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"A must-read for American business people
who operate in, buy from, or compete with China."

—CHICAGO SUN-TIMES



CHINA ★ INC.

**HOW THE RISE OF
THE NEXT
SUPERPOWER CHALLENGES
AMERICA
AND THE WORLD**

TED C. FISHMAN

★ ★ ★ ★ **UPDATED WITH A NEW AFTERWORD** ★ ★ ★





Praise for Ted C. Fishman and *China, Inc.*

“If the twentieth was the American century, then the twenty-first belongs to China. It’s that simple, Ted C. Fishman says, and anyone who doubts it should take his whirlwind tour of the world’s fastest-developing economy.”

—*The New York Times*

“Fishman . . . obviously is on to something. . . . As a correspondent who has lived in Beijing for the last five years, I found *China, Inc.* to be a valuable account of how China got where it is and where it’s going. It’s full of fascinating observations based on some nifty research. . . . There are critical lessons to be learned from *China, Inc.*”

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“*China, Inc.* is the amazing story of how the slumbering Red giant woke up and, at warp speed, transformed itself into the greatest superpower of the very near future—with the biggest, tallest, longest, and fastest of just about everything there is. Fishman will forever change your view not just of China’s place in the world—but of America’s as well.”

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of *House of Bush, House of Saud*

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“A must-read for American businesspeople who operate in, buy from, or compete with China. Just as significant is what *China, Inc.* is *not*. It’s not like the numerous, preachy, condescending Japan, Inc. books that littered business bookshelves in the 1980s, all rashly proclaiming the

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"Read *China, Inc.* to understand U.S. panic."

—*South China Morning Post*

"Ted C. Fishman is an accomplished financial writer. . . . His background gives him special insight to his work."

—*Inc. Magazine*

"The scope of Fishman's book is impressive . . . *China, Inc.* provides an excellent starting point for anyone wanting to understand why China has grown as it has and what the implications are for this nation's future."

—*Houston Chronicle*

"Fishman's excellent and very readable new book . . . deftly combines anecdotes and analysis to help us understand China's economic miracle."

—*Christian Science Monitor*

"Fishman presents a very mixed picture of conditions in China today . . . he's made a compelling case that the rest of the world can't afford to ignore what's happening there."

—*Rocky Mountain News*

"When analyzing American attitudes toward China, Fishman is a shrewd observer."

—*The Daily Telegraph London*

"*China, Inc.* is a scary and important book."

—*St. Louis Post-Dispatch*

"Anyone still wondering why Wal-Mart doesn't play the made-in-America card in its marketing any longer can stop wondering. *China, Inc.* . . . Fishman's fascinating and unsettling treatise, lays out in depth that and other effects of the Asian dragon's great economic uncoiling."

—*The Philadelphia Inquirer*



“A thought-provoking and accessible forecast of strange times to come.”

—*Kirkus Reviews*

“Informed, comprehensive, and fascinating . . . full of unforgiving facts and unforgettable figures. And it’s no slog-through read. The details of entrepreneurial artfulness and government-sanctioned wheeling and dealing . . . are conveyed in clear prose, and at a breathtaking pace.”

—*Barron’s*

“An illuminating, essential book . . . Fishman puts China into startling perspective . . . [his] book should be required reading throughout U.S. business.”

—*San Antonio Express-News*

“Captivating . . . [Fishman] paints a detailed and astonishing portrait of the economic awakening of the world’s most populous country. He does so by combining extensive data with good old-fashioned reporting. The result is a fascinating, intertwined global story.”

—*New City Chicago*

“Fishman tells a compelling story . . . a fascinating primer on just what is happening in China.”

