages" that are quickly replacing the hutongs. These hutongs were full of children and old residents alike and, although they were dusty and crumbling to a certain degree, they have a charm and quiet unlike the "new" Beijing.

As the hutongs continue to be replaced, suicides and attempted suicides were part of a wave of almost daily protests that swept cities across China from September to



December 2003. In the Human Rights Watch account, cases were reported where Beijing residents attempted suicide in direct protest of the construction related to the Beijing Olympics.<sup>21</sup> Going back to Confucian ethics, suicide became throughout Chinese history a “moral commentary on immoral conditions where the suicide is the only strategy for dealing with dire social circumstances.”<sup>22</sup> China generally has a high rate of suicide and so these instances only added fuel to the fire of unfair practices concerning the buildup to the Olympics. Many of those evicted were landowners who claimed they were not given fair compensation for their land, especially those residing in Beijing. With the paltry sums they are receiving as compensation, most of them are not able to afford an apartment in the neighborhoods from which they are being evicted. Local officials point out that these residents are in fact being paid fairly for their property and the developers and the government should expect them to leave their property as agreed.

Is this destruction of old Beijing being brought on by the pending Olympic games or is it simply a result of the change that is taking place all over China as its economy continues to grow and modernize? In Beijing it appears to be the former, as these quiet and graceful neighborhoods continue to be demolished at an unprecedented rate. I couldn’t help but wonder whether the founder of the modern Olympic games, Pierre de Coubertin, would be happy with what he would see as the Olympics continue into the 21st century. Is the Beijing government staying true to the definition of Olympism as defined by the International Olympic Committee (IOC)?

“Olympism is a philosophy of life, exalting and combining in a balanced whole, the qualities of body, will, and mind. Blending sport with culture and education, Olympism seeks to create a way of life based on the joy found in effort, the educational value of good example, and respect for universal fundamental ethical principles.”<sup>23</sup>

Riding a bicycle around the hutongs, one is immediately transported to an old world. These neighborhoods at mid-day are very quiet except for the call of an occasional vendor selling something from his cart, the singing of small birds from within cages hanging outside, or the sounds of generational families living together (see Figure 6).<sup>24</sup> Many of the hutongs in the downtown area are depressingly dirty and seem to be falling apart. Was this because the residents had already succumbed to a local developer and their hutong was soon to be replaced by a high-rise business park, department store, or an apartment building? The remnants of the broken hutongs are usually cemented or walled off to seal the old neighborhood. These new dividing walls are often laced with broken glass to keep the hutong residents from climbing over and entering the new buildings.

Other hutongs are ready to be transformed, crumbling behind walls that announce the beginning of the end for many of these neighborhoods. Sometimes a portion of the hutong remains livable, but you wonder how long they will last as they hobble along with the dust and rubble of nearby construction. As Sean Gallagher of openDemocracy points

out, “According to UNESCO, in the past three years a third of the 62km squared area that makes up the central part of the old city has now been destroyed. This has displaced close to 580,000 people – one and a half times the total population of Washington D.C.”<sup>25</sup> The occasional rickshaw is likely now a tourist attraction and in the north part of the city, where groups of rickshaws provide tours of the historic hutong neighborhoods. However, most of those hutongs that remain in the downtown area do not have such “tours” and are literally cut in half, sometimes by a new street, a new office building or perhaps a new apartment complex or hotel.

**Figure 6:**



### Labor Pains

With this construction boom comes jobs, and plenty of them. The laborers are often from outside Beijing, as evidenced by the shantytown living quarters thrown up near the construction sites. It is not easy to get proper work permits for this increasing trend towards day laborers and migration to and from the countryside to the cities. And sometimes even when a worker has documentation, it is hard to get paid on a regular basis. In the documentary, “Concrete Revolution,” Guo Xiaolu details the construction industry in China and the dark side of the paving over of Beijing.<sup>26</sup> Early in the morning, many of these laborers are dropped off in vans while others live in small cramped quarters, oftentimes in the neighboring hutong or what’s left of it. Telephones are set up near the work site to allow the laborers to call home. Restaurants on wheels appear early in the morning to feed the crews as they get ready to work—most of them showing up for work between five and six o’clock in the mornin—and appearing again at seven or eight o’clock in the evening when workers depart.

As workers of all ages appear on the job site with shovel or pickaxe in hand to start their shift, some grab a bite to eat as the sounds of cracking eggs, the twirl of the spatula, and the exchange of money are drowned out by the sounds of heavy equipment running nearby. I was struck by the enormous, noisy, dusty cranes towering above the job sites. The meaning of the word “crane” dovetailed rather ironically



with the elegant whooping cranes of old China, made famous in landscape paintings. I was a little nervous at some of the job sites since a foreigner with digital camera in hand is not a welcome visitor. Photographing the workers and the conditions of the construction site is not the kind of thing a developer wants to publicize. Consequently, I was waved off most job sites before I could get close enough to photograph anything or anyone. Despite not speaking the language I was told to leave a couple of times and other times I just clicked pictures as I rolled along on my bicycle (see Figure 7).<sup>27</sup> Many of the new construction projects have fancy names and colorful billboards, such as Glory City, the name of a huge residential complex in the downtown southeast of Tiananmen Square. Whether it is on a Sunday morning or Friday evening, the flow of workers, sounds, and citywide change is constant.

**Figure 7:**



### Human-Rights and Government Control

As Beijing accepted the Olympic flag from Athens, the Communist government realized more than ever that it would be under increased international scrutiny over the next four years on everything from human rights to its labor policies. The extraordinary preparation by the Chinese brings to the foreground important social issues, the most glaring being human-rights violations. On the one hand, the Chinese political establishment adopted the term “human rights” as a sign of its modernity. On the other hand, aided and abetted by the traditional vagueness of international human-rights law, the definition of human rights has been tailored to the interests of the Chinese regime.<sup>28</sup>

Can there be one universal definition of “human rights” that applies to all countries and people? China, for the most part, doesn’t think so and argues that they have a right to their own definition based on their history and culture. To some degree, they are still arguing that human rights are an internal affair. Just after the 2004 Olympics in Athens, Xiao Tian, deputy secretary general of the Chinese Olympic Committee, when asked to comment on the upcoming games

said, “We hope to concentrate mainly on sports performance rather than human rights. I’m sorry to tell you the understanding of human rights differs as far as nationalities, history, culture and religions (are concerned), and maybe conflict will arise in discussion of this topic. I’m sorry, I cannot elaborate further.”<sup>29</sup> On the positive side, there is continuing dialogue about human rights both in international conferences and in publications. However, China continues to act in ways that contradict their newfound willingness to discuss human rights. As a result, the government continues to be criticized by Chinese dissidents abroad, by NGO’s like Amnesty International, and by Western governments.<sup>30</sup>

Soon after the closing ceremonies in Athens, Human Rights Watch launched a “China Olympic Watch” website to monitor issues of censorship and rights abuses in China leading up to the games.<sup>31</sup> But things are different in China than they were in Greece. While compensation for property rights remains a hot issue and workers are without a doubt being exploited, construction in Beijing is meeting or exceeding all milestones laid out by the IOC. Leading up to the Olympic Games in the summer of 2004, Greece was not finished until literally the last minute. If even a broken piece of pottery was unearthed, all construction at the site had to stop to bring in experts to see if it was part of an archeological treasure. Beijing, on the other hand, has pursued unconstrained development with what on the surface appears to be little thought for preserving ancient artifacts. In one of the few incidents reported publically in May 2004, artifacts were unearthed at one of the Olympic venues and construction was halted to excavate as many as 48 ancient gravesites dating back to the Han dynasty (206 BC – AD 24).<sup>32</sup> A city more than two millennia old must have hundreds of archaeological sites that have been submerged under new construction, but information about their fate is scarce.

