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AIIA Policy Commentary China and the Olympics

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AIIA Policy Commentary

China and the Olympics

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**Li Lanqing, Vice Premier of the People's Republic of
China**

13 July 2001

Speech at the Presentation of the Host City, Moscow, Russia

“Mr President, IOC members, ladies and gentlemen,

On behalf of the Chinese government, I wish to reaffirm that our Government stands firmly behind Beijing in its bid for the 2008 Olympic Games.

The Chinese Government respects and appreciates the conclusion reached by the IOC Evaluation Commission. We have worked out a plan accordingly to ensure an excellent Games in Beijing.

The Chinese Government will honor each and every commitment it has made in Beijing's Candidature File and will do whatever it can to assist Beijing to fulfill its promises. China embraces the Olympic spirit and has always been a staunch supporter behind the IOC initiatives.

Over the past five decades, thanks to, among other things, the nation-wide "fitness-for-all" sports campaign, our people's health has been greatly improved, and the average life expectancy has increased from 35 years to 70. Our athletes have been doing quite well in the sports events organized by the IOC. To further promote the Olympic spirit, China has also helped other developing countries with their sports facilities. For instance, we have helped them build 36 stadiums. And we will continue to do so in the future.

I wish to take this opportunity to pledge to you that if there is a surplus in the Games revenue, we will use it to set up an Olympic Friendship and Co-operation Fund for financing sports undertakings in developing countries. If there is a deficit, the difference will be covered by the Chinese Government.

China has been one of the fastest growing economies in the world over the past 20 years since its reform and opening-up. It has enjoyed continued political stability, social progress and economic prosperity. An Olympic Games in Beijing will not only serve the interests of the Chinese people, but also promote the Olympic spirit and contribute to peace and friendship, stability and development in the world. Many people in the world have a dream that one day they could come to China and visit Beijing.

My fellow countrymen, for their part, share a strong desire to stage an excellent Olympic Games in Beijing, which, as they see it, is a great contribution to the Olympic Movement. I therefore hope, from the bottom of my heart, that you, distinguished IOC members, will help them realize their long-cherished aspirations.

Chinese sage Confucius says: "Is it not a delight after all to have friends come from afar!" Indeed, it is our delight to welcome all guests with open arms in Beijing in the year 2008. I am sure you will have a great Games in Beijing.

Thank you!"

**The Hon. Alexander Downer, MP
Australian Minister for Foreign Affairs**

14 July 2001

Media Release:

**Australia welcomes IOC announcement that Beijing will host 2008
Olympic Games**

The Australian Government warmly welcomes the decision of the International Olympic Committee to grant Beijing the 2008 Olympic Games.

China is a major country with a population of more than 1.3 billion - about one-fifth of the world's population. It plays a significant role in the Asia-Pacific region. Since its athletes participated in the Games in 1984, China has steadily become one of the most successful participants - ranking third in the medal tally at the Sydney Games.

Australia hopes to work with China to promote a harmonious, athlete-oriented, and environmentally focused Games in 2008. As host of the recent Sydney Olympics, we wish Beijing every success in its venture.

I note China is committed to spending A\$12 billion on reshaping the city and building venues. I understand that a number of Australian companies have already assisted Beijing in the lead up to its successful bid in areas such as infrastructure, construction, environment and logistics. We look forward to further cooperation with Beijing in the provision of expertise and services in such areas.

Australia congratulates Beijing on its success and wishes China well in its preparations for the 2008 Games.

**Hu Jintao,
President of the People's Republic of China
31 December 2007**

**New Year's Speech:
Make Joint Efforts to Advance the Lofty Cause of Peace and
Development for Mankind**

“Ladies and Gentlemen, Comrades and Friends,

As the clock counts down the few remaining hours to the Year 2008, through China Radio International, China National Radio and China Central Television, I am very delighted to extend New Year greetings to Chinese people of all nationalities, our compatriots in the Hong Kong Special Administrative Region, Macao Special Administrative Region, and in Taiwan, overseas Chinese and our friends of various countries around the world.

The year 2007 saw new changes in the world and China has also made new progresses. Chinese people have continued to work shoulder to shoulder in building a well-off society in an all-round way. China's comprehensive national strength has further strengthened and people's livelihood has further improved. Chinese people have boosted exchanges and cooperation with people of various nations, actively engaged in the proper settlement of issues in the world's hot spots, and pushed for the building of a harmonious world of lasting peace and common prosperity. The 17th National Congress of the Communist Party of China, which convened two months ago, mapped out the grand blueprint for continuing to build a well-off society in an all-round way under new circumstances and accelerating socialist modernization. Chinese people from all ethnic groups are making

full use of their diligence and wisdom to make new efforts to write a new chapter for a better life.

2008 will be a significant year for Chinese people as we will mark the 30th anniversary of China's opening up and reform. Initiated in 1978, the reform and opening-up drive is a crucial option that determines the fate of contemporary China. It has brought historic changes to socialist China. We will continue unwaveringly to hold high the great banner of building socialism with Chinese characteristics, fully implement the scientific outlook on development, further emancipate our mind, adhere to reform and opening up, develop socialist market economy, advance socialist democracy, and develop advanced socialist culture.

Improving people's well being will continue to be our top priority in building a harmonious society in which all people are well educated, workers well paid, patients well treated, elders well tended, and families well accommodated. We will continue to adhere to the principle of "One Country, Two Systems" and the policies of "Hong Kong people governing Hong Kong, Macao people governing Macao with a high degree of autonomy". We will join hands with compatriots in Hong Kong and Macao to safeguard the long-term prosperity and stability of both regions. We will also adhere to the basic principle of "peaceful reunification and one country, two systems". We will grasp firmly the theme of peace and development in handling cross-Straits relations, and work for the well-being of compatriots on both sides of the Taiwan Straits, strive for peace in the region and resolutely safeguard national sovereignty and territorial integrity.

At present, the overall international situation is stable. However, with the economic imbalance growing globally, the international security situation has become more complicated, and humankind

is facing an increase in troubles and challenges. Sharing the opportunities for development and meeting the challenges together for the lofty cause of human peace and development are the common wishes of people in all countries. Here I would like to avail myself of this opportunity to reiterate that China will continue to hold high the banner of peace, development, and cooperation, make unremitting efforts in taking the road of peace and development, and undertaking the mutually beneficial, win-win and open strategy. We will continue to push forward the democratization of international relations, spare no effort in driving economic globalization towards a balanced development that benefits all and into a win-win situation, boost exchanges and mutual learning between different human civilizations, protect the globe on which humankind lives, and safeguard world peace and stability.

At this moment, we are greatly concerned about people still suffering from warfare, poverty, disease, and disasters. We Chinese people are deeply sympathetic to them and are willing to do our utmost in helping them get rid of their plights as early as possible. And we sincerely hope that people of all nations can live a peaceful life of freedom, equality, harmony, and happiness under the same blue sky.

