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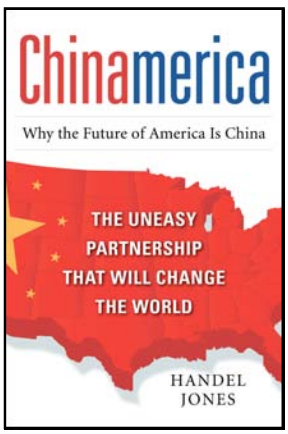
Chinamerica

The Uneasy Partnership That Will Change the World

By Handel Jones

From a leading global economic analyst, the definitive look at the costs and benefits of U.S. competition with China



The 2010 G-20 Summit highlighted mounting tensions between the United States and China. Indeed, in the war for economic supremacy, the escalation of the conflict between these two global superpowers appears to be both imminent and unavoidable. This perspective badly overlooks one vital fact: both nations are highly dependent on each other for the growth of their economies. While China is taking some steps to try to conform to pressures from the U.S., there are also strong indications that China is hardening its position in many areas. China is, however, operating with well-defined, long-term business and political strategies. The U.S., on the other hand, is lacking in long-term strategies on how to deal with China and how to build a strong and competitive industrial base that can provide positive balance of trade to counter the large deficits that are created through overconsumption.

In **Chinamerica: The Uneasy Partnership That Will Change the World (McGraw-Hill Professional; July 16, 2010; HC, $27.95)**, Handel Jones, a leading expert on China's industrial and economic emergence, analyzes the activities of China in building its industrial base, which is highly dependent on exporting to the U.S. and other developed countries. China has already adopted many of the wealth-building concepts that made the U.S. successful in the past. They are not only emulating American successes but surpassing the U.S. in building new industries and creating employment.

While many in the U.S. consider that China is in a bubble phase, there are many factors indicating that China is building a strong industrial infrastructure. The short-term emphasis is for control of segments of the China market, but the long-term emphasis is on control over the global market.

This is a thorough and eye-opening portrait of the policies, history, and habits that have led to the intersecting fortunes of the two superpowers, and the contrast couldn't be more startling: China's industrialization continues at a rapid pace, while the U.S., which the author terms "a weakening giant," is not placing the appropriate level of emphasis on building its industrial base, which builds employment and exports. While China is amassing through trade nearly one-fourth of the world's foreign exchange reserves (nearly three-fourths of that amount in USD), the United States excels mostly as a consumer of finished goods, with Americans unconcerned about rising debt and other consequences of living beyond their means.

America has exported expensive and labor-intensive industries, which have hollowed out the employment opportunities in the U.S. China quickly scooped up the manufacturing opportunities, which has provided a large employment base and large exports for China. The balance of power is changing rapidly, and while China is becoming very confident of its strengths, the U.S. is not facing up to the reality of the changing global economic environment.

China is building its transportation infrastructure, while that in the U.S. is crumbling. The Chinese are increasing investments in education, but in the United States, the education sector is suffering. Emphasis in the U.S. has changed to consuming rather than contributing. John F. Kennedy's statement of "Ask not what your country can do for you; ask what you can do for your country" is no longer a dominant theme for many in the U.S.

The wealth of the U.S. population in the future will be heavily dependent on the responses that are taken to the growing strengths of China. To Jones, the facts point to a very real opportunity for Chinese and American governments and businesses to work together rather than be separated by economic and political tensions. In the chapter, "A Restructuring for the United States," Jones also outlines actions the U.S. must take to hold on to its leadership role by having a relationship with China that is based on strength. Without the U.S. taking the appropriate actions, it will continue to be in a downward spiral.

Here is a fascinating comparative study of the activities of these two tightly bound superpowers. Filled with cogent analysis and expert advice, **Chinamerica** is the most comprehensive look yet at the interdependency of the world's two leading powers. This is a book that will change minds about Sino-American relations.

About the Author:
Handel Jones is the founder, owner, and CEO of International Business Strategies, Inc. (Los Gatos, CA), a market and strategy consulting and analysis company whose client list includes IBM, Nokia, Samsung, Sony, Toshiba, TSMC, and China Resources. He has been involved with Chinese governments and state-owned and private businesses for more than 30 years, and he is one of the leading experts in directing international business investment in China and Chinese corporate investment/expansion overseas. He lives in California.

Chinamerica: The Uneasy Partnership That Will Change the World, by Handel Jones. July 16, 2010; Hardcover, $27.95; 280 pages; ISBN 978-0-07-174242-9; MHID 0-07-174242-5.

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A Conversation with Handel Jones, Author of Chinamerica

Q. Can China's current growth be regarded as a bubble?

A: There are segments of the property market that are in a bubble phase, but the rest of the business base in China is strong. It's easy to dismiss China as a bubble, and this is convenient. The reality, however, is that China is becoming an industrial powerhouse.

Q. How should the work regard China's recent G-20 Summit announcement about changing its currency policy?

A. China will do what is good for China. Market forces will result in a strengthening of the Yuan and a weakening of the dollar. A weak dollar means that the U.S. is losing competition. Why is the U.S. so willing to accept loss of competitiveness?

Q. What would be the outcome of China's proposed initiative to procure technologies only produced in China?

A. China is trying to become independent of outside technologies and product supply. China has a deep mistrust of most foreigners, which is not surprising. China will selectively increase barriers against outside corporations (defensive market strategies). The cost for foreign companies to have factories in China will increase through higher wages as well as more regulations.

Q. Are there other sectors where you see China inevitably gaining market share?

A. China is trying to evolve from being a source of low-cost labor to designing and producing products that can be sold into the China market and exported (both defensive and offensive share strategies). Automobiles, televisions, wireless handsets, etc. are examples where there is increasing success. While the technologies and industrial base in China are still weak, in many areas, there is rapid strengthening.

Q. What should the U.S. do immediately in the short and long term to regain its leadership role?

A. The U.S. needs to start to rebuild its industrial base, which includes manufacturing as well as services. The United States also needs to have an industrial policy that will give positive balance of trade in the future. New industries need to be built as well as having global cost and technology leadership in existing industries.

Q. What are the biggest misconceptions each country has about the other?

A. The U.S. dramatically underestimates China, which has well-defined, long-term strategies to build wealth. China is also becoming increasingly confident in its relationship with the U.S. China, however, underestimates the resilience of the U.S. For the U.S. to slow the downward spiral, fundamental changes are needed. Who in the U.S. has the courage to make these changes?

Q. What are China's weaknesses?

A. Many of the financial structures are still weak, and corruption is extensive at all levels of life. Additionally, the quality of most products is very low. There are high levels of conflict in China (called "fighting at home"), and the education system is weak.