

# Black market of china

## 1720



## Crime and the Black Market in Modern Day China

With a population of approximately 1, 203, 097, 268 people , China, who has the world's largest population, also has the world's fastest growing black market and crime problem. In China, crime rates have been climbing an estimated 10 percent a year since the early 1980s . China is a country that is currently experiencing both political and economic instability. Economic reforms that have been put in place by the government have only widened the income gap, creating a middle class with money and a lower class of newly poor. With an ever increasing size in this gap of income distribution and the relative ease of making money through black market sales, it is no wonder more and more Chinese are turning to a life of commonly accepted and profitable crime.

Thomas Jefferson once said, “ he who receives an idea from me, receives instruction himself without lessening mine; as he who lights his taper at mine, receives light without darkening me.” Unfortunately, Thomas Jefferson lived in a different time. He lived in a time when piracy was not as evident and intellectual property was not worth so much. In China, the largest crime which is currently occurring is intellectual piracy. Unlike the pirates of old who plundered the merchant vessels and ports of the South China Sea, modern day pirates are more interested in illegal replication of intellectual rights. From music compact discs to computer software to films to best selling novels, The Chinese black market is a virtual warehouse of “ plundered goods” .

It is estimated that there are at least thirty illegal high tech factories in China that can churn out over 20, 000 optical discs a day. America's Microsoft estimates that 98 out of every 100 of its software programs being used in China are illegal copies . Because of these statistics, and because this only amounts to a small amount of the estimated piracy which occurs in China, program manufacturers, worldwide, are lobbying the Chinese government to impose stricter standards and greater restrictions upon the distribution and sale of illegal intellectual rights. In July of 1996, investigators from Microsoft led Chinese officials to a plant near Guilin in Guanxi Province, where they found 5700 bootleg windows CDs. The plant had four production lines. Three of them were operated around the clock. It was estimated that this particular plant churned out 20, 000 illegal copies of Microsoft programs a day.

A trade report to Congress from the Trade office cites China as the worst violator of United States - copyrighted intellectual property. The report, which came days after the joint raid on the Guilin plant by Microsoft and Chinese investigators, blasted China for failing to honor a February 1995 agreement to police production at its replication plants and mark the software with a source identification code. In a statement, Microsoft characterized the raid as a matter of luck, not enforcement: " There were no copyright monitors stationed at the factory, nor were the source-identifier markings required under Chinese law in place."

In June of 1996, the United States government planned to impose punitive tariffs against Chinese textiles and electronics imports. These tariffs were going to be imposed if the Chinese government didn't immediately comply with a US-Chinese

piracy agreement. However, at press time, China stated that they would retaliate with duties on American agricultural and automotive products. China insisted that they were trying to rectify the situation, and the punitive tariffs never went through. The United States currently has a 34 billion dollar balance-of-trade deficit with China. If 2 billion dollars of illegally pirated U. S. goods are included in this amount, it counts for a lot. Even though the Chinese government states that they are trying to prevent this piracy, they still have restrictions in place that only encourage it. For example, China permits only 10 new foreign movies to be distributed within its borders each year. Although China says this is to protect its domestic film industry, American film makers estimate that they lose \$150 million a year due to piracy of films that would be otherwise unavailable to the Chinese public.

China may be the worst piracy offender, but it is not alone. Around the world, according to figures published on May 9th, 1996 by the International Federation of the Phonographic Industry (IFPI), one in five recordings of music is now a pirated copy. It is estimated that the music industry lost 5% of their revenues, or 2. 1 billion dollars, because of this. What worries officials about China is that it is estimated that they produce 150 million bootleg copies of music CDs a year. However, it is estimated that China only consumes a total of 40 million CDs a year, bootlegged or legal. It is obvious from these numbers that over 100 million bootlegged CDs are being exported from China each year. Where as the United States only accounts for 13% of value of pirated CDs, other developing and economically or politically unstable countries, such as Russia or Mexico, are also consuming a large portion of China's illegal goods.

Being China only produced 54 million bootlegged copies of music CDs in 1994, and it is estimated that they produce 150 million today, a new problem of exportation arises. What if China breaks into the U. S. market, which consumes 30% of all recorded music? If not put under control, the results could be crippling for the music industry, worldwide.

An escalating black market problem in China, which is gaining an international spotlight due to its human rights injustices, is the kidnapping and selling of women and children. Late in 1988, a Chinese - language newspaper in Shanghai reported on rings of people who traded in women; the most expensive were slightly mentally retarded, because they worked hard but did what they were told without complaining or trying to run away. One man in Hebei province had been imprisoned for trading in women, but used his connections with authorities to secure an early release and simply reestablish his former trade . The sale of women was acknowledged as being among six types of very serious and widespread crimes targeted for suppression from the autumn of 1989. This suggests that, before then, the abuse of power in the form of deliberate laxity in the face of serious crime had become a major problem among police and other authorities. In a Beijing newspaper interview, Li Tieying, a CCP (Chinese Communist Party) Political Bureau member, stated that, " At present, party committees and governments at all levels must first of all be fully aware of the importance of cracking down on the criminal activities of kidnapping and selling of women and children as well as of prostitution and visiting whores. They must also be soberly aware that clamping down on this rampancy and the eradication of these vile

social phenomena, is a significant struggle in protecting the personal interest of the masses, in maintaining social stability, and in straightening up current social practices. We must adopt a serious attitude and be responsible to the party, state, people, nationality, and history in this respect. We must carry out this task with a strong sense of responsibility and urgency." Li Tieying's statement expresses how the Chinese government sees this problem to be of timed importance.

