

China – A Country in Transition (Observations from 1976 & 2007)

In 1976, I visited the People's Republic of China, with stops in Beijing, Guangzhou and Shanghai, where I experienced a country with a fascinating history, a relentless propaganda machine, and a third-world standard of living.

Billboard-sized portraits of Mao Zedong, Karl Marx, Joseph Stalin and Vladimir Lenin adorned the Forbidden City, facing Tien An Men Square, and Communist Party slogans appeared everywhere. City streets were noisy and dirty, crowded with buses and bicycles. Men and women dressed uniformly in Mao jackets and caps, and though the Cultural Revolution was drawing to a close, individuality had little place in China.

The State owned the means of production and China's industrial complex could not compete. The Great Leap Forward, launched in 1959 to catch up to the West, had failed and cooperation with the Soviet Union, the *Fraternal Socialist Endeavor*, had largely ended due to Soviet profiteering.

Farming remained primitive, relying on the water buffalo and manual labor, and state-owned communes struggled to feed the nation. This was Chairman Mao's China. People were more "red than expert" and political zealotry alone could not produce crops or build industry.

Last month, I returned to China and found the changes staggering. Beijing had transformed into a bustling, albeit congested, city of appealing high-rise buildings and modern, garden-lined highways. Construction cranes, visible in number in every direction, highlighted investment pouring into the Chinese capital. Automobiles competed aggressively for rights of way. The bicycle had yielded.

The portraits of Lenin, Marx and Stalin have come down and only Chairman Mao's remains. The ubiquitous Communist Party banners – and the Mao jacket – have all but disappeared. Western fashions and hairstyles are now in vogue and Chinese society seems far more relaxed.

The Government's decision to transfer ownership of the means of production from the state to private capital – the shift from Marxism/Leninism to capitalism – has fueled China's incredible growth and accelerated development. Capitalism gave China its great leap forward. Today's China is Deng Xiaoping's China who, after being banished during the Cultural Revolution, decreed, "it was OK to be rich." In capitalist China, people are more expert than red.

Six factory visits in the south of China revealed a great deal about Chinese manufacturing. With cheap labor, automation is minimal. Most workers live in dormitories, eat in plant cafeterias and wear company uniforms. The typical workweek is six days.

Ownership and management often come from abroad, frequently from Taiwan, and the gap between owner and worker, based on housing alone, appears to exceed the gap in major U.S. cities. Would Karl Marx understand 'Communist' China?

Within the plants, production flows proved hard to follow and unequal work steps resulted in large work-in-process inventories. These were not Lean factories. Some talked about outsourcing to Viet Nam to lower costs.

Lax safety procedures resembled OSHA nightmares. Workers driving gasoline-powered forklifts indoors and applying lacquer in unventilated rooms were simply in harm's way.

All factories discussed quality and one must wonder. Is China unlike post WWII Japan, where a reputation for cheap, low-quality goods gave way to Toyota's matchless quality? Or is China unlike late 19th century U.S., before the FDA placed quality standards on food exports? Most likely, the answer is no.

China today is a county driven by private capital and an entrepreneurial spirit. It is taking its place in the world, exerting political influence and shaping global markets. Capitalism has created opportunities and wealth for China that Communism could not. Ronald Reagan declared that Communism would be left on "the ash heap of history." Funny thing is, it's the Chinese leaving it there.

But China has very real problems: intellectual property rights, individual freedoms, a lack of nubile women, an aging population and air pollution to name a few. China understands these longer-term issues and a flattening world may help solve them.

Currently, China is preparing to host the 2008 Olympics. The relocation of factories from Beijing, English signs, beautiful hotels, and widespread etiquette training should produce an atmosphere acceptable to all. In China, eight is a lucky number. In the 8th month of the 8th year of this millennium, expect China to wow the world.