

THE NEW TRINITY:
THE POLITICAL CONSEQUENCES OF WTO,
PNTR, AND THE INTERNET IN CHINA
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The Virtue of Openness

China is undergoing a fundamental transition from a closed society founded on a command economy, state ownership, and communist dictatorship, to a semi-open socialist society with Chinese characteristics. The benefits of an open society are readily apparent. In fact, an open society based on a market-liberal order takes on a political dynamic of its own. And a market-liberal order can only be created in an open China. An ethos of liberty is best spread by keeping China's market and society wide open. What is needed is to open China's door not only to foreign products but also to the ideas and practice of democracy and individual freedom. In China, openness has always been more important than internal reform. Reform without openness will lose its momentum and direction. If it is our hope that China should move toward a liberal regime, the most effective strategy is to encourage as much openness as possible.

The influence of openness on the common people in China is more important than it is on China's leaders. Openness will provide a frame of reference to the Chinese people to help them choose a rational regime that will be good for them. Chinese intellectuals now have greater access to the world through the Internet, publications, conferences, travel, and conversations. Their experiences in the new, open global order have made them aware of the existence of different political, economic, and social systems. Exposed to alternative systems, they can and do make comparisons and judgments about what is best for China. Such intellectuals share their thoughts in both

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conversations and writings. Students and young people would know nothing about democracy and human rights if they were only exposed to communist textbooks. Therefore, openness introduces change and reform in a “bottom-up” pattern, thus solidifying the transition. Openness implies more freedom to choose, and further opening brings about more liberalization.

The New Trinity

Since openness is so vital to China’s transition, we should determine what would contribute to China’s further opening-up and liberalization. The answer is what I call the “new trinity,” composed of both institutions and technology: the World Trade Organization (WTO), Permanent Normal Trade Relations (PNTR), and the Internet (including information technology, IT).

The WTO is a global institutional arrangement; PNTR is a bilateral institutional arrangement. Both are intended to provide an institutional background to China’s guarantee of free trade, free enterprise, private property, and a free-market economy. PNTR is the cornerstone of China’s membership in the WTO. That is because China’s opening-up has its own meaning, namely, to open up to the West, not merely to other poor communist countries in the Third World.

The Internet and IT are unprecedented technological forces that empower China’s march toward globalization, a free market, and an open society. The technologies have overwhelmingly overcome the geographical gap that historically has inhibited the extension of a market-liberal order. The institutional precondition for the Internet in China is membership in the WTO and PNTR with the United States. There is no space for the World Wide Web in a closed society that is outside economic globalization and has no access to international venture capital and information technology. What the rulers of a closed society fear most is the unintended consequences of an opening-up. The Internet is the most powerful force that has ever existed. The WTO and PNTR will do more than pull down trade barriers: With the aid of IT and the Web, they will dismantle the bamboo curtain that separates the Chinese people from the principles of democracy and individual freedom.

The new trinity is contributing greatly to the formation of a private realm and a civil society in China and to the promotion of China’s economic and political reform, delimiting the scope and power of the government and speeding up the process of marketization and privatization. The common people in China will become increasingly in-

dependent of the government, economically, politically, and psychologically. In present-day China, there are many users of Hotmail, Yahoo, and many other outside-China online toll-free webmail service providers whose mail servers are beyond the reach of the Red police. This is not only because the users want to save money; more importantly they want their communications to be free of surveillance. In addition, the Internet is already acting as an alternative to the postal service and telecommunications that are monopolized by the government.

The new trinity might not bring about a democratic breakthrough immediately, but it will certainly expose the Chinese people as never before to liberal values and democratic institutions. That is why openness has been so important to China and other closed societies, just as *glasnost* was to the former Soviet Union.

A closed society breeds monopoly, both economically and politically. The new trinity will help break the monopoly of power and wealth in China. One of the most important functions of a closed society is to prevent the institutional competition among different regimes, to shut the society off from linkages to open societies, free-market economies, and liberal democracy. The new trinity is doing a very good job of breaking through China as a closed society and facilitating the peaceful competition between liberal regimes and their tyrannical counterparts. The socioeconomic changes brought about by the new trinity will shift resources and power from the government to the hands of the common people, allowing them to be more independent and less dependent on the Chinese Communist Party (CCP) and its government than ever before.

