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## Chapter 1: Introduction

The year 2003 has been full of unexpected surprises for China. While the world was focusing on the imminent war against Iraq in March, China's third generation leaders were peacefully and quietly handing power over to the next generation leaders, the first time this has happened in China's recent history. When the Iraqi war was declared over and China was in a better shape politically to continue its economic growth, the outbreak of Severe Acute Respiratory Syndrome (SARS) surfaced, and then spread to the entire nation. For the following three months, China was virtually isolated from the outside world, something which had not happened since 1989. Business was interrupted, new foreign investment was put on hold, and overseas visitors were scared away. The SARS outbreak became the first major crisis faced by the fourth generation leaders. In the event, the new leaders handled it well.

An ancient Chinese philosopher *Xun Zi* (荀子) had a famous theory, which could be translated as "fortune might be ended with a mishap, albeit misfortune could be the beginning of good fortune." (「福義禍之所倚，禍義福之所伏」). The unexpected misfortune of SARS has indeed changed China's political and business landscape, and this may yet transform into good fortune for the long-term benefit of China. At the time of writing this book, warnings against travel to China have been long lifted, and investor confidence in China has been stronger, at least partly thanks to China's proven political stability, decisiveness in bringing a national crisis under control and to a conclusion, a strengthened national emergency response system, and political determination to protect foreign investment and business interests. Although it might still be too early to fully evaluate the impact of SARS in China, the increased transparency, stability, continuity, and responsiveness in laws and politics mean that China's economy is likely to continue its rapid growth into the next decades.

### §1.01 WTO and TRIPS Mandate

The year 2002 was a transitional but still record-breaking year for China. China's tremendous market potential, sustainable economic growth, peaceful leadership succession, continued social and political stability, and consistent policies maintained an environment which is exceptionally attractive to international investors. For the first time, China became the world's number one foreign direct investment destination, attracting more than 52 billion U.S. dollars, and surpassing even the United States.

With the global economic slowdown, China has become an oasis that seems as yet relatively immune from recession. Although the SARS outbreak caused huge economic losses to China, the international business community also felt the pain when access to the China market was curtailed. The integration of China into the world economy has become quite intimate, which explains in part why SARS could spread (and had to end) so quickly. China's rapid economic growth in recent years is clearly boosted by the commitment which has been made to opening up the markets and to