

The Bo Affair and Why I Soured on China

When I came to China for the first time in 1985, it was socialist-impooverished: the middle class ate meat once a week, restaurants closed at dinner time so the staff could eat, and, when the first self-serve grocery store opened in Beijing (previously they were all counters where you had to line up and ask for stuff), it was a tourist attraction. People could not leave their jobs without permission. You had to have a letter from your employer to marry, travel, or to buy a major appliance. When you did travel, you could not buy round-trip tickets, and often it was hard to get back again. The 10 RMB note was the highest denomination of currency, and everyone was paid in cash, six or seven bills a month.

Because the socialist system was up for dismantlement, all these inefficiencies could be seen as economic opportunities. Once labor mobility began, for example, it unlocked tremendous growth. Zhu Rongji's elimination of the dual currency in 1994 ended the segregation of the Friendship Stores for imported goods smoothed out the wacky relative pricing that made my imported Thanksgiving turkey twice as expensive as the convertible sofa bed I bought the same week.

Monolithic state industries were cracking up like icebergs, and portions of their resources fell into the hands of trusted insiders, the emerging oligarchs. Each wave of reform lopped off another bureaucracy: Rong Yiren persuaded Deng Xiaoping that the Bank of China's monopoly on foreign currency business should be broken, and CITIC was established. The Ministry of Posts and Telecom was split up and Unicom established to create competition in telecom. Deng's PLA demobilization of the mid-1980s was the progenitor of the biggest IT companies today. The first stage of the state's retreat was to proliferate organizations. Newspapers, for example, went from under 200 to 1,000 almost overnight; in 1984, a new publication opened every four days. Suddenly, all sorts of people could go into growing business areas. And if many were unscrupulous, there were honest officials with the national interest at heart to champion your cause.

That changed. China now is a much darker place. For me, the turning point was the Olympics.

In the run-up to the Games, police had carte blanche to pick up anyone who might make the event any less impressive. That year, 2008, the extortion rackets really ramped up.

A couple lived down the street from me. She was an American high-tech consultant and he a software entrepreneur who had been in the States since university but never bothered to get a green card. They had a little daughter.

One afternoon, the husband met a VC to talk about funding for his company. They went to the foot-massage place in the VC's housing compound to talk. When they left, the VC was accosted and detained by someone in plainclothes who was apparently acting as a bounty hunter for the police. My friend intervened, thinking it was a robbery, and he too was detained.

He was held on a flimsiest of charges (solicitation) and told that there was no hope of getting freed before the Olympics, three months hence. The wife appealed to the U.S. Embassy and

wrote to senators, but in the end, the only thing that could get him released was \$50,000 in bribes. Discussions with Chinese attorneys at the time revealed that the scam was common, and \$50,000 was a standard payment.

Since that time, I have been collecting stories. My faith that, given the patience, you can always access an ally with China's national interest at heart, is now gone.

Before that Olympic watershed, China was seen internationally as an optimistic growth powerhouse led by a flawed but dedicated brain trust of technocrats. The stories of the weather control, mandated industry closings, political repression shaded that view. Now, all of a sudden, everyone from fund managers to cab drivers overseas knows the name Bo Xilai (something that probably gives him great satisfaction, megalomaniac that he is). One imagines that the fleeing super cop Wang Lijun must really have given a thick scandal file to the U.S. consulate, because the Chinese would never willingly let this sort of detail into the public domain.

The news coverage opens a rare view into the hot, molten core of China's elite and the mechanisms they routinely employ to suck wealth out of China. There is Bo's first wife and their son, rumored to be an investment banker. There is the beautiful and unstable second wife, with business interests worth hundreds of millions seeping through the "red" ownership spectrum, from wholly state-owned all the way to fully private. There is the playboy son, Guagua. On the wife's side are generals and double agents; on Bo Xilai's side, executives of the great state conglomerates.

It is a soap opera, but it is also a rare satellite map of the tributary network of money and power that has been etched into the landscape since the dismantling of the socialist apparatus. It turns out that the mix of economic transition and political stasis that China promotes has really meant the quiet handover of China's wealth to the new Red Barons.

So the sea change that the Bo Affair has wrought is to shift the optic on China toward the Russian end of the spectrum. I made that mental shift around 2008. Now this look into the essential criminality of China's ruling class has been opened up to the average Chinese citizen. The elites in Beijing and Shanghai mostly believed we were living in a freer and more meritocratic world.

No longer. And that is how the Bo Affair has changed China.

Anne

PS: Please write to me to join to leave this list.