Therefore, the value of the new trinity lies in the benefits it will bestow, not only on the privileged, but also on the common people in China. It can be expected that the new trinity will change the Chinese people's attitudes toward capitalism and democracy, even if it will not change the minds of the leaders or motivate them to start a democratic revolution. China's integration into the globalization process promoted by the new trinity will ultimately result in an open society and liberal democracy. Free trade is something more than making money by trade. It is the extension of free markets and individual freedom across political boundaries. For that reason, individual freedom and liberal democracy are effectively advanced by free trade and free communications facilitated by the new trinity.

Although the new trinity in itself will not bring political changes overnight, it can be an important catalyst for change over the long term if it is combined with other joint efforts from outside China.

Freedoms and Rights

History has shown that the best route to freedom and prosperity is to introduce market liberalism into a closed society. As James Dorn of the Cato Institute has convincingly pointed out, “free trade is not a privilege but a right” (Dorn 1996: 95). He argues that to advance free trade is to advance human rights, given that the rights to own property and to trade are natural rights. Freedom to trade without interference—provided one respects the equal rights of others—is a fundamental principle of a market economy and an integral component of human rights (Dorn 1996: 78–79). Therefore, freedom to trade is one of the liberties that many Chinese individuals and enterprises have acquired in the past two decades.

Is WTO membership or PNTR a reward for undeniable human rights violations in China? Partly, yes. The power elite will certainly amass fortunes from their business with the West. But if we take a look at the other side of the coin, we will realize that a rejection of WTO membership and PNTR will not stop the hands of human rights violators and will not help improve the human rights record in China. Otherwise, the human rights situation in North Korea—which is not a member of the WTO and whose people enjoy no PNTR with the United States and have no computers or access to the Internet—would be much better than that in China.

From a bottom-up perspective, the more open and liberalized China becomes, the more freedom and rights the Chinese people will enjoy. For example, access to capital is fundamental for every individual who wants to better his or her life. The new trinity has provided unprecedented access to global capital, to global markets, to the stock markets, and to information. The Internet, rather than laws, more and more guarantees the Chinese people freedom to acquire information, despite the CCP’s tight control over all media. Today, one can “surf” the Web for virtually any kind of information and usually access it for free. One can learn about the democratic development in Indonesia or follow the campaign and democratic elections in Taiwan. Perhaps proxy skills are no more widely used in the world than they are in China. The Internet now offers citizens more information than ever before about their own country and about the outside world.

China’s opening-up has also resulted in the expansion of consumer choice, the spread of culture, the development of a commercial code, the strengthening of property rights, and the growth of civil society. A typical example is the Chinese people’s awareness of intellectual property rights, as kindled in China by companies from the United

States and other Western countries. Just a few years ago, the issue of intellectual property rights was a totally foreign concept. Now, countless people, from professors to software programmers, from entertainers to popular writers, are all concerned about the advantage of intellectual property rights. As Alan Greenspan (2000) correctly understands:

History has demonstrated that implicit in any removal of power from central planners and broadening of market mechanisms as would occur under WTO is a more general spread of rights to individuals. Such a development will be a far stronger vehicle to foster other individual rights than any other alternative of which I am aware. Further development of China's trading relationships with the United States and other industrial countries will work to strengthen the rule of law within China and to firm its commitment to economic reform. China's citizens will come to have greater choice about their lifestyles and employment and to enjoy enhanced access to communication and information from around the globe.

The new trinity will greatly help extend individual freedoms and rights to China and will make China part of the worldwide market-liberal order. The more China opens to the rest of the world, the freer the Chinese people will be.

The Rule of Law

The rule of law is partly a byproduct of a commercial republic based on free enterprise. As a member of the WTO, China will have to commit itself, despite its reluctance, to obeying global trading rules. That step toward China's integration into the international system will regulate not only trade relations but also the Chinese government's treatment of its own citizens. China's further opening-up, which is being set in motion by the new trinity, will serve to benefit both foreign and domestic civil associations working to strengthen civil society in China and to expand personal freedoms for the population. There is increasing evidence that the development of a market order and globalization will help promote the rule of law in China (see Pei 1998 and Zhou 1998).

