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—STUART L. HART, Cornell University

PETER NAVARRO

THE COMING

WHERE THEY WILL BE FOUGHT

HOW THEY CAN BE WON

CHINA WARS

REVISED AND EXPANDED EDITION

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© 2008 by Pearson Education, Inc.  
Publishing as FT Press  
Upper Saddle River, New Jersey 07458

FT Press offers excellent discounts on this book when ordered in quantity for bulk purchases or special sales. For more information, please contact U.S. Corporate and Government Sales, 1-800-382-3419, [corpsales@pearsontechgroup.com](mailto:corpsales@pearsontechgroup.com). For sales outside the U.S., please contact International Sales at [international@pearson.com](mailto:international@pearson.com).

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Printed in the United States of America

First Printing May 2008

ISBN-10: 0-13-235982-0

ISBN-13: 978-0-13-235982-5

Pearson Education LTD.  
Pearson Education Australia PTY, Limited.  
Pearson Education Singapore, Pte. Ltd.  
Pearson Education North Asia, Ltd.  
Pearson Education Canada, Ltd.  
Pearson Educación de México, S.A. de C.V.  
Pearson Education—Japan  
Pearson Education Malaysia, Pte. Ltd.

Library of Congress Cataloging-in-Publication Data

Navarro, Peter.

The coming China wars : where they will be fought and how they can be won / Peter Navarro. — Rev. and expanded ed.

p. cm.

Includes index.

ISBN 0-13-235982-0 (pbk. : alk. paper) 1. China—Foreign economic relations. 2. China—Foreign relations—Forecasting. 3. China—Commercial policy. 4. Globalization—Economic aspects—China. 5. China—Economic policy—2000- 6. China—Politics and government—2002- 7. International economic relations. I. Title.

HF1604.N38 2008

337.51—dc22

2007049932

# 3

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## “Made in China”—The Ultimate Warning Label

*A mother said Thursday she knew something was terribly wrong when her 20-month-old son began to stumble and started vomiting. He had just ingested Aqua Dots, a popular toy that contains a chemical that turns into a powerful “date rape” drug when eaten. It was the latest Chinese-made toy pulled from shelves in North America.*

—MSNBC.com

“Beware of cheap Chinese goods that can kill you.” If that little Confucian warning doesn’t appear in your next fortune cookie, it should. As Upton Sinclair spins in his grave, China is flooding the world with a staggering array of cancerous, contaminated, and defective products.

No doubt you have already heard about some of the worst cases. In the toxic metals category alone, we’ve seen baby cribs, vinyl bibs, and children’s gardening gloves lined with lead; toy bears, drums, and trains coated with lead paint; lead snaps on Chinese-made overalls and shirts for babies and toddlers; and a complete line of Barbie doll accessories decked out in “designer lead.”

You have also likely heard about the cough syrup and toothpaste laced with antifreeze that killed hundreds of people; the pajamas soaked in so much formaldehyde they make your skin crawl; the cat

and dog treats spiked with deadly melamine that prematurely put tens of thousands of Garfields and man's best friends into pet cemeteries; and, as the hands-down winner of the most bizarre form of Chinese product torture, "Aqua Dots"—the toy beads *cum* date rape drug featured in the excerpt opening this chapter.

Sensational though these headline grabbers may be, they are but the tip of a very dangerous iceberg. From exploding cell phone batteries, bacteria-ridden tofu, and catfish loaded to the gills with banned antibiotics to cheap Chinese cars so dangerous they make crash dummies run for cover, virtually nothing coming out of today's China should be considered safe. This chapter shows you just why this is so, just what kind of products you should fear most, and why, as Senator Dick Durbin has aptly noted, "Made in China" has become a code red "warning label" that no sensible consumer should ignore.

## A Poisoned Food Chain

*You've got to be nuts to eat Chinese food.*

—Ron Vara

Most people quite rightly think of China as a manufacturing powerhouse and the world's "factory floor." Increasingly, China is also becoming the world's fish farm, fruit orchard, and vegetable garden.

