

## The Chinese Rice Bowl – made modern

By

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Over thousands of years, countless millions of Chinese have depended upon the great Yangtze River to flood the farm lands of the vast central basin. That was the traditional “rice bowl” of China. Today China is undergoing a revolution with out precedent in its long history.

The visitor to Shanghai is immediately struck by the sweep of this revolution. Enormous office buildings and hotels tower over the city and crews of men work around the clock to tear away the old, squat townhouses of the 19<sup>th</sup> century foreign concessions and build yet more skyscrapers. Shanghai is said today to employ more large building cranes than all the rest of the world’s cities combined.

The city exhibits an energy that one can feel walking down the streets. People rush purposefully. There is little leisure or window shopping. Everything seems in almost a frantic hurry. Cars hurtle past swarms of bicycles – until they are caught as they quickly are in traffic jams that choke the new highway system. But each driver squeezes into whatever tiny space opens before him, often with just centimeters to spare. Yet, in several days, I saw no wrecks. A sort of professionalism marks even the traffic jams.

The economy is not just thriving but almost literally exploding. The most striking index of the change is in trade with the United States. A decade ago, China had a trade surplus with the United States of about \$18 billion; last year, it topped \$100 billion. Much of this came from consumer goods in which the low wages of Chinese workers and

what American Treasury officials regard as an artificially low evaluation of Chinese currency give it a tremendous competitive advantage.

But it is striking, even walking down the streets, that the Chinese are beginning to find Western counterparts attractive. Brand name fashion houses, coffee houses and, above all, international hotel chains set something of the style of the new city. Recognizing this, two groups of “off shore” Chinese have flooded back into the country. Many of the major business firms have people known here as “A-B-C’s” – American born Chinese -- and in Shanghai alone, some 300,000 people have moved back from Taiwan (Formosa). Their moves have, at least economically and residentially, resolved the long standing disputes over what makes up China. It includes everyone who thinks of himself as Chinese.

What is particularly striking is the way in which the government has set out to put China at the apex of modern technological industry. Nowhere is this more evident than in the huge Baoshan Iron and Steel Company. Baosteel, as it is known, is virtually a city in itself, situated on some 19 square kilometers at the mouth of the Yangtze to the east of the city. Employing a labor force of about 15,000, it produced 11,000 tons of steel last year and expects to double that amount next year.

Since China has no iron ore, Baosteel must import it from Australia, South Africa and other sources. These imports make up about 50% of the total cost of the finished steel. China does have coal, which is accumulated in what look like black mountains on its industrial site.

While one would expect that the key element of its success is low wages – probably less than \$4 an hour on average – that seem to be only a partial answer. Wages

make up only about 5% of the cost of its products. As one moves along the highways, crossing railroad tracks through beautifully laid out gardens and parks and follows the steel-making process through the huge buildings scattered across the complex, he rarely sees a worker. Baosteel's plant is one of the most automated in the world. It is rated as the world's second most efficient.

This efficiency has given the company an annual growth rate of over 10% since its foundation a decade ago. Symbolically also of the new China, shares in the ownership of the company are now listed on the Shanghai stock exchange. While the government retains ownership of about 80%, 20% has been made available to foreign investors.

Everything foreign is important to the Chinese as never before. Proudly, company executives told me that its steel is a key component of automobiles, household appliances and construction equipment all over Europe, making up a significant part of Spanish industrial output.

In these ways, the traditional "rice bowl" of China is turning into a modern industrial combine which is destined to play an increasingly important role in world trade and further to enrich the more than 1 billion inhabitants of this ancient kingdom.

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