The new trinity in itself will not guarantee the rule of law, respect for citizens' rights, or substantial political reform. Economic openness may be accompanied by tight restrictions on basic freedoms and a lack of governmental accountability. The Chinese government might seek to build the rule of law in the economic spheres, while simultaneously continuing to obstruct and undermine the rule of law elsewhere. Although China is a long way from having a legal and court

system that functions independently of the CCP and the state, legal rules do matter in China because of the economic reforms and opening-up. Demands to rationalize China's legal system to handle commercial disputes, to protect contracts, and to combat corruption may help lay the groundwork for an independent judiciary and the rule of law. As one observer pointed out:

China's legal train must soon cross [the] cyber-pass. The Internet poses a new challenge to China's continued progress toward [the] rule of law. [A] weak rule of law will constrict growth of the important Internet industry, but adhering to [the] rule of law reduces the state's ability to protect its own commercial interests and address dissent however it pleases. Fortunately for its leaders, China has not yet had to face this reality because China seems such a promising market that many businesses and investors will tolerate massive legal uncertainty. But the grace period will not last. WTO accession will place increasing pressure on China to deepen its legal reform. And in an economic downturn or sharp correction, China's incomplete reform will contribute to local companies' decisions to fold and to foreign investors' seeking alternative markets where they can have more confidence about the fate of their funds [Hachigian 2000].

The transformation of the legal system in China is important because it represents the transition from the "rule by law" to the "rule of law." The CCP's steel-clad monopoly over the legal process, which makes the courts another arm of its rule, is corroding. China's economic liberalization has spawned a parallel legal reform that raises the prospect for the rule of, not merely by, law. People are starting to use the court system to contest government actions that affect their lives, liberty, and property. There has been a sharp rise in the number of civil lawsuits against the state, and individuals are beginning to win them. Studies show that a growing number of individuals are taking advantage of their legal rights. The number of cases brought before Chinese courts grew from about 13,000 in 1990 to an estimated 100,000 in 1997. Lawsuits against the government specifically grew more than 12,000 percent during the same period. (Guthrie 1999: 71)

Therefore, a strong case can be made that the gradual introduction of markets into China and the opening of China to the outside world have made the Chinese people freer and reduced the power of government. Even though a free market is not sufficient for democracy, much evidence supports the argument that economic liberalization boosts political liberalization. As markets spread, people develop an interest in participating in the political process through the rule of law and an objective, independent judicial system is an incubator for

freedom and democracy. A rule-based system and promotion of economic competition will boost the march toward liberty, law, and human rights. If China wants to benefit from the new trinity, it must take the rule of law very seriously by providing a fair, transparent, responsive, and predictable environment for law and policy.

Limited Government

According to the political doctrine of a free-market economy, the proper function of government is to protect life, liberty, and property—including freedom of contract. As Dorn notes, “Without private property and freedom of contract, other rights—such as freedom of speech and religious freedom—would have little meaning because individuals would be at the mercy of the state. The human rights fabric is not made stronger by unraveling economic liberties in the hope of enhancing other liberties.” Moreover, it is important to recognize that “the principle of noninterference applies to all government action—in the private, social, economic, and cultural spheres. Limited government is the norm for the natural order, unlimited government the norm for disorder” (Dorn 2000: 151). The expansion of individual freedom always proceeds hand in hand with an extension of a market order. The new trinity expands individual freedom and reduces the scope of government power and action. The protection of human rights and the rule of law is the essence of limited government.

WTO membership entails the separation of government and the economy. The Chinese government cannot take sides by giving special favors to state-owned enterprises (SOEs). It will be obligated to treat all the enterprises—regardless of whether they are state-owned, private, or foreign—equally. Such treatment will speed up the disintegration of state ownership in China and undermine the power base of post-totalitarian rule. As opposed to sanctions, trade liberalization weakens the power of government. And the growth of the Internet signals the retreat of government power. Greater transparency in economic matters could increase demands and expectations from within China for more openness in other areas. Foreign investment is already reinforcing incentives for regional and local leaders to protect the market, making it too costly to reverse the economic liberalization and thus paving the way for further political liberalization.

