Ann Lee, *What the U.S. Can Learn from China: An Open-Minded Guide to Treating Our Greatest Competitor as Our Greatest Teacher*, Berrett-Koehler Publishers (January 9, 2012), 288 pages

Paul B. Spooner

Reviewing a text that may merely have been a marketing ploy to fill in the empty gap in popular literature that addresses China's massive trade surplus with the United States is a daunting challenge. The text's observation that "That the Capitalist System is a natural law doesn't hold water when other systems such as Kibbutzim have also worked in modern society" (p. 126); And that the fix would be "to establish a national holiday where we can all be Confucian for a day" (p. 53) may not be answerable through ordinary academic discourse.

Turning to the index, one encounters perplexing abnormalities. Reportedly written by a professor of finance from New York University, the index is devoid of any reference to anything related to trade, finance, economics, international relations or geopolitical strategy. Did Deng Xiao-ping and Jiang Ze-min apparently pull off China's economic transformation all by themselves? The text asserts that they relied on Confucianism. But did not the political Party they headed spend the better part of three decades trying to uproot this "cultural weed?"

There are devastating absences from the index. This includes references to the World Trade Organization, GATT, and the concept of WTO Accession Agreements. Absent are any references to the personalities that opened the doors for China into the global community: Henry Kissinger, Zbigniew Brzezinski, Richard Nixon, Ronald Reagan, Jimmy Carter, Bill Clinton, and George Bush senior and junior. There is also nothing supporting any economic or trade analysis. Missing are John Maynard Keynes, International Trade, Imports, Exports, Trade Balance, Net Trade Surplus, Fiscal Policy, Government Expenditures, Personal Consumption, Business Consumption, Federal Budget, Fiscal Deficits, Trade Deficits, Absolute Advantage, Comparative Advantage, Competitive Advantage, Adam Smith, David Ricardo, and Michael Porter. As for Geo-politics absent are any references to the Soviet Union, the European Union, the Middle East, Israel, Most Favored Nation status, or Normal Trade Relations.

This book clearly cannot be a balanced analysis of China's economic development and its trade relations. It lacks any geopolitical perspective and is devoid of the most basic history concerning China's entry into the world arena since 1971.

But not everything asserted by this one dimensional and weakly edited text is without substance. To learn that China's present status is anything but ideal, turn to Ian Bremmer's Forward which quotes Wen Jiabao to report that China's present system is "unstable, unbalanced, uncoordinated and unsustainable." And, that "talk of a 'Chinese Century' is absurdly premature" (p. x).

But there is the text's perplexing notion that the West should learn from this single party state that has no elections, maintains a secret police and has a vast network of political censorship. Its domestic propaganda continues to base the regime's raison d'être on reputed insults to its national consciousness from the early 19th century. Thinking back to that era, it is not hard to find historic references to the fact that teaching Chinese language to foreigners was a capital offense. Certainly the process of trial by torture and death by a thousand cuts is part of every criticism of this Confucian society's legal system. In our lifetimes there was the Great Leap Forward and the massive deaths of possibly 45 million people. But, this is still a verboten topic on the mainland. And learning from the Cultural Revolution? Just forty years ago the country's top leadership, with the willing acquiescence of many mainland Chinese, terrorized anyone accused of the wrong class background or of speaking a foreign language.

An oblivious disregard for the larger global political context that has insured PRC economic growth since the collapse of the Soviet Union in1991 is not restricted to the China-Hong Kong "911 Generation." Westerners of all flavors don't know of and can't see the relationship between the Bush administration's agreement for China's entry into the WTO on 17th September 2001 and the events of 911, only six days before.

When Kissinger arranged for China's re-entry into the world in 1971, the articulated rational was to counter the Soviet Union, a common opponent. What about 25 December 1991 and the Soviet Union's collapse? One would have surmised that a public rethink should have been in order with respect to supporting the world's one remaining massive Marxist-Leninist state. This did not take place.

The geopolitical opponent appears to have remained Moscow irrespective of whether its ideology was overseen by the Chairman of the Communist Party or the Metropolitan of the Russian Orthodox Church. Russia could still threaten Europe's eastern heartland and it did pose challenges to U.S. policy in the Middle East. Accordingly, when the Soviet Union collapsed Western relationships with China's Communist Party were not put on hold, they were accelerated. And, in another attempt to impose order from the West onto East Europe, albeit milder in form and not without justification, NATO and the EU moved east.

But manipulative "Free Trade" rhetoric obscures the fact that membership in the WTO is undertaken through "Accession Agreements" which allow politically-blessed countries to carve out chunks of their economy that are off-limits to the legal franchise at the WTO. China was allowed entry to the world's trade markets while keeping its right to administratively peg its currency. That meant that its massive devaluation of the RMB in 1994, immediately prior to the launching of the WTO in January 1995, was kept in place on its 2001 WTO entry.

While Microsoft and Hollywood apparently got protection against piracy of their software, and a few U.S. money center banks got the right to open branches throughout China sometime in the future, the American industrial sector was ravaged. The US-China Business Council reports that a massive US$1.93 trillion trade deficit with China ensued between 2001 and 2010. This provided much of the investment capital for China's rapid economic development. U.S. industrial jobs are still hemorrhaging to China. The US and Global media has obscured the fact through a less-than-thorough analysis of the WTO's Accession Agreements. Now the text under review on the one hand exhorts that the U.S. should "learn from China," and on the other ignores critical data that is readily available in the public arena.

Under "Free Trade" conditions all sectors of an economy need to be open, including the movement of capital. But China has been special. "More-Equal-than-Others" was Orwell's term. The Bush-Clinton administration's likely need for China's acquiescence to a controversial

Middle Eastern policy, and certainly the greed of New York based financial institutions for a piece of China's IPO market, was bought at the price of China retaining a non-free currency as it entered the WTO. This provided the macro-economic support for the export of large pieces of America's industrial sector to China. Now the U.S. has owes a massive international debt to China, a huge section of its industrial base is gone, trade remains perilously out of balance, and the prospects of repaying America's ballooning federal debt is zero.

And was this just short-sighted Washington? Brussels needs to put in context the massive assault on the EURO that has just occurred. Not only did China devalue its currency by upwards of ~45%+ against the US Dollar in 1994 (from ~RMB 5.8 to ~RMB 8.6 to 1 USD), but following the China's entry into the WTO in 2001, the EURO rocketed from ~.91 to the US Dollar in late 2001 to 1.35 to the US Dollar by 2005. As late as 2nd Oct 2012, the EURO remained at 1.29 to the US Dollar. This generated a huge disadvantage for European Union producers relative to China producers with cost increases of well over 100%.

The light industrial sectors in Catholic Italy, Spain, and Portugal were certainly devastated. Damage was covered by low-interest monetary policies that caused massive housing bubbles in Mediterranean Europe. In the U.S. the Federal Reserve under George Bush, Jr. adopted the identical strategy. Both the U.S. and the E.U. obscured the disappearance of key manufacturing employment through the substitution of hopelessly unstable real estate growth built on low cost debt. The present EU and the next US administrations have been left scrambling to deal with the impact of these catastrophic policies: major unemployment, huge fiscal deficits, massive debt, and a global trade system that remains precariously out of balance.

So does one really want to learn from China? Yes, but it won't be learned directly from this text. Wen Jiabao's admonition with respect to China is equally applicable to the present structure of international trade: It is "unstable, unbalanced, uncoordinated and unsustainable." And, while the title's assertion that China is America's "Greatest Competitor" has been uniquely left intact (or added) by Ann Lee's editors, the recognition that China is also the European Union's "Greatest Competitor" has not yet seen the light of day.

The big question on which to puzzle is how the global political elite could have possibly seen benefit in financially crippling the United States and Europe, creating a perilously unstable economic structure in China, and providing a massive and modernized industrial base for the world's last great Marxist-Leninist state.