



China Currents



A Publication of the China Research Center

Vol. 6, No. 3, Fall 2007

Articles



The Road Ahead: A preliminary assessment of the 17th Congress of the Chinese Communist Party
by Yawei Liu



China 17th Party Congress Roundtable
by Justin Baskerville



The New China Anti-Monopoly Law
by H. Stephen Harris, Jr.



Peking University and the Centers for Disease Control: A 25-Year U.S.-China Collaborative Project
by Deborah Kowal, MA, PA



Chinese Auto Companies look to the U.S. Market
by Hongmei Gao, Kevin Work and Bradford Sill

Events



“China On My Mind” Exhibition Traces Emory Graduate’s Life And Work In Nineteenth Century China

Center News



China Research Center Holds Annual Meeting



Call for Sponsors



New Website Coming Soon!

Notable Link



China Digital Times
(<http://www.chinadigitaltimes.net/>)

Video



China 17th Party Congress Roundtable Video
(http://chinacenter.net/video/roundtable_17_party_congress.htm)

The Road Ahead: A preliminary assessment of the 17th Congress of the Chinese Communist Party

by Yawei Liu

Enough time has passed since the 17th Party Congress of the Chinese Communist Party to begin the assessment of a political event that the Chinese president referred to being characterized by Party unity, policy victory and theoretical achievement of Sinifying Marxism.

There are many benchmarks one can use to assess the Congress. Three of them are more important than others.

First, will the CCP be able to break away from the past practice of using the Congress to lionize the incumbent or soon-to-retire top leader as a genius whose ideas will be designated as the beacon of the Party's orientation?

Second, will there be a smoother and more institutionalized power transfer? Will Hu Jintao attempt to handpick his successor, much like he was selected by Deng Xiaoping, or will the Party's institutions play the role of king maker? Third, and perhaps most crucial, will long-awaited political reform be planned and launched in the next five years?

We will examine these questions in order.

On the first question, the signs are not positive. President Hu Jintao is being lauded in official discourse for championing a "harmonious" society. In this, Hu is merely following a long Communist tradition of thinking that only a small group of leaders are best informed, wisest, and most qualified to represent all the people and make the best possible decisions for them. Karl Marx had figured out all solutions to the problems of his day. V.I. Lenin founded the first Communist nation by "scientifically" modifying Marxism. Mao Zedong adapted Marxism and Leninism and turned China into the people's nation. Deng Xiaoping salvaged China from the brink of an economic and social collapse. Jiang Zemin made China prosperous. Hu's brilliance and genius is on the lips of all Party leaders. He is given for credit for China's economic, cultural, scientific and social achievements. Why has Hu failed to eliminate the bad practice of self-glorification? Either he desires it or it is forced upon him. If we are a little cynical, we can even say it is Chinese to be ruled by a "divine" leader. But surely making an individual's ideas synonymous with the Party Charter is feudalistic, vain and out of steps with the principle of popular sovereignty. This is a new source of disillusionment with the top leadership of China.

Signals are mixed on the second question. Even though before the closing of the meeting there were rumors that Xi Jinping, former governor of Fujian and Party secretary of Zhejiang, would be promoted to the Standing Committee of the Politburo, it was a surprise when it happened. Observers inside and outside China believed that Li Keqiang would emerge as heir apparent. The thought was that Hu would do what Mao and Deng had done before: select a successor long before he exited from center stage. This did not happen, and Xi "helicoptered" to the position that was supposed to be Li's.

There are multiple explanations for Xi's sudden elevation. It could be a result of his experience and qualifications:



China Currents, Fall 2007

- He is a “prince-ling” and therefore someone who could be trusted with the paramount power of the Party. After all, this power did not come easily. It was obtained as a result of the blood and sweat of the generation that included Xi’s father.
- Xi was sent down to the countryside as a youth for 7 years in Northern Shaanxi and presumably understands rural issues better than anybody else.
- He worked in Fujian for numerous years and has acquired deep knowledge about Taiwan.
- He served as Party secretary in Zhejiang, one of the engines of China’s economic growth and a province where state ownership of enterprises is almost obsolete.

But other political factors could be at the heart of the decision. Perhaps the Party is becoming factionalized, and Xi is the compromise candidate for the top job five years from now. Or it might be that there is real intra-Party democracy, and Xi’s takeoff is an outcome of popular support among senior Party leaders in China.

We will have to wait for Xi or other insiders to tell us the real story later. The very fact that the conventional candidate (whose performance is questionable and whose charisma is unknown) was moved to the second position is a good sign. While people in the U.S. lament partisan politics and lack of political unanimity, for the Chinese political system to liberalize, dissent, disagreement and dissonance will be keys. They are needed to weaken the power monopoly and make personnel and policy decisions more contentious and therefore more democratic. The Party needs more democratic discussion and less centralism. Decision by majority vote is the only effective way to root out tyranny by a few.

On the issue of political reform, the picture is even more complex.

Perhaps Hu Jintao understands people’s democracy is not possible without intra-Party democracy. As reported by Xinhua, Hu is against arbitrary decision-making in the Party. He declares that all efforts should be made to increase transparency in Party affairs and to ‘oppose and prevent arbitrary decision-making by an individual or a minority of people.’

On enhancing intra-Party democracy, Hu calls on all Party member and organizations at all levels to “take the lead in upholding the authority of the Constitution and the law.” He also says that the Party will strictly implement democratic centralism, improve the system that combines collective leadership with division of responsibilities among individuals. Local Party committees will adopt a voting system in discussing and deciding on major issues and appointing cadres to important positions.

Hu asks the Party to experiment with the standing committee system, saying the Political Bureau of the Central Committee should regularly report its work to the plenary session of the Central Committee and accept its oversight, and the standing committees of local Party committees at all levels do likewise to plenary sessions of local Party committees and accept their oversight.

The Party is supposed to reform the intra-Party electoral system and improve the system for nominating candidates and electoral methods at the grassroots level (namely the township and town party committees). Crucially, Hu has endorsed the experiments of the so-called “two ballot” electoral system promoted by Sichuan and other provinces in the past few years. In this system, candidates for Party committees are supposed to be determined by a popular poll and a vote by all Party members. Hu vows to gradually extend this system of “direct” election of leading members of Party committees, and explore various ways to expand intra-Party democracy at the local level.

China Currents, Fall 2007

This long overdue democracy roadmap seems intriguing and does contain actionable plans. However, one needs to assess its weight and priority in the context of the overall political report and the undercurrents of the internal debate on political reform. If one checks how Hu Jintao stresses socialism with Chinese characteristics, pessimism and confusion kick in.

What is socialism of Chinese characteristics? According to Hu Jintao, it means the localization of Marxism. “We will, under the leadership of the CCP and in light of China's basic conditions, take economic development as the central task, adhere to the Four Cardinal Principles and persevere in reform and opening up, release and develop the productive forces, consolidate and improve the socialist system, develop the socialist market economy, socialist democracy, an advanced socialist culture and a harmonious socialist society, and make China a prosperous, strong, democratic, culturally advanced and harmonious modern socialist country.”

Hu also says in his report, “practices since the publication of the *Communist Manifesto* nearly 160 years ago have proved that only when Marxism is integrated with the conditions of a specific country, advances in step with the times and is tied to the destiny of the people can it demonstrate its strong vitality, creativity and appeal. In contemporary China, to stay true to Marxism means to adhere to the system of theories of socialism with Chinese characteristics.”

Mao Zedong localized Marxist theory by mobilizing peasants to catapult the Party into the cities. Deng Xiaoping localized Marxist theory by saying improving people's lives supersedes revolutionary fervor. Jiang Zemin localized Marxist theory by defining what the Chinese Communist Party represents. Hu Jintao is in the middle of a new theoretic localization. We know Hu's new “scientific outlook” implies balancing economic development, reducing the galloping gap between the rich and the poor, and maintaining social justice. We hope that an element Hu outlined in his speech will be promoted by the Party: building a harmonious society that not only guarantees social justice, but also political liberty and equality. In other words, China should be built into a nation in which people are respected as the sole source of legitimacy and ruling mandate.

Such a policy would not be a brilliant localization of classic Marxist theory of class struggle, alienation, capital, surplus value, and imperialism. If this is not a betrayal of classic Marxism, it is at least an Edward Bernstein type of revisionism that the Chinese Communist Party once spent lots of resources and passion to condemn.

Even if Hu desires to push political reform, the structure of the Party could stand as a major obstacle. On paper, implementation is simple. General Secretary Hu Jintao issues marching orders and the 31 provincial and municipal Party secretaries, representing the will and wishes of 73.4 million Party members, carry out the plan. The problem is that many of the Team of 31 will very conveniently forget what they have seriously said and solemnly pledged and go astray. (Chen Liangyu, who used to be a powerful member of the Team of 31, is currently waiting for a verdict and possibly wondering where he has done wrong to fall from the top all the way to the bottom.) Their unprincipled and sometimes shameless deviation will be mimicked on a massive scale by those who are below them.

The more this kind of straying happens, the more often ordinary citizens question the Party's truthfulness and sincerity. Anger builds up. How to vent popular anger so that it does not escalate into a quintessential Marxist moment of revolution like the Paris Commune in 1871 could become a central concern.

China Currents, Fall 2007

Problems could well arise elsewhere as well. Any sudden political, social or economic crisis (such as Taiwan becoming bolder in pursuing independence, global economic recession causing Chinese economy to tank, the U.S. making China a hostile nation, popular discontent in China caused by inflation, environmental degradation, lack of healthcare coverage) may catch the Party by surprise. Harmony and legitimacy are interconnected. If legitimacy is questioned and even challenged, harmony will be as thin as rice paper. In the Internet age, China may not have the luxury of waiting until the next Party Congress five years hence to settle on a new policy direction and glorify a new leader and new principles. The only way for the Party to ensure unity, solidarity and popular support is to introduce a viable system through which people's opinion can be freely expressed and people's input can be meaningfully incorporated into how Party and government leaders at all levels are chosen.

Yawei Liu is Director of The Carter Center's China Program, Associate Director of the China Research Center and Associate Professor of American history at Georgia Perimeter College.

China Currents, Fall 2007

China 17th Party Congress Roundtable

by Justin Baskerville

On Friday, November 9, 2007 five China specialists sat down at Atlanta's Carter Center to discuss China's 17th Party Congress. The roundtable discussion focused on China's future, specifically with regard to major decisions and statements from the October party congress in Beijing. Topics included changes in the Chinese Communist Party's (CCP) leadership, trends in China's political reform, the Party's economic development strategies, and implications on Chinese foreign policy that follow from the congress.

**View video of China 17th Party
Congress Roundtable** 

http://chinacenter.net/video/roundtable_17_party_congress.htm

The roundtable participants included Dr. Mary Brown Bullock, Distinguished Visiting Professor, Emory University and President Emerita, Agnes Scott College; Dr. Penelope B. Prime, Director, China Research Center and Professor, Mercer University; Dr. Fei-Ling Wang, Professor, Sam Nunn School of International Affairs at the Georgia Institute of Technology; Dr. Albert S. Willner, Associate Dean, Georgia Gwinnett College and former Chief Liaison Affairs Section, American Institute in Taiwan; and Dr. Yawei Liu, Director, China Center at The Carter Center and Associate Professor, Georgia Perimeter College.



The future of political reform in China was addressed first in a brief presentation by Wang. He outlined three key needs facing China that must be addressed through political change. First, China is challenged by the need for more credible and effective governance for its vast populace and geography. Wang used

China Currents, Fall 2007

the metaphor of a high pressure boiler with an increasingly heavy lid representing party controls over Chinese civil society. This dynamic is apparent in the Party's uneasiness about China's turn on the world stage for the 2008 Beijing Olympics. Second, economic development in China will require political reform if the nation is to realize its goals of world preeminence and higher living standards for its people. Changes to these ends would allow for rational governance and an open, competitive marketplace for ideas and innovation. Finally, political reform within China is needed in order to ensure international peace in the future. Beijing – with its current political characteristics – can look forward to challenges from the US and its allies, who will seek to block the rise of a country with such a vastly different ideology. The greatest obstacle to political reform in China is incentive-based. The “new rich” in China are largely not in favor of reforming the political system because they currently enjoy benefits of the regime's monopoly of power. Much of the discussion at the roundtable talk focused on the need to de-criminalize the existence of factions within the CCP as a means of allowing a type of intra-party democracy to emerge. Such a move toward pluralism in the political system would represent a limited, but meaningful change in Chinese politics.

Local political autonomy in China was another central theme of The Carter Center's roundtable. Liu's presentation addressed some of the CCP's shortcomings in dealing with local politics, including the basic need for more democratic institutions at the township level. And although Paramount Leader and CCP General Secretary Hu Jintao's speech at the congress had several mentions of democracy, Liu contended that in the Party's eyes, China “must say no” to most Western democratic values. Can a party, he asked, with no meaningful language on democracy be expected to enact a credible plan to install truly democratic institutions? Furthermore, can the Beijing Consensus continue to represent a viable alternative to Western notions of political and economic development?

The Chinese government's unique management of the country's political and economic systems was discussed in terms of changes in Party leadership and the challenge posed by corruption. While the “weaker” nature of the newest guard of party leaders bodes well for potential change, it is still believed that a crisis of some sort – in the form of a costly engagement over the Taiwan Strait, a major economic downturn, or intense social unrest – may be the only way by which institutions in China undergo significant reform. According to Wang, the rampant corruption in China does not represent such a crisis because rather than being of a pure rent-seeking type, most of the corruption involves deliverable goods and services and is subject to sanctioning when transactions fail. The corruption problem was linked by roundtable speaker Penelope Prime to more market-oriented challenges that China may face, however, such as crises in credibility and human capital.

Prime went on to give remarks on aspects of both Party progress in economic development efforts and declared Party goals for the next five years. In terms of the current system, the CCP has given great attention to the development of China's capital market. In the wake of increased private ownership and property rights a Party discussion has ensued on structuring the capital in a more orderly and efficient manner. The Party has also given consideration over the past five years to reforming corporate governance. Another topic of debate has been the rebuilding of the social welfare sector of the economy. The CCP is now discussing careful, controlled means of addressing social security institutions that essentially fell apart during the reform period. Some major goals were identified as being central to the Party's interests over the next five years. The first, that of working toward developing the rural economy, was discussed by Prime and other roundtable participants in terms of the political institutions that stand in the way of progress. Problems persist with social equity and the control of land in rural areas, and the government has shown more willingness to talk about the problem than to actually work to bring social equity to the countryside. Other goals included confronting China's

China Currents, Fall 2007

environmental and resource challenges, building domestic innovative capacity, and correcting the strong biases toward exports and against domestic consumption. Again, CCP discourse on these economic development topics tended to be indicative of the array of political challenges faced by the government in China.

General Secretary Hu's speech at the congress included remarks on his stated goal of building stronger armed forces through science and technology. While the Chinese head of state's notions generally follow the seminal writings of Mao Zedong, panelist Willner suggested that Hu is currently making a move to build his own legacy via his Scientific Development Concept. An important challenge to the CCP with regard to China's armed forces is the need to balance military funding with other governmental actors and programs that demand resources. Moreover, the military must funnel resources internally to programs where they will have the greatest impact. This was reinforced by remarks by Hu about strengthening the PLA through targeting sectors for intensive development. The PLA is also under pressure to solve problems with equitable pay and personnel incentives, to plan for domestic contingencies stemming from social unrest, and to address competency issues linked to its forces' lack of combat experience.

Willner identified an important trend that speaks to the Party's attention to Taiwan in its personnel decisions. The Chief of the PLA General Staff joined a list of other senior officials – including the Deputy Chief of the General Staff and the Air Force and navy heads – who are all veterans of the Nanjing military region. The region is important to the government and the armed forces because of its proximity to the island of Taiwan. In light of the Party's avoidance of references to the use of force at this congress, questions arise as to whether these personnel trends are indicative of actual PLA preparations or simply of a desire for leadership with sufficient Taiwan-related experience in case of a conflict. Recent Party moves also saw a number of top-tier professionals from China's space sector moving into PLA weapons development. This is further indication of the armed forces' emphasis on counter-space technologies and "no-contact" war planning, which stresses the engagement of a local military without third-party intervention.

The free roundtable event was sponsored by The China Research Center and The China Program of The Carter Center.

The New China Anti-Monopoly Law

by H. Stephen Harris, Jr.*

Introduction

After decades of debate, China enacted its long-awaited Anti-Monopoly Law on August 30, 2007, the first comprehensive antitrust law in history of the People's Republic. The law was the product of a result of input from Chinese agencies, academics and foreign commentators, including antitrust enforcement officials, academics, economists, and practitioners. While the law is a major step in establishing a system of commercial law consistent with international norms, the text and the system that will interpret and apply it raise serious concerns about whether the law will, in practice, be used primarily to protect competition and consumer welfare in China, or whether it will be used as a protectionist device to favor State Owned Enterprises and privatized indigenous companies in Chinese markets.

The law will become effective on August 1, 2008. In the interim, the various agencies that will serve as the primary enforcers are expected to draft, under the aegis of the State Council,¹ implementing regulations and guidelines to fill in some of the substantial gaps in the statute as enacted. Those agencies are the Ministry of Commerce,² expected to be the lead agency on reviews of mergers and acquisitions, the National Development and Reform Commission,³ expected to serve as the lead agency on the investigation and prosecution of cartels and other concerted, anti-competitive conduct, and the State Administration for Industry and Commerce,⁴ expected to act as the primary enforcer of the law's provisions prohibiting "abuse of a dominant market position" by a single competitor with market power.

Each of these agencies has sought and studied numerous sets of comments from various public and private organizations and companies around the world, hosted many seminars and meetings with representatives of those bodies as well as many leading academic experts in competition law from China and abroad. Many of those useful comments can be recognized in language now incorporated in the final law enacted by the National People's Congress. But the final version of the law raises many concerns, and fails to answer a number of pressing questions, including: (a) so-called local blockage or regional monopoly;⁵ (b) sectoral monopolies by Chinese firms, including state-owned enterprises, and (c) a perception that China intends to use the law to focus on alleged abuses of dominant positions by some foreign multinationals, to the detriment of foreign competitors, and in protection of Chinese entities. This paper seeks to provide a general overview of the law, highlighting the provisions that have sparked the greatest concern among commentators.

I. Development of the Anti-Monopoly Law

At least since the mid-1980s, there have been serious discussions by Chinese governmental bodies about the possible enactment of a comprehensive antitrust law. The debate took place against the backdrop of imposed dramatic reform of China's economy from a centrally planned economy to a "socialist market economy," a change reflected in the latter phrase being inserted into the Chinese Constitution in lieu of a "planned economy on the basis of socialist public ownership." While some statutes that fell short of fulfilling the characteristics of a typical "comprehensive" antitrust law were enacted, including notably the Anti-Unfair Competition Law,⁶ enacted in 1993, that and other such laws fell short, both as worded and as enforced, of providing broad, unequivocal proscriptions against certain types of conduct prohibited by the competition laws of almost all other major industrialized jurisdictions.

China Currents, Fall 2007

In 1993, when China established a group comprised of officials from the State Administration for Industry and Commerce and the State Economic and Trade Commission to study the anti-monopoly laws of other jurisdictions and begin work on a draft Anti-Monopoly Law of China.⁷ On November 11, 2002, China acceded to World Trade Organization, an event that resulted in other WTO members pressuring China to enact a comprehensive antitrust law, among other reforms. In response, the National People's Congress Standing Committee stated that China would draft an antitrust law as part of its preparation for entry into the WTO.⁸ Building on the early work of state agencies and seeking to respond to foreign demands for passage of an antitrust law in light of China's membership in the WTO, the State Council Legislative Affairs Office and other agencies solicited the views of foreign governments and non-governmental organizations regarding the revised September 2003 draft law.⁹ That draft also was the topic of a two-day conference hosted by the Ministry of Commerce outside Beijing in October 2003. Leading Chinese academics and a few practitioners from Japan, Germany, and the U.S. attended.¹⁰ That conference and others culminated in a February 2004 draft of the law, several provisions of which were broadly criticized as inconsistent with international norms of competition law, especially the possibility that the law would be used to protect Chinese entities from foreign competition, instead of establishing a level playing field for all competitors in Chinese markets.

Concern about law enforcement centered on foreign firms intensified in May 2004, when the State Administration for Industry and Commerce issued a paper that alleged that foreign firms were engaging in abuses of dominant positions in China, naming Microsoft, Kodak, and TetraPak specifically,¹¹ accusations denied by the named firms.¹² A later submission by SAIC to the Organization for Economic Cooperation and Development's Global Competition Forum reiterated SAIC's support for applying the new law solely to private conduct, exempting government conduct.¹³ Though numerous subsequent drafts made changes that sought to address these concerns, the final has not relieved the concern about the possible protectionist enforcement of the anti-monopoly law. In light of the many lacunae in the statute as passed, it is hoped that Chinese agencies will, before the law's effective date of August 1, 2008, promulgate implementing regulations and guidelines that would help ensure the law is applied equally to all economic actors.

II. An Overview of the Principal Provisions of the AML

Chapter I (General Provisions), Articles 1 through 12, set out the overarching principles and purposes of the law, as well as the basic structure and functions of the enforcement authorities. Though more specific provisions in later Chapters provide greater detail on these points, some of the broad language in Chapter I raises questions about whether the specific provisions might be interpreted in a non-normative manner in light of Chapter I's broad language. For example, Article I provides that the Law is enacted for the purpose, among others, to protect "the public interest" and to promote "the healthy development of the socialist market economy." Such language could be used to support policies inconsistent with an interpretation that would protect open competition based on free market principles. Article 4, similarly, provides that the State shall make and implement competition rules that are "appropriate for the socialist market economy" and a "well-ordered market system."

Article 3 seeks to provide a general list of the broad types of conduct proscribed by the law. Defined as "Monopolistic Conduct" (a term somewhat at odds with usage of the term in economic literature and in the jurisprudence of other countries), such conduct is defined as the following activities which eliminate or restrict competition or are likely to have the effects to eliminate or restrict competition:

- i. Monopoly agreements between undertakings [further defined in Chapter II];

China Currents, Fall 2007

- ii. Abuse of dominant market position by undertakings [further defined in Chapter III; and
- iii. Concentrations [i.e., mergers, acquisitions, integrated joint ventures, etc.] conducted by undertakings that may have the effect of eliminating or restricting competition.

Article 7 seeks to provide an overview of the law's approach to entities controlled by the government, providing that such industries "shall be protected by the State to conduct lawful operation" and that the "State shall supervise and control the price of commodities and services provided by these undertakings (defined in Article 12 as entities that engage in the production or business of commodities or services) so as to protect the interests of the consumer and facilitate technical progress." Modern economic and competition law theory would rely upon market mechanisms, not governmental intervention, to ensure these entities that are acting as market competitors act in the way most beneficial to consumer welfare.

Article 9 and 10 sketch out the basic structure of the two primary antitrust law bodies, both of which will operate under the aegis of the State Council, namely the Anti-Monopoly Committee and the Anti-Monopoly Enforcement Authority. The Committee is tasked with making competition policy, analyzing and assessing the status of competition in China, publishing anti-monopoly guidelines, and coordinating the administrative enforcement work of Authority. The Authority is charged with the day-to-day enforcement of the law, with specific powers and duties set forth in subsequent chapters. The Authority is empowered to delegate provincial and municipal government agencies to be responsible for enforcement officials, increasing the risk of local bias and inconsistent interpretation and application of the law.

Chapter II (Monopoly Agreements), Articles 13 through 16, provide for the law's treatment of concerted action (anticompetitive conduct undertaken by more than one entity). Article 13 defines "Monopoly Agreements" as agreements or other concerted conduct that eliminates or restricts competition, and provides a nonexhaustive list of examples of such conduct, including price-fixing, output restraints, market allocation, and boycotts. One example that appears out of step with other competition laws of large economies is "restricting the purchase of new technology or new facilities or the development of new technology or new products." This language has engendered concerns that the law may interfere with the establishment or operation of research and development joint ventures that are generally accorded lenient treatment by U.S. antitrust agencies and those of other jurisdictions. Article 14 prohibits resale price maintenance (restricting the price at which a buyer resells a product).

Article 15 provides for exemptions from the proscriptions of Articles 13 and 14, for various pro-competitive purposes, also described in a nonexhaustive list. Some exempted conduct, such as unifying product standards and developing new products would appear consistent with the permissive approach toward technology joint ventures in the U.S. and elsewhere. Others, however, such as exemptions for "improving operational efficiency," "enhancing the competitiveness of small and medium-sized enterprises," "maintaining the public welfare," "mitigating the severe decrease of sales volume or excessive overstock during economic recessions," and "protecting the legitimate interests of international trade and foreign economic cooperation" appear at odds with competition law norms. Could horizontal price-fixing between competitors truly be excused by a finding that the price-fixing improves those competitors' operational efficiency, or mitigates a decrease of their sales volumes? Only time (and perhaps the anticipated regulations and guidelines) will answer that question.

Chapter III (Abuse of Dominant Market Position), Articles 17 through 19 is based largely on the European competition law approach to defining unlawful single-firm conduct. Article 17 prohibits dominant entities from abusing their dominant market position defined as one "that can control the price

or quantity of products or other transaction conditions in the relevant market or can block or affect the access of other undertakings to the relevant market.” This formulation is comparable to the concepts in the U.S. antitrust law definition of market power, being “the ability to raise prices above those that would be charged in a competitive market”¹⁴ or “the ability of a single seller to raise price and restrict output, for reduced output is the almost inevitable result of higher prices.”¹⁵ Inclusion of “or other transaction conditions,” however, is not consistent with the U.S. formulation, but may be seen as more closely approximating the broader European concept. The European Court of Justice, for example, has defined a dominant position under Article 82 as “a position of economic strength enjoyed by an undertaking which enables it to hinder the maintenance of effective competition of the relevant market by allowing it to behave to an appreciable extent independently of its competitors and customers and ultimately of consumers.”¹⁶

Article 17 also provides an illustrative list of types of conduct proscribed, some of which are not consistent with enforcement policies of the U.S. and EU, but do find resonance in the laws of other countries such as Japan and South Korea. These include “selling products at unfairly high prices or buying products at unfairly low prices.” Other examples, such as tying and exclusive dealing, are consistent with the laws of most other developed economies.

Article 18 provides that a dominant market position shall be determined based on factors such as the market share of the entities, their competitive status in the relevant market, and difficulty of market entry. These factors are also generally consistent with international norms. However, other factors, such as the financial and technical status of the entities, are not.

Article 19 has generated much criticism. This provision sets out a presumption of a dominant position based on the extent to which a market is concentrated. For example, Article 19(iii) provides that a company will be deemed to have a dominant market position if “the joint market share of three undertakings accounts for three-fourths of the relevant market.” Though another provision states that no entity with less than 10% market share shall be considered dominant, under 19(iii), a third-place firm with 11% market share is presumed dominant if its market share, plus those of its two (much) larger rivals, equals 75% or more. Applied rigidly, this provision would lead to results widely at odds with the definition of market power in other jurisdictions, and could undermine the competitiveness of a smaller firm.

The interplay between Articles 18 and 19 is unclear, and, one hopes, will be clarified by implementing regulations and guidelines. To bring this Chapter into closer conformity with modern economic thought, Article 18 should be applied to permit firms to rebut a presumption of market power under the formulae in Article 19, by demonstrating an absence, in fact, of control over prices or output, and the inability to block entry into the market.

Chapter IV (“Concentrations”), Articles 20 through 31 contains the Current Draft’s merger control provisions, including procedures and substantive tests for approving or rejecting a proposed concentration. Presumably, this comprehensive and competition-focused merger control regime will supersede the abandoned Provisional Rules,¹⁷ though that is not stated expressly and should be addressed in regulations. Substantial revisions during the drafting process have brought the final law into much closer conformity with merger review regimes (especially with regard to procedural issues and deadlines) than was the case with earlier drafts.

China Currents, Fall 2007

Article 20 defines Concentration to include mergers, acquisitions, and changes of control by other means. As with scores of jurisdictions, China will now require parties of a defined size to a concentration of a defined size to notify the relevant agency of any covered concentration. Under Article 23, the parties must submit information on a notification form, as well as a competitive evaluation report, about the agreements used to effect the concentration, as well as audited financial reports from the most recent accounting year, and other information the Authority may require. Article 25 provides that the Authority must conduct a preliminary review of the concentration and decide whether to implement a further examination (comparable to the U.S. agencies “second request”). Consistent with the approach taken by the U.S. and other jurisdictions, if the 30-day period expires without the Authority’s making a decision, the parties may close the transaction. Under Article 26, where the Authority decides further examination is required, it is obligated to approve or prohibit the concentration within 90 working days after the date of its decision to undertake the second-phase examination. The Authority is required to explain its reasons for prohibiting a transaction.

Substantively, the merger review provisions set out in Article 27 are in many ways consistent with approaches of other jurisdictions, including consideration of the concentration of the market, and the market share and market power of the parties to the transaction. Other factors, however, are outliers among major jurisdictions, including consideration of “the influence of the concentration over national economic development.” Article 28 obligates the Authority to prohibit concentrations that “will or may eliminate or restrict market competition.” This formula does not include a requirement that such a restriction must be substantial (cf. the EU “substantial lessening of competition” requirement) in order to justify prohibition. Article 28 seems to provide a savings clause from the harsh, literal application of this language, but adds a great deal of discretion and unpredictability, by empowering the Authority to permit a transaction where its advantages outweigh its disadvantages, or where the concentration is “in harmony with the public interest.” Article 31 provides that a separate national security examination be conducted where a concentration presents national security issues.¹⁸

Chapter V (Prohibition of Abuse of Administrative Powers to Restrict Competition), Articles 32 through 37, provides the law’s response to one of the most difficult competition issues presented by the unique circumstances of China’s transitional economy, namely how (or whether) to apply the law to government-controlled Chinese entities that are acting as competitors in the marketplace. This issue includes the problem of so-called “regional blockage,” a term that refers to the reportedly common and multifarious actions of the remarkably autonomous governments of municipalities, provinces, and autonomous regions, to hamper or altogether prevent entry into their markets by Chinese entities from other parts of China. The law includes fairly strong proscriptions against “abusing” administrative powers to limit the entry of products or competitors from other regions, it is not clear what sanctions would, or could, be applied to punish such conduct.

During the debate surrounding the drafting of the law, many commentators emphasized the importance of ensuring that it apply fully and equally to all entities acting as competitors in the marketplace, including government-controlled entities such as the State-Owned Enterprises. Some earlier drafts contained fairly strong language designed to accomplish this goal. Article 35 of the April 8, 2005 Draft, for example, provided as follows:

The Government and its subordinate departments shall not promulgate rules with provisions eliminating or limiting competition in violation of laws and administrative regulations so as to prevent the establishment of a unified and orderly national market and of a fair competitive environment.

China Currents, Fall 2007

Unfortunately, that and similarly salutary language were deleted in subsequent drafts and are absent from the final law. Such provisions, if they could have been implemented, might have gone far in addressing the distortions of competition resulting from various practices of State-Owned Enterprises and the likely broad exemptions of certain sectors of the Chinese economy. It seems certain that the enactment of these provisions sparked significant behind-the-scenes political opposition.¹⁹ A few commentators have indicated the possibility of a separate statute prohibiting administrative monopolies.²⁰ But the opportunity to do so as part of a “comprehensive” Anti-Monopoly Law has been lost, undermining severely the extent to which the new competition law regime can play a substantial role in China’s transition to a market economy, and apparently reflecting a continuing desire by some officials to attempt to control the market as it affects government-related enterprises.²¹

By focusing almost exclusively on the issue of internal regional blockage, the law’s provisions addressing government conduct largely fail to address the broader Administrative Monopoly concern that failing to apply the law to SOEs fully and equally may create a *de facto* exemption of government entities – which constitute a substantial segment of China’s economy – from the reach of the law. Article 7 of Chapter I and Article 51 of Chapter VII are the slim reeds left to those seeking to invoke the law to restrain the government’s protection of Administrative Monopolies. Article 7 states as follows:

Industries controlled by the State-owned economy and relied upon by the national economy and national security or industries implementing exclusive operation and sales in accordance with the law shall be protected by the State to conduct lawful operation by the undertakings. The State shall supervise and control the price of commodities and services provided by these undertakings and the operation of these undertakings so as to protect the interests of the consumer and facilitate technical progress.

The undertakings mentioned in the paragraph above shall operate, in good faith, in accordance with the law and in a self-disciplined manner, accepting public supervision and shall not harm the interests of the consumer from a controlling or exclusive dealing position.

Article 51 provides as follows:

The administrative agencies or organizations authorized with administrative powers of public affairs by laws and regulations shall be admonished by the superior authorities if they abuse their administrative power to eliminate or restrict competition; the individuals in charge of this matter or any others who are directly responsible shall be punished in accordance with the law. The Anti-Monopoly Authority may provide advice of legal settlement to its superior authorities.

The interplay between Article 7 and Article 51 is unclear. It appears that the Authority’s only course of action to seek to address anticompetitive conduct by government entities may be to complain to the State Council and seek its intervention, including by providing recommended remedies.

Chapter VI (Investigation of Suspicious Monopoly Behaviors), Article 38 through 45, sets out in greater detail the powers of the Authority. Under Article 39, these include: “on-the-spot” inspections, questioning individuals, and examining and copying documents, subject to written approval of senior officials of the Authority. Article 41 provides that commercial secrets obtained during an investigation shall be kept confidential. Subjects of an investigation are required, by Article 42, to cooperate. That article also prohibits obstruction of an investigation. Though the scope of the right will presumably be further illuminated by regulations, Article 43 provides the subject of an investigation and other interested parties the “right to submit statements” and obligates the Authority to “hear the opinions” of

China Currents, Fall 2007

such entities. Article 45 empowers the Authority to suspend an investigation based on undertakings promising the elimination of the effects of anticompetitive conduct through “concrete measures,” subject to reinitiation of an investigation if the parties fail to comply.

Chapter VII (Legal Liability), Articles 46 through 54, outlines the sanctions and process for applying the law. Article 46 empowers the Authority to impose fines of from 1 to 10 percent of the parties’ total sales volume in the relevant market from the previous year, for violations of prohibitions on Monopoly Agreements. “Mitigated punishment” or exemption from punishment is permitted where the undertakings involved in a monopoly agreement report their conduct to the Authority and provide important evidence. This may be the basis for a formal leniency program that could be set out in subsequent regulations. Article 47 provides for fines in the same range of fines for abuses of a dominant market position, but no leniency provision.

Under Article 48, if parties to a concentration consummate the transaction and it is found to violate the law, the Authority shall order the parties to cease implementation of the transaction, and may order divestiture of all or part of the stock or assets within a specified time and “other necessary measures to restore the market situation before the concentration.” The Authority may also impose a fine of less than 500,000 RMB (at the current exchange rate, approximately US\$60,000).

Article 52 provides that refusing to submit required documents or information, submitting fraudulent documents or information, hiding, destroying or removing evidence, or otherwise obstructing an investigation can result in fines on individuals of less than 20,000 RMB and on enterprises of less than 200,000 RMB. In “serious” cases, the Authority may impose fines from 20,000 RMB to 100,000 RMB against individuals and from 200,000 RMB to 1 Million RMB on enterprises. In addition, criminal penalties may apply.

Article 50 provides simply that undertakings that violate the law and cause damage to others “shall bear civil liability.” This may enable parties to seek damages, either before the Authority (and on appeal, before one of the People’s Courts), or directly before a People’s Court. Whether this provision subjects government entities to civil liability is also unclear, though Articles 7 and 51 would seem to call that prospect into question.

Article 53 provides for an initial administrative reconsideration of Authority decisions, followed by an administrative suit, both in accordance with existing procedural laws. Article 54 provides for administrative sanctions against, as well as possible criminal punishment of, Authority officials that abuse their power, neglect their duties, accept bribes, or disclose confidential information.

Chapter VIII (Supplementary Provisions) Articles 55 through 57 includes miscellaneous provisions. Article 55 is perhaps the most widely criticized of all the law’s provisions. It cryptically addresses the applicability of the law to intellectual property rights, as follows:

This Law is not applicable to conducts by undertakings to protect their legitimate intellectual property rights in accordance with the IP law and relevant administrative regulations; however, this Law is applicable to the conduct of undertakings to eliminate or restrict market competition by abusing intellectual property rights stipulated in the IP law and administrative regulations.

The AML provides no guidance regarding what may be deemed an “abuse” of IP rights. Earlier drafts of this provision seemed to give greater, though still insufficient, assurance that the enforcement of such

China Currents, Fall 2007

rights in accordance with the laws creating them would not be considered a violation of the Anti-Monopoly Law. This provision, together with the language Article 17(iii) rendering a refusal to deal a possible abuse of dominance, have created serious concerns that the AML may be used to impose compulsory licenses as a “remedy” for refusals to license such IP to competitors. A refusal to license, without more, is not typically regarded as a violation of competition laws of most major jurisdictions.²²

The other supplementary provisions in Chapter VIII include Article 56, which provides for an exemption for concerted actions related to entities engaged in the production, processing, sales, transportation, and storage of agricultural commodities, creating a much broader exemption for the agricultural sector in China than exists in other major jurisdictions.²³ Finally, Article 57 provides that the AML shall become effective as of August 1, 2008.

Article 47 makes the law applicable to business groups and industrial associations that eliminate or restrict market competition in violation of the law. Though such broad language could be read to apply to administrative monopolies, it is highly unlikely that this is the intended construction. Instead, this provision will likely apply to trade associations, chambers of commerce, and other business-related groups. Chinese government entities are heavily involved in many Chinese business organizations, raising the possibility that Article 47 could render the law applicable to such quasi-government entities despite the deletion of the administrative monopolies chapter in the law.

Article 49 provides that the law is not applicable to the “cooperation, association or other coincident conduct by “farmers and the farmers’ professional economic organizations during the course of the production, manufacture, transportation, storage and other operating activities of the agricultural products.” This is the only sectoral exemption (if one excludes the exemption for conduct covered by laws or administrative regulations of relevant industries or sectors, under Article 2). The exemption is broader than the Capper Volstead Act’s²⁴ immunity for agricultural cooperatives under U.S. law.

III. Concluding Thoughts

The agencies that will likely be comprised within the Anti-Monopoly Enforcement Authority reportedly are, or will soon be, at work on implementing regulations. A desirable level of compliance with the law will be possible only if the regulations provide such greater clarity to enable competitors and their counsel to assess current or contemplated conduct against objective rules. Many of the provisions that have engendered the greatest concerns by commentators could be improved, and those concerns reduced if not eliminated, through such regulations.

Concerns that the law may be used to compel dominant high tech firms to grant licenses to competitors, for example, should be addressed through regulations making clear that IP owners have a right to refuse to license their technology, absent proof of separate conduct violating a specific prohibition in the law, not the overbroad provision in Article 13 prohibiting restrictions on the purchase or development of new technology. Similarly, implementing regulations should ensure that the enforcers do not use the provisions regarding international trade and the development of the China economy to discriminate in enforcement against foreign firms or in favor of Chinese entities. Finally, the several articles that prohibit conduct absent justification provide no definition or guidance as to what may constitute sufficient justification to constitute a defense.

Despite the law’s shortcomings, China’s enactment of the law should be seen as an important step toward the liberalization of the Chinese economic system and, more fundamentally and more broadly,

the establishment of the rule of law. But much work is needed to flesh out the substantive and procedural provisions of the law, and to move the law and its application toward the mainstream of modern competition law.

* Mr. Harris is a partner in Alston & Bird LLP and Chair of its Antitrust Practice Group. He has participated by invitation in several conferences hosted by the State Council of the People's Republic of China and the Ministry of Commerce in China regarding previous drafts of the Anti-Monopoly Law. He also serves as the International Officer of the American Bar Association Section of Antitrust Law and the Section's International Task Force, and has chaired or co-chaired working groups that prepared Comments of the ABA Section of Antitrust Law and Section of International Law regarding drafts of the Anti-Monopoly Law, and of the China Working Group of the Antitrust Committee of the International Bar Association that also submitted comments on drafts of the law.

1 The State Council is the "highest executive organ of State power" and of "State administration." Regarding the State Council's functions and organizations, see generally the State Council website at <http://english.gov.cn/links/statecouncil.htm>.

2 MOFCOM is a ministry under the State Council. For information regarding the organization and functions of MOFCOM see generally the MOFCOM website at <http://english.mofcom.gov.cn/>.

3 Regarding the general functions and organization of the NDRC, see generally the NDRC website at <http://en.ndrc.gov.cn/>.

4 SAIC is an organization directly under the State Council. For additional information regarding the functions and organization of SAIC, see generally the SAIC website at <http://www.saic.gov.cn/> (NB: this website was offline intermittently during the preparation of this article).

5 See discussion of regional blockage in "Challenges/Obstacles Faced by Competition Authorities in Achieving Greater Economic Development Through the Promotion of Competition," by SAIC official Wang Xue Zheng, January 9, 2004, working document CCNM/GF/COMP/WD(2004) 16, at 2 (explaining that a serious problem is caused by local governments blocking products entry into their markets of products competitive with ones produced there, in part because tax revenue collected on products is shared by the local government where production is located; further explaining that, though the Unfair Competition Law prohibited such local blockage those provisions have not been effectively enforced), available at the OECD website at <http://www.oecd.org/dataoecd/18/51/23727203.pdf>. See also Wang Shaoguang, "The Rise of Regions: Fiscal Reform and the Decline of Central State Capacity in China," in Andrew G. Walder, ed., *The Waning of the Communist State: Economic Organs of Political Decline in China and Hungary*, 109 (1995) ("Because power and resources are dispersed, the exercise of central control now depends to a large extent upon the consent of the sub-national units whose actions are slipping from central control.").

6 An official English translation of the law is available on the China State Intellectual Property Office ("SIPO") website at http://www.sipo.gov.cn/sipo_English/flfg/xgflfg/t20020420_34756.htm (this law is sometimes referred to as the "Law Against Unfair Competition," the "Unfair Competition Law" or the "Counter-Unfair Competition Law").

7 See Wang Xiaoye, *Chinese Anti-Monopoly Law: Issues Surrounding the Drafting of China's Anti-Monopoly Law*, 3 *Wash U Global Studies L Rev* 285 (2004). See also *Law and Order: Government Officials to Draft Antimonopoly Law*, *New China News Agency* (Jan 19, 1995).

8 *Beijing Amends Laws to Prepare for WTO Entry*, *Xinhua News Agency* (Mar 7, 2001), quoting Zeng Jianhui, spokesman for the Fourth Session of the Ninth National People's Congress.

9 An unofficial English translation of this draft is on file with the author. Regarding the September 2003 Draft AML, see generally ABA Section of Antitrust Law, *Competition Laws Outside the United States*, 5 (1st. Supp. 2005). EU Official Says China Has Made 'Important Steps' Forward on Competition Policy, *BBC Monitoring Internat'l Reports* (Nov 24, 2003) (reporting that European Union ("EU") Commissioner Mario Monti was "impressed by the 'openness and willingness' shown by Chinese officials in cooperation on competition policy" and citing the execution of a memorandum of understanding between the EU and China for establishing a dialogue mechanism on competition policy).

10 The author was a participant in this conference.

11 Report: *Anti-Monopoly Law Vital*, *China Daily* (Aug 20, 2004); Tang Zhengyu, *Towards an Anti-Monopoly Law; China Vows to Upgrade Its Competition Safeguards*, *China L & Practice* (July 1, 2004); *Monopoly Law Badly Needed*, Report Says, *China Daily* (May 25, 2004). A copy of an unofficial English translation of the SAIC Report is on file with the author. The concern about selective legal enforcement continues. See, for example, Chris Buckley, *China to Consider Introducing Anti-Monopoly Law*, *Reuters* (Dec 28, 2005) (predicting that "it may be foreign multinationals—not China's state conglomerates—that are the initial targets of the law" and quoting Nathan Bush as stating that "[a]lthough the draft Antimonopoly Law does not distinguish foreign and domestic firms, its initial targets are likely to be foreign firms with prominent positions in Chinese markets") and Antitrust Distrust, *Business China* (Jan 16, 2006) ("Many foreign companies

China Currents, Fall 2007

fear that they may become victims of China's first law against monopolies.”).

12 See, for example, Kodak Denies Monopolistic Accusations, *Fin Times*, 8 (June 8, 2004). The principal author of a predecessor report entitled *Be Aware of the Anti-Competitive Acts of Multi-National Corporations in China and Their Countermeasures*, Professor Sheng Jiemen of Peking University Law School, Director of the Economic Law Institute of Peking University and an advisor on the drafting of the Anti-Monopoly Law, states, in a paper entitled *How Does the Chinese Government Regulate Foreign Investors' M&A of Domestic Enterprises* (on file with author), that the reports are “merely a legal analysis of the monopolization trend and the unfair competition acts carried out by some multinational corporations and some industries, aiming at arousing the attention of the Chinese government.” Professor Sheng goes on to write that “antitrust regulation should be nationality-free” and that “unfair competition acts and abuses of the dominant position conducted by the Chinese enterprises should also be subject to legal regulation.” He notes that the report “is only an analysis of a social economic phenomenon, which does not mean that [he is] a ‘killer of multinational corporations’, nor does it show that China's Antitrust Law is targeted at multinational corporations only.” *Id.* at 5.

13 “Challenges/Obstacles Faced by Competition Authorities in Achieving Greater Economic Development Through the Promotion of Competition,” Wang Xue Zheng, January 9, 2004, working document CCNM/GF/COMP/WD(2004) 16, at 2 (“Antitrust law is supposed to be against private anticompetitive conduct and is not supposed to be applied to markets that are controlled or regulated by the government, . . .”), available at the OECD website at <http://www.oecd.org/dataoecd/18/51/23727203.pdf>.

14 *NCAA v. Board of Regents*, 468 U.S. 85, 109 n.38 (1984); *Jefferson Parish Hosp. Dist. No. 2 v. Hyde*, 466 U.S. 2, 27 n.46 (1984).

15 *Fortner Enterprises, Inc. v. United States Steel Corp.*, 394 U.S. 495, 503 (1969).

16 *Michelin v. Commission* [1983] ECR 3461, [1985] 1 CMLR 282, § 30; *Case 27/76 United Brands v. Commission* [1978] ECR 207, [1978] 1 CMLR 429, § 65; *Hoffman-La Roche v. Commission* [1979] ECR 461, [1979] 3 CMLR 211, § 38.

17 See Sheng Jiemen, *How Does the Chinese Government Regulate Foreign Investors' M&A of Domestic Enterprises* (copy on file with author)(the draft Anti-Monopoly Law's provisions will “only consider whether the merger or concentration will hinder competition or not” and will “not consider the nationality of applicants”).

18 Cf. the Exon-Florio Amendment to the Defense Production Act of 1950, 50 U.S.C. app. § 2061 et seq.

19 See “China Unveils Competition Rules; Observers Fear Political Resistance May Delay Implementation of the Country's First Antitrust Law,” *South China Morning Post*, July 2, 2003 (quoting one observer as saying that “the government's encouragement of competition could be hampered by its need to support state-owned enterprises identified as China's first multinationals”).

20 Comments of Prof. Sheng Jiemen to representatives of the American Bar Association, at the ABA Annual Meeting, 2005, Chicago.

21 Cf. Stanley B. Lubman, *Bird in a Cage: Legal Reform in China After Mao*, 182 (Stanford 1999)(discussing SAIC's position that it should be able to “‘supervise and manage’ contracts in which one party is a state or collective enterprise and which could injure ‘state interests’”).

22 See Adam Cohen, “Politics and Economics: China's New Draft Law Sows Worries in the West,” *Wall Street Journal*, Jan. 30, 2006 (describing concerns of world's largest patent-holding companies and possibility of forced royalty-free licensing).

23 Cf. the narrow exemption extended to agricultural cooperatives by an original provision of the Clayton Act, 15 U.S.C. § 17, and by the Capper-Volstead Act, 7 U.S.C. §§ 291-292.

24 7 U.S.C. §§ 291-292 (2000).

**Peking University and the Centers for Disease Control:
A 25-Year U.S.-China Collaborative Project**

By Deborah Kowal, MA, PA

We are all used to reading about tension and controversy between China and the United States. It seems a product made in China is recalled almost every day. Then there are disputes over intellectual property rights, trouble over human rights, Taiwan, and Tibet. The list goes on and on. Success stories tend to get less attention, even if they bring results that help alleviate human misery. This is one such story. Medical researchers from China and the U.S. have made quiet but notable progress in eliminating a range of particularly debilitating birth defects: spina bifida and other related congenital problems, which are known as neural tube defects.

**“When you want something to happen, you cannot give up. You need patience. So many foreigners come to China and think they can have a success because they have made contact once or twice. Nothing happens based on one meeting.”
— Dr. Li Zhu**

This is a story that has unfolded over a quarter century, and it holds lessons for anyone from the outside who wants to deal successfully with China.

The China-U.S. Collaborative Project for Neural Tube Defect Prevention, under the auspices of Beijing Medical University and the U.S. Centers for Disease Control and Prevention, has achieved both scientific and operational success. First, the rate of neural tube defect in the Project sites in the high-risk northern provinces dropped 85 percent among the women who were at least 80 percent compliant in taking supplements containing a vitamin called folic acid. Even among women in the low-risk southern provinces, supplementation cut the rate by 40 percent. Second, the research team collected complete and clean data on 247,831 women and their pregnancies over the three years of the community intervention program. Forms were completed for 70 percent of the infants within one week of delivery and for all but a few percent within three months. With these numbers, the project became perhaps the largest community intervention study ever conducted, studying more than a quarter of a million women and their babies and relying on more than 16,000 health workers across 30 local counties and cities in five provinces. The rate of women lost-to-follow-up (5 percent) fell far below levels generally expected for studies of any kind. The collaborative project generated several notable articles, with the landmark study published in *The New England Journal of Medicine*.

The groundwork for the Project was forged in 1983, when a BMU professor of obstetrics and gynecology, Dr. Yan Renying, feared that too many babies were dying in Shunyi County, a suburb of Beijing. She requested technical assistance from the World Health Organization to guide her and her colleagues in conducting surveillance on infant deaths. WHO sent an epidemiologist who was on loan from the CDC: Dr. Brian McCarthy. He conducted several workshops so the clinicians and professors could learn the fundamentals of field and perinatal epidemiology.

One third of the deaths were due to neural tube defects, including conditions such as spina bifida. The incidence of the defects was 7.3 per 1,000 births. Dr. McCarthy wrote at the time, “To the writer’s knowledge, this is the highest in the world and does not even represent the highest in the Beijing area.” In one of Shunyi’s townships, the rate of newborns born with any form of neural tube defect was astounding and tragic: Nearly 17 of every thousand infants had one of the defects—the highest in the world.



Standing in the dirt near their pig pen, the solemn-faced Chinese grandparents explain that the parents of a four-month old baby girl with spina bifida have gone away. Her mother has run away, overcome with grief after having a child with a birth defect. Her father is out searching for his wife. The grandparents have not heard from them, and the baby still has no name. The moment is captured in a photograph that quickly and deeply tells the story of spina bifida and related birth defects in China. —McKimmie M. China's acid test. The West Australian, June 25, 1994:1-2.

Neural tube defects pose a grave public health problem everywhere in the world, but they are particularly prevalent in many parts of China. Affluent nations such as the United States can provide surgical, medical, and physical therapy to help afflicted infants survive and eventually lead productive lives. Unfortunately, poorer nations such as China lack these therapeutic services. That lack of services, along with strain on the families' finances, dooms these infants to early death, and frequently death while in utero. Their mothers and fathers suffer not only the loss of a pregnancy or child, but the ones who have a baby with the defect also bear a social stigma.

In 1983, Dr. Yan reported the findings to the public health world in the first annual Europe-China conference on perinatal health. At Dr. McCarthy's urging, Dr. Godfrey Oakley, CDC's director of the Birth Defects Branch, attended the conference. After hearing Dr. Yan's presentation and looking over hospital logbooks that recorded infant deaths, Dr. Oakley pronounced, "China may have an epidemic of neural tube defects." Dr. Oakley had long been interested in finding ways to prevent spina bifida. At the time, the average cost for medical and surgical care for the surviving children born with spina bifida approached \$100 million [US]. Add the other costs of caring for these children, and the total grew to \$800 million. The heartache could not be put into monetary terms.

A substantial part of the difficulty in preventing spina bifida and similar defects was that the nervous system develops within a month after conception, before many women know they are pregnant. The other part of the difficulty was that medical researchers did not know what caused the defect. Was there something unusual about the women who lost pregnancies or delivered dead or deformed infants? Had any unusual event taken place that could have exposed the mothers and their fetuses to toxins? Did

China Currents, Fall 2007

affected families pass on inherited problems? During the 1960s and 1970s, epidemiologists were just beginning to gather a body of evidence about the causes of birth defects. They suspected that some might be due to genetic abnormalities, but it would be three decades before the human genome project would produce enough information to give people hope of finding genetic keys to birth defects.

Dr. Oakley and his CDC colleagues were intrigued by the suggestion from earlier observations that vitamin deficiency might be involved and had for several years been trying find funding for a definitive clinical trial to look at the issue. Although CDC had great interest in finding effective ways to reduce the number of babies born with the condition, there were obvious barriers to launching a definitive clinical trial in the United States. Very small numbers of potential study cases meant it would take a decade or longer to find statistical significance, the costs of running a rigorous scientific study were high and growing higher, and it would be difficult to find comparison (control) cases among a population of women, who, upon hearing media reports of the study, could easily buy multivitamins on their own.

China, on the other hand, could provide a venue where a trial could be conducted at far lower cost and over a far shorter period of time, given the exceedingly high rate of neural tube defects. About one quarter of all such defects in the world were in China. China needed to manage its epidemic of neural tube defects, but it also sought to step boldly and rapidly into the modern age of science and technology. Together, Dr. Oakley and Dr. Yan agreed to work on a proposal that their two institutions join the search for ways to prevent these most common of birth defects. It would take eight years of persuading superiors, finding funding, and calming the political suspicions, but eventually the collaborative project turned from proposal to reality.

At first, the project had all the ingredients for failure. The U.S. researchers were uncertain about the ability of the Chinese to conduct the rigorous trials that were coming to inform evidence-based medicine. In the early 1980s, the Chinese scientific community was just emerging from the effect of the national policies that closed them off from the rest of the world, causing their methodologies to lag behind their Western counterparts. Countless health professionals had been sent to rural outskirts during the Cultural Revolution, and the foundation of expertise remained thin even in the later 1980s when in Beijing, a fledgling project office housed at Beijing Medical University needed to find young epidemiologists who had to learn many of their skills on the job.

In Atlanta, a CDC team faced the problem of how to coordinate massive fieldwork thousands of miles away. Tanks rolled into Tiananmen Square; for months, the Project appeared to be in jeopardy of termination. Years later, U.S. jets mistakenly dropped bombs on the Chinese embassy in Belgrade, making the Chinese fear for the safety of U.S. researchers assigned to live in Beijing. The principal investigators in the BMU office faced pressures from mayors in the project counties; the mayors pressed to get more of the tight research money as they pondered how they could produce the expected work with a shortfall of resources. The list of obstacles went on. China lacked telephones and electronic systems. Roads were bad. Education levels were low among the families who were to participate in the study. Delays took months, and sometimes years.

Managing the details in the field were two young epidemiologists: BMU's Dr. Li Zhu and CDC's Dr. Robert J. Berry. They shared what they felt were the critical underpinnings that allowed the Project's success: the right person in the right place, perseverance despite the obstacles, relationships developed over "walking a thousand miles" together, and sheer human capital.

China Currents, Fall 2007

The first principle of success was finding the ‘right’ people who knew how to build relationships, had drive, and shared a common work ethic. Every project needs a pivot point, someone who connects all the pieces. Dr. Li Zhu filled that role, linking Ministers of Health, university administrators, CDC researchers and chiefs, provincial and city and county leaders, medical directors, and staff. The American team, too, had some of the ‘right people’ who invested substantial time and effort. McCarthy, Oakley, and other CDC epidemiologists made dozens of visits to China. Dr. Berry and later Dr. Jacquelyn Gindler pulled up their households and lived in Beijing for several years, supervising the details of the Project’s logistics and learning Chinese so that they could communicate directly with their colleagues.

Perseverance was the second reason for success. “When you want something to happen, you cannot give up. You need patience,” Li Zhu explained. “So many foreigners come to China and think they can have a success because they have made contact once or twice. Nothing happens based on one meeting. Think about it. We were successful because a lot of people went to the United States, and a lot of Americans came here. We had meeting after meeting. We worked together a long time, sometimes not knowing what would come of it. It has nothing to do with theories. You cannot find this kind of ‘theory’ in a book. If you want to do anything, you need to keep trying. Be patient, but insist that decisions be made. Chinese and Americans both talk about ‘gritting your teeth.’ You have to want to do what it is necessary for what you want, no matter how hard, no matter the difficulties and obstacles.”

The third underpinning of success was found in “friendships,” both personal and professional, forged over years of detailed work. In building personal relationships, each team earned trust and learned to be trusting; respected each other’s wisdom; and shared ownership not only of achievements, but also of frustrations. Everyone worked on working together. Berry considered for a minute. “I think all the other relationships between bureaucracies and cultures are probably much less important than personal relationships. I didn’t really understand that well when I went there.”

The Project was a model for successful teamwork not only between professionals, but also between scientists and government officials. The research was supported by the government and conducted by the scientists. “During the long-term collaboration,” said Dr. Li Zhu, “we faced a lot of problems and difficulties and obstacles. We always got together to discuss these challenges and think about solutions. I then talked with the Ministry of Health to find a solution from the China side and explained what I thought was the situation in the United States. My CDC colleagues worked on the U.S. side, and they could explain the Chinese situation.”

Dr. Berry agreed. “From the beginning, we had the ability to sit down and decide what to do and, based on science, decide what should be done. The Chinese would get together and, because they were experienced within their own system, they did what needed to be done on their side. We did the same on our side.”

Human capital came from the thousands of health workers throughout all levels of the health care system: hospital workers, clinic staff, registration officials, doctors, nurses, technicians, data entry clerks, secretaries, drivers, and community service workers. A common opinion in the West is that developing countries, with workers who may have less training and little monetary reward for the added burden of work, cannot attain the accuracy and follow-up rates achieved in developed nations. However, no one had informed the young investigators, Drs. Li Zhu and Berry, that these were accepted limitations; instead, they sought the highest level of precise, accurate, and useful data.

China Currents, Fall 2007

“One of the things that really made this project work,” said Dr. Berry, “was that the counties were so engaged. In the beginning, little of what we were doing made sense to them, but we sent reports back to the counties to help them fix problems and it got people engaged in collecting data and making the data good.” Local health officials traveled to their village clinics and township hospitals to track down information missing from the original data collection booklets and forms. They kneeled over giant cross-tabulation tables laid across the floors of their offices to begin the detective work of finding the right matches, sometimes working most of the night. They worked on the floors, because that was the only space large enough to spread out one million surveillance cards.

As the Project achieved its stated goal to prevent spina bifida , it additionally achieved others. BMU developed institutional strength by fostering young, bright, hardworking scientists. The local project sites grew capacity through the training and experience, expanding the expertise beyond the study’s needs and into the realm of medical care delivery and other types of medical research. The Project developed one of the largest databases in the world, which grows as the researchers continue to follow more than 200,000 families each year. The data collected are clean and complete; they are cited throughout the world. The surveillance system can track the potential long-term effects from exposure to folic acid, of course, but in these records of mothers and children lay any number of answers for questions no one has yet thought to ask.

Deborah Kowal is a medical writer and editor. Her book on the case history of the intervention study conducted by the China-U.S. Collaborative Project for the Prevention of Neural Tube Defects is currently under review.

Chinese Auto Companies look to the U.S. Market

by Hongmei Gao, Kevin Work and Bradford Sill

A May 22, 2007 report in the German newspaper *Handelsblatt* said China's Chery Automobile wanted to re-examine its agreement to build small cars for Chrysler to be sold in the U.S. under the Dodge brand. In response, Chrysler officials said they were "confident" that an initial agreement with Chery will be finalized (*Handelsblatt*, 2007). The automobile business is expanding rapidly in China, making China one of the world's largest automobile manufacturing centers. One of China's long term goals is to rank among the world's leading car producing and exporting economies (Fishman, 2006). Chances are, before long, American consumers will be visiting Chinese car dealerships such as Chery or Geely in the streets of America. However, before enjoying success in the U.S. market, Chinese automakers must address some key political, economic and communication obstacles.

The Political Perspective

From the political perspective, the question is whether Chinese companies will be able to accommodate Americans' yearning for high quality, cost effective and "environmentally-friendly" vehicles that appeal to the American psyche, while countering negative stereotypes in connection with cheap commodities and Communism.

First, to enter the U.S. market, Chinese cars must meet environmental standards, but this could provide an opportunity if automakers can tap into the growing American concern about global warming. In terms of environmental friendly automobiles, so far only brands from Japan and South Korea, such as Toyota, Honda and Hyundai, have qualified. Chinese companies have a chance to seize this opportunity and offer high quality, fuel efficient, cost effective automobiles to experienced and discerning American consumers.