Today, China is the third largest exporter of food to the United States. China accounts for more than 50% of the garlic, 45% of the apple juice, roughly 20% of the honey, and about 15% of the seafood imported into the United States. Incredibly, the U.S. Food and Drug Administration (FDA) tests less than 1% of all food imports into the U.S. This is in sharp contrast to Japan, which tests fully 10%. As noted in *USA Today*, this understaffing of the FDA "signals a large green light for produce and seafood to enter the U.S. market without having to sweat inspections."

### ***Something So Very Fishy***

*Perched above the banks of the catfish farm he owns is Zhu Zhiqiu’s secret weapon for breeding healthy fish: the medicine shed. Inside are iodine bottles, vitamin packets, and Chinese herbal concoctions that he claims substitute for antibiotics. Zhu’s fish farm, in a village on the lower reaches of the Yangtze River, sends about 2.5 million catfish fillets each year to United States through an importer in Virginia. Despite his best efforts—he has dozens of employees clearing trash from the water each day, and the fish are fed sacks of fishmeal more expensive than rice—Zhu’s fish sometimes get sick. Then he brings out the drugs.*

—*Washington Post*

China is the leading exporter of catfish, eel, and tilapia to the United States and the second biggest shrimp supplier. China is also the world’s leading exporter of toxic seafood.

The problem of toxic fish begins with the observation that Chinese fish farmers, like Mr. Zhu in the preceding excerpt, inevitably are forced to rely on a dizzying array of banned antibiotics, herbal concoctions, and illegal substances to get their fish to market. The underlying problem, discussed extensively in Chapter 7, “The Damnable Dam and Water Wars—Nary a (Clean) Drop to Drink,” is that the waterways of China are some of the most severely polluted in the world and therefore some of the least habitable for fish. In such a polluted environment, farm-bred fish are particularly vulnerable to the big four pathogens: viruses, bacteria, fungi, and parasites.

One common way China’s fish farmers cope with two of these pathogens—fungi and external parasites—is to douse the waters of their farms with a powder known as *malachite green*. This strong green dye is a dangerous carcinogen that has been officially banned in China. However, that ban hasn’t stopped many of China’s fish farmers from using it.

A second common way China's fish farmers keep their fish from dying is to flood the waters with a variety of banned antimicrobials and antibiotics. The antimicrobials are known carcinogens that can kill you directly. In contrast, the banned antibiotics can kill or harm you indirectly. The reason is a subtle one: When you eat fish laced with antibiotics, you can build up a resistance to these drugs. Then, if you get sick and actually need the antibiotics to fight the infection, the antibiotics simply won't work. In addition, the bacteria can evolve into "superbugs" highly resistant to the antibiotics.

In addition to having to worry about all manner of toxins creeping into Chinese fish, consumers around the world have to contend with China's "fish counterfeiters." For example, one common ploy used by unscrupulous Chinese exporters is to sell the dangerous puffer fish disguised as the delectable monkfish. The problem here is that puffer fish contain tetrodotoxin. This is a potent neurotoxin for which there is no known antidote; it produces paralysis of the diaphragm and often death due to respiratory failure.

### ***Midnight in China's Fruit and Vegetable Gardens of Evil***

*For nearly two decades, Lai Mandai regularly ate and sold beans, cabbage, and watermelons grown on a plot of land a short walk from a lead smelting plant in her village. Like dozens of other villagers who ate locally grown food, Ms. Lai, 39 years old, developed health problems. "When I did work, planting vegetables or cleaning the floor, I felt so tired and my fingers felt numb," Ms. Lai says. Ms. Lai, along with 57 other villagers, was eventually diagnosed with high levels of cadmium, a heavy metal that can cause kidney disease and softening of the bones.*

—Wall Street Journal

China grows half of the world's vegetables and almost 20% of its fruit. China's people consume most of its produce, but an increasing

share is being exported to the United States, Europe, and the rest of the world. As with China’s toxic fish exports, this is not an altogether welcome development.

