

November 5, 2006

OFF THE SHELF

Living in China's World

By STEPHEN KOTKIN

AMERICA remains a colossus in Asia, for now. But between 1999 and 2004 trade among Asian countries jumped more than 80 percent, to \$1.2 trillion, according to the [World Trade Organization](#). Trade within Asia has come to exceed trade between Asia and the United States.

China has become the largest trade partner of almost every country in Asia. Even the exchange between the longtime rivals China and India ballooned over the last decade from about \$1 billion a year to more than that each month. Of the \$600 billion in foreign direct investment into China since 1978, most has come from within Asia.

Asia is a giant, competitive, interdependent regional economy that affects the world. Long-standing cross-cultural ties are strengthening, too, because of booming intra-Asian tourism and student exchange. "Korean wave" dramas and pop music can now be found in much of Asia, alongside Japanese and Hong Kong fare. And it's now often hard to distinguish national origins of dubbed television and movies.

"China Shakes the World" by James Kynge (Houghton Mifflin, \$25) is not about this interconnected Asia. But Mr. Kynge — who spent more than a decade in China as a journalist, becoming the Beijing bureau chief of The Financial Times — offers a nuanced and superbly reported read about China rattling the West.

How to convey China's ascent? In a clever gambit, Mr. Kynge travels to a huge gouge in the earth near Dortmund, Germany. The hole was made by Shen Wenrong, the founder of Shagang Steel. The company began in the 1970s as an illegal smelter of iron bars whose unlicensed production enabled a Chinese textile mill to expand without the approval of government planners. Transgression, Mr. Kynge rightly argues, is the secret of China's takeoff. Over three decades, Mr. Shen took some colossal risks, and eventually had one of Europe's huge steel mills crated and shipped to the Yangtze valley. He paid just \$24 million, the plant's value in scrap, but it can make high-grade steel for autos, one of China's strategic frontiers.

Prato, Italy, is another of Mr. Kynge's destinations. There he finds that the Tuscan textile industry enjoyed a boon from Chinese laborers who paid "snakeheads," or smugglers, extortionist fees for perilous passage to Europe. But some of those laborers used their acquired know-how and connections to reproduce the garment-making operation in China at a fraction of the cost, putting their former bosses out of work.

When European intellectuals rant about "predator neoliberal capitalism," they are talking about the United States, but in Rockford, Ill., Mr. Kynge finds that a Chinese company, the Dalian Machine Tool Group, has devoured Ingersoll Production Systems, scattering the latter's skilled American employees to \$7-an-hour jobs at Lowe's. Then Dalian stalks the big prey, the Ingersoll Milling Machine Company. It is thwarted only when someone tips off the Pentagon, which helps to quash the deal.

Skim Mr. Kynge's fuzzy forecasting about the coming protectionist tide, but soak up his telling vignettes. [Liu Chuanzhi](#) extracted excrement from public toilets to make fertilizer as a student, was sent to the rice paddies during Mao's Cultural Revolution, survived and founded [Lenovo](#), which within 20 years gobbled up the personal computer division of [I.B.M.](#)

Thus does the author illustrate how China's rise is not cliché but momentous — even larger and quicker than that of the United States in the late 19th century.

Mr. Kynge devotes almost half of his book to China's vulnerabilities. It has 16 of the world's 20 most-polluted cities, while its water resources are not only dwindling but highly contaminated. China is already an ecological catastrophe. Worse is to come.

And pollution is not even the foremost problem. Corruption has murdered social trust. Mr. Kynge describes how officials in Henan province set up a blood bank that became contaminated with H.I.V. — as many as a million peasants were infected — but instead of shutting it down, the officials arrested activists and bullied journalists.

Stolen exam results, impostor police officers: scam after scam highlight profound governance problems beyond the lack of freedom. Mr. Kynge hints that while the Communist Party is still in full control, officials' transgressions of laws and regulations have devolved into an institutional crisis for a capitalist economy.

Potent new consumer tastes are absent from the book, but Mr. Kynge deftly uses the familiar theme of piracy to illuminate the underappreciated complexities of China's economy. He tells the story of Yin Mingshan and his Lifan Motorcycle, which is made with technology lifted from [Honda](#) — but is itself copied and undercut by other Chinese pirates. By 1998, more than 1,000 Chinese companies were making 15 million motorcycles, 5 million more than were sold. No wonder it's hard to make money in China.

Profitless producers retain access to nearly free capital from what passes for banks in China and to new technology from foreigners desperate for a joint-venture that could connect to those elusive 1.3 billion customers. Mr. Kynge estimates that 90 percent of the manufactured products in China are in chronic oversupply, because when copycats squeeze profits in core products, Chinese pirates branch out to other knockoffs. They read pirated translations of [John F. Welch Jr.](#), and go straight for their competitor's gut.

Then they go overseas. Lifan went to Vietnam, to undercut Honda there, starting anew a pirates' rush to the bottom. But Honda fought back, setting up a factory on a Chinese island across from Vietnam to secure Chinese knockoffs of Japanese parts. Here — with Japanese and Chinese companies slugging it out over Vietnamese market share — we glimpse Asia's unparalleled mutual opportunities and strains.

Intensifying prosperity and integration in Asia represent a return to historic patterns. But never before have both China and Japan been so strong simultaneously.

For international studies at American universities, today's principal unmet challenge is understanding the vast global connections not centered on America and how the success of China or Vietnam may contravene social science models.

For American-based international businesses, the imperative is to capitalize not only on growth within

individual Asian countries, hard enough for outsiders, but simultaneously in the countries they do business with, regionally. China-Japan-Vietnam, Japan-China, Korea-Japan, India-China, not to mention India-Persian Gulf and China-Africa — that's globalization, too.

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