Second, Chinese automobile companies must accommodate the American psyche, which means creating incentives for the "average American" and countering negative stereotypes pertaining to Chinese brands. They will have to address questions like: "What makes Chinese cars unique?" and "Why should I buy a Chinese car?" Hyundai offers a great example. In 1998, the Korean company needed to give the American consumer a reason to buy a Hyundai. The company's answer was "America's Best Warranty:" six-year bumper-to-bumper and ten year or 100,000-mile power train coverage. By 2003, Hyundai's sales had soared 315 percent to 375,119 cars (Squattriglia, 2003). For shrewd American consumers, a new Hyundai, with its unprecedented warranty, became a much better deal than a used Honda.

Third, to counter the negative belief that Chinese autos endanger American jobs, Chinese companies ultimately need to follow Japanese and Korean models by creating jobs in America. For example, Toyota directly employs over 38,340 people, and has invested \$16.8 billion in equipment and facilities in North America. Similarly, Hyundai America Technical Center operates from its 200,000-square-foot, \$117 million headquarters in Superior Township, Michigan.

Fourth, Chinese companies only will have to downplay not only their "Made in China" label but also China's political ideology of Communism. The concept carries a strong negative connotation in the American mind in part because students are taught at a young age about Americans battling the evil

China Currents, Fall 2007

force of Communism throughout the 20th century against the Soviet Union, North Korea, Vietnam and Cuba.

The Economic Perspective

For Chinese manufacturers, the situation is somewhat similar to that faced by the Korean auto industry in the late 1980s, suggesting a possible niche for Chinese brands entering the U.S. market. At the same time, Chinese companies will have to negotiate with a much more demanding American consumer than did the Koreans.

Throughout the 1970s, demand from abroad accounted for less than 20 percent of the Korean auto production; the first Korean exports were sent to Ecuador in exchange for bananas (Green, 1992). The most important event in the development of the Korean auto industry was the oil crisis of the 1980s.

Due to a 300% hike in the price of oil and domestic political turmoil, demand for cars fell by over 50 percent in South Korea. "Industry-wide capacity utilization plunged to a mere 26 percent, and all three Korean automakers [Hyundai, Daewoo, and Kia] faced bankruptcy" (Green, 1992). The Korean Institute of Economics and Technology concluded that the only way to salvage the auto industry was to export (Green, 1992). Similarly, with the increasing competition between brands from all over the world in China, Chinese brands will probably turn to foreign markets as a survival strategy.

The first step the Korean government took was consolidating the auto industry into just two suppliers, Hyundai and Daewoo, to avoid unnecessary competition (Green, 1992). Kia, South Korea's third auto producer [now a part of Hyundai] was left to produce light trucks and would not enter the automobile market until 1988 (Green, 1992). While Daewoo created a joint venture with General Motors, Hyundai took the more aggressive route by setting up its own network of dealers in the United States (Green, 1992). In 1986, Hyundai introduced the simple but reliable Excel to the American market. Within the first four months, Hyundai had broken the record for the highest number of sales by a foreign brand in the first year (Green, 1992). In 1987, even though car sales were down 10 percent in the United States, Hyundai's sales rose by 56 percent, selling a stunning 263,610 cars (Green, 1992). Another way of characterizing Hyundai's success is to say that, by 1988, Hyundai had become the fourth leading exporter to the United States behind Toyota, Nissan, and Honda (Green, 1992).

What lessons can be drawn? First, South Korea was the first developing nation to capture a significant share in the American import market (Green, 1992). Second, the Chinese will be entering a very similar niche market in the U.S. – the entry level car market. In the 1980s, with low production costs, and ultimately a low selling price, Hyundai competed in the American market competing with used Toyotas and Hondas. The American auto industry, with high labor costs and other issues related to labor unions, had an incentive to build high-end cars for higher profit margins. The Japanese also opted to supply higher end vehicles because of American ceilings on the total number of autos Japan could export to the United States. Thus, the Koreans were left with an open niche of entry level cars which they could drastically undercut price and cost. Koreans were offering what many Americans really wanted--new cars, but at used car prices.

Today, American automakers, with high labor costs of \$28 USD per hour (The Economist, 2006), and financial difficulty still find themselves with an incentive to produce higher profit margin vehicles as compared with entry level cars. Japanese companies face some of the same high costs for a large portion of their output as their American competitors since many of the cars built for sale in the U.S. are assembled on American soil. This leaves the Korean companies and used cars as the competition for

China Currents, Fall 2007

Chinese exporters. Chinese, with labor costs as low as \$2 USD per hour (The Economist, 2006), can undercut the Koreans even taking transport costs into account just as the Koreans undercut the Japanese in the late 1980s. Research shows that developing nations normally lack the technological know-how to build cars that compete with the mid-level and flagship cars offered by established firms, but they do have the labor cost advantage that allows them to compete at the entry level. The Chinese can use Hyundai's success as a model. Hyundai still undercuts Honda and Toyota in terms of price; but now, after 20 years, can also compete in terms of quality.

While it is true that market conditions are ripe for Chinese entrance to the American entry level market, it is important that Chinese firms consider the current American buyers, and how they have changed over time. In 1989, Hyundai saw sales drop 30 percent, and another 29 percent in 1990 (Green, 1992). The reason for this sudden drop was that the Japanese regained the incentive to supply in the entry level market. Such competition improved the quality of all cars offered for sale in the United States, including used varieties. Therefore, Chinese automakers will now compete with used Hondas and Toyotas instead of with used Fords and GM cars like the Koreans once did. This competition has also raised the American buyer's expectations in a car. American consumers expect that their cars will last "forever," regardless of the fact few consumers expect to keep their cars for very long periods. Further, American consumers expect high gas mileage in compact cars, and American law mandates high safety and emissions standards.

The Chinese automakers need to realize that American buyers are strikingly different from those in Mainland China. Americans are experienced and sophisticated shoppers for automobiles, American buyers are in a position to demand high standards from automobile suppliers. Comparatively speaking, Chinese auto consumers are relatively new to car purchases. In 1998, there were only 4.2 million privately owned vehicles in China (Sit and Liu, 2000). Today, with the rapidly growing middle class, there are over 20 million cars on Chinese roads (Dahl, 2005). With this growth there are a lot of first time car buyers. Some of the recent success of companies like Geely and Chery within Mainland China may be partly attributed to the less demanding Chinese consumers and undeveloped used car market.

The Communication Perspective

A Chinese auto brand will also face some communication challenges inherent in their journey toward success in the U.S. Two of the major ones are negative perceptions of China and Chinese brands by the Western world and their low proficiency in understanding local cultures when abroad.

A misunderstood country by the West, China appears to be a paradox. Historically, China has always triggered a sense of mystery, exoticism and sophistication from its ancient civilization (Hodder, 1999). Today, China is partly known as a country of Communism, cheap labor, counterfeits, and sweatshops (Kynge, 2006; Dubey, 2006). For example, *The Wall Street Journal* recently reported that Chinese carmaker Changfeng's attempt at showcasing its new car models in Detroit is a demonstration of Communists lauding competition (Shirouzu, 2007).

Most Americans are comfortable buying U.S.-brand products made in China, but buying Chinese brands is a different game. "Sure, iPod may be manufactured in China, but since an American company retails it, we trust it more," one U.S. customer explained (Dubey, 2006). Despite the ubiquity of Chinese-made goods in American's everyday lives, research and anecdotal evidence suggest that association with China hurts rather than helps Chinese brands (Wang, 2007). "Chinese brands suffer from negative perceptions, and perhaps, negative realities," said Interbrand (2006).

China Currents, Fall 2007

In contrast, Chinese people view their country as being one of the most trustworthy nations (Ramo, 2006). Such a “best/worst” collision on the image of China endangers strategic planning as well as brand perception for Chinese companies overseas. Such a negative perception of China related brands threaten to generate stereotype, prejudice and discrimination and unpromising sales in the U.S. market for Chinese cars. To correct and counter such negative perceptions, Chinese auto companies need to modify their public image, open up direct communication channels with American customers, and learn to manage conflicts with American partners. Lenovo’s Liu said only after greater numbers of Chinese firms strengthen their overseas presence like Japanese companies did in the 1980s can foreign consumers understand that Chinese firms follow the rules.

Finally, Chinese auto companies, with limited experience of marketing and management in the U.S., face a new, cultural tariff. A recent World Bank report found that more than 85 percent of CEOs of failed Chinese joint-ventures attributed their difficulties to differences in managerial styles and corporate culture (Accenture, 2006). The most serious problem facing Chinese auto companies is a lack of strong international experience in marketing, management and communication. Possible conflicts between Chinese automakers and American consumers could stem from cultural misunderstanding or cultural ignorance on the part of the Chinese companies. The best policy of adaptation is to transform from “going global” to “going local.” It is important that Chinese companies strengthen their local association in terms of the extent of local participation in the business process. Chinese companies need to proactively participate in local community-building efforts and to demonstrate good corporate citizenship, perhaps through charitable works and other community involvement.

Conclusion

Chinese companies are facing an uphill battle when considering entering the U.S. auto market, having to downplay their country’s reputation for manufacturing cheap goods and to deal with their country’s political ideology, in addition to facing new communication and business challenges. However, as the domestic competition in China continues to grow, exporting abroad, and especially to the massive U.S. market, may be necessary for survival. To achieve high performance, Chinese auto companies need to identify their competitive advantages and build the necessary operational and communication skills to capitalize on these opportunities.

In addition, currently the image of products “Made in China” is in crisis. Multiple issues have surfaced in the international trade arena concerning the quality of China made products. From contaminated pet food to lead-painted toys to poisonous toothpaste, American consumers are becoming even more skeptical of the quality of Chinese products and services. The Chinese government and Chinese companies will need to improve image management for long term credibility. A lot needs to be done to progress toward the day that “Made in China” equals high quality, safety and reliability. If Chinese car manufacturers desire to succeed in American markets, much needs to be communicated to the consumers about the quality, service and maintenance plans for cars made in China.

References

- Accenture (2006). China spreads its wings. Accenture website publication. Retrieved on 09/01/6 from http://www.accenture.com/Global/Research_and_Insights/Policy_And_Corporate_Affairs/ChinaGlobal.htm
- Business View (2006). Carmaking in China; The Fast and the Furious. The Economist (November 25th, pp 63-64), London.
- Car Consumer Satisfaction Index. Retrieved June 23, 2007, from JD Power and Associates Web [url?]