It is a “good news, bad news” scenario when dealing with China’s Olympic preparation so far. On an economic level, China continues to do the right things, effectively cooling their growth to avoid a hard landing that can come with such unprecedented economic development. One of the areas that were impacted early was the construction of the marquee Olympic venues. The BOC continually reevaluated plans and at one point were considering whether to scrap as many as half the new venues for the Olympic games. Yan Huang, who is leading the planning and construction side of Beijing’s Olympic bid said at the time, “There is a real debate going on about these big projects – whether it’s appropriate to be spending so much money on them and hiring foreign architects instead of Chinese.”<sup>33</sup> Athens spent an unprecedented \$12 billion on the 2004 games and early estimates from Beijing are in the range of \$37 billion. Most of the venues will be ready for the “practice” games in 2007 leading up to the opening ceremonies on August 8, 2008.

China has also made great strides athletically as evidenced by the success of their Olympic team in Athens games. Their great leap forward occurred in Athens when Liu Xiang won not only the 110-meter hurdles but beat all rivals in a world-record-tying 12.91 seconds. Most of the

Chinese reporters and officials were equally shocked because this victory came four years early.<sup>34</sup> Not only did he win the race, he was well ahead of the silver and bronze medal contestants. After the Chinese team's performance in Greece, winning 32 gold medals, second only to the United States which won 35, the goal now is winning, not simply participating or making friends as Chairman Mao may have encouraged. Gu Yaoming, general secretary of the Chinese Olympic Committee (COC) said, "To have a successful Olympic Games, first we have to have good facilities and management, and second our athletes should win more medals. I don't say in the year 2008 we can pass the United States. But we will try."<sup>35</sup> With these unprecedented victories comes an increased Chinese nationalism, but not always in positive ways. For example, at the Asian Cup soccer tournament in the summer of 2004 just prior to the Athens Olympics, Chinese fans heckled and booed the Japanese team and the Japanese national anthem during the final match, which the Chinese team lost 3-1. Additionally, in spring of 2005, protests were held throughout China regarding Japanese textbooks and their interpretation of history. This combined with Japan's wartime occupation of China and its reluctance to apologize properly in the eyes of the Chinese make some question whether nationalistic passions will interfere with the nation's ability to host a safe and friendly 2008 Olympics.

Meanwhile Beijing's rapid urban expansion continues and the costs keep rising, with a total estimate now close to \$40 billion, more than three times that of the 2004 Athens Games. Tourism will increase as a result of the Olympic Games, but the many natural and manmade tourist attractions—the Great Wall, the 2,200-year-old Terra Cotta Army at Xi'an, and Guilin with its beautiful scenery—already are drawing more and more tourists each year. The tourism industry in Beijing has benefited tremendously since the July 2001 announcement of the successful Olympic bid, with travel in and around Beijing made easier by many infrastructure improvements. By 2006, Beijing will have revamped some 200 km, or 124 miles, of inner-city roads to form an expressway system and, at the same time, complete the fifth and sixth ring roads around the city.<sup>36</sup>

As the preparations for the games continue and the business climate improves with the recent devaluation of the yuan, most companies, if they haven't done so already, are asking themselves what their China strategy is, and if they don't have one, why not? All areas of the economy are being targeted, including the high tech industry. Visa, the credit card company, has paid dearly, as most marquee sponsors have, for the right to use the Olympic rings and logo in its advertising. And with over one billion potential users of credit cards in the future of China who can blame them? They are one of many marquee sponsors that hope to use the Beijing Olympics to launch their products to the Chinese consumer. In 2003, there were 22 million personal computers sold in China, the second largest market for personal computers in the world after the United States. In 2003 alone, the Chinese telecom market had over 269 million wireless phone

subscribers, with over 1.7 billion instant messages being sent.<sup>37</sup> Another marquee sponsor, fast-food giant McDonald's announced in February 2004 that it plans to nearly double its restaurants in China before the 2008 Summer Olympics. McDonald's operates 580 restaurants in China, but plans to increase that number to 1,000 by the time the 2008 games begin. The company has also signed an eight-year renewal to sponsor the Olympic Games for an undisclosed sum until 2012. The company also said it signed up Chinese basketball star Yao Ming of the Houston Rockets as an official spokesman. He will participate in promotions tied to the Olympics.<sup>38</sup>

### Looking towards the future

As globalization makes the world smaller and smaller, we are seeing instances of what University of Chicago anthropologist Arjun Appaduari calls "postnational formation," a social engagement of sorts that is masked in the multinational organizations and non-governmental organizations (NGO's) such as the IOC<sup>39</sup> Using the IOC in this instance, are the Olympic Games a form of nationalism that all Chinese can share? Or are the Olympics becoming a part of this postnational formation, as patriotism and nationalism get lost in the global community? Can sporting events such as the Olympic Games act an agent for positive change in China and the world at large? Or will political "events" threaten to overshadow the games themselves?

Without a doubt, politics play a part in the hosting of the Olympic Games and Beijing will be no exception. Since the first Olympics in 1896, a torch, lit in Olympia by the sun, is used to light the flame in the opening ceremonies of the games. In modern times, this torch is often carried from coast to coast and the flame is guarded closely. The Chinese aim to "top the world" as they had promised in their winning bid by carrying the torch to the world's highest peak of Qomolangma (Mt. Everest) as part of the Olympic Torch relay. Liu Jingmin, vice president of the BOC, said Beijing would honor its promise. "Beijing has promised in its bidding reports that the holy fire of the Olympics will reach the world's highest peak, and we are now preparing for the unprecedented relay."<sup>40</sup> Even the exiled Tibetan leader the Dalai Lama concluded that to award the Games to China would be an act of gentle diplomacy, bringing it into the international family and forcing the Communist regime to subscribe to stricter civil rights standards.<sup>41</sup>

Nationalism can indeed bring out the best or the worst in people, and act as an agent for change as in the example at the 2004 Asian Cup given earlier. We can also see how these sporting events can impact other areas of society beyond sports. For example, at the Asian Cup games, special "Red Card" t-shirts worn by 22 children highlighted the "Red card to Child Labor" campaign as part of the halftime show of the semi-final match between China and Iran. This campaign was organized to bring the message that child labor is unacceptable to people beyond the reach of traditional lobbying methods. There are estimated to be more than 130 million child workers in the Asian and Pacific regions.<sup>42</sup> With the

world watching, the impact of these additional programs can far outlive the Olympic Games.

In today's Beijing, hordes of young school-aged kids can be found at large sports complexes running track, or playing soccer and basketball as they dream of being the next Yao Ming, or Liu Xiang, winner of the gold medal in the 110-meter hurdles in Athens (see Figure 5). They walk differently than their parents, eat different food, listen to different music and are growing up in a new world, with a new culture outwardly evident in their new body culture. Their parents too are growing up in this transformed China, one that is changing both physically and mentally.