One of the biggest problems with eating Chinese fruit and vegetables is the rising risk of ingesting one of any number of highly toxic heavy metals, including mercury, lead, and the cadmium that felled Ms. Lai in the preceding excerpt. In fact, according to China’s own Ministry of Land and Resources, more than 10% of China’s arable land has already been contaminated by heavy metal detritus from China’s factories, mines, smelters, and power plants.

A second major health issue is the exceedingly high levels of pesticide residues often found in Chinese produce. As documented in the *Journal of Environmental Toxicology and Chemistry*, the underlying problem is the tendency for China’s farmers to overuse pesticides in an effort to boost their meager crop yields. As a result, the FDA has had to reject Chinese agricultural products ranging from ginseng and frozen red raspberry crumble to mushrooms.

Beyond the problem of food contamination from banned antibiotics, heavy metals, and pesticides, issues with bacteria and spoilage also arise because of China’s lack of an adequate “cold chain.” Any country’s cold chain begins with refrigerators to cool fruit and vegetables upon harvest. The cold chain extends to refrigerated trucks or rail cars in which the produce can be transported. Still another set of refrigerators and freezers are necessary to store the produce in warehouses before it is shipped to market. On all three counts, China is woefully deficit.

For example, China has only about 30,000 cold storage trucks compared to almost 300,000 in the United States, and its cold storage capacity tops out at a meager 250 million cubic feet. However, according to a study conducted by the consulting firm A.T. Kearney, over the next 10 years, China is going to need about 365,000 refrigerated trucks and 5 billion cubic feet of cold storage.

The kinds of contamination problems that arise from the lack of an adequate cold chain are even worse for meat and poultry, as indicated by this passage from the *Wall Street Journal*:

It's a scene that James Rice, head of the China operations of Tyson Foods Inc., has seen numerous times in his three years with the poultry giant there: tons of featherless, frozen chickens loaded on the backs of flatbed trucks under thick blankets in the summer heat, awaiting a long-haul journey across China. "It's my Achilles heel," says Mr. Rice. He says the lack of everything from temperature-controlled trucks and warehouses to a shortage of general refrigeration know-how limits Tyson to a handful of major cities in China.

## Assassins in Toyland

*Apparently when you tickle Elmo he's not laughing, he's having a seizure.*

—Jay Leno

*In an attempt to assure the world's children that millions of Chinese-made toys currently being recalled for containing toxic lead paint and tiny choking hazards can no longer hurt them, high-level Chinese officials announced Tuesday that millions of playthings are being rounded up and immediately put to death.... According to the Xinhua News Agency, in the past three days alone, factory owners roused an estimated 365,000 Barbie dolls from their dream homes in a violent series of raids. During these raids, the Barbies were separated from their Kens, stripped naked, and had their heads shaved. They were then taken to an undisclosed area, leaned against the wall and shot by a firing squad as toy soldiers were forced to watch.*

—The Onion



These satirical treatments of China’s toy recall crisis from America’s top banana, Jay Leno, and parody newspaper, *The Onion*, provide at least some comic relief from a situation that has been extremely troubling, particularly to parents with young children. Although most people are already well aware of many of the details of this crisis, it is worth at least briefly recapping the extent to which America’s toys have been turned into instruments of death by unscrupulous Chinese manufacturers. Here’s just a brief scorecard of the kinds of toys that have been recalled from the shelves by the likes of Toys “R” Us, Target, and Wal-Mart:

- 3.8 million Magnetix magnetic building sets that can kill by perforating the intestines if the magnets are swallowed
- 1.5 million Fisher-Price lead-contaminated toys, including popular Sesame Street characters such as Giggie Grabber Soccer Elmo, Chef Dora, Rev & Go Cookie Monster, Ernie and Bert, and Oscar the Grouch
- 1.5 million Thomas & Friends lead-painted wooden trains, and 1 million Hasbro “Easy-Bake” ovens that can trap children’s fingers in the oven and burn them
- 253,000 of Mattel’s die-cast cars modeled after “Sarge” in the cartoon movie *Cars*, and 90,000 units of Mattel’s GeoTrax locomotive line
- 31,000 “Skippy” plastic fish that can break and slash a child’s hands, and 15,000 Laugh and Learn Kitchen Toys posing a choking hazard