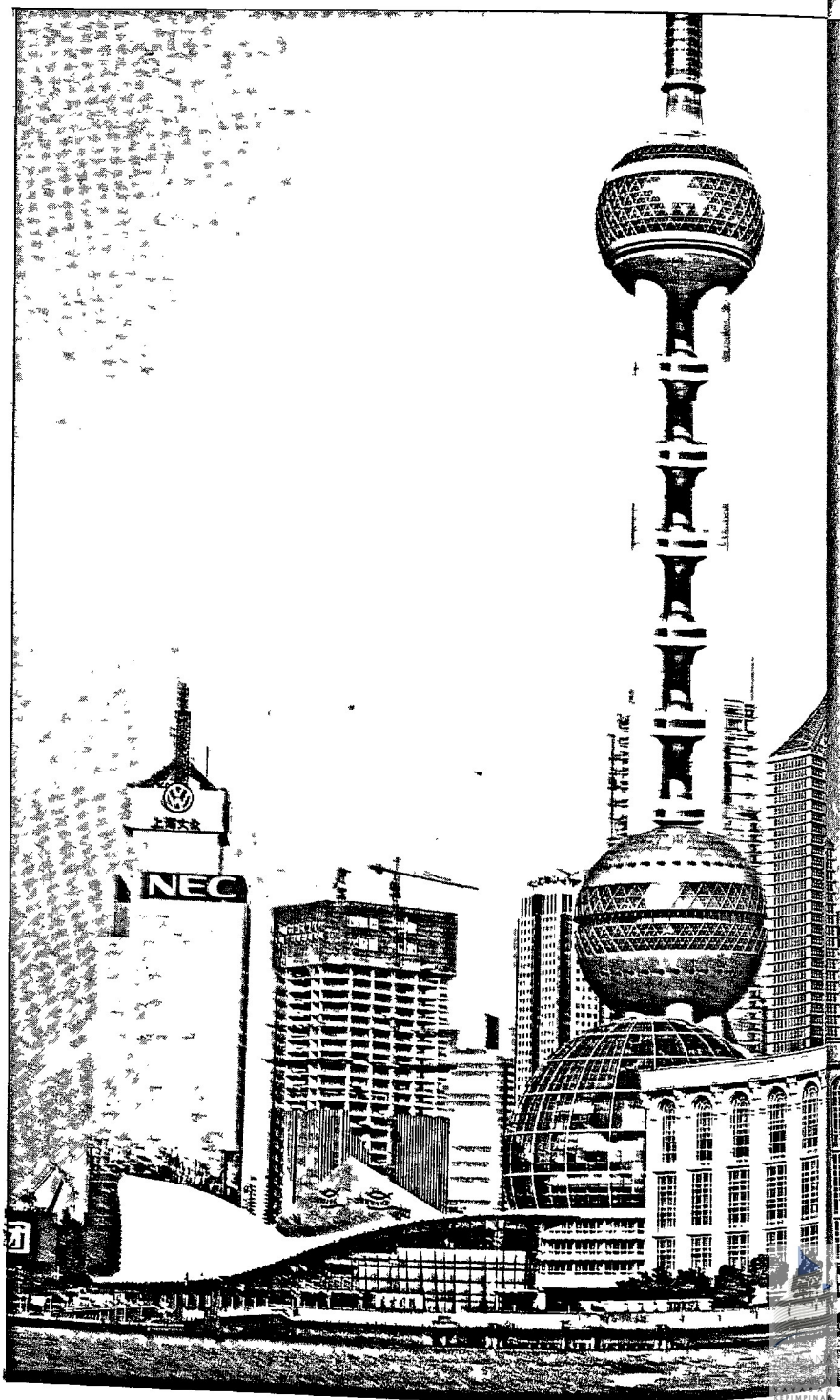
—*New Zealand Management*

“[Fishman] knows how economics works . . . he traces China’s spectacular economic reversal to a clandestine effort by starving farmers in the 1970s. . . . [He] chronicles how that simple—and thoroughly capitalistic—concept has spread like wildfire through China, changing that nation and the world. . . . If anything is clear in Fishman’s message, it is that no outsider will long dominate anything in China. . . . Even falling back on America’s penchant for innovation rings hollow when considering another of the jaw-dropping statistics jammed into Fishman’s book.”

—*St. Petersburg Times*

“Ted Fishman dissects the stunning growth of the world’s most populous nation as well as the threats and opportunities the juggernaut poses.”