The new mindset works hand in hand with the changing body culture and confidence of the Chinese athletes and the general population. As we have seen, it is relatively easy to change the physical appearance of a city, and for that matter the physical appearance of a new generation of people, but it is a more difficult and consequently a slower process to change the culture of social expectations about the economy, politics, and lifestyles. As the mindset of the "new" China continues to evolve, one can only hope that the Olympics act as an agent for positive change. The question remains however, will China flourish or will the Olympic Games be a mere footnote in the continuing legacy of China's Communist Party? Is it possible for the true ideals of Olympism to be realized in spite of the success of the games themselves, in particular the ideas of "the educational value of good example and respect for universal fundamental ethical principles?" These ideas of "Olympism" are strikingly similar to Chairman Mao's simple assertion that "in sports, it is the friendship, not the victory, that counts."<sup>43</sup> In the end, perhaps Mao's statement is the best advice. Despite the politics, the rapidly changing landscape of Beijing, and the slow progress on human rights, the Olympics promise to bring positive changes to China's ideological landscape, which in the long run will be the principal legacy of these games. In other words, the hard-line promises to soften. Stay tuned, as China opens slowly and lands softly in 2008, preparing to host the biggest party the world has ever seen.

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# Dashing Out and Rushing Back: The Role of Chinese Students Overseas in Fostering Social Change in China

by Dannie LI Yanhua

## ABSTRACT

As a leading source country of overseas students worldwide, China has seen two rapid increases among students flowing out of the country and returnees from abroad. The rises can be easily seen as consequences of China's opening policy in 1978 and the booming economy that China is now experiencing. Yet, behind the seemingly straightforward emphasis on education and careers, there are significant changes in Chinese society driving the trends. These changes, such as shifts in political policies, altered economic and social environments, increasing nationalism, and rational westernization among Chinese nationals, contribute to the current human talent flows between China and abroad. The changes also indicate a tendency of transnationalism, a global trend emerging in Chinese society. This discussion explores China's actual and imagined community of students studying abroad by looking at its demographics, the motivation of going abroad, majors of study, roles in Chinese society, and prospects upon return in the past quarter century.

## Dashing Out—Studying Abroad

Studying in a foreign country was still a dream to most Chinese before 1978, especially after China discontinued most of its international education exchanges during the Cultural Revolution from the mid 1960s till 1976. Overseas study became an opportunity for some Chinese from 1978 to the early 1980s, when Deng Xiao Ping, in June 1978, declared his support for increasing the number of Chinese students going abroad for further study. Since the late 1980s, studying abroad has been both an opportunity as well as a risky investment for many Chinese. It became a reality because of the loosened policy for self-funded overseas study and the economic takeoff in China. Yet, it remains a risky investment since an overseas education no longer guarantees a high financial return and strong competitiveness as it used to, before Chinese became more rational about the benefits of overseas study. This transformation of perception can be seen by demographic changes in student population studying abroad as well as the motivation for this study. Meanwhile, other factors such as diversifying destinations and majors of studies will also be discussed.

## Population

According to the official statistics from the Chinese Ministry of Education, from 1978 to 2004, the total population of students and scholars studying abroad amounted to 815,000, with a figure of 114,700 in 2004 alone. Though the number shows upward growth since 1978, the rise was not necessarily even over the past twenty-seven years, quantitatively and qualitatively speaking.

For example, compared with the 114,700 students going abroad in 2004, the number in 1978 was only 860, though it has already quadrupled the number of 220 in 1977 (See Chart 1). While the population of students sponsored by the state or by their associated organizations remains at a steady slow growth, the number of self-funded students has risen dramatically in recent years. Only one fifth of the total overseas students were self-funded between 1978-1987, but they have constituted more than 90% of the total in recent years (Yao, 2004: 10).

**Chart 1: Number of Students and Returnees from 1978-2004**

	1978	1979	1980	1981	1982	1983	1984	1985	1986
Students	860	1,777	2,124	2,922	2,326	2,633	3,073	4,888	4,676
Returnees	248	231	162	1,143	2,116	2,303	2,920	1,424	1,388

	1987	1988	1989	1990	1991	1992	1993	1994	1995
Students	4,703	3,786	3,329	2,950	2,900	6,540	10,742	19,071	20,381
Returnees	1,605	3,000	1,753	1,593	2,069	3,611	5,128	4,230	5,750

	1996	1997	1998	1999	2000	2001	2002	2003	2004
Students	20,905	22,410	17,622	23,749	38,989	83,973	125,179	117,300	114,700
Returnees	6,570	7,130	7,379	7,748	9,121	12,243	17,945	20,100	25,100

Source: Chinese Educational Yearbook: 1978-2004

The aforesaid changes over the past twenty-five years are attributed to three major policy changes in 1978, in 1984, and in 1993, respectively. Deng Xiao Ping made a speech in 1978 to encourage studying overseas that was the key policy shift for the trend. According to Zweig and Chen, this is a "strategic decision" the Chinese government made to compensate for its loss over the Cultural Revolution and to enhance its national capacity for science and technology (Zweig & Chen, 1995: 7). If Deng's remark in 1978 was a breakthrough for educational exchange in modern China, a more liberal policy adopted in December 1984, allowing people to "study overseas at their own expenses" (*zi fei liu xue*), sparked the "fever to study abroad." This policy resulted in a 50% increase in overseas student populations in 1985 over 1984. Having said that, the real momentum driving the current surge is the policy introduced in 1992, which officially granted students the freedom to leave and return to the country (Zweig & Chen, 1995: 23). From then on, studying abroad and returning has become merely a matter of choice for Chinese, not a political statement. The three major policies over three different decades have shown that a globalizing China is on the move towards its integration with the world educational exchange.

Economic and social environments are two key factors contributing to the student outflow. At the start of implementing the opening reform policy, China faced a series of consequences from the Cultural Revolution, such as stagnation in science and technology, an economic downturn, and rigid social norms. China was then impoverished and backward. The annual average income per capita for an urban resident in 1978 was about \$43 US Dollars (See Chart 2).

**Chart 2: Annual Average Income Per Capita in China: 1978-2004**

Year	Urban per capita income	Rural Per Capita Income
1978	343.4	133.6
1979	405	160.2
1980	477.6	191.3
1981	500.4	223.4
1982	535.3	270.1
1983	564.6	309.8
1984	652.1	355.3
1985	739.1	397.6
1986	900.9	423.8
1987	1002.1	462.6
1988	1180.2	544.9
1989	1373.9	601.5
1990	1510.2	686.3
1991	1700.6	708.6
1992	2026.6	784
1993	2577.4	921.6
1994	3496.2	1221
1995	4283	1577.7
1996	4838.9	1926.1
1997	5160.3	2090.1
1998	5425.1	2162
1999	5854	2210.3
2000	6280	2253.4
2001	6859.6	2366.4
2002	7702.8	2475.6
2003	8472.2	2622.2
2004	9421.6	2936.4

Source: Chinese Educational Yearbook: 1978-2004

Economic hardship, adding to policy constraints, made it impossible for people to study abroad without sponsorship from the government or its associated organizations. In the mid 1980s, China started its economic takeoff, which sped up in the early 1990s when Deng Xiao Ping made his famous “trip to the South” in 1992. The market economy facilitated enormous wealth for some people who jumped into this “sea of trade.” By 2004, urban residents were earning an average of about \$1166 US Dollars (see Chart 2), which still seems insufficient for funding overseas education. However, this average is misleading because there was great disparity in household income based on geographic location and employment. Many middle-class families, particularly urban families in major cities, could afford for their children to study abroad with relative ease.