For concerned parents and grandparents shopping for toys, it is critical to point out that whereas well-known brand companies such as Mattel and Toys “R” Us have had their fair share of bad headlines, the bigger problem is often with those ultra-cheap, “no brand” toys that wind up at deep-discount stores. It is precisely in stores such as these that a variety of Halloween toys have been found to represent far more tricks than treats. Here’s just a small sampling:

- 142,000 purple witch buckets, 63,000 green Frankenstein cups, and 55,000 candy-filled skull pails posing a lead hazard
- 120,000 “Creepy Cape” costumes capable of bursting into flames, and 97,000 Mr. Potato Head “Make a Monster Pumpkin” sets deemed a choking hazard

It is precisely these kinds of statistics that raise this overarching question: How can China’s toymakers turn something as innocent and pure as children’s toys into a profanity of poisons and choking hazards? It is a very good question to which we will return shortly.

## Crash Dummies on the Volga

*Add another product to the list of Chinese exports whose safety is being called into question: cars. In one of the few crash tests to date of a Chinese-made vehicle outside China, a Chery Amulet sedan’s front end folded like a concertina in a recent trial in Moscow. The Russian car magazine that organized the test said it was one of the worst performances ever and called upon Chery Automobile Co. to withdraw the car from the market.*

—*Wall Street Journal*

It’s not just agricultural products and low-priced toys and trinkets that consumers have to fear when it comes to the “Made in China” label. As Chinese manufacturers move up the value chain into big-ticket items like automobiles and aircraft and top-line pharmaceuticals, a wide range of consumer risks is emerging.

Consider China’s rapidly growing auto industry. It might surprise you to know that China *already* produces more cars than Detroit once you subtract light trucks and SUVs from the equation. However, unlike U.S.-made cars and the cars coming out of Europe and Japan, the safety of many of the Chinese-branded vehicles is exceedingly low.

For example, as indicated in the preceding excerpt, China’s Chery Amulet totally flunked its Russian crash test. Another typical data point is offered by the performance—or lack thereof—of the Chinese Brilliance BS6 sedan. In a standard European crash test, the BS6 sedan was driven at 40 miles per hour straight into a barrier. As described by analyst Chris Haak, the results were right out of a Ralph Nader nightmare:

In cars that ace these tests, the passenger compartment stays almost completely intact with no intrusion of the floor into the driver’s foot well or the instrument panel into the driver’s face. The best cars often still have functioning driver’s doors, yet sacrifice so much of their front end absorbing the crash energy that the occupants get out of the car relatively unscathed.

Instead, the poorly named Brilliance BS6 saw the pedals intrude into the driver’s space by 18 inches, and the dashboard by 7 inches. The driver’s door wouldn’t open without the technicians using a huge crowbar, and the rocker panel bent almost 90°, and stopped only when it hit the floor. The base of the windshield moved to the same vertical plane as the top of the windshield was before the crash, and the driver was left sharing space with the steering wheel, windshield, and the front end of the car. He or she would have almost certainly been killed instantly.

Perhaps the worst aspect of China’s “unsafe at any speed” auto industry is China’s use of both Latin America and Africa as dumping grounds for cheap cars that would pass neither emissions or safety tests in European or U.S. markets. While these cheap cars are very attractive to lower income buyers, they are nothing but rolling death-traps and pollution factories. Nor are the Chinese particularly coy about this. As Zheng Guoqing, the head of sales to Africa for the Great Wall Motor Co. has soft-pedaled it: “The performance-price ratio of our products is high so African people like our brand. The emissions standard is not particularly high there. The requirement for safety is also not high.”