—*Charlotte Observer*



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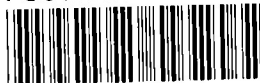
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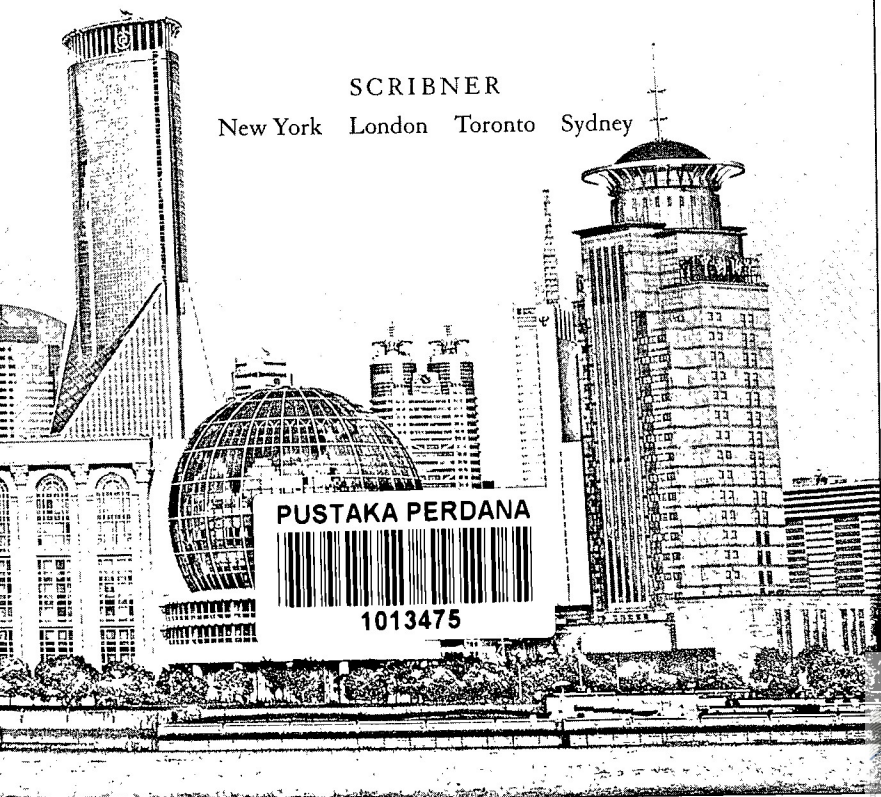
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Title-page photograph: Skyline of Pudong, a Special Economic Zone in Shanghai,
the financial capital of China, by Dan Bibb.



To my family





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CHINA, INC.





THE WORLD SHRINKS AS CHINA GROWS

CHINA IS EVERYWHERE THESE DAYS. POWERED BY THE WORLD'S MOST rapidly changing large economy, it is influencing our lives as consumers, employees, and citizens. The words MADE IN CHINA are as universal as money: the nation sews more clothes and stitches more shoes and assembles more toys for the world's children than any other. But moving up the technological ladder, China has also become the world's largest maker of consumer electronics, pumping out more TVs, DVD players, and cell phones than any other country. And more recently, China is ascending even higher still, moving quickly and expertly into biotech and computer manufacturing. No country has ever before made a better run at climbing every step of economic development all at once. No country plays the world economic game better than China. No other country shocks the global economic hierarchy like China.

Even a casual glimpse at the news tells us that something large looms in China. The nation is making parts for Boeing 757s and exploring space with its own domestically built rockets. China has between 100 and 160 cities with populations of 1 million or more (America by contrast has 9, while Eastern and Western Europe combined have 36.). China is buying oil fields internationally and also signing exclusive oil and gas supply deals with Saudi and Russian companies. China is buying the world's scrap metal, as well as enormous amounts of steel, to fashion into products sold globally. The country is relentlessly positioning itself for ever-higher levels of industrialization. It's exporting computers with Chinese brand names. There are giant capital flows from industry to China now. It's where the world is investing. China is laying down fiber-

optic at a rapid rate. China, which tried mightily and tragically to leapfrog from an agrarian economy to an advanced industrial state under Mao Zedong, now leapfrogs over many of the technologies of mature industrial states. Its phone system is more wireless than wired, and many of its big cities will soon have the most advanced rapid-transit systems in the world. Here are two metaphors, both true: China is drinking milk these days. The tallest starting center in the NBA, Yao Ming, is Chinese.

In the past, China's enormous population was hard to feed and employ. Now China's one-fifth of humanity must be seen anew: as the biggest market ever. As the customers of Citibank, Disney, Nokia, GE, Toyota, and Microsoft. As the critical mass in the coming order.

But even if you don't read the business pages, the impact of China's boom is hitting home in all sorts of ways both subtle and obvious that can be felt in our everyday reality:

- Mention an interest in China to your old friend who owns an industrial toolmaking shop and he confides that his factory, which was started by his father and has bought a comfortable suburban life for three generations of his family as well as good wages to hundreds of workers, "is getting killed by the people over there."
- Talk to your family plumber, and first he complains that he spends all day replacing broken Chinese parts, and then he takes from his bag a Chinese part he says is better, sheepishly adding, "They're actually pretty darn good now, and all we can get these days without spending a fortune."
- Run into a parent of a freshman from your daughter's high school class, a mom you've seen for years at holiday concerts in which your two girls both play viola. The mom immigrated to the United States from China in 1995 to study solid-state physics and is now a researcher at the local medical school. She says she's going back to China to join a friend's business that develops software for MRI machines and other high-tech medical devices. What about her research at the hospital? She says the opportunities in China now are too big to miss and she does not want to blame herself later.
- Mention this story to another friend, a world-famous researcher who studies the lives of cells, and he tells you that American uni-

versity biology departments now exist, in essence, to transfer knowledge from old Jewish men to young Chinese women.

- Cross the street to the all-night city convenience store run by a family of Palestinian immigrants, and notice that behind the counter where cigarettes were once sold is a wall of no-name Chinese accessories for dozens of different brand-name cell phones—batteries, car adapters, earphones, and cases—none for more than \$12. They're selling great, the man at the cash register says.
- Meet a smart old high school friend who always wore thick glasses, but whose nose is now bare. He teaches English at a giant private language school in Shanghai but is home to show off the results of his \$600 laser eye surgery, performed, he says, in an ultramodern Chinese clinic for a tenth the price the procedure would cost at home.
- Grab breakfast at a diner in St. Joseph, Michigan. One table over sit four men, each somewhere between the ages of thirty and sixty. They look as if they are dressed for factory work, but at 10 a.m. they sit and discuss the layoffs in the local disc-brake and machining factory of Bosch, the giant German auto-parts manufacturer that is rapidly building up its capacity in China. The company is laying off thousands of workers at its plants throughout the state, it says, to stay competitive. The men lament that there are few places to turn for new jobs. Whirlpool, Clark Equipment, and other once-solid manufacturers used to thrive in the area, but now their factories are shuttered or just shells of their former selves.
- Notice that the Armani emporium on Via Manzoni in Milan, the Italian fashion capital, revises its list of sister stores worldwide to include Shanghai.
- Head for a dim sum lunch in Chinatown and see on the corner a somewhat bewildered young Chinese man, squat, strong, and weathered, looking as though he has come to work the American railroad boom a century too late. He leans on a large bundle, wrapped in a plastic tarp and tied with cellophane ribbon, that probably contains all his worldly goods. He is one of China's untold millions of rural migrants, but has somehow—perhaps with the help of a smuggler—found his way far past China's thriving ports. He will now compete for work on the low rung of America's domestic economy.

- A contractor shows you the home of a client who has renovated her master bath. He's replaced a long, old Formica countertop with an expanse of midnight blue marble, as ornately beveled as one might find in a Venetian spa. He sees your eyes widen and recommends the same for you, saying it's Italian, it's expensive, but it's worth it. After you complain about the price, you follow the contractor in his truck to a lumberyard. Inside are giant crates of precut granite for kitchens, bathrooms, and living room mantels. Everything on them is finished and glued. If you can work with one of these tops as is, the contractor tells you, the counter will cost \$450, not \$8,000. The yard's owner comes over. He says buy fast, because the crates only stay in the store a day or two before he sells out. He's been carrying the counters for a year. "A guy from China came by and said he had three quarries where they cut the stone and finished it. I tried it out. Now I can't get enough."
- Wake up in Santa Barbara, California, one morning to a sky that looks as though it is painted a shiny white. The morning's newspaper reports that the sunlight is playing tricks on a dust cloud that has drifted over the Pacific from China. The cloud contains particles of loose earth from deforested land mixed with arsenic and other industrial pollutants from the country's factories.
- Buy a real pair of Levi's jeans at Wal-Mart. They are cheaper than the new pair you bought twenty years ago.
- Get invited to a "purse party" by an officemate who says she is friends with the host, a United Airlines stewardess. Her apartment, decorated with paper lanterns and silk pillows, is piled high with the latest Louis Vuitton and Prada handbags, Burberry coats, North Face parkas, leather Timberland jackets, Ralph Lauren tops, and Chanel scarves. On her table is a valise with glistening Rolex, Bulgari, and Cartier watches. "Take a Coke from the cooler," she says. "Look around. Make an offer. Think cheap, it's all knockoffs." Leave with a North Face for \$20 and sharp new watch for \$35. She's doubled her money. You never look at a designer label the same way again.
- Pull your Honda Civic up to the gas pump. At \$2.30 a gallon it costs \$30 to fill the tank.
- Drive through Houghton, Michigan, a remote town on the state's

chilly Upper Peninsula. Stop by the student bookstore at Michigan Tech. On the Local Authors table is a book titled *Being a Graduate Student in the U.S.*, written by two of the university's Chinese students. The cashier reports that the book sells well in China. Stop an Asian student on campus and ask how he heard about Michigan Tech. His university in Beijing has a strong relationship with the school and his professors told him about it, he tells you. When asked how he likes studying there, he says Michigan is cold, the food is bad, and it has been hard to blend in, except with the 140 other Chinese students. The technological education, however, is excellent.

- Stop at the auto supply store for windshield-wiper fluid. Half the store is now a showroom for small Chinese motor scooters, some of which look like half-Harleys, others like Ducatis. Most cost less than \$300.
- Attend dinner at the home of a discerning art collector. On the wall are four-foot-tall photographs of a ruined Chinese cityscape. Invest in contemporary Chinese art, the collector says, it's the most interesting in the world right now, and once the Chinese themselves start buying, the prices will go sky-high.
- Take a trip to Paris to see its famous attractions and to stroll the Champs-Élysées, the boulevard whose national character is usually guarded with jealous fanaticism by the French. Yet for the first time in history, "the most beautiful street in the world" is surrendered to a non-French cultural event, a Chinese parade with seven thousand costumed musicians, acrobats, and dragon dancers. That night the Eiffel Tower is lit red and fireworks fill the sky to celebrate the Chinese lunar New Year. The festivities come at a time when France is sharply critical of its Western allies, the United States and Great Britain. The show also coincides with a visit by Chinese political leaders to France to seal broad strategic and economic agreements.
- Decide at last to put your old film camera away and plunge into digital photography. Photo magazines all rave about a small new Nikon, an engineering wonder that can shoot fast, capture dimly lit scenes that would foil its best film rival, and costs half the price of similar machines a year ago. Loyal customers of Nikon trust the

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China today is visible everywhere—in the news, in the economic pressures battering the globe, in our workplaces, and in every trip to the store. Provocative, timely, and essential—and updated with new statistics and information—this dramatic account of China’s growing dominance as an industrial superpower by journalist Ted C. Fishman explains how the profound shift in the world economic order has occurred—and why it already affects us all.

How has an enormous country once hobbled by poverty and Communist ideology come to be the supercharged center of global capitalism? What does it mean that China now grows three times faster than the United States? Why do nearly all of the world’s biggest companies have large operations in China? What does the corporate march into China mean for workers left behind in America, Europe, and the rest of the world?

Meanwhile, what makes China’s emerging corporations so dangerously competitive? What will happen when China manufactures nearly everything—computers, cars, jumbo jets, and pharmaceuticals—that the United States and Europe can, at perhaps half the cost? How do these developments reach around the world and straight into all of our lives?

These are ground-shaking questions, and *China, Inc.* provides answers.

Veteran journalist Ted C. Fishman shows how China will force all of us to make big changes in how we think about ourselves as consumers, workers, citizens, and even as parents. The result is a richly engaging work of penetrating, up-to-the-minute reportage and brilliant analysis that will forever change how readers think about America’s future.



TED C. FISHMAN’s essays and reports have appeared in *The New York Times Magazine*, *Money*, *Harper’s*, *Worth*, *Esquire*, *USA Today*, *GQ*, *Chicago* magazine, and *Business 2.0*. A former floor trader and member of the Chicago Mercantile Exchange, he ran his own trading firm until 1992. He lives in Chicago.

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