### Modernisations in Industry

**Under Mao, all of the factories and industrial plants in the big cities were owned and run by the government**. Everyone in urban areas was guaranteed a job for life in the government-run industries. The government set wages at a certain level for everyone, and dictated what job everyone did. In return, everyone had a job, medical care, company housing and enough food to eat. It was a system in which everyone had enough to live on, and no-one was able to get rich. Like the commune system, it worked on a quota system, but there was no real incentive for high performance, as every employee was paid the same. This system was known as **The Iron Rice Bowl***.*

Deng sought to westernise the system, and quickly improve productivity and efficiency. He ended the Iron Rice Bowl, and moved towards a more Capitalist system, where private industry was allowed, and pay was linked to performance. He also aimed to bring in foreign investment for the first time since Mao took power. He did this through **The Open Door Policy***.*

The Open Door Policy was essentially Deng inviting foreign companies into China. He felt that, in order for China to become rich, they needed foreign investment and technology. He invited world leaders to come to China more frequently, and showed them how welcoming the People’s Republic could be. Chinese students were encouraged to study science and technology abroad, in order to bring back the ideas to China. As a result, there was a huge increase in the teaching of English, in order to ensure that China’s students were able to understand complex ideas written in English.One of the most important parts of the Open Door Policy was the introduction of **Special Economic Zones**. (SEZs) These are special areas where Chinese people and foreigners are encouraged to start businesses. Incentives are offered to encourage people to set up in these areas. These incentives include the businesses being sold land very cheaply, not paying tax until two years after they have started to make profits and no taxes on imported raw materials. This means that businesses find it easier to get started in China, and to grow quickly. This means that they can employ lots of Chinese workers, pay large taxes to the Chinese government and bring innovative technology into the country. Most SEZs are on the Southeast coast of China, as raw materials can be imported easily, and completed goods can be exported easily.

Deng’s reforms have been continued by his successors. In 2001, China joined the World Trade Organisation, the body who make up the rules for world trade. China has historically avoided joining this group, as it was seen as the most capitalist of organisations. However, now that China has joined, it is much easier to engage in global trade and, as such, has helped the Chinese economy to grow massively.

*Effects of Industrial Modernisations*

* Since the introduction of SEZs and China joining the WTO, foreign investment has soared in China. Big companies like Coca-Cola, Motorola and Harvey Nichols have created lots of well-paid jobs in big cities like Shanghai.
* The end of the Iron Rice Bowl has meant that not only does unemployment now exist, it has ballooned massively – there are now 19 million unemployed people in China.
* China is now the world’s second-biggest economy, exporting more goods than almost any other country in the world.
* Unemployment has led to lots of crime. The crime rate has skyrocketed, as have corruption and prostitution. 20% of all consumer goods in China are forgeries.
* Many Chinese companies are unable to compete with the foreign giants, and have gone out of business.
* China is richer now than it has ever been. China has 95 billionaires (compared to the UK’s 37) and hundreds of thousands of millionaires. Over 300 million people have been lifted out of poverty since 1978.
* One of the major reasons that foreign companies have relocated their factories to China (known as outsourcing) is that labour laws are much less restrictive. Children as young as 10 are working in factories, often making less than $3 a day. One such foreign company is McDonald’s, which uses Chinese factories to make all the toys they put in their Happy Meals.