

The China 'Rules' Of Business

Mike Collins, Saving American Manufacturing



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When I was in grade school in the '50s, we were taught that communism was anti-democracy and anti-capitalism, and that its believers wanted to take over the world.

After the end of the cold war in the early '90s, the communist countries developed their own form of one-party controlled capitalism who wanted to sell stuff to the U.S. And then, almost like magic, American businesses and the government decided they were okay being business partners, and began making investments in communist countries. I was bewildered by this sudden change and wondered why they were no longer considered a threat.

In July 2008, Harold Myerson wrote an article that said that “American businesses have realized that the problem with communism wasn’t that it was un-democratic, but that it was anti-capitalist, and that once communism was integrated into the world capitalist system, its antipathy towards democracy wouldn’t be a bad thing but would actually be good.” This is the political logic that now supports American involvement with China.

I would like to make an argument that this is simply a rationalization for the large companies and banks to make higher profits, but that it ignores the fact that China and other communist countries don’t play by the same rules and are a long term threat to the U.S. in many ways. More importantly, they do not play the game with the same morals, values, and ethics that describe most American businesses.

They are our number one adversary in business and have slowly become a threat to our national security. To replace us as the number one economy, they are going to have to get a larger share of oil and energy; a bigger share of electronics; and buy,

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copy, or steal our advanced technologies. American businesses and the government know that China wants to become the number one economy in the world and we simply ignore the fact that the Chinese have shown they will do whatever it takes (legal or illegal) to achieve their goals. Here are some examples:

Cyber Hacking - By now most citizens should know about the cyber hacking problem because it is continually in the news. It is pretty well known that Chinese hackers have been able to hack into the databases of large banks, corporations, and government agencies. But it is less known that the Chinese espionage efforts have also been successful in getting information on America's advanced weapon systems. Much of the report by the Defense Science Board is confidential, but The Washington Post gained access to some information and revealed that the advanced Patriot missile system, the Army's THAAD defensive ballistic missile system, and the Navy's Aegis ballistic missile defense system were compromised.

Buying U.S. Businesses - Another strategy the Chinese actively use to get access to American technologies is buying American businesses in key industries they have targeted. They are very interested in telecommunication technology: Two very large Chinese telecommunication companies, Huawei and ZTE, have been trying to buy into U.S. markets but, so far, have been stopped by the government. The government committee investigating the two companies warned that malicious hardware or software implants in Chinese manufactured telecommunication components and systems could allow Beijing to shut down or degrade critical national security systems in times of crisis or war.

Military Supply Chain Vulnerabilities - A report from retired Brigadier General John Adams found that "U.S. National Security and the health of the nation's defense industrial base are in jeopardy because of an over reliance on foreign suppliers for defense materials." The report specifically mentions:

- The dependence on one Chinese supplier for the solid rocket propellant butanetriol used in our Hellfire missiles.
- The U.S. imports 91 percent of the rare earth element Lanthanum, which is used in night vision systems for U.S. fighters.
- The manufacture of lithium ion batteries has moved offshore to foreign suppliers.
- High tech magnets were originally developed in the U.S. and are used in missiles, fighters, and tanks. China now produces 75 percent of the NdFeB magnets used in our military systems.

Chinese Mindset - The Chinese are going to exhaust the productivity they have made from importing technology, buying technology, forcing companies to give them technology, and copying technology. They will have to rely on their own R&D

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efforts and so far they have not proved very innovative on their own. But to sustain their growth and build up their military, they need more electronics, aerospace technology, military designs, and advanced technologies. I think they will step up their efforts to get what they need, however they have to do it.

Conclusion

So far neither the administration nor Congress seems to want to punish China for their unethical and illegal strategies. They seem to want to maintain a status quo that is not confrontational with their largest business partner. I think the Chinese view the American government as a weak toothless tiger that publicly whines a lot, but is afraid to take them on and deal with World Trade Organization violations or currency manipulation.

The big question is, who benefits the most in maintaining a status quo? Certainly all of the big multi-national companies who have investments in China do not want to rock the boat or do anything to upset the fragile arrangements with China. Their lobbyists spend millions of dollars every year on Congress to continue to get their way. The administration shies away from making hard decisions because they say they need the cooperation of the Chinese in foreign affairs such as North Korea, Syria, and Iran.

Perhaps the government overreacted to communism and they were not the blood-thirsty, cruel, imperialist countries that were portrayed. But they are still a one party, non-democratic, authoritarian state that makes its own rules to achieve its objectives. And we seem to be willing to ignore the reality that for many authoritarian cultures and dictatorships, cheating, corruption, spying, and getting around the law are built into the culture.

In fact, one could say that by throwing out their old methods and participating in a world commerce using their version of communist capitalism, they are now winning the war. By forcing America into trade deficits where they have a huge export advantage, stealing our military designs and technologies, and then loaning us the money to keep the game going, they are succeeding in their goal of surpassing us as the number one super power in the world.

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