## The Origins of China's Flood of Contaminated, Defective, and Cancerous Products

*Many of the “Southern-style” catfish fillets on U.S. grocery shelves these days are indeed from the South—of China. The Chinese government’s own reports express alarm that many rivers in this region are so contaminated with heavy metals from industrial byproducts and pesticides including DDT, that they are too dangerous to touch, much less raise fish in.*

—Washington Post

At this point, it is critical to ask: Just why are Chinese products so unsafe over such a wide range of product categories? In their defense, Chinese officials routinely argue that their products are as safe as any other country in the world. Cold, hard statistics tell a very different story. China’s failure rate consistently outpaces its market share over a wide range of products across a number of countries and continents.

In Japan, for example, China accounts for about a third of all contaminated foods but accounts for only 15% of Japan’s food imports. Similarly in Europe, almost half of all defective products identified by European Union regulators come from China. A fourth of these defective products are Chinese-made toys, but other products range from electrical appliances and cars to lighting equipment and cosmetics. This pattern holds equally true in the United States. China accounts for 60% of all consumer-product recalls in the United States and nearly all of its toy recalls—far outpacing the failure rates of other developing countries such as Brazil and Mexico on a market-share adjusted basis.

### ***The Bait-and-Switch Quality Fade***

*Some quality issues are not all that serious, but others are downright frightening. One of the most disturbing examples I have encountered while working in China involved the manufacture and importation of aluminum systems used to construct high-rise commercial buildings. These are the systems that support tons of concrete as it is being poured, and their general stability is critical.*

*The American company that designed and patented the system engineered all key components. It knew exactly how much each part was supposed to weigh, and yet the level of engineering sophistication did not stop the supplier from making a unilateral decision to reduce the specifications. When the “production error” was caught, one aluminum part was found to be weighing less than 90% of its intended weight. Where did the missing aluminum go? Into the factory owner’s pocket as a cost saving. The only thing passed on to the customer was an increase in product risk.*

—Forbes.com

One of the most important reasons for the high failure rates of Chinese products is a variation on the old tactic of “bait and switch” known as the *quality fade*. Here’s how it works:

An American, European, or Japanese company goes to China to offshore the production of its product. A Chinese company wins the order by producing a prototype of the desired product *exactly* to the specifications of the offshoring company. That’s the “bait.”

The switch comes sometime after the Chinese company begins mass producing the product. At some point, after it has gained the confidence of its foreign client, the Chinese company begins cutting costs by substituting inferior materials and/or

altering the design. If the foreign company does not have adequate safeguards in place to detect the quality fade, the result of this quality switch can be disastrous.

A telling case in point is the “Aqua Dots–date rape drug” fiasco described earlier. The toy’s distributor, Australia’s Moose Enterprises, lost millions of dollars in sales and took a very heavy hit to its brand name in the wake of this scandal. The company’s investigation eventually led it to a Chinese factory that it had contracted for production. In classic and deadly quality fade, the factory managers substituted the toxic date rape chemical for a safe glue during manufacturing—all to make a few extra bucks.

### ***Silence of the Whistleblowing Lambs***

*If you want to have a good system of consumer protection, protecting whistleblowers is an essential requirement.*

—Wang Hai, Chinese consumer rights advocate

There are no gold stars awarded in China for whistleblowing—a critical policing mechanism in any supply chain for consumer protection. Instead, the much more likely result for employees who publicly expose flaws in their companies’ products is jail, a terrible beating, or both. The grim fates of three whistleblowers in China, as documented by the *Financial Times*, graphically illustrates the extreme dangers:

The first whistleblower, Dr. Tang Zhixiong, accused his fellow doctors of conducting unethical transplant surgeries. In addition, Ms. Zhou Huanxi and Mr. Shi Yuefu each separately denounced their former companies for producing fake medicines.

Dr. Tang is now on the run after receiving violent threats, and he fears arrest on trumped up charges. Dr. Tang’s fear of arrest is hardly unfounded. After Ms. Zhou revealed that a tonic being marketed to pregnant women as a health enhancer was nothing but snake oil, she

was arrested on a phony charge of blackmail and jailed for almost four years. Meanwhile, Mr. Shi was not quite as “lucky” as Dr. Tang and Ms. Zhou. He was run over by a van with a bogus license plate and left with serious brain injuries.