Meanwhile, the only-child generation since the late 1970s is another significant social factor for the surge. Given the primary importance of education in Chinese culture, it is not surprising that parents, even at the cost of taking out loans, give their maximum support and resources to provide their children the best education, which, to many, is an overseas education. Furthermore, many international education institutions have realized that China is a big piece of cheese yet to be integrated into the global education market. Numerous education institutions have come to China to recruit Chinese students, especially in the last six years. Promotional seminars and education exhibitions have flooded the market. All these market promotions, together with people’s zest for foreign experiences, make the idea of “receiving overseas education” a chic and modern trend.

## Motivation

Apart from the external factors, what is the internal motivation for the decision of a typical Chinese to study abroad? According to Huang, many people, particularly the first generation of students sponsored by the state or by their associated organizations since 1978, aim for advanced knowledge that is relevant both to China’s and to their own development. Other motivations include financial benefits, experience in the US, and an intention of getting “gold-coated”—a pun for social honor, respect, better job opportunity, compared to those locally educated (Huang, 1997: 3). Yao gave a more up-to-date analysis of a person’s possible motivations for study abroad: avoiding domestic competition from both the education system and employment, disappointment at the domestic universities versus high expectation of the foreign schools, and transferring illegal money by corrupt government officials (Yao, 2004: 11).

These motivations are especially suited to the situation in the 1980s and early 1990s. However, starting from around 2000, one will find that some earlier analyses are no longer entirely convincing. The gap between China and the developed countries keeps narrowing, and it is particularly so in China’s major cities where most overseas Chinese students come from. Gaining financial benefit from overseas seems a comparatively naïve idea now, when many countries experience economic slumps and high unemployment rates while China grows fast. In terms of foreign experiences and studies, these can also be easily achieved without overseas education. The further loosening of control on overseas travel by the Chinese government has enabled people to travel abroad without getting approval from the local public security bureau (Liu, 2005: 297). International education programs, including those collaborations between prestigious western and domestic universities, mushroomed in China to offer local students education based on a western curriculum without having to leave the country. In addition, the expansion of university recruitment in the late 1990s has greatly relaxed the stress and competition of obtaining higher education. Finally, the competition for employment, though remaining severe, does not grant a preference to overseas graduates, due to an overwhelming abundance of human resources in the work force, which will be discussed later.

What else should one consider in understanding the motivations among the flock going overseas in recent years? People’s growing awareness of transnationalism, their intention to escape the ideological void since the 1990s, and the zest for independence and freedom among the only-child population are worth pondering. First, the idea of transnationalism within Chinese society is nurtured by China’s increasing integration to the processes of globalization. Economical and efficient means of transportation and communication have made international travel convenient yet cheap. The relaxation of government policy has decreased the distance and space between China and other countries. Having access to these conveniences has inspired Chinese to be involved in the global community and to cross national boundaries. Transnationalism also lures people, especially



the young population, with the enormous opportunities brought by its “transnational capital”— defined as “value added to an individual’s capacities that result from overseas links, foreign education or training, or transnational networks” (Zweig, Vanhonacker, Fung & Rosen, 2005: 5). For young Chinese, overseas education grants them membership in the transnational community, thus it is a stepping-stone for activities that more easily and frequently link China to the rest of the world.

Second, some people seek faith and a belief system abroad, which they do not find in Chinese society. The political turmoil that occurred in the 1980s made many Chinese doubtful and cynical towards the government and their belief system. The ideological basis of society was questioned, ridiculed and abandoned. Communism failed a lot of people. The zeal for democracy was driven underground. Religion is either under the leadership of the CCP, or it is characterized as backward or even as an antirevolutionary cult. People have shifted their passion into creating economic miracles not for China but for themselves. Money has become the last belief, with the common expression “I only believe in money” heard from many Chinese.

For aspiring and thoughtful young people, this ideological void represents social repression and emptiness. According to an interview done on Dec 2nd, 2005 with a female in her twenties who came to the US in 2001, the money-driven and repressive social atmosphere pushed her out to seek her faith and new truths. She described that she feels no stress to pursue her Christian belief and non-profit career in the US, where she enjoys more freedom and privacy. The desire for independence and freedom among the only-child generation also contributes to the flow. Showered with over-attention and protection, many people in this population yearn for independence. This desire also coincides with parents’ wishes for their children to be self-reliant. The benefit of developing independence and logical thinking through experience of living abroad, promoted by overseas institutions, appeals to both parents and young people, and results in a remarkable recruitment among this population.

### Destinations and Academic Majors

Now that there is a huge number of people leaving for overseas education, where do they go and what do they study? With the prime importance given to the economy, people seem to give preference to capitalistic countries. The popular majors are also skewed to practical subjects, especially to those seeming to have the most demand in the job market.

Socialistic countries, once popular in Mao’s era, now rarely attract people’s interest, except for a very small percentage of people sponsored by the state or state organizations (Yao, 2004: 12). Capitalist countries, such as the US, Japan, and the UK became the most desired destinations since 1978. Even so, more and more educational institutions from various countries have come to share this big education pie. With more countries to choose from, overseas Chinese students have spread to over 108 countries. Yet over 90% of

the students are concentrated in the developed capitalist countries such as the US, Canada, Japan, Australia and those in Europe (Liu, 2005: 294; Yao, 2004:12).

Fields of study, an indicator of social change, also shifted significantly over the past quarter century. Traditional subjects such as mathematics, physics, and philosophy are less preferred by the current students, due to their academic rather than profit-oriented nature. The craze for computer science, electric engineering and MBAs in the past decades produced an overwhelming number of graduates that flooded the job market. Though these majors are still popular due to their practicality, students are now more rational in selecting their fields of studies, with a combination of personal interests and market demand. The range of majors is wide and diversified, including some that rarely attracted any interest in the past. For example, social sciences, such as psychology or nutrition science, have gained more interest from Chinese students because of the increasing social needs and scarcity of professionals in recent years. Nevertheless, practical and profitable subjects, such as business, economics, medicine, law and hi-tech majors, are still desired by the majority of the overseas Chinese students.

### Rushing Back—Returnees from Overseas

While the wave of Chinese studying overseas continues to grow, academic research has been done on the prospects of the returnees to China since 1980s. Among the total of 814,900 students studying abroad since 1978, there are 427,000 people who are in progress, another 197,900 have returned to China, therefore 190,000 people have remained overseas upon finishing their education. The low percentage of returnees in the mid-1980s till the mid-1990s has attracted scholars’ attention. The “brain drain” to developed countries was once seen as a sign that the “third world is at the periphery of the world’s educational and intellectual systems, while industrialized nations constitute the center” (Zweig & Chen, 1995:11). However, with the thriving domestic economic and social environment, China’s “brain drain” has largely converted into its “brain gain” or “reverse brain drain,” as thousands of overseas students have returned to China since the late 1990s. This transformation also greatly affects returnees’ roles in the society and their prospect upon return. Similar to the surge going abroad, the reverse human capital flow is seen as a sign of growing significance of globalization for China and the world at large.