In 2008, the 29th Summer Olympic Games and Paralympics will be held in Beijing. We, as the host, will spare no effort and enthusiasm in making the two games the grand opportunities for people around the world to understand, befriend and cooperate with each other. We warmly welcome athletes from all nations to take part in the Olympics and Paralympics games, and also welcome friends from around the world to come to China and watch the games.

At last, from Beijing, I wish you all a happy, healthy and prosperous new year!"

**Jacques Rogge,
President of the International Olympic Committee
23 March 2008**

Media Release

The lighting of the Olympic Flame in Olympia tomorrow is a time to reflect on the role of the International Olympic Committee (IOC). The main responsibility of the IOC is to deliver the best possible Olympic Games to the athletes, who deserve it.

We do this in a close and intense collaboration with the Beijing Organising Committee.

Awarding the Olympic Games to the most populous country in the world will open up one fifth of mankind to Olympism. We believe that China will change by opening the country to the scrutiny of the world through the 25,000 media who will attend the Games. The Olympic Games are a force for good. They are a catalyst for change, not a panacea for all ills.

NGOs and Human Rights' activists want to leverage the Games and ask the IOC to act along by their side. The IOC is undoubtedly respectful of Human Rights. The IOC respects NGOs and activist groups and their causes, and speaks regularly with them - but we are neither a political nor an activist organisation.

As I stated last weekend, the events in Tibet are a matter of great concern to the IOC. The IOC has already expressed the hope that this conflict should be resolved peacefully as soon as possible. Violence for whatever reason is contrary to the Olympic values and spirit.

The IOC will continue to respect Human Rights. The IOC will work tirelessly with China for the welfare of the athletes and the success of the Olympic Games.

The Olympic Drama in Beijing

Erping Zhang

No Olympics is without its fair share of theatrics and drama, but the XXIX Olympiad in particular has all the signs of becoming one of the most highly staged, highly orchestrated, and calculated events the world has ever seen. Given the well-oiled propaganda machine of the People's Republic of China (PRC), image control will be sure to extend well beyond the sports arenas. But will the Olympics give the Chinese leadership the legitimacy they so desperately seek in the eyes of the people and the international community and consolidate their authority? Or will the limelight only serve to expose the PRC's severe environmental, economic, and political ills to the rest of the world?

The Beijing Organizing Committee for the Games (BOCOG) is determined to achieve what it calls a "high-level Olympics with distinguishing features."¹ While it is not at all clear what that actually means, the "distinguishing features" apparently refers to making the event uniquely "Chinese." Given that the Chinese Communist Party (CCP) has done much to erase China's cultural heritage for most of its 60-year rule, this is no easy task, and one that can easily slip into superficialities and kitsch. Indeed, the Beijing Olympics are rife with these efforts to link the event up with China's traditions. For example, in a reference to traditional Chinese cosmological beliefs, the opening ceremony is set to begin at 8 p.m. on the 8th day of the eighth month of the year, August, in 2008 with the lucky number "8" sounding in Chinese like the word for "a sudden influx of wealth." The irony is that while the initial estimated cost for the Games was 30 billion yuan, the budget had soared to a whopping 400 billion yuan,² or almost \$50 billion USD as of March 2008. With a price tag of this size, one must wonder what the CCP and 1.3 billion Chinese citizens actually expect to gain from such a production.

Longtime China watchers are giving mixed forecasts of the impact of the Games on China. In particular, Elizabeth Economy and Adam Segal, in

their paper “China’s Olympic Nightmare,” do not have high hopes for the Olympics to drive constructive social or political change.³ Similarly, Allen Carlson in his paper “China’s Conflicted Olympic Moment” expresses doubt that the Olympics will have a positive influence on Beijing’s foreign and domestic policy given that the Party State is still struggling to sort out its national identity.⁴ David R. Black and Shona Bezanson, in their paper “The Olympic Games, human rights and democratization: lessons from Seoul and implications for Beijing,” are, on the other hand, optimistic that the Olympics may serve as an opportunity to improve China’s rights record and instigate fruitful political change, citing the 1988 Seoul Olympics as an example.⁵

Few disagree that the top priority of the CCP at this time is to sustain its legitimacy and maintain its monopoly on power. Since Deng Xiaoping’s economic reforms in the 1980’s, the gap between CCP ideology and reality has only been widening. The CCP has evolved into a party of elite interest groups, confronting a crisis of legitimacy in the face of increasing social ills: corruption, lawlessness, economic disparity, unemployment, a floating population, lack of social welfare and healthcare, environmental disasters, and above all, a growing discontented population that is from almost all walks of life. China’s Public Security Ministry admitted that the number of “mass incidents,” or riots, reached 87,000 in 2005 – a tenfold increase compared with 1993. It can be said that China has entered a phase of “neo-Communism”⁶ in which elements of state capitalism are intertwined with Communist control mechanisms. The Chinese leadership today lacks the political legitimacy of the early revolutionary figures such as Chairman Mao and the old guards. Measured economic reform has been necessary to allow the CCP to maintain its grip on power; yet at the same time the lack of transparent governance and a crumbling moral social framework only serve to lessen the public’s confidence in the performance and credibility of the party state. Meanwhile, the Summer Games remains an occasion of pride and high hope for many Chinese, and they have every reason to present to the world the very best of their 5,000-year civilization – it is, after all, the first ever Olympics in the Middle Kingdom. The CCP understands this dynamic all too well. The 2008 Olympics offers an ideal

opportunity to distract the populace and unify the people through orchestrated nationalism.

Politicizing the Olympics by an authoritarian regime is not an invention of the CCP. It has occurred before – with the Moscow Olympics in 1980, but most notably in Berlin in 1936. The Third Reich shrewdly saw the Games as an opportunity to unify the country and boost the regime’s legitimacy. It can be said that the Third Reich was successful in that goal.

The CCP would like to project a similar image of benign cosmopolitanism to the world through the Olympics, but its paranoia and inherent fear of social disorder could very likely prevent it from achieving the desired goal. Most notably, Beijing’s Olympic torch relay or the “journey of harmony” around the world has become a public relations nightmare complete with photogenic protests featured on major media networks. The run-up to the Olympics is occurring against the backdrop of the recent bloodshed in Tibet, the ongoing persecution of the peaceful Falun Gong meditation movement and underground churches, suppression of outspoken intellectuals and lawyers, and the forced eviction of some 1.5 million residents in Beijing to make room for the Olympic construction.⁷ China vowed to improve its rights record in its bid for the Games; but according to Minky Worden, media director of Human Rights Watch and editor of the book *China's Great Leap: the Beijing Games and Olympian Human Rights Challenges*, human rights in the lead up to the Games have not improved, but deteriorated.⁸ Further, Beijing’s continuous backing of notorious regimes in countries such as Burma, Zimbabwe, and Sudan makes the international community question Beijing’s role as a responsible stakeholder in international affairs. Indeed, China’s role in Darfur’s genocide has caused widespread objection, prompting celebrities like Steven Spielberg to pull out of the Beijing Olympics.

Three so-called Olympic concepts devised by the CCP are: (1) Green Olympics, (2) High-tech Olympics, and (3) the People's Olympics.⁹

Unfortunately, all three of these slogans seem like some kind of twisted “Doublespeak” in light of the reality of the situation.