China’s future prosperity will depend on how fast China can make the transition to a political regime based on the rule of law and limited government, so that liberty, rather than a system that spawns corruption, will prevail. A free society requires constitutional constraints to

limit the power of government so that the rule of law will safeguard individuals and their property against the arbitrary force of the state. Like it or not, limited government is crucial to the growth of the market and democracy in China.

Which Strategy?

It has been noted that the new trinity is posing a great challenge to China. But it is open to controversy whether this challenge is positive or negative. In my view, the challenge can be either very positive or very negative. It will be determined by the way in which the Chinese leaders answer the challenge.

If China sincerely wants to embrace and benefit from the new trinity, it has to answer the challenge in a constructive way. That is to say, it has to overcome the tremendous “institutional defects” characterized by arbitrary regulation, byzantine rules, and grand corruption that create inefficiencies and a lack of transparency.

It should be clear to the political leaders in China that, in the age of the Internet, the government is not able to exercise total control over everything. The popularization of IT has effectively made each state inseparable from the outside world, and control and regulation have become more and more costly because worldwide economic integration is accompanied by the globalization of such freedoms as those of press and communication. The governmental control over the flow of information and capital—if it is possible at all—can only be achieved at the cost of China’s economic development and prosperity.

The new information economy has its own political logic. Any policy aimed at limiting the flow of information will be doomed to failure. There are already about 16 million Internet users in China (CNNIC 2000). Even according to a more cautious estimation, the online population is “doubling every six months and the total is likely to reach 20 million by the end of 2001, about the size of the online population in Germany or France” (ChinaOnline 2000). It is further estimated that this number will reach 100 million by 2007. After entry into the WTO, the Internet will be available to many more people in China because the price will decline further. The Web is becoming too global to be policed. It is already beyond the government’s capability to control every telephone and facsimile machine. How can it possibly win a battle of “one versus tens of millions”? How can tangible sovereignty based on geographical territory cover an intangible and endless cyber universe? This is not to mention the fact that the transfer of power resulting from globalization and the new economy

has been changing the pattern of power distribution, shifting the power from the center to the localities, from government to the private sector, from the organization to the individual. As an American observer has found, "In the United States, there is fear that the Web will isolate people. In China it brings people together outside the control of the government" (ChinaOnline 2000).

Under a negative strategy, the new trinity in China will guarantee neither the rule of law, nor respect for human rights, nor meaningful political reform. Economic openness may be accompanied by tighter restrictions on basic freedoms, further lack of governmental accountability, and more regulation and corruption. But that strategy has its costs and problems; for instance, the monopoly of the telecommunications industries has eliminated almost all private Internet service providers in China.

However, even economic troubles can spur reforms, to say nothing of political troubles. The rapid development of the Internet and economic globalization have already placed increased pressure on the highly centralized and heavily regulatory system of governance in China, and have widened the conflicts between the emerging market economy and the Red regime (Forum on Internet Development 2000).

Conclusion

The new trinity, as an unprecedented, powerful driving force in China since the start of the opening-up and reform in the late 1970s, will provide a strong dynamic for China's internal political evolution. China's entry into the WTO implies that China will be formally incorporated into the global capitalist system characterized by an open society, a free market, and liberal democracy. At the same time, it should be admitted that it will take time and patience for its political logic and its consequences to gradually unfold in China.

There is sufficient reason to believe that the most likely route to freedom and prosperity in China is to keep the country open. Greater economic freedom will spill over into greater political freedom, as it has in other parts of Asia. Forcing China to shut its door to the outside world will destroy China's nascent market system and block the surest path toward an open society, a free market, and liberal democracy.

By itself, the trinity will neither lead to political changes nor be a panacea for all of China's diseases. If we have no confidence or belief in an open society, a free market, and liberal democracy, then we have no reason at all to expect that China will move in that direction; but if we do have such confidence and belief, we have every reason to

expect that an open society, a free market, and liberal democracy—with the assistance of the new trinity—will finally defeat the opposing forces through peaceful engagement. A closed, isolated society is subject to tyrannical monopoly, for which an open, free society is the only cure.

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