Another black market problem, which is growing in China, is that of illegal dogs. Among newly rich Chinese, cameras or refrigerators used to be the things to show you had arrived. Now, to be associated with the "yuppy" class, the thing to have and show off is a pedigree lap dog. Now, where this may sound crazy in most of the world, it is not in China. Dogs are illegal in a lot of China and are generally destroyed. This is because of the fact that they spread rabies, which is responsible for thousands of deaths a year in China. A pedigree dog could go for as much as \$4500 on the black market in China, and it is becoming increasingly common to find "dog - pushers" in the back alleys and shady parts of Beijing.

Li Wenrui, deputy chief of the public order department of Beijing's Dongcheng district, has dog squads established to help track down illegal dog owners and destroy their pets. In Dongcheng, one of Beijing's districts, Mr. Li stated that it is not uncommon to find and destroy approximately 500 dogs a week .

State run newspapers rage against dog lovers who lavish food and money on their pets. On January 26th, 1994, the Legal Daily reported angrily that at

one hospital doctors turned away a human patient because they were treating a dog at the

time. He had paid his way and had a life too, the doctors said in their defense. The pampered pekinese, shihtzus, and shapeis with ribbons in their fur, whose doting owners buy them sprays for their halitosis and additives for their food to make their droppings smell sweet, are usually sheltered from the dangers of street life. Most are kept indoors, away from the prying eyes of those who might inform the dog squads. " You don't need to take your pet outside," says one owner. " It doesn't grow very big, so you can just keep it in a box."

Even though in some areas of China, such as Xiamen and Shanghai, it is legal to own a dog, dogs may still wind up getting " cooked"; For it is becoming an increasingly popular delicacy in China to eat fried, stewed or baked dog. What used to be popular only among the Cantonese has found a liking with Chinese northerners, and dogs can increasingly be found on the menus of Beijing restaurants.

A major cause of the ever increasing black market problem in China is corrupt politicians. Organized crime seems, for the most part, to be organized by the state . It is of general suspicion in China that the police and customs officials are involved heavily in smuggling and other illicit practices. For example, Fangcheng, a small port in Guangxi Province, suddenly became one of the most popular harbors in China. The reason was that the local customs officials were involved in small sideline broker companies that offered to handle all the paper work for importing goods. These broker

companies set up offices along a street near the port, and the importer simply handed shipping documents to the company, which then filled out all the required customs forms, obtained the import licenses, and ushered the goods through customs.

For this the officials took a fat commission, but the buyer wasn't affected at all. The customs officers never assessed the true substantial duties on goods handled by the sideline companies, so importers saved large sums on duties. Of the money saved, the brokers could skim nice percentages for themselves. The central government realized something was up when cargoes destined for all parts of China lined up to use the one small port in Guangxi. There were huge delays for ships to get into the port, and hardly any duty was being paid. After an investigation, the port at Guangxi was shut down by the central government in 1993.

Although piracy and the black market are increasingly growing in China, the country may not entirely become sheathed in a cloak of crime. A visitor to the United states in the 19th century might have easily been overwhelmed at the great injustices which occurred here. Crime, crooked politicians, and even a basic anarchy were evident in many parts of our country. At that time, we were in a period of rapid economic growth. China is in a similar period of economic expansion, today. If any similarities can be drawn, China will pull through.

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China insisted that they were trying to rectify the situation, and the punitive tariffs never went through. The United States currently has a 34 billion dollar

balance-of-trade deficit with China. If 2 billion dollars of illegally pirated U. S. goods are included in this amount, it counts for a lot. Even though the Chinese government states that they are trying to prevent this piracy, they still have restrictions in place that only encourage it. For example, China permits only 10 new foreign movies to be distributed within its borders each year. Although China says this is to protect its domestic film industry, American film makers estimate that they lose \$150 million a year due to piracy of films that would be otherwise unavailable to the Chinese public.

China may be the worst piracy offender, but it is not alone. Around the world, according to figures published on May 9th, 1996 by the International Federation of the Phonographic Industry (IFPI), one in five recordings of music is now a pirated copy. It is estimated that the music industry lost 5% of their revenues, or 2. 1 billion dollars, because of this. What worries officials about China is that it is estimated that they produce 150 million bootleg copies of music CDs a year. However, it is estimated that China only consumes a total of 40 million CDs a year, bootlegged or legal. It is obvious from these numbers that over 100 million bootlegged CDs are being exported from China each year. Where as the United States only accounts for 13% of value of pirated CDs, other developing and economically or politically unstable countries, such as Russia or Mexico, are also consuming a large portion of China's illegal goods.

Being China only produced 54 million bootlegged copies of music CDs in 1994, and it is estimated that they produce 150 million today, a new problem of exportation arises. What if China breaks into the U. S. market, which

consumes 30% of all recorded music? If not put under control, the results could be crippling for the music industry, worldwide.

An escalating black market problem in China, which is gaining an international spotlight due to its human rights injustices, is the kidnapping and selling of women and children. Late in 1988, a Chinese - language newspaper in Shanghai reported on rings of people who traded in women; the most expensive were slightly mentally retarded, because they worked hard but did what they were told without complaining or trying to run away. One man in Hebei province had been imprisoned for trading in women, but used his connections with authorities to secure an early release and simply reestablish his former trade . The sale of women was acknowledged as being among six types of very serious and widespread crimes targeted for suppression from the autumn of 1989. This suggests that, before then, the abuse of power in the form of deliberate laxity in the face of serious crime had become a major problem among police and other authorities. In a Beijing newspaper interview, Li Tieying, a CCP (Chinese Communist Party) Political Bureau member, stated that, " At present, party committees and governments at all levels must first of all be fully aware of the importance of cracking down on the criminal activities of kidnapping and selling of women and children as well as of prostitution and visiting whores. They must also be soberly aware that clamping down on this rampancy and the eradication of these vile

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