The Beijing Olympics are looking far from “green” with China facing rapidly deteriorating environmental conditions: polluted water and air, desertification, and deforestation resulting in many natural disasters that are worse than the authorities would like to publicly admit. “Beijing occupies an unfortunate location in an inland basin that is frequently swept by sandstorms from the Gobi Desert. Mountains on three sides of the city trap the emissions of a booming capital of 17 million people. The average amount of airborne particulate matter, known as PM10 in environmental jargon, is six times the standard recommended by the World Health Organization.”¹⁰ The air quality in Beijing is so bad that Australian Olympic officials decided to prohibit dozens of athletes from attending the opening ceremony. “AOC president John Coates announced last year that the country was also preparing a major immunization program to protect athletes from infectious diseases, including bird flu and respiratory problems associated with pollution. Around 1,000 prospective team members were offered vaccinations for hepatitis, typhoid, polio, tetanus, whooping cough and diphtheria, measles-mumps-rubella and influenza during a six-month immunization period.”¹¹ Haile Gebrselassie of Ethiopia, a world marathon record holder, will opt for the 10,000 meter race instead of the marathon due to Beijing’s poor air quality. In response, Beijing has said it will clear more than one million cars off the streets for two months starting from July 20, as International Olympic Committee (IOC) chief Jacques Rogge warned that endurance events, such as the marathon, could be postponed to protect athletes from the effects of pollution.¹² The environmental concerns raised by other countries have already been a major embarrassment for the PRC.

As for a “High-tech Olympics,” whilst Beijing strives to modernize the Games with first-rate telecommunications hardware and infrastructure, it is also acutely aware of the potential threat of an uncensored press and much of the high-tech efforts are actually directed toward censorship. The CCP’s draconian grip on domestic and foreign media as well as the

Internet is as impressive as ever, with an army of some 50,000 cyber cops and over \$1 billion USD spent on the Golden Shield firewall system, which effectively bars the 230 million Chinese netizens from surfing “unhealthy” overseas Web sites. The significance of media and the Internet censorship lies not only in restriction of information but in controlling the minds of its people with filtered information. China agreed to accord full media freedom in August 2008, but foreign TV networks are still in the dark as to whether they will be allowed to broadcast from iconic sites such as Tiananmen Square even though they have spent huge sums purchasing the rights to the Games. NBC is known to have paid \$3.5 billion USD for the exclusive U.S. rights to broadcast the Olympics from 2000 to 2008.¹³

More recently, foreign press reported, “police kicked foreign reporters out of a city where the collapse of several schools in China’s earthquake drew charges of corruption from parents of dead children. The action, which came one month after the May 12 quake, followed a promise the day before by China that foreign reporters would be allowed unfettered access to report on the disaster aftermath.”¹⁴ To this day, there is little, if any, public pressure from the IOC to have Beijing comply with its own promises. The last thing the CCP wishes to see is a repeat of the 1989 Tiananmen mass protest incited by the high-profile visit of former USSR president Gorbachev. China’s state-run media outlets have been instrumental in fanning often already overheated nationalistic sentiment in times of crisis. Examples include the earthquake in Sichuan province and the anti-CNN and BBC media campaign after the two networks covered pro-Tibet protests.

One unique “advantage” of a neo-Communist state is it has the ability to marshal its entire state resources to overpower the strongest individuals or multinational corporations. China can prove to be more competitive in the global market than some giant Western conglomerates through offering a higher bid than necessary. She is also able to bring some 300 foreign IT companies including Google, Cisco, Microsoft to their knees and force them to sign a “self-disciplinary pledge” to self-censor online content deemed “unhealthy” by Beijing. To

gain a foothold in the vast Chinese market or maintain a production base there, foreign multinationals are willing to collaborate with the CCP in suppression of dissenting voices in China. Yahoo has even provided personal emails of Shi Tao, a journalist, to the Beijing security apparatus, which led to his 10-year jail sentence.

As for the “People’s Olympics,” according to a report by Taiwan’s Central News Agency (CNA), “the Chinese Ministry of Public Security issued an order nationwide in April (2007) banning 11 categories and 43 types of people from participating in the Beijing 2008 Olympic Games... the 11 categories (43 kinds) of ‘opposing individuals’ include Falun Gong practitioners, religious extremists, religious infiltrators, separatists, media staff who endanger the Olympics, appellants, and people who are dissatisfied with the Chinese Communist Party.”¹⁵ For those 43 groups of Chinese banned from participating in the Olympics and the 1.5 million Beijing residents whose homes have been bulldozed, the Games are turning out to be a less than worthwhile experience. Only about 1,000 of the Beijing’s famous old alleyways - known as “hutongs” - reportedly remain, down from some 3,000 in 1950¹⁶ despite promises not to tear them down.

The people of China are also facing serious unemployment and disparity problems. It has been said that by 2020, the Chinese economy will need to be able to accommodate some 500 million laborers in the market,¹⁷ but there are signs it will be unable to do so. Already, each year at least 20 million people are unable to enter the workforce, and the income gap between the rural and the urban areas has been widening year by year. The same is true between the coastal provinces and inland regions. This kind of disparity creates an unstable social force, which may erupt at any moment, especially when consumer inflation rates soar as they did earlier in 2008 when they hit an 11-year high, up 7.1%. Following the food price hike, gasoline cost will increase at least 18%. With a Gini-coefficiency of 0.46, social unrest is not impossible as economic tensions and fraudulent governance fuel grassroots dissatisfaction. Beijing intends to field some 100,000 “anti-terrorism” security personnel to guard the Olympics, according to the official Xinhua News Agency. The

alleged terrorists include Tibetan and Xinjiang Muslim “separatists,”¹⁸ but mass protests by the disgruntled Han Chinese would actually pose a much greater threat to the CCP.

The Olympic Charter contains six Fundamental Principles of Olympism and the fifth principle stipulates: “Any form of discrimination with regard to a country or a person on grounds of race, religion, politics, gender or otherwise is incompatible with belonging to the Olympic Movement.” The sixth principle states: “Belonging to the Olympic Movement requires compliance with the Olympic Charter and recognition by the IOC.”¹⁹ But, thus far, the feeble IOC authorities appear to have a greater interest in helping Beijing deliver a trouble-free Olympic show than make it comply with the IOC rules.

The Olympics are, at the end of the day, supposed to be a glamorous international event. The whole world’s attention will be focused on China this summer, and in order to keep up appearances, Chinese authorities have been known to make some concessions. Unlike in the Maoist era, China is part of an interdependent world and plays an important role in globalization. In a gesture of goodwill to the international community, Bibles have been permitted in the Olympic village though they will be capped at one copy per athlete. The Bible Society based in U.K. will reportedly bring to the athlete quarters in Beijing some 50,000 bilingual pamphlets with Christian scriptures.²⁰

“With 21,600 journalists accredited for the 2008 Olympics and up to half that number expected to descend on and report from the city without International Olympic Committee credentials, the Beijing Games promise to be the most intensely scrutinized Olympics in history.”²¹ Will the Olympics, as anticipated by some optimists, provide an opportunity for the world press to expose the skeletons in China’s closet and bring about greater transparency and social change in China? It seems possible, although Beijing will be sure to set up every possible way to try to control and block journalists from straying from the focus of the Games. As for the eager foreign corporate sponsors of this 2008 Olympics, though, at least for now, there is little evidence to suggest

they have used their influence to help bring about any positive social or political change in China.