### Population

Before the mid-eighties, most of the overseas students and scholars returned to China after they finished their education. This group consisted of a good majority of state-sponsored or organization-sponsored scholars, who would be guaranteed advancement in their profession and career upon their return. According to Zweig and Rosen, the problem of the brain drain began in the mid-eighties and continued into the mid-nineties. Many of the self-funded students remained overseas, and the number of returnees dropped

significantly between 1985-1987 (see chart 1). The crackdown after the 1989 Tian'anmen Square Incident further aggravated the problem, with a mass exodus of Chinese students and scholars remaining overseas after their education (Zweig & Rosen, 2003). In a survey done with 276 Chinese students and scholars in the US in 1993, Zweig and Chen found that only one third of the interviewees expressed a desire to return (Zweig & Chen, 1995: 28-33). This survey revealed that China ran the risk of losing substantial brainpower to the developed countries.

Due to a shortage of intellectuals caused by the brain drain of the early 1990s, the Chinese government launched campaigns to attract overseas talent to return. Policy wise, the government promised better benefits for returnees and assured there would be no political consequences for those who participated in the democracy movement (Sun, 1992: A12). A liberal policy of allowing people to "come and go freely" adopted in 1992 became an incentive for those who hesitated to return due to the restraints of mobility from the government. Besides, tax reduction and favorable supporting policies, which assisted returnees in establishing their own businesses, enhanced the prospect of entrepreneurship among returnees. This greatly helped to pick up the number of the returnees and signified a turning pointing in the transformation of the brain drain into the brain gain in mid-1990s.

Meanwhile, according to Zweig et al., "reverse migration might be the result of individual responses to changing economic and political policies in China, the U.S, and the region." The authors also state that "tectonic shifts and the locus of global-economic power have pulled people back to Asia since the early 1990s" (Zweig et al, 2005: 3). Since the nineties, many developed countries have encountered various economic downturns, such as the continuous recession in Japan and the collapse of the Dotcom boom in the US. China, on the other hand, benefiting from the opening policy, has been on the rise with its economic modernization and integration with the world market.

A more enlightened social atmosphere has also encouraged the overseas Chinese to return. Government initiatives, together with the positive economic and social factors, have facilitated a rise of returnees since 1992. Statistics showed that there was about a 50% annual increase of returnees in the years of 1992 and 1993, after which the number started to level off with a steady increase each year. Reviving of Chinese nationalism abroad, with Chinese government's encouragement and with overseas Chinese's involvement, also served as a "pull" factor for human capital inflow into China (Liu, 2005:301-303). Starting from 2001, when China entered the WTO and won the sponsorship of Beijing Olympic 2008, the returnees flocked back with an annual increase of 25% to 30%, with a rocketing figure of 25,100 in 2004. Returnees were not only seen to possess knowledge and technology from abroad. Many also brought in financial capital, advanced business concepts, and transnational networking. Thus the brain drain has largely converted into a brain gain.

## Sea Turtle and Seaweed

Upon their return, returnees found different experiences in readapting to local culture. Nevertheless, their overseas education and adventures distinguish them from the locally trained people. "Sea turtle," a pun for returnees with overseas education and skills, has been commonly used to describe returnees in the 1990s. The sea turtle has the ability to survive in the water or on the ground, hence it adapts to different environments. Similarly, the returnees, with "portable skills," are able to manage in dual social and work systems. "Sea turtles" were especially welcomed by domestic employers and academia during the eighties and nineties, because of China's scarcity of foreign-trained talent yet its rising demand for human capital with international education and skills.

At that time, returnees occupied key positions in academia, domestic as well as multinational enterprises, and professional positions; also, many became entrepreneurs. On the other hand, they contributed to society in many ways. First, they brought back advanced science, technology, and business concepts. For example, many returnees from the Silicon Valley brought back leading technologies and business practices, which helped them to establish the Chinese Silicon Valley in the Beijing Zhongguan Cun Hi-Tech Park. They were seen to have brought China into an "Internet Age." Secondly, many brought in venture capital from abroad with their projects. Thirdly, they helped to established international exchanges with their overseas ties. Returnees were then much respected and honored in society because of their contribution and their worldwide perspective in their professions, compared to their locally trained counterparts. Last but not least, they were generously paid and were promised a bright future with the high demand from the job market. Thus the title—"sea turtle"—signified an aura of honor and admiration pervading the returnees in the Chinese society.

However, this aura has been diminishing, since "sea turtle" was replaced by "seaweed" in recent years. "Seaweed" have become popular since 2001, when new returnees found their overseas studies losing credit in the employment competition in China. "Seaweed" is a pun for returnees awaiting jobs. Enthusiasm for seemingly immense opportunities in China dropped among fresh returnees as their frustration from job hunting and employment soars. What made this radical change in a period of merely several years?

Glionna and his description of the dilemma that returnees are facing provide insightful perspectives on this change (Glionna, 2004). With their precursor's achievement and significant social status, returnees in recent years were shocked to find that their foreign studies no longer granted them the opportunities they had expected. Many people were attracted to return for the same reasons—China's rising economy, improving living environment, and its more liberal social atmosphere. China's involvement in the international community is also seen to offer enormous opportunities for returnees from overseas. However, it was these same reasons that brought over 85,000 returnees back from 2000 to 2004 (see chart 1). On the other hand, China's expansion in university

recruitment since the late 1990s has boosted the number of domestic college graduates. With an increase of both domestically trained and foreign trained human capital, the job market is now over supplied, especially in the field of business management, computer sciences, and finance—coinciding with overseas students' most popular fields of studies. In addition, employers have become more rational towards people with foreign degrees and education, as China and its people are more exposed to the rest of the world. Overseas education no longer promises to be superior to domestic studies, as news reports have revealed that some foreign educational institutions are poor in quality and some people go abroad merely for the purpose of getting "gold-coated" without achieving real academic success. In contrast, domestic graduates outdo the returnees with their improving foreign language abilities and similar educational background, and more modest expectations from their employers. Furthermore, many returnees are fresh graduates, who lack the actual work experiences most employers seek. Taking these factors into consideration, returnees, losing preference by the employers, became "seaweed." Glionna describes Chinese employers' views on returnees as unrealistic in their expectations. The returnees are seen as lacking sufficient insight into the ever-changing Chinese marketplace, having unwelcome outspokenness, and acting overly individualistic in a collectively-oriented work environment (Glionna, 2004: A3).

The strong contrast seen regarding returnees in the past two decades again demonstrates changes in Chinese society. Changes are both realistic and rational behind the seemingly radical fluctuations. Having said that, the returnees' prospect in China remains promising, if they have obtained solid academic preparation abroad, hold a realistic view of their expectations, and are willing to re-acculturate in domestic society. After some down-to-earth work experiences in China, they are still among the most competitive human talent, unique due to their international ties that China needs for its globalization.

## Conclusion

In a mere twenty-seven years, the Chinese people have experienced a huge shift in their perceptions of overseas education—from a far-fetched dream, to a possible opportunity, and then to the current affordable reality. On the other hand, the respected status of returnees has also been adjusted realistically with people's rational views on the continuing reverse talent inflow. These phenomena not only reveal the changing society in China, but they also indicate that the transnational human exchange in China is no longer rare or a one-way outflow—it has become a popular practice coinciding with global trends. Similarly in many countries and areas

in the region, such as Korea, Japan and Hong Kong, the exchange of transnational human capital is one of the many processes of participating within a global community. This human capital flow will continue to increase as long as China maintains its political, economic, and social development. At the same time, it will serve an active role, boosting China's progress by empowering its workforce.

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## Hip Hop and Identity Politics in Japanese Popular Culture

by Cary Jackson Broder

### ABSTRACT

Hip-hop has emerged in Japan as an artistic and cultural phenomenon, as well as a source of identity and cultural capital for young people. Originating in the streets of the Bronx in the 70's, Hip-hop music and advertising have become entrenched in Japanese popular culture. It has engendered lucrative new economic ventures and inspired new fashion, signs, and attitudes derived from images of African-American rappers.

This paper examines the impact of Hip-hop culture on Japanese identity politics as the movement gains momentum in the Japanese economic and cultural marketplace. By examining each of the four primary "schools" of hip-hop art, the paper illustrates how Japan's encounter with Hip-hop has generated new forms of self-expression, and cultivated new templates of identity for young people.

Implicit in this new form of cultural borrowing is the marketing of signs and signifiers of African-American culture. These often involve the packaging and consumption of stereotyped depictions of African-Americans. Images of gangsters, thugs, hyper-sexualized pimps, and head-wrap-wearing R&B divas found in popular media become templates for identity and fashion choices for many young Japanese people.

Not all hip-hop in Japan is emulative. As the art form expands, it develops its own unique characteristics, addressing topics like nationalism, cuisine and cultural identity itself. The discussion will shed light on the complex transmission of Hip-hop culture into the fabric of everyday Japanese identity through media, and the consumption of stereotyped images of blackness implied in the Japanese adaptation of the art form.

Hip-hop has quickly emerged in Japan as an artistic and cultural phenomenon, as well as an image-based source of identity and cultural capital for young people. Originating in discotheques and in urban park jams in the poverty-stricken borough of the Bronx in New York City in the early 1970's, Hip-hop music, lexicons, and marketing have become inextricably entrenched in Japanese popular culture. It has engendered lucrative new economic ventures for young entrepreneurs, musicians, and young artists, and inspired new fashion, signs, and attitudes derived from images of primarily African-American rappers.

This paper examines the impact of Hip-hop culture on the construction of Japanese identity politics as the movement gains momentum in the Japanese economic and cultural marketplace, as well as the assimilation and reinterpretation of Hip-hop's art and imagery by Japanese young people after its inception in Japan in 1983. By examining the history of Hip-hop's emergence into Japanese daily life, and each of the four purported primary "schools" of hip-hop art in Japan—DJing, MCing (rapping), breakdancing, and graffiti writing—I will illustrate Hip-hop's emergence in Japan from an obscure street phenomenon found in public gathering spaces such as Harajuku's *Hotoken*<sup>1</sup> into a complex, transnational art form where new identities and forms of art are acted out in expensive clubs, art galleries, and on the streets

of Japanese urban centers like Tokyo, Yokohama, and Osaka. I will also examine how Japan's encounter with Hip-hop's artistic and cultural paradigms has generated new, unique forms of high tech artistic self-expression, avenues for consumption and transmission of negative African-American stereotypes, and cultivated new templates of identity for Japanese young people.

Hip-Hop's storied origins in the late 1970's in the Bronx have been well documented in popular media. The Bronx in the 1970's was a highly visible symbol of urban decay, part of a city that was languishing in debt, all but abandoned by Washington when Gerald Ford "refused [the] cash strapped city...financial support."<sup>2</sup> Median family income in the Bronx was a mere \$5,200 per annum, and the Bronx was a heroin-plagued borough rife with "police impotence, urban misery, and highly organized drug distribution," urban blight, soaring transit fares, and "miles of burnt out buildings."<sup>3</sup> If great art is the product of struggle, then such conditions then were more than ripe for the emergence of a new, frustrated, and energetic artistic movement. Fed up with the glossy, cocaine-based decadence and awful music of the disco era in the 70's,<sup>4</sup> innovative DJ's like Africa Bambatta and Kool Herc, rappers like Busy Bee (who incorporated aspects of the Jamaican practice of toasting),<sup>5</sup> breakdancing crews, and graffiti artists such as Lee (who turned subway cars into a living canvas), created a new, vital form of artistic expression that carved out new discursive spaces and alternatives to drug and crime activity for at-risk youth.<sup>6</sup>

Relatively soon after its rise in the states in the 70's, Hip-hop emerged in Japan in 1983, when a handful of young dancers and artists lost their heads over a showing of the seminal, low-budget documentary film "Wild Style."<sup>7</sup> Soon after that, small groups of breakdancers started gathering in Yoyogi Park, a public hangout for young people in Tokyo situated between Shibuya and Harajuku.<sup>8</sup> Weekly Hip-hop gatherings quickly became a "*shizen-gensho*," or 'spontaneous natural phenomenon,' inspiring weekly gatherings featuring breakdancers and Hip-hop music blasting from boom boxes, a style copied from the legendary happenings on the urban streets of NY and other East Coast cities.

Dismissed by mainstream American critics as one more passing musical fad and novelty form of fashion and music until as recently as 1993, roughly twenty years after Hip-hop's emergence in the Bronx streets, few could have envisioned that Hip-hop would one day evolve as a recording industry mainstay,<sup>9</sup> or that both white Americans and Japanese kids from middle-class families would walk around in the trademark baggy jeans, Cazals,<sup>10</sup> and sneakers popularized by rappers like Run-DMC and LL Cool J. Skillfully marketed in Japan by companies like Def Jam Records today, Hip-hop has transformed from an eclectic form of recreation practiced by a few oddballs in Yoyogi Park into a lucrative industry whose drum machines, urban marketing, and break beats dominate the landscape of Japanese popular music and culture. Utada Hikaru, regarded and marketed as the reigning queen of conventional Japanese pop music, features two songs on her most recent album produced by hip-hop mega

producer Timbaland, whose synthesized mechanical twirps defined Hip-hop and pop music production starting around 2000.

In fact, it is no exaggeration to say that Hip-hop fashion among young Japanese people is the rule, not the exception. Even popular music in Japan that does not overtly package itself as such is still undeniably influenced by trademark signatures of Hip-hop music production: synthesized, repetitive loops, drum machine-produced break-beats at 90-110 beats per minute, and catchy choruses mirroring U.S. Hip-hop production are par for the course in most Japanese pop songs. In Tokyo's younger enclaves such as Shibuya, Harajuku, and even in more upscale neighborhoods like Ebisu, everywhere one can see the glossy packaging of stars wearing trademark Hip-hop sneers, loud jewelry ("bling-bling," or *pika-pika*) and expensive brand-named fashion based upon 80's images of the urban street. The images of Japanese stars wearing Hip-hop fashion are broadcast on a daily basis by the "Super Lisa" television screen in Shibuya. It is the panoptic, giant TV monitor overlooking Tokyo's primary youth meeting place, the Hachiko exit of Shibuya station. The Super-Lisa serves as both a five-story giant billboard, but also as a 24-hour barometer of cool (*kakkoii*) for Japanese youth.

Like 'rock' in the 60's, 'existentialism' in post-World War II Europe, or any imported cultural buzzword, the term Hip-hop has become both simultaneously ubiquitous and indefinable in Japan, as the cultural form's tentacles now extend well beyond youth culture. DJ Honda one of Japan's first successful commercial Hip Hop DJs, now owns and operates a clothing boutique in Nolita, New York City's downtown fashionista neighborhood not exactly known for its urban swagger. In Japan, his clothing line targets middle-aged salarymen in unassuming middle-class shopping outlets like Ito Yokado, endorsed by celebrities like Robin Williams and Ichiro Suzuki. Honda's product includes a line of hats, golf shirts, even boxer shorts.<sup>11</sup> Trendy, expensive health clubs such as Freizeit and X as feature "Hip-hop" dance classes attended equally by middle-aged housewives, their trainers, and young rap aficionados alike.

Japanese rap is booming. At this point, the majority of Japanese Hip-hop lyrics are largely derivative of U.S. Hip-hop, unwittingly yielding a bizarre linguistic fusion of Japanese pop lyrics covering universal themes like love and dancing, interspersed with English sound bites of black, hyper-sexualized masculinity from male rappers like "I'm the smooth operator"<sup>12</sup> and "This ain't no joke, I'm treating you right girl,"<sup>13</sup> with female singers playing their role as secondary augmenters of the male narrative voice, shaking their booty, professing their dedicated love to their man, or lamenting a broken heart. Contemporary Japanese pop song structures closely follow the commercially viable, conservative lyrical formula of alternating female-crooned R&B opening intros and rapped choruses.

In addition to adhering to often unswervingly formulaic song structures and lyrical imitation and borrowing without creatively embellishing upon the original works, Japanese rapping is also limited in most cases up to this point by other

major factors: the Japanese language's structural parameters, word order, and patterns of articulation and enunciation differ vastly from those of English<sup>14</sup> and cause awkward delivery when integrated with English words. In addition, Japanese rappers' lyrical cadence or "flow," the most crucial element of rapping, is often much too abrasive and aggressive-sounding to international audiences, limiting Japanese rap's appeal abroad.

But can rap be a unique form of Japanese expression? Rappers in Japan often raise interesting issues: who is Japanese? What does it mean to be Japanese today? Not all rap lyrics in Japan are emulative, and many rappers are beginning to deviate thematically from their U.S. counterparts. A select few artists have emerged as social critics with unique artistic voices and highly skilled vocal stylings that originally and creatively address deeper issues in Japanese society such as teen apathy, media paralysis, and ironically, Japan's cultural and economic subservience to the United States. Hip-Hop has given Japanese artists and young people new discursive spaces and voices of questioning of their government, society, and the world around them. In "Bullet of Truth," Rappers King Giddira and K Dub Shine exhort Japanese young people to analyze themselves, using rap as a means of questioning Japan's entrenched materialism, bombardment by western-style marketing, and "heartless commercialism":

"Yo! If you're listening to this take time to analyze yourself .... Information overload beyond common sense, ads in the subway cars overpowering us, everywhere on TV sex and violence...now chaos reaches beyond borders, Heisei era, what language are they speaking on Wave [Tokyo Radio Super station]... the streets filled with foreigners...everyone can experience the rising sun here, where? Japan a wealthy country?...terrifying business, despoiled environment, heartless commercialism..."<sup>15</sup>

To be fair to Japanese rappers, it should also be noted that unlike Hip-hop in the States—where the lyrical content of rap songs is crucial in their acceptance or rejection by critics—Hip-hop in Japan is more visceral, sensual, and based in image; its highest articulation is found in high-priced clubs rather than on recorded albums. Hip-hop clubs in Japan are very much like sonic onsens; hedonistic middle and leisure-class black-themed retreats. Japanese clubs replicate a technologically advanced version of Harlem itself for patrons, replete with graffiti on the walls, with all the fun of participating in the allure of signifiers of black sexuality and powersans the nagging social problems actual African-Americans have to face, such as the glass ceiling for advancement, disproportionate confinement rates in prisons, or continued discrimination in housing practices.

While rappers might provide the face of Japanese Hip-hop, DJ culture is the most widespread and popular facet of the form in the country. Japanese DJ's are remarkably innovative, pioneering new scratching techniques and methods of blending songs. Any nighttime spot in Tokyo invariably has

two Technics SL-1200 turntables and a state of the art sound system. A typical Saturday afternoon for fans in Shibuya, Japan's youth capital, invariably involves 'beat digging,' or the practice of looking for and purchasing rare records that, when owned, serve as an indicator of authenticity and one's long-time dedication to the art form. Giant record stores like Cisco and Manhattan Records are sites of highly competitive consumption by fans of the genre "digging in the crates" for "rare grooves," usually classic Soul or Jazz records from the 60's and 70's that served as the originally sampled sources for rap songs. Mimicking the urban, poverty driven practice of scouring garage sales and junk shops for cheap records, Japanese youth dig through seemingly endless racks of rare vinyl in well organized-record stores, searching for overpriced original sources of Hip-Hop's samples. Unearthing an obscure source of a Hip-hop song grants credibility and authenticity, serving as an expression of one's fidelity to Hip-hop's musical form. Consumers purchase the authentic soulful past of black music as a relic, blackness and hipness reduced to a controllable commodity.

Breakdancing is now Japanese Hip-hop's crown jewel. A perfect example of cultural borrowing, breakdancing incorporates elements of the Brazilian martial arts/dance form *capoeira*<sup>16</sup> and also Kung Fu films imported from China and Hong Kong. Hip-hop dance influenced by breakdancing is an everyday occurrence in Japanese culture, not only amongst initiates. Nearly every sports gym in Tokyo offers some form of Hip-hop dance classes. Outside of suburban malls in Tokyo suburbs like Tama Center and Atami, young kids form breakdancing crews modeled after The Rocksteady Crew, and practice elaborate, unique synchronized routines in public spaces.

Like breakdancing, graffiti, traditionally linked to Hip-hop culture in media, has assumed its own identity in Japan and taken on characteristics of its own. In Japanese urban centers like Yokohama, Shibuya, and Osaka, graffiti exists in mural form mostly on storefronts, legal walls, and in art galleries, spaces American writers tend to decry as illegitimate—most 'real' graffiti artists in the States consider the transgression of writing on public space as intrinsic to the art itself. However, given the primacy of the aesthetic qualities of written Japanese language forms of *kanji*, *katakana*, and *hiragana*, and of their prominence in Japanese visual art (and written communication in general), graffiti 'tagging' (artistically scrawling one's name) seems like a both natural jump to make for young Japanese visual artists, and a means of forging a form of art unique to Japan.

Like Japanese rappers and breakdancers, many of Japan's foremost graffiti artists first became interested in the form after seeing "Wild Style". In an interview with well-known Osaka Japanese graffiti artist Very in *Air Magazine Japan*, he mentions that

"I saw that documentary "Wild Style," the one about the New York rap and early Hip-hop music scene in the '80s, and that really inspired me. The day after I watched that movie, I did my first tag. It was the first time I had ever done graffiti. Also I wanted to see something like that in Osaka."<sup>17</sup>

Graffiti in Japan also serves as a lucid illustration of how hip-hop culture imported from abroad can be combined in creative ways with Japanese 'traditional' art forms to create new forms of art, blurring the lines between what is imported and what has sprung from indigenous sources. Art gallery curator Kenji Kubota, who put together a gallery show featuring the works of prominent Japanese graffiti artists, noted that Japanese writers and muralists' works differ from Western writers':

"Some do graffiti in Japanese characters, Kanji or Katakana mixed with influences from manga or anime. If you look at their letters, you can tell that some of them are really influenced by Japanese pop culture and I think the way they create their letters is somehow different to [sic] western graffiti. It feels more like craftsmanship than normal [graffiti] writing".<sup>18</sup>

While creating new and unique discursive spaces, Hip-hop also has its negative side in Japan, operating at times as an unwitting site of transmission of essentialized depictions of African-Americans, some egregious, some more subtle. Hip-hop is marketed in Japan in major record stores such as Tower Records and Tsutaya in the "Black" music section of the store—black cool distilled into another entrée' in the vast panoply of consumer choices available to young Japanese with disposable income eager for the next big thing. Directed at consumers of hip-hop are billboard advertisements reading "Be Real Black," featuring sneering African-American rappers flashing weapons. Young Japanese men and women periodically tan their skin "black" to emulate the skin of 50 Cent, Lauryn Hill, or other African-American stars. In the end, the ideas of Hip-hop and blackness are often interchangeable and entirely conflated in the realm of marketing, advertising, and promotion of the art form.

According to John Russell, a cultural anthropologist at Gifu University in central Japan, those costumes often portray African-Americans in their typical caricatured roles in media:

"Demeaning caricatures of blacks still invade television programs, commercials, manga and gift shops," Russell said. "For cosplay" - costume play - "participants, there are 'Rasta Man,' 'Soul Man' and 'Afro Man' blackface kits, and Tonga Bijin ('Tonga Beauty') masks, the last little more than a gorilla mask with golden hoop earrings. Only a few months ago, a TV commercial for facial wipes featured a group of Rastafarians and, inexplicably, a chimpanzee, lounging in a dimly lit room."<sup>19</sup>

Adding fuel to the fire of these enactments of essentialized blackness by middle-class Japanese kids during a night of clubbing is that Hip-hop is rooted in the language of authenticity, which encourages close adherence to and reduplication of existing patterns of 'black' fashion depicted in media. Japanese young people have historically striven to emulate and reproduce foreign modes of fashion and behavior presented as authentic, from 1950s rock 'n roll culture to



today's representations of African-American Hip-hop. However, Hip-hop, more than other forms of popular music—perhaps due to racial dynamics and the dynamic of authenticity at play—demands personal sacrifice in the name of the assumed historical origins of the art. This limits original thought and interpretation, and the tacit agreement is that obedience to Hip-hop's cultural ethos and codes of behavior, available for purchase, can negate the lack of street credibility inherent in middle-class consumers who grew up far away from the gunplay and mean streets of 1970's New York City.

In a 1996 interview in Japanese music publication *Front 9*, rapper Zebra, probably Japan's most well known M.C., audaciously declares that

"... it is not the case that "black" equals Hip-hop. There are many blacks, so-called "house negroes," who despise hip-hop's message. For blacks in the American Hip-hop community...in some ways, these people are the enemies, and us Hip-hoppers living in Japan are the allies. It may be going too far to say so, but I have black "Hip-hop friends" (emphasis mine) who feel this way. To fight the chaos together, and with all of our hearts spread to Hip-hop, I am certain that this is the greatest respect that can be paid to the originators."<sup>20</sup>

The possible consequences of Zebra's observation are profound: blackness itself is no longer inherent in skin color but is found in devoted observance of male-dominated, violent commercial street mythology now available to anyone who can play the part, white, black, or Japanese. Apparently a middle-class African-American accountant who dislikes rap constitutes a "house negro" in Zebra's mind, while a Japanese suburban teen dressed in baggy pants, spending disposable income on expensive records qualifies, due to his allegiance to the movement's original principles. One would also have to ask Zebra if the African street vendors commonly found in Tokyo's streets selling bootleg Rockawear<sup>21</sup> jump suits would also qualify as race traitors if they were wearing Kufis or other traditional African garb, rather than b-boy attire.

Interestingly enough, while CD's by Caucasian Hip-hop artists like Eminem are found in the 'black' section of most Japanese record stores, works by African-American classical musician Wynton Marsalis or famed African-American soul singer Etta James are not. Such merchandizing strategies beg the question: who is Hip-hop? And who, after all, is "black"? In a 2005 MSNBC interview with pioneering Hip-Hop journalist Sacha Jenkins, editor of Hip-Hop journal *Mass Appeal* and co-editor of the *Ego Trip Big Book of Racism*, a scathing parody of race in the United States, he notes that:

"[Emulation of African-Americans by non-African-Americans under the presumed guise of a universal Hip-hop culture] is like the ultimate Halloween costume. It's fun when you're rockin' the costume for a couple of months but then you can be white again, and what could be better than that?"<sup>22</sup>

Despite Jenkins' cynicism towards the emulation of Hip-hop culture by both Japanese and Caucasian youth, many famous Japanese Hip-hop stars such as Club Harlem's DJ Hasebe attempt to transcend the merely imitative aspects of the art form, drawing influences from their own culture. In an interview conducted via telephone, DJ Hasebe, producer for Japanese group Sugar Soul, asserted that one of his unlikely heroes and icons as a teenager was Sakamoto Ryoma, a Meiji-Era hero who ran guns and led gangs of *ronin* (renegade samurai) against the Tokugawa shogunate to help establish democracy in Japan.<sup>23</sup> Hasebe well summarized the complex dynamic of cultural transmission at play in Hip-hop when he remarked:

"A lot of Japanese young kids, they just want to imitate American rap fashion because that's what's cool. I don't like [copying] like that. I try to draw on a whole host of influences. Just like American Hip-hop stars name themselves after cowboys and Italian mobsters, I'm heavily influenced by Japanese samurai... I try to be true to myself when I DJ and not just copy or imitate American artists. A lot of kids in Japan, they just watch MTV and copy what [rapper] Nelly is wearing. But that goes on in America too, white kids copy black fashion.... A lot of us, we've been doing this rap s—t for a long time, we've developed our own style."

Hip-hop has evolved in Japan from a passing fad into a prominent source of cultural capital, fashion, and artistic innovation that has assumed its own identity in Japan despite its derivative qualities. It has also emerged as a complex but often problematic site of cultural exchange that brings up the question: What is it to be young and Japanese, when identities are chosen from the 'cultural supermarket' of Hip-Hop? The future will determine whether or not the art form will mature and follow artists like VERY, DJ Hasebe, and King Giddira into places of unique expression of a new Japanese identity, or if it will simply exist as a means of regurgitating black stereotypes in the name of profit for the amusement of middle-class kids on a quest for coolness and authenticity. One thing is certain: If the 'Super Lisa' has anything to say about it, Hip-hop in Japan isn't going anywhere.

#### ENDNOTES

1. *Ibid.*, 229.
2. Jim Fricke. *Yes Yes, Y'all: The Experience Music Project Oral History of Hip-Hop's First Decade* (Cambridge: Da Capo Music Press, 2002), introduction.
3. *Ibid.*, introduction.
4. *Ibid.*
5. Toasting is the Jamaican art of "chatting" over records dating back to Kingston in the 1960's, in which competing groups of mobile sound-systems playing reggae music would feature an emcee (ironically known as 'DJ' in Jamaica) talking over records and taunting members of rival groups in notoriously fierce competition. The current art of emceeing in hip-hop is heavily influenced by this Jamaican legacy.
6. Despite revisionist historical depictions in media of Hip-hop as an all-inclusive, pan-African political phenomenon, NYC crews such as

- the Zulu Nation were more likely to be feared than revered.
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