China Currents, Fall 2007

- Dahl, R. (2005). Heavy Traffic Ahead; Car Culture Accelerates. *Environmental Health Perspectives* (Volume 113, pp. 239-245).
- Dubey, V. (2006). Lenovo: The end of reliable notebooks. Retrieved on 04/01/07 from http://www.cooltechzone.com/Departments/Columns/Lenovo%3A_The_End_of_Reliable_Notebooks_200604172289/1/
- Fishman, Ted (2006). *China Inc.*. New York, New York: Scribner.
- Friedman, T. (2005). *The World Is Flat*. New York, New York: Farrar, Straus, and Giroux.
- Green, A. E. (1992). South Korea's Automobile Industry; Development and Prospects. *Asian Survey* (Volume 32, pp. 411-428), University of California Press.
- Handelsbert. (May 22, 2007). Chery Rethinks Chrysler Deal. [publisher?]
- Hodder, R. (1999). China and the world: Perception and analysis. *The Pacific Review*. V. 12. No. 1. 61-77. Routledge.
- Hybrid Sales. Retrieved June 23, 2007, from Reportbusiness.com Web site: [url?]
- Hyundai Surpasses. Retrieved June 23, 2007, from Automobile Web site:
- Interbrand. (2006). Best global brands 2006: A ranking by brand value. Retrieved on 05/01/07 from http://www.interbrand.com/best_brands_2006.asp
- Kynge, J. (2006). China's brand image problem: It's a country full of counterfeits. *The Spectator*. London, UK.
- Overview of Hyundai. Retrieved June 23, 2007, from Hyundai Worldwide Web site: <http://car-reviews.automobile.com/news/hyundai-kia-pass-nissan-to-become-worlds-sixth-largest-automaker/1916/>, and <http://worldwide.hyundai-motor.com/>
- Overview of Toyota. Retrieved June 23, 2007, from Toyota Motors Web site: http://www.toyota.co.jp/en/about_toyota/overview/, and <http://www.toyota.com/about/news/manufacturing/2007/04/18-1-mississippi-groundbreak.html>
- Ramo, J. C. (2006). An image emergency. *Newsweek* (Atlantic Edition). V. 148. I. 13, pp. 38-43.
- Shirouzu, N. (2007). Obscure Chinese car maker seeks U.S. Presence: Changfeng's vehicles will be on display at Detroit show, Communists Lauds competition. *Wall Street Journal*. (Eastern edition). Jan. 3, 2007. p. B.1.
- Sit, V. F. S. & Liu, W. (2000). Restructuring and Spatial Change of China's Auto Industry under Institutional Reform and Globalization. *Annals of the Association of American Geographers* (Volume 90, pp. 653-673), Association of American Geographers. Site:<http://www.jdpower.com/corporate/news/releases/pressrelease.aspx?ID=2004034>
- Squatriglia, C. (2003). Korean Automaker Driven to Excel. *San Fransico Chronicle* (February 20th), San Francisco.
- Surpassing GM. Retrieved June 23, 2007, from Bloomberg Web site: Toyota Breaks Ground In Mississippi. Retrieved June 23, 2007, from Toyota Motors Web site: [url?]
- Wang, J.(2007). Brand perception the key for Chinese companies. *Global News Wire – Asia Africa Intelligence Wire*. China Daily.

Dr. May Hongmei Gao is an Asistant Professor of Communication at Kennesaw State University. Kevin Work is a student of political science at Columbus State University, and Bradford Sill is a student of economics at Georgia State University. This research was completed while Kevin and Bradford were attending a study abroad program in China with Dr. Gao in summer 2007.

Events

**“China On My Mind”
Exhibition Traces Emory Graduate’s Life
And Work In Nineteenth Century China**

Selections from the archives of a Georgian who became one of the most influential foreigners in nineteenth century China are on display in Emory University’s Robert W. Woodruff Library from October 12, 2007 through January 15, 2008. The life and work of Emory College graduate Young John Allen (1836–1907) is the subject of the exhibition “China on My Mind: Young John Allen’s Journey from Emory to Shanghai.”

Exhibition sponsors include Emory University’s MARBL, East Asian Studies program, Scholarly Inquiry and Research at Emory program, the Department of Russian and East Asian Languages and Cultures, the Department of Religion, the Transforming Community Project and the Robert W. Woodruff Library.

The exhibition is free and open to the public between Oct. 12, 2007 and Jan. 15, 2008 at the Robert W. Woodruff Library, 540 Asbury Circle, Atlanta, Ga. 30322. For more information, you may call 404.727.6887 or send e-mail to marbl@emory.edu.

When: Exhibition through Jan.15th, 2008

Where: Emory University, Robert W. Woodruff Library, 540 Asbury Circle, Atlanta, Ga. 30322

Cost: Free and open to the public

More info: Call 404.727.6887 or e-mail marbl@emory.edu

Young John Allen: A Missionary Journalist’s Life and Work in Nineteenth Century China

by Joachim Kurtz

Young John Allen graduated from Emory College in 1858 and the very next day married fellow Georgian, Mary Houston. The next year the Allens left for China to serve as missionaries for the Methodist Episcopal Church, South. The Civil War cut off funding soon after their arrival in Shanghai so that Allen, who adopted the Chinese name Lin Yuezhi 林樂知, had to find work in a variety of secular professions. Though he continued to preach, he gained his most lasting fame as a journalist, translator, publisher and educator.

In need of a salary to support his family, Allen took his first job in journalism as an editor at the *Shanghai xinbao* 上海新報 (*Shanghai News*) in May 1868. He so enjoyed this new occupation that he called



it his new “first love.” After only four months in the business, he founded the *Jiaohui xinbao* 教會新報 (*The Church News*), a journal with “a decidedly religious focus.” In September 1874, he reorganized this paper to match the secular interests of the urban Chinese elites and renamed it *Wanguo gongbao* 萬國公報 (*The Globe Magazine*). Allen served as general editor of the *Globe* until July 1883 when he decided that his work as Superintendent of the Methodist Mission in China, to which he had succeeded J. W. Lambuth in May 1881, required his full attention. With financial backing from the Society for the Diffusion of Christian and General Knowledge Among the Chinese (*Guangxuehui* 廣學會), the *Wanguo gongbao* resumed publication under the new English title *A Review of the Times* in February 1889. Allen returned as general editor, a position he held until his death in 1907.

Under Allen’s editorship the revived *Wanguo gongbao* arguably became the most influential news magazine in 1890s China. The journal was seen as the richest and most reliable source of information from and about the West and other regions outside of China. It sold up to 50,000 copies each week throughout the empire and was also available in Japan, Korea, Vietnam, and even Hawai’i, California and New York. Many essays and translations serialized in the *Review* were later published as monographs, adding to Allen’s reputation as one of Shanghai’s most capable publishers. Further journalistic endeavors included the short-lived *Monthly Educator* (*Yizhi xinlu* 益知新錄, 1877–78), which he conceived as a religious complement to the *Wanguo gongbao*, and the *Christian Advocate* (*Jiaobao* 教報) that he edited as official organ of the Methodist Mission from 1900 to 1907.

Through his work as journalist and editor, Allen was able to build an extensive network of acquaintances throughout China. He became deeply involved in the debates of the time. In his journalistic writings and more than one hundred volumes of translations and original works published in his name, he communicated Western concepts of economics, history, politics, international relations, natural science, and gender equality. His calls for basic changes in Chinese society and political institutions had a profound impact on reform-minded scholars and officials in the decades leading up to the fall of the Chinese empire in 1911. Leading reformers, such as Zheng Guanying, Kang Youwei and Liang Qichao, frequently acknowledged their indebtedness to Allen and his publications in their writings. He was one of very few foreigners awarded the honorary title of an “Official of the Fifth Rank” by the Qing government in recognition of his services to the country.

As Superintendent Allen placed particular emphasis on building Christian educational institutions. In 1883 he purchased land for the site of the Anglo-Chinese College (*Ying-Hua shuyuan* 英華書院), which he served as president from its opening in 1885 until his resignation in 1895 because of impaired health. He was instrumental in founding the McTyeire Home and School for Girls (*Zhong-Xi nüshu* 中西女塾) which opened in 1892 with Miss Laura Haygood, sister of his old friend and Emory classmate, Atticus Haygood, as its head. He also played a part in the foundation of Soochow University, which accepted its first students in 1900. The missions of his church to Japan and Korea were influenced by the success of Allen’s educational work in Shanghai, not least through such prominent students as Yun Ch’i-ho (T. H. Yun), the first Korean student to attend Emory and founder of an Anglo-Korean College in Seoul.

Allen returned to the United States only five times. During his first visit, on July 17, 1878, Emory College conferred upon him the degree of Doctor of Laws. He also visited the U.S. in 1888, 1893, 1898 and 1906. After forty-seven years in China, Allen died in Shanghai on May 30, 1907. He was buried on the Baxianqiao Road Cemetery in the French Concession and is commemorated both in the southeastern United States and in Shanghai.

China Currents, Fall 2007

Allen's personal papers, housed in Emory University's Manuscript, Archives and Rare Book Library, are one of the richest collections documenting the life and works of any individual China missionary held in the United States. The 36-box assemblage includes diaries, letters, photographs, missionary lists, clippings and subject files, sermons, essays, printed works and personal possessions. The initial donation of 10 boxes was received before 1966, with major additions arriving in 1966 and 1994.

Joachim Kurtz is an Assistant Professor of Chinese at Emory University. He is curator of the exhibition along with Eric Reinders, Associate Professor of Religion, in collaboration with Andrew P. Addington, Yen C. Chiu, and Phylcia S. Wu, and Dr. Naomi Nelson, Assistant Director of MARBL.

China Currents, Fall 2007

Center News

China Research Center Holds Annual Meeting

The Center held its annual meeting of Associates and Advisory Board members on September 15, 2007, at Mercer University. Professor Xiaoliang Li was elected to the board as secretary, and Penelope Prime and James Schiffman were re-elected to another 2-year term as director and editor of *China Currents*, respectively. The Center thanks Professor John Garver for his 6 years of service as secretary and a member of the board. Professor Yawei Liu continues in his position as associate director, and Professor Hanchao Lu continues as board member at large.

Call for Sponsors

The Center is planning a series of roundtable discussions, and an annual event focusing on one or more key topics, and is looking for financial sponsors for each event. For more information please call Penelope Prime at 678-547-6235 or email her at prime_pb@mercer.edu.

New Website Coming Soon!

The Center has completely redesigned its website, which will be online very soon at www.chinacenter.net. The journal will be available at www.chinacurrents.com.