World leaders have, as expected, taken different approaches to the Games, with some such as President Bush leaning to embrace this limelight in Beijing and some such as Chancellor Merkel refusing to share the same platform with the CCP leaders who routinely abuse the rights of their citizenry. While the world's largest airport is under construction in Beijing, a mournful mood from the Sichuan earthquake on May 12 has clouded the festive Olympic atmosphere, especially with widespread information that the government office properties fared well in surviving the tremor while most school buildings collapsed, causing the deaths of thousands of children. It is unlikely, however, for the CCP to sustain its current level of economic growth over a long period of time, short of a political liberalization. A party state will inevitably lead to abuses of power, corruption, and finally loss of legitimacy in the eyes of the populace. After all, a transparent, prosperous, and pluralistic society governed by rule of law is in the long-term interests of the 1.3 billion Chinese citizens and of everyone else. Should the Olympic drama unfold as staged, the CCP may enjoy a fleeting moment of bliss; but after the curtain comes down and the makeup is removed, the CCP will have little choice but to face a reality that is far from fun and games.

¹ The official Website of the Beijing 2008 Olympic Games, <http://en.beijing2008.cn>.

² Chris Thomas, Breaking News – “Beijing Olympic Games Cost a Record 400 Billion Yuan,” May 14, 2008, SOH network.

³ Elizabeth Economy & Adam Segal, “China’s Olympic Nightmare,” *Foreign Affairs*, July/August, 2008.

⁴ Allen Carlson, “China’s Conflicted Olympic Moment,” *Current History*, September 2007.

⁵ David R. Black & Shona Bezanson, “The Olympic Games, human rights and democratization: lessons from Seoul and implications for Beijing,” *Third World Quarterly*, Vol. 25, No. 7, pp. 1245–1261, 2004.

⁶ Erping Zhang, “Improving Human Rights in a Neo-Communist State,” *China Rights Forum*, 2007.

- ⁷ Bradley S. Klapper, Group: “China to Evict 1.5m for Olympics,” AP, December 5, 2007.
- ⁸ Sinead Carew, “China rights questioned weeks before Olympics,” Reuters, June 19, 2008.
- ⁹ The official Beijing 2008 Olympic Games, <http://en.beijing2008.cn>.
- ¹⁰ Barbara Demick, “Olympians air a gripe about Beijing,” *L.A. Times*, March 12, 2008.
- ¹¹ Julian Linden, “Australian officials defend decision to skip ceremony,” Reuters, June 17, 2008.
- ¹² AFP, “Beijing Olympic car ban targets pollution, gridlock,” June 20, 2008.
- ¹³ Nick Mulvenney, “TV in the dark over live Beijing broadcasts,” Reuters, June 16, 2008.
- ¹⁴ AFP, “Reporters kicked out of China city where schools collapsed,” June 16, 2008.
- ¹⁵ Central News Agency, “Beijing Bans 43 Groups of People for Beijing 2008,” Nov 15, 2007.
- ¹⁶ Henry Sanderson, “Despite promises, old Beijing neighborhoods fall,” AP, June 16, 2008.
- ¹⁷ Jonathan Story, “Toward Olympics 2008: China’s Development in the Reform Period,” *Asian Affairs*, vol. XXXV, no. III, November 2004.
- ¹⁸ Christopher Bodeen, “100,000-strong force to protect Olympics,” AP, June 19, 2008.
- ¹⁹ The Olympic Charter
- ²⁰ Ashling O’Connor, “China gives blessing to Olympic Bibles,” *The Sunday Times*, June 20, 2008.
- ²¹ Melanie Lee, “China’s censorship of Web unacceptable” – EU, Reuters, June 20, 2008.

Beyond the Beijing Olympics: Reassessing China's Future

Dr John Lee

China has averaged double digit growth each year for over three decades and its economy has grown four times in size over this period. Now the second largest economy in the world (by PPP measurement,) its story is one of the greatest stories of economic success in history. Granting Beijing the Olympics confirmed China's rise but also gave it the right to showcase its achievements to the world. It was not by accident that Beijing insisted on the longest Olympic round-the-world torch relay in history – a full 130 days.

Instead, perhaps unfairly, the Beijing bound Olympic torch became a focal point for widespread international political criticism of China. Criticism began during the March crackdown of protesters in Tibet but spread to encompass more general criticism of China's one-party politics, poor human-rights record, and even its economic system. Following the earthquake in Sichuan Province in May, attention was drawn to the poorly enforced standards that led to its 'tofu' buildings collapsing when the earthquake hit Sichuan province – allegedly a symptom of the corruption that runs rampant throughout its economic setup. The country's inefficient use of resources, particularly energy, was previously highlighted as China became the world's heaviest polluter in terms of CO2 emissions and stories emerged about how Olympic athletes in Beijing would suffer from the smog. There are concerns that China's generally inefficient economic system will have difficulty coping with inflation levels - the highest for a generation. From being a new and alternative model of successful development, the Chinese system has become, momentarily at least, unattractive again.

The severity of the crackdown on Tibetan protesters or the existence of corrupt building practices in China does not indicate anything that most China watchers would not already know about the country. China today

is much more open than it has ever been and its leaders are much more open about the country's problems than they have ever been. In a conversation with an official from China's vast State Council Information Office (which regulates the promotion of China through its media) last November, the official compared China to a large, dysfunctional family. Such a family could go outside its home to a restaurant for dinner and appear normal, functional, and well-heeled. But invite guests to its home and appearances would be much more difficult to manage. The metaphor is well taken. Hosting the Games means that the realities of (and tensions within) the economy, society and politics of China will be scrutinized closer than ever before – sometimes accurately and fairly, and other times not.

This paper will look at the major economic and social tensions within China. Many analysts tend to simply produce a laundry list of the successes and shortcomings within China, see which side of the ledger appears more compelling, and fall on the side of either optimism or pessimism accordingly. In this paper, I will highlight the most serious problems within the country. But importantly, I will offer reasons *why* I believe China's problems are *worsening* and why it will be difficult and even unlikely that the country can solve them without the prospect of enormous turmoil.

Behind China's Economic Miracle

China began its current reform period with a set of challenges that Western societies are no longer familiar with, namely an undeveloped economy with a primarily rural population and a backward industrial sector. Since these reforms began under Deng Xiaoping in 1978, China's economy has quadrupled in size. Hundreds of millions have been lifted out of poverty. Across the country, a city the size of Brisbane is built every month. Private enterprise accounted for around 2 percent of output in 1979. Now it is about 70 percent. Statistics like these understandably give cause for optimism.

The common argument is that China abandoned central planning for the free market and that ‘capitalism with Chinese characteristics’ is working well. We need to rethink these arguments. At the National People’s Congress in March 2007, the annual meeting of the State’s highest body, current Premier Wen Jiabao offered his country a warning, declaring that “the biggest problem with China’s economy is that growth is unstable, unbalanced, uncoordinated and unsustainable.” This was all but reiterated by President Hu Jintao at the five-yearly Congress in Beijing in October 2007, and repeated again this year. Similar warnings have been issued since the late 1990s.

Growth remains robust but it tells only a small part of the story and of how China is faring. There are serious flaws to the Chinese economic growth strategy emerging, particularly since the 1990s. Indeed, in recent times, its high level of growth is somewhat symptomatic of the problem. According to a recent IMF study, 75 percent of China’s growth over the past decade comes from capital investment,¹ although it dropped to around 50 percent in 2007. In other words, growth is largely the result of pouring money into investment projects. Fixed asset investment increased by over 25 percent in 2005 and 24.8 percent in 2007. In the first quarter of 2008, it jumped a further 25 percent.² Investment bank Morgan Stanley estimated that fixed asset investment probably exceeded US\$1.3 trillion in 2006.³ In 2007, it was US\$1.9 trillion.⁴ The state (through state-owned banks) directed well over half of this and still owns almost 60 percent of fixed capital assets in the country. They do so in order for the Chinese Communist Party (CCP) to retain its economic relevance – a must for any authoritarian regime wanting to remain in power. The CCP’s role in China’s economy means that it still controls and dispenses the most valued economic, professional and career opportunities in Chinese society. This would be an acceptable strategy provided that capital is used efficiently and productively. Unfortunately, this is not the case.

Let’s begin with the bad loans problem which has been manifest since the early 1990s. The Chinese are famed for their level of savings. The country’s consumption as a proportion of GDP is around one third – the

lowest of any major economy in the world. Its people save about 30-40 percent of their income – largely to provide for themselves in old age – and almost all of it is deposited into state owned banks since there are few alternatives. China’s economic treasure chest and its economic growth are built on the back of these savings. According to China’s Ministry of Finance statistics, the financial assets of banks constitute about 98 percent of China’s total financial assets. Four big state owned banks alone control about 70 percent of these assets. Only about 2 percent of financial assets are held in private or foreign owned institutions.

Worryingly, because of bail-outs and recapitalizations involving floating a minority share of equity in these businesses, China’s main banks have been technically insolvent for over a decade being weighed down by non-performing-loans (NPLs). In 2006, accounting firm Ernst & Young estimated total NPLs in the financial system at US\$911 billion – about 40 percent of GDP. These banks are only able to operate due to periodic bail-outs by the government (in which bad loans are transferred to ‘asset management companies’) and access to continued liquidity only due to the high savings of the population being deposited in these banks. This problem has been deteriorating for a decade. Why?

Loan recipients – of which 70 percent are state owned enterprises (SOEs) – cannot pay back a huge proportion of their loans. World Bank findings indicated that about one third of recent investments made were wasted.⁵ In the 1980s and 1990s it took \$2-\$3 of new investment to produce \$1 of additional growth. Studies from the last several years show that it now takes over \$4 to produce \$1 of additional growth. Recent reports suggested that it was more like \$6 invested for \$1 of additional growth⁶ - which is twice as inefficient compared to the Mao Zedong era. In other words, Chinese investment is getting less and less bang for its buck. Why is it taking more and more money to achieve the same level of growth? China is suffering the effects of massive and chronic ‘overinvestment’, over-capacity, and declining productivity. It is estimated that while nine out of ten manufactured goods were in oversupply in 2004, investment in fixed assets grew by 30 percent over the same period and

contributed 47 percent of GDP.⁷ In 2005, Wang Xiaoguang from Beijing's Macro Economic Research Institute of the National Development and Reform Commission warned that China would continue to face oversupply problems for the next few years.⁸ Regardless, investment in fixed assets is now over 50 percent of GDP. In other words, increasingly large amounts of money are being poured into the building and production of things that are not consumed or needed by the economy or its people. For example, this is reflected in the average levels of slow moving inventory in Chinese firms which are estimated to take around 350-360 days to sell⁹ and the levels of unsalable inventory which are possibly the highest in the world. This is a symptom of overinvestment and produces growth figures that are bulked up by 'assets' that will never be used or consumed.

Quite clearly, capital allocation (in the form of credit and 'subsidies') has frequently little to do with rational economic decision making. As mentioned, 70 percent of China's capital is reserved for SOEs, although these SOEs produce less than 30 percent of the country's output. SOEs operate in around a dozen of the most important and highly protected sectors – such as banking, finance, insurance, construction, infrastructure, telecommunications and media. According to one expert, 19 percent of SOEs were unprofitable in 1978, 40 percent were unprofitable in 1997, rising to 51 percent being unprofitable in 2006.¹⁰ A conservatively estimated 40 percent of bank loans to SOEs are extended on a 'policy' rather than 'commercial' basis while most loans to SOEs are afforded artificially low interest rates.¹¹ An estimated two thirds of NPLs were loans given on a 'policy' basis. Banks are effectively fulfilling the political priorities of the government through their 'policy lending' function: to maintain jobs for SOE workers who are the Party's most loyal supporters, to maintain support for SOE managers who are core Party members and supporters, and to maintain growth in 'middle class' areas at any cost since the Party needs the continual support of the new and emerging middle classes to survive. As Zhang Hanya, a senior researcher at Beijing's National Development and Reform Commission's Investment Research Institute admitted last year, China needs to keep

fixed investment growth levels at around 25 percent per annum just to *maintain* present levels of employment.¹²

The central leadership is well aware of these problems. The warnings they issued about the Chinese economic model is evidence that they do not have their proverbial heads in the sand. Yet, while these problems worsen, these warnings have been issued periodically and with increasing frequency over the past two decades. The tendency to waste capital and protect inefficient SOEs is accelerating. In many respects, China's model is that of 'state corporatism' rather than private enterprise. More and more of China's national wealth is being directed by the state toward inefficient projects to fulfill political objectives. Meanwhile, for these same political reasons, reform of the country's key economic institutions – its banking sector in particular – has made little progress.

Recent instances of reform have been largely tactical to plug obvious holes rather than comprehensive reform. Even for the piecemeal reform that has occurred, it runs into the enormous problem of poor or non-existent implementation. Western experts visiting China generally go away impressed with the competency of its senior officials. But functional authority in China is largely decentralized. Around 35-40 million provincial and local officials exist in a largely unaccountable environment due to the lack of effective institutions for public accountability within the one-Party set-up. These officials oversee, regulate, and administer almost all economic and enforcement activity in the country. China's central leaders have consistently run into problems in terms of enforcing its mandates and regulations. For example, no matter how urgent the calls from central officials to exercise 'discretion' in lending policies, local officials who oversee bank branches continue to lend to inefficient SOEs in ever increasing amounts. As an illustration, the ratio of deposits banks are obligated to hold has already been raised five times this year by the Chinese Central Bank in desperate attempts to lower lending levels. It was raised seven times in 2007, and multiple times since 2000. Yet, local officials have largely ignored this requirement through dubious accounting and reporting, while loan levels have increased by 25 percent year on year during the same period.

