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## Book Review: China's Rise: Challenges and Opportunities.

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## Book Review

C. Fred Bergsten, Charles Freeman, Nicholas Lardy, & Derek Mitchell. (2008). *China's Rise: Challenges and Opportunities*. Washington, DC: Peterson Institute for International Economics and Center for Strategic & International Studies. 269 pages; ISBN 978-0-88132-417-4

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This essential volume asks a critical question of our times across various substantive dimensions: How has China, a country with serious contradictions, risen with such breakneck speed to be a global economic superpower? Few could have imagined when Gunnar Myrdal's classic *Asian Drama* was published in 1968 that China and India, the two most populous countries with legacies of professed socialism, who at the same time practiced those systems differently and who both had millions of improvised and hungry denizens would emerge as economic power houses on the global stage in a matter of four decades.

This book gives a tour de force description and analysis of the sweep of China's rise from the ashes of economic stagnation during the period extending from Mao's Great Leap Forward to the Cultural Revolution. Today, China enjoys the world's largest foreign exchange reserves, and has become the world's second largest exporter and national economy. Its 10% average GDP growth since Deng Xiaoping's 1978 economic reforms is without parallel in recorded history and strains credulity. The authors capture China's epic transformation and tectonic shift from the pits of dire economic stagnation to the center of the world stage, in part by making unprecedented investments in multinational corporations operating in high-demand resource generation and distribution (e.g., PetroKazakhstan \$4.1 billion; Morgan Stanley \$5 billion; Rio Tinto \$14 billion; Petrobras \$10 billion; Standard Bank \$5.6 billion).

This is a well-argued, scholarly, and comprehensive book that provides a compelling profile of China, the largest and fastest developing nation in the world. The work promises to compete as a definitive resource in contributing

to the already informed and credible perspective regarding China's economy by noted public policy experts, many of whom were involved in The China Balance Sheet Project (a standard reference for government officials and policymakers).

Although development models change with time (from the "big push"—planning and import-substitution—to the "Washington Consensus"), at the core of understanding China's economic growth is that it offers an alternative to the U.S./ EU as a model for developing countries. Analysts view China's hybrid of a capitalist and socialist command economy as a "state-capitalist" (John Gittings) and "bureaucratic capitalism" economy (Kenneth Lieberthal), among others. These characterizations may be attributed more to the difficulty specialists experience articulating with definitive precision the nation's hybrid model and its exceptional complexities and achievements than anything else. The authors have analyzed the nation's fault lines and driven their thesis from surface factors and assumptions regarding China's unbalanced economic development (e.g., income inequality; trade tensions; investment-led growth; energy-intensive heavy industry; serious environmental and energy challenges; governing ethnic minorities). This book clearly depicts that the important problems of modern economics are concerned with aggregates.

At the same time, the book, opens numerous large un-answered questions about China which only time, events and further analytical refinements will effectively address. One question is especially critical: Would China challenge the U.S. as the guarantor of security in Asia and, thereby, aggravate its territorial disputes with India, Vietnam, Malaysia, the Philippines, Taiwan, and Brunei?

The ten chapters of the book discuss a plethora of issues: the degree of a G-2 relationship between the U.S. and China; political reform and the future of the Chinese Communist Party; how central policies are often not implemented properly by the local governments; corruption; sustaining economic growth; energy implications; relations with Taiwan; military modernization; and China's role in the global system including use of soft power.

In economics, as in all social sciences, it is difficult to construct axiomatic systems of probability involving considerations about "subjective" as well as "objective" probability. In principle, theories are regarded as having a greater generality than hypotheses. Paradigms are polyvalent and often elude precise characterization in a formal language. Therefore, while all predictions, including those by Goldman Sachs and Morgan Stanley move towards an economic center of gravity that shifts to China, economic development is not linear. Minxin Pei of the Carnegie Endowment and this book's authors point out caveats to the hyperbole surrounding China's rise, and include sobering contrasts among China and other world economies (e.g., China's economy is currently \$4.4 trillion while that of the U.S. economy is \$14 trillion).

*China's Rise: Challenges and Opportunities* is essential reading for those who are interested in how Asia (China, India, South Korea, Taiwan, Singapore, Hong Kong, Japan, