
Book Reviews

Guru pushes 'China superpower' myth

by Mary Burdman

China, The Next Economic Superpower

by William H. Overholt

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293 pages, hardbound, £18.99

William Overholt of Bankers Trust is the leading guru of the cult of the "Chinese economic superpower." This cult, a mixture of geopolitics and financial hocus-pocus, got its biggest boost in the years 1990-92. Then, as Margaret Thatcher and George Bush led the drive to stop, at all costs, the re-linking of Europe, West and East, with Asia, wars broke out, and so did the myth of the China superpower.

The chief proponent of the "China miracle" is William Overholt, now managing director of Bankers Trust in Hongkong. To understand his book, which appeared in the United States as *The Rise of China*, first, one must understand Bankers Trust. Originally created by the Morgan interests, Bankers Trust has now become "the missionaries of derivatives," as director Brian Walsh said in an article in the Aug. 10, 1993 edition of *American Banker*. A July article on derivatives in *Le Monde Diplomatique* noted that Bankers Trust is the really big derivatives operator. With great publicity, Bankers Trust publicizes its "Vision to the Horizon of 2020," which "rebukes its timid rivals who maintain a conventional approach to banking activity. In 1992, seventy-five percent of the revenues of the bank came from derivatives products, which explains the almost religious fervor with which it defends these markets." Hongkong is being promoted as the future derivatives center of Asia.

In June, Bankers Trust New York Corp. opened an office in China, which a spokesman of their Asia merchant banking operations called "the most important emerging market of the next 10 to 20 years." Bankers Trust says it has arranged more loans for Chinese firms than any other U.S. bank—\$4 billion worth of financing in five years—and is the third-ranking bank arranging Chinese loans overall. Bankers Trust was the first financial firm, in 1988, to arrange derivatives-linked financing for Chinese firms.

Overholt himself is a product of Harvard University and Herman Kahn's Hudson Institute. He first put out his "China miracle" views in an article stating that Deng Xiaoping would triumph—including over Mikhail Gorbachov—only six months after the Tiananmen massacre; it then was published, Overholt boasts, by the *International Herald Tribune* in June 1990, the first anniversary of Tiananmen.

The China miracle is a specialized cult, and by no means all of the world financial establishment belongs. Contesting articles by Overholt and his detractors are quite nasty, featuring brutal insults and mutual exposés. Small wonder, when one looks at the various hallucinations, otherwise known as "projections," published by China model advocates. Critical economic problems, openly discussed by China's leaders, such as the post-1984 collapse in agriculture or the infrastructure crisis, are simply never mentioned by devotees. Actually, the wildly varying dance of the alleged exorbitant economic "growth" figures for China, which bounce up and down depending on the formulator's whim, would be comic—if the situation were not so dangerous for the nation.

The imperialism of Theodore Roosevelt

The way in which Overholt advocates the "Rise of the Pacific Basin" marks him as a guru of the strange American cult of "Manifest Destiny," which flourished especially in the era of Theodore Roosevelt. The Manifest Destiny advocates saw (and see) the United States as the heir of the British Empire, but as a power where Britain had never really triumphed, in the vast Pacific Ocean. The acquisition of the Philippines from Spain in a "splendid little war" (the phrase of Secretary of State John Hay, who invented the "Open Door" policy to better take over China) was only a beginning; there were visions of the United States extending its territory to vast regions of Siberia!

American leaders opposed to British imperialism, including President Franklin Roosevelt and Gen. Douglas MacArthur, brought another policy to the Pacific as World War II ended, which rebuilt Japan into a great industrial power. But since, the geopolitics of "Manifest Destiny" have again come to the fore.

Overholt is an advocate of the so-called Asian "tiger" economies model, in which the road to his nirvana, what he calls "market democracy," is through "market authoritarianism." South Korea and Hongkong, his ideal states, and Singapore, Taiwan, and other East Asian nations all grew this way, he claims, which involves focusing limited government investment on where it would produce "rapid" growth, in light and medium industry; no costly investment in infrastructure; and total openness to foreign investment. The overall policy is generation of lots of jobs and new consumers to fuel a "consumer boom."

With an almost religious fervor, Overholt asserts that "the Chinese takeoff appears to be unique in world history," and that "China has grown faster economically than any other



Manufacture of Chinese pottery. The policy of fostering such export-oriented light industry, to the detriment of national infrastructure, does nothing to develop the nation.

large economy in history." What is the foundation for his belief? It is the most primitive level of sense-certainty: His personal "impression" of improved Chinese living standards. These include (astonishing, but true): the sales of Procter and Gamble's Rejoice shampoo in Guangdong province; the number of McDonald's hamburger stands and 7-Eleven convenience stores; and southern Chinese fishermen smuggling luxury cars!

Yet one only has to have read the official Chinese press itself to get a very different picture of the reality of the Chinese economy. In the entire 293-page book, Overholt dedicates only two paragraphs to the vital question of China's terribly underdeveloped infrastructure. Yet Chinese Ministry of Power officials report this spring that power shortages are costing China about *one-third* of industrial production capacity; Minister of Power Industry Shi Dazhen announced that China has had a power shortage since 1970 and power production is at least 20% below demand.

The transport bottleneck is just as serious. Railway Minister Li Senmao said in 1992 that the entire rail system was capable of supplying only 60% of China's cargo shipping needs. In 1993, the rail "bottleneck" cost China up to \$70 billion in lost production, the Coal Ministry announced, and the official *China Daily* published a similar estimate of losses earlier this year, at about 400-500 billion yuan (\$50 billion) a year. With China's own estimate of GDP at about \$370 billion, the rail bottleneck is costing China almost 14% of its national product every year.

Geopolitics and the China miracle

Overholt's "China miracle" is part of a geopolitical belief system, that pretends that the strategic paradigm shift of the United States' collapse into a post-industrial, consumer economy over the past 25 years is the "rise" of the "one world superpower." A turning point in that U.S. collapse,

the conduct and loss of the Vietnam War, Overholt treats as the "onset" of the "consolidation of Asia into the western camp," with the alleged success of the "Asian tiger" model.

The geopolitical triumph of the "China model," Overholt claims, is that it destroyed the "New International Economic Order." The Just, New World Economic Order, proposed by the Non-Aligned Movement nations in Colombo, Sri Lanka in 1976, whose fundamental premise is that "development is the name for peace," demanded economic development for the entire Third World and the end of world rule by the users of the International Monetary Fund. But this, guru Overholt claims, was only a system of "Third World cartels." This was "shattered by the rise of the smaller Asian economies and the subsequent success of China in following their lead," he wrote. "This economic success split the Third World politically, defeated Latin America and Africa economically, and left the Third World movement intellectually bankrupt. Thus, the Third World movement lost its hold on the West . . . [and] became badly divided in interests—for instance between those countries like Argentina which were pursuing a strategy of financial default and those (mostly Asian) countries like Indonesia which were benefitting immensely from traditional western financial mechanisms."

Indonesia, by the way, revealed this spring that its foreign debt is spiraling, and is now over \$100 billion.

"China's seduction by the Pacific Asian miracle has created a turning point in world politics and economics. It has transformed the regional successes of a limited number of small countries into a decisive defeat for communist insurgencies, for disruptive regional irredentism and for the global economic radicalism of the NIEO." In other words, Overholt attributes to the success of the "Asian tigers model," nothing less than the survival of the massively bankrupt world financial system, to loot the world economy for at least a decade after what should have been its demise.