This leads to the enormous problem of corruption which is systematic, profound, and embedded throughout every level of the economy and society. One Chinese economist, Hu Angang, calculated that the cost of corruption is up to 17 percent of GDP in the 1990s and has remained at similar levels and perhaps worsened since. But it is not just the economic costs. Embedded corruption prevents the implementation of top-down reform, weakens the collective will to undertake it, and leads to social dysfunctions that are pervasive and difficult to resolve. Yet, China's central leaders have little choice but to continue to support local officials in order to prolong the survival of the CCP as rulers. In a vast country of 1.3 billion people, Beijing relies on the local Party officials to represent its authority and preserve the CCP's interests. Local CCP leaders have a huge informational advantage over the central leadership which has few alternate sources of information other than what local authorities reveal. Importantly, national law, economic policies, and even social order policies are necessarily executed by local officials.

These problems go to the heart of whether the Chinese model of economic growth is sustainable. They are neither just cyclical nor a temporary hitch as China confronts the enormous task of development; they are *systemic*. Critically, economic problems are one side of the coin; the other is the effects on Chinese society. It is the uncertainty of how these economic and social problems and tensions will play out that cause China's leaders to be apprehensive.

Between Success and Turmoil: Tensions in Chinese Society

There have really been two reform periods since 1978. The first period involved allowing peasants to use their land in any way they chose (even if they were never granted ownership of it) and sell their products at market prices after meeting production quotas. There was also the encouragement of mass migration from rural to urban areas, paving the way for rapid industrialization and a move away from exclusive reliance on subsistence agriculture. Significantly, little political power was sacrificed by the CCP during this period, lasting from 1978 until the mid 1980s. This first phase was also undoubtedly successful. Indeed, the

World Bank estimates that 80 percent of the Chinese that emerged out of poverty did so in the first decade of reform, not more recently as many assume.¹³

The second period of reform from the mid 1980s onwards has been more problematic because genuinely transforming a modernizing economy threatens the CCP's hold on power. The response of the Party has been to hold on to the levers of economic power as much as possible, access national resources for political purposes, and attempt to reform only those aspects of the economy that do not threaten its political power. Remaining the major economic player in the economy allows the CCP to reinvent legitimacy to rule based on its capacity to generate prosperity, rather than on any ideology. One-Party rule will not be questioned so long as the Party can deliver prosperity to the masses.

There are several serious flaws to this strategy, the consequences of which could be painful and unpredictable for Chinese society and politics.

First, as I argue above, there must be serious doubts placed on the longer-term sustainability of China's state-led development model. Further reforms desperately needed would require the CCP to relinquish its control over the country's resources; something unlikely to occur without significant upheaval forcing the CCP's hand. Moreover, the building of much needed institutions within society and the economy – transparent and even-handed tribunals and courts, the rule of law, systems of public accountability, and so on – will similarly proceed slowly under the current political structure.

Second, state-led development strategy tends to breed a dependence on the state in capital and labour, exacerbating inequality since a relatively small number of well-connected insiders disproportionately benefit.¹⁴ Indeed, within one generation, China has gone from being the most equal to the least equal society in Asia. Its Gini coefficient (a measurement of income inequality) is now 0.47, up from 0.16 in the 1970s¹⁵ and 0.39 in 2005 (A Gini coefficient of zero represents perfect income equality, while a coefficient of one represents perfect income

inequality). There are between 50-250 million middle-class people (depending on which definition is used), but around one billion people who are increasingly missing out on the benefits of economic growth. Over the past decade, around 400 million people have seen their net incomes decline.¹⁶ Its leaders would know well an old Chinese proverb from Qing Dynasty times: “inequality, rather than want, is the cause of trouble.” Not that ‘want’ is conducive to stability either. According to the UN funded 2005 China Human Development Report, there are still up to 400 million people living in poverty (defined as living on US\$1 or less.)

An obvious counterpoint here is that inequality is always inevitable once development takes off in a backward, agrarian society. However, the CCP has used vast resources to sponsor, co-opt, and in many respects create the middle classes. The great lesson of the 1989 Tiananmen protests for the CCP was that the Party was better off tying the futures of the middle classes to the future of the CCP, than it was isolating them. It is from the urban middle classes, after all, that any impetus for political reform is likely to come. Enormous national resources, especially capital, are directed toward nurturing the middle class in China’s cities and these middle classes have been the great beneficiaries of China’s state-led development model. This is reflected in the composition of the roughly 70 million CCP members. A third of these are businesspeople and entrepreneurs, a third are college students, and a quarter of these are professionals. Meanwhile, a massive underclass of up to a billion people is the downside of this strategy. It is not surprising that while middle class support for the CCP remains robust (at least while economic growth is strong) numerous internal Party studies show that support for the CCP in the poorer rural areas, in particular, is extremely low.

Third, the massive misallocation of the country’s wealth combined with entrenched corruption is having ‘real’ economic and social effects. For example, independent studies suggest that unemployment is around 10-20 percent in urban areas and 20-40 percent in rural areas. In 2002, consultants McKinsey & Co released a report stating that China’s ‘pay

as you go' pension pools were on the verge of bankruptcy; this is not surprising as the system is based on (state) employers making enough profit to meet these obligations. Although Chinese officials suggest a US\$100-200 billion problem, others like the World Bank and Lehman Brothers investment bank put it at about US\$1 trillion in 2002.¹⁷ Since then it has undoubtedly gotten worse. A far off, but enormously critical juncture, will be reached in 2030 when a quarter of the population will be over 60 (around 350 million) compared to just 10 percent currently. Furthermore, reported significant instances of 'mass' social unrest (defined as involving 15 or more people) have grown from a few thousand in the early 1990s to 87,000 instances in 2005 according to official figures. A Hong Kong based study believed that the figure in 2003 was closer to 300,000.¹⁸ The vast majority of these protests are directed toward local officials for grievances against such things as illegal land seizures and taxes, mismanagement of the local environment either because of incompetence or collusion with well-connected industries, and the obvious misappropriation of public funds for personal use.

Conclusion

How these social and economic dysfunctions will play out remains unclear. Since 2000, the leadership has repeatedly singled out domestic unrest as the greatest threat to the regime and promoted a 'harmonious society' as its top priority. Since 2000, when these objectives officially became the highest priority, the situation has continued to worsen. Moreover, it is highly likely that it will continue to deteriorate since the CCP cannot change course without significantly relinquishing its role in the economy and society and risk losing its hold on the reins of power. Beyond the expected speed humps that any developing country might confront, few Western analysts predict a systematic slowdown for the Chinese economy. Fewer still predict stagnation, turmoil, and even chaos ahead. From the outside looking in, China as a success story has been a compelling one. As we approach the Beijing Olympics and with the country under much more intense scrutiny, taking a closer look from

the ‘inside’ may just cause many of us to re-evaluate the degree of optimism with respect to China’s future.

China’s future is largely out of external hands and in the hands of the Chinese. The main strategy of the CCP for China has been for China to grow its way out of trouble. Its leadership realizes that its execution of this strategy is in trouble and takes very seriously the possibility that China could stagnate and descend into turmoil. We would do well to consider this possibility equally seriously ourselves and take heed.

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² “Fixed asset investment up 24.6% in Q1”, *Xinhua*, 16 April 2008.

³ Stephen Roach, “Scale and the Chinese Policy Challenge,” *Global Economic Forum* (New York: Morgan Stanley, 19 June, 2006).

⁴ “China’s fixed investment up 24.8% in 2007”, *Xinhua*, 24 January 2008.

⁵ See Minxin Pei, “How Rotten Politics Feeds a Bad Loan Crunch in China”, *The Financial Times*, 7 May 2006, p 9.

⁶ Andy Xie, “Running out of room to stimulate”, 3 January 2002: <http://www.chinaonline.com>; McKinsey & Co Global Institute, reproduced in Diana Farrell & Susan Lund, *Putting China’s Capital to Work* (New York: McKinsey Global Institute, 2006).

⁷ See *The Economist*, 18 March, 2004. A report in 2002 by James Kynge suggested that in that period, 80 percent of manufactured products were in chronic oversupply: “China’s changing of the guard halts key reforms”, *The Financial Times*, 7 September 2002, p 4.

⁸ “Experts: China facing oversupply, deflation,” *Xinhua*, 2 December 2005.

⁹ See Gordon Chang, *Statement to U.S.-China Economic and Security Review Commission*, (Washington DC, 22 August, 2006).

¹⁰ See Usha Haley, *Statement before the US-China Economic & Security Review* (Washington DC, April 4, 2006.)

¹¹ See Nicholas Lardy, “China’s Worsening Debts”, *The Financial Times*, 22 June 2001, p 13.

¹² “China 2007 investment may rise 25%”, *China Daily*, April 29, 2007.

¹³ Shaohua Chen and Martin Ravallion, *China’s (Uneven) Progress Against Poverty*, World Bank Policy research working paper #3408 (Washington DC, 2004.)

¹⁴ See Eva Bellin, *Stalled Democracy: Capital, Labor, and the Paradox of State-sponsored Development* (Ithaca: Cornell University Press, 2002).

¹⁵ United Nations Development Program, *United Nations Human Development Report 2007/2008* (New York: Palgrave Macmillan, 2007).

¹⁶ See Statement by Dr. Joshua Muldavin, *Major Internal Challenges Facing the Chinese Leadership*, US-China Economic and Security Review Commission, 2-3 February 2006.

¹⁷ Alastair Newton and Robert Subbaraman, "China: Gigantic Possibilities, Present Realities," *Lehmann Brothers Research Report*, 21 January 2002.

¹⁸ See David Murphy, "The Dangers of too Much Success," *Far Eastern Economic Review*, 10 June 2004; Dexter Roberts, "China: A Workers' State Helping the Workers?" *Business Week*, 13 December 2004.

Implications of the Olympics for China: A Chinese Perspective

Yang Zerui

“No country can be exempted from interference in domestic and international policies in the contemporary world, and the interference may be intensified or catalyzed by certain big events. Great powers’ policies, both internal and international, are usually the result of joint efforts of domestic demand and international pressure.”

- Professor Radtke W. Kurt (Ph.D., Australian National University and my Ph.D. supervisor at Waseda University)

Could the 29th Olympic Games in Beijing be that “big event” and the “catalyst” for China? Despite China’s problems, it has achieved much in recent years and is well positioned to host the Olympics. The Games will further stimulate China’s economy, they will enhance mutual understanding between China and the rest of the world, and they will accelerate political and social reform in China.

Hosting the Olympics: China’s Achievements and its Problems

The 29th Olympic Games will be held in Beijing from 8-24 of August. Tens of thousands of athletes and millions of spectators are expected to attend the Games, as it is one of the most important and popular events in the world. But not just any country can host the Olympics, and after seven years of wholehearted preparation, the Chinese government finally believes it is ready.

“The Olympics is the common wealth of humanity,” according to the IOC, “and no event in the world could compare with the Games in making participants shelve their differences and bringing people together on the same race track for a common goal.” And yet, China suddenly finds itself the target of international criticism over its Olympic preparations and domestic and international policies.

Westerners have raised many questions, the majority of which are not even related to the Olympics, such as issues dealing with Tibet, Xinjiang, religion, human rights, and the Darfur crisis. This is puzzling, considering that China has made much progress in recent decades.

With a long history and a glorious culture spanning almost five thousand years, China is the largest and most rapidly growing developing country in the world. Since adopting reforms and more open policies in late 1978, China has been trying to transform itself from a traditional central-planned economy to a modern market-oriented country, despite difficulties and possible setbacks. In 2008, China will be the third biggest economy in the world ranking only after the United States and Japan. Its total GDP is expected to reach 4.2 trillion US dollars and GDP per capita will exceed 3,000 US dollars, comparing with some 300 billion US dollars and 300 US dollars, respectively, in 1978. The average rate of economic growth in China from 1978 to 2007 was 9.7%.

In addition to the unprecedented economic growth, the record rate of poverty alleviation, the glittering new architecture, the advanced education, the space programme, and over a trillion dollars in foreign exchange reserves, China has also made substantial progress on the issues of human rights, open society processes, and systematic reform. No doubt, the achievements of these policies are remarkable.

It goes without saying, however, that there are also many problems confronting China. The development gap is widening among urban and rural areas and between coastal, central, and western regions. For example, GDP per capita of three of Beijing's suburbs, Mentougou District, Yanqing County, and Pinggu County, is less than one fifth of that of Beijing's urban area. GDP per capita of Shanghai is 10 times that of Guizhou Province and Gansu Province. Corruption is widespread among authorities and officials at all levels, despite chastisement by the ruling Communist Party. Pollution is worsening nationwide and in some places is becoming irreversible. Energy and other resources are getting

rare and creating a bottleneck for future development. Reunification and ethnic issues are getting more complicated and more difficult.

Many of these, however, are problems shared by all great powers and multi-ethnic nations. If China were still poor and weak, and if China were still locked in traditional communist rule, it would be impossible for China to host the Olympics or to expect the world to trust it to do so.

It is obvious that the outside world recognizes China's reforms and efforts to cooperate with the outside world, and the Olympic Games symbolize this. They are important for China in its effort to further reforms and economic development, and they are one of the milestones in China's drive for modernization. To host the Olympics is a great honor, and the Chinese treasure this honor.

The Olympics and their Implications

Beijing's bid for the 27th Olympics in 2000 failed. Frankly speaking, if Beijing had succeeded then, it could not have done better than Sydney. But now, the situation is vastly different. In my opinion, the 29th Olympic Games come at exactly the right time. In recent years, both domestic and international circumstances are improving for Beijing and for China as a whole. After the Asian Financial Crisis, China's economy grew steadily and managed to achieve double-digit growth figures for several years. The third generation of leaders, chaired by Mr. Jiang Zemin, stepped down to make way for the younger generation of leaders, headed by Mr. Hu Jintao. Long-term political stability and fast economic growth have brought a tremendous amount of change to China.

The 29th Olympic Games will benefit Beijing and China in the following ways:

1. The Olympic Games will stimulate economic growth.

Hundreds of billions of Chinese Yuan have been invested in projects like the construction of Olympic facilities and the improvement of

infrastructure in Beijing and relevant cities like Qingdao, Hong Kong, Tianjin, Shanghai, Shenyang, and Qinhuangdao. Many sports centers, roads, subways, and buildings have been constructed incredibly quickly. For example, the city of Beijing built only 2 subway lines in the thirty years or so before bidding, but since bidding, 5 other subway lines have come into operation, and 5 more subway lines are under construction. Taking into account the millions of athletes and spectators attending the Games, China's economic growth will have increased by an extra 0.3-0.4% from 2002 to 2008, as estimated by some experts. The Olympic incentive for China's economy cannot be over-estimated. Beijing's population is about 1.3% of China's total and Beijing's economy is about 4% of its gross GDP. It has been reported that Beijing holds the lowest percentage of both national population and national GDP of all Olympic cities in modern history.

2. The Olympic Games will enhance mutual understanding between China and the rest of the world.

The Olympics advocate the spirit of "faster, higher, stronger" and pursues the universal dream of "peace, friendship, and progress," which explains why the IOC has more member countries than the United Nations and why the Games can light the passion of the world's peoples. The moment the IOC announced Beijing as the host city for the 29th Olympics, China pledged to host a successful Olympics in return for trust from the international community.

But, the world is still divided by ideologies, though the Cold War ended a long time ago. The theory of the so-called "clash of civilizations" is readily embraced, both in China and in the rest of the world. Effective communication and mutual understanding is a big problem, not only for Chinese, but also for foreigners. During the Olympic-torch relay, the young female paralympic fencer Jin Jing became an instant heroine for her iconic image of struggling to hold the torch from a grimacing free-Tibet protestor who attempted to wrestle it from her grasp. The incident was seen by Chinese as proof that the western world wants to humiliate China.

Currently, public opinion polls show people in many western countries view the Chinese as ogres bent on crushing Tibetans, Uyghurs, Darfurians, Christians, and others. Likewise, the Chinese public thinks the world is out to get them and that the West simply wants to “divide and conquer.”

Serious misunderstanding stems from different historical perspectives and different cultures. The way people outside China respond to events like the demonstrations in China is shaped by misinformation and emotion. China’s nationalism is hardly the outcome of government propaganda. Much of it is rooted in history, the bitter and humiliating history that began with the Opium War. Nobody can use lack of information as an excuse. Today the information flow via the internet is overwhelming, and over 200 million Chinese, including literally all educated Chinese, have broadband access to just about any source of information on earth. But nationalism is not the product of misinformation, and even with complete access to the internet, the Chinese still feel proud to be Chinese.

We are not alien. We know all the problems China faces, and we also debate heatedly. The current worldwide anti-China wave is a wake-up call for China. It provides much food for thought. The intellectual class in China began to reflect and re-examine its own words and deeds. It does no one any good if China and the rest of the world are forever separated by this chasm of mutual misunderstanding. Exchanges of people and ideas, even quarrels such as those over the Olympics, can enhance mutual understanding if they are properly managed.

3. The Olympic Games will restrain China from impulsive actions, both domestically and internationally.

As mentioned above, none of the problems facing China are easy to resolve. Human rights, ethnic issues, and pollution will keep China and its leadership busy for a long time. But the most pressing issue is mitigation and resolution of these problems.

On March 14, there was a severe riot in Lhasa, the capital city of the Tibetan Autonomous Region. Later, there were more riots in other Tibetan-populated areas. The violence left many innocent people killed and lots of property damaged. No evidence, however, shows that there was an organized massacre on the part of the government. On the contrary, the Chinese government responded to the riots in a quite sober and self-restrained manner.

Internationally, there are many thorny problems such as Darfur, Myanmar, and North Korea. Western countries insist that these are Chinese problems and that, therefore, only China can solve them. They have certainly over-estimated China's influence or forgotten the old saying that "dictators are almost never affected by outsiders." In addition, 'Mianzi'- 'saving face' is of paramount importance for the Chinese. Not only for the Chinese Government, but also for the ordinary Chinese people who want to maintain a good reputation in the world. In order to save face and enjoy greater respect from the world for a successful Olympics, the Chinese government will show a greater degree of confidence and tolerance in its dealings with emergencies.

4. It will help accelerate China's political reform in the long run.

It is clear that most of China's big problems are structurally and institutionally related. The most serious problems include pollution, corruption, and managing the balance between economic growth and welfare for the poorest members of society. These problems occur during development and can only be resolved through further development.

The Chinese Government has introduced the "scientific concept of development" and the "harmonious world" in its "peaceful rising" or "peaceful development" process. It wants to be recognized as a respectable world power. And the Olympics offer an opportunity for China to show to the world that it is a "responsible" member of the international community.

The Olympics could act as a catalyst for China. Domestic demand, along with international pressure, has made China's reforms progress faster

over the past two decades. By the same token, the interaction over the Olympics could perhaps further accelerate China's reform and process of opening up to the outside world.

What can be expected and what cannot be expected of China from the Olympics

The 29th Olympic Games come at the right time. They would be a "big event" and a "catalyst" for China's further development. The Olympics can stimulate China's economic growth and enhance mutual understanding between Chinese and foreigners. They will also help accelerate China's reform and its integration with the world.

Domestically, some form of strong nationalism will rise in China, not only among the so-called hardliners, but also in the intellectual class and the ordinary people. It is simply not true that if information becomes "freer," the views of the Chinese will somehow lean towards those of Westerners. The Chinese may not vividly remember everything from thousands of years ago, but they can certainly remember what they have been through during the last 160 years.

Internationally, China has opened up its door to the outside world and wants to join the process of globalization. But it faces the dilemma of merging into the world like the new kid on the block and being misunderstood by the main stream. Progress has been achieved in the past 20 years. The concepts of "world stake-holder," "harmonious world," and "peaceful development" are widely accepted and have become mainstream in China. Some mild outside pressure may be helpful to China's further development but should not go too far. To change China overnight or carry out a Color Revolution is out of the question. IOC President Jacques Rogge stated that "The West must stop hectoring China over human rights. The Games we believe, over time, will have a good influence on social evolution in China, and the Chinese admit it themselves."

China can't accept anything that will undermine its core interests such as national unification, political stability, and economic development.

Taking into account the fact that China is the world's most populous country, a more open, more prosperous China is not only in the Chinese interests, but also in the world's interests. An ultimate conflict between China and the rest of the world is by no means unavoidable. The Olympics are only a sports event and should not be mixed up with politics. It is unrealistic to require the Olympics to resolve all problems in and around China. Domestic problems can only be resolved through China's own initiative and through further reform and integration. International problems should be dealt with by the international community with China's increased active participation. In both cases, the rest of the world should be neither too optimistic nor too pessimistic.

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