### ***First We Kill All the Trial Lawyers***

Although “ambulance-chasing” trial lawyers are often ridiculed and reviled in America, the fear of multimillion-dollar lawsuits undeniably leads to more socially responsible corporate behavior. In contrast, it is almost impossible for Chinese citizens or injured consumers outside of China to sue Chinese companies making contaminated or defective products. As noted in *Fortune* magazine, “While suing companies in foreign countries is always more difficult than pursuing a domestic lawsuit, the complexities of filing a case against a Chinese firm are compounded by the country’s regulatory and legal systems and by political relations between Washington and Beijing. As one lawyer put it, ‘You’re spitting into the wind.’”

Indeed, when sued, Chinese companies often simply do not show up to U.S. courts; and it’s next to impossible to get access to any of their records. Pinning these companies down is further complicated by the fact that their headquarters are often simply bare-bones operations—glorified fronts for purveying their poison. Nor do any mutual agreements between the United States and China enforce legal judgments. By some estimates, a lawsuit against a Chinese company takes at least ten years and costs five times as much to prosecute. Only big companies can afford to pay that much and wait that long. Everybody else is out of luck.

### ***That Cold Black Heart—A Poison-for-Profit Culture***

*Actions from the top down will not solve this problem, because the problem goes much deeper than Beijing. There still remains that uneasy question lurking in the shadows of*

*China's rapid growth: Why would so many people be willing to cut corners to make an extra dollar, even at the cost of human lives?*

—Emily Parker

Perhaps the most unsettling and controversial part of the “Made Badly in China” problem is framed in the words of Emily Parker in the preceding excerpt. This is the possibility that in the godless state of China, far too many entrepreneurs lack the ethical fiber and moral compass to do anything other than to try to make a buck any way they can—no matter what the health and safety consequences for their consumers. In this regard, the World Christian Database reports that China has by far the largest percentage of “unbelievers” in the world.

Two high-profile cases illustrate how the cold, black, godless hearts of at least some Chinese entrepreneurs strongly suggest the absence of any moral compass in China’s “poison-for-profit” culture.

One such case involves the recall of almost half a million “killer tires” made by the Hangzhou Zhongce Rubber Company. At some point in the production process, in a classic quality fade, this Chinese manufacturer began leaving out an important safety feature called the “gum strip” to further boost its profit margin. This 0.6mm layer of rubber is added to steel-belt radial tires to prevent tread separation. The inevitable result of leaving out the gum strips is exploding tires that can kill a family of four in an SUV faster than a drunk driver on a Saturday night.

A second case that similarly illustrates China’s poison-for-profit culture involves the oft-reported case of the spiking of pet food with the chemical melamine. This heinous act killed as many as 40,000 pets in America; and it’s critical to explain just exactly why the Chinese manufacturers added melamine to the pet food mix.

Melamine is an acutely toxic organic chemical that has little or no nutritional value. It was added to the pet food for one simple reason:



to *falsely* give the appearance of higher protein levels in the feed so that the feed could command a higher price. American pets and their owners paid a very high price indeed.

### ***Of Corporations and Consumers with Eyes Wide Shut***

While China’s government officials and entrepreneurs must shoulder much of the blame for the “Made Badly in China” problem, at least some of that blame must fall on consumers as well as on those American, European, and other foreign companies that outsource their production to China.

On the corporate front, the sad fact is that foreign companies that outsource to China often do not install adequate quality-control systems. That’s exactly why a company such as Mattel got quickly neck deep in a toy recall involving tens of millions of toys. As Professor Shih-fen Chen described that particular event, “We are not talking about a few random errors in production that escaped the eyes of quality-control managers, but about a colossal failure of the outsourcing firm that let 19 million pieces of unsafe toys slip into the marketplace.”

As for consumers, most buyers focus on *product brand* rather than *country of origin* when making their product choices. In other words, we buy Chinese iPods, Chinese Barbie dolls, and Chinese spark plugs not because we trust China but because we trust Apple, Mattel, and Bosch. That’s a buying strategy all of us need to seriously rethink!

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