2004 FDIB China – Politics

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1. The government plays a key role in the Chinese economy, owning most of the assets.
   a. This requires those doing business in China to have and use political contacts and strategies.
   b. To be successful, businesses need to make Chinese officials look good—because that is how these officials keep their jobs and advance professionally.
   c. Companies must be able to get what they need from governments at all levels.
   d. Companies need to be able to work with government as an owner or co-owner of an enterprise.
   e. Local governments are huge players and make key decisions about direction of the company and resource allocation.

2. All politicians need to prove themselves.
   a. Businesspeople must understand that to be successful.
   b. This is one reason for the shift in economic development strategy from a focus on Western China to Northeastern China.
      i. The old regime touted the center and the West.
      ii. The new regime wants to make its own mark. It's easier to develop the Northeast.
   c. Competition among governments within a region makes cooperation on policy and infrastructure more difficult, but may help reduce corruption.

3. Loyalty to home regions is an important factor in allocating resources.
   a. The former leadership was from Shanghai and wanted Shanghai to be China's financial center.
   b. Today, because of a change in leadership, Shenzhen has a chance to develop its financial center again.
   c. This could hinder regional cooperation.

4. China's leaders have an obsession with political stability.
   a. This can cause an overreaction to events.
   b. Taiwan is an example.
   c. Social unrest is abhorrent.
   d. There is a potential for unrest resulting from the growing wealth gap, both personal and regional.
5. The attitude of Chinese people towards their government is accepting. They believe government is necessary to maintain order.

6. There is a policy conflict between the need to grow and the long-term consequences of rapid growth.
   a. Jobs versus the environment
   b. Huge need to provide jobs for a growing population and a need to avoid large numbers of unemployed migrants in new cities
   c. Huge pollution problems
   d. Questions about where to invest government funds

7. There are significant social impacts of large labor migrations.
   a. Young women returning to very traditional areas with money, a new world view, new independence don't want to marry a local man with none of those and into a family that expects her to be their servant.
   b. Some young women may never return, exacerbating the problem of too few women in rural areas (brought on by killing or abandoning baby girls in order to have a boy). This impacts the one child policy.
   c. There is a big impact on the social safety net, which has been provided by children for their parents, not by the state.
   d. Remittances from migrant laborers relieve government of a big burden and help equalize income discrepancies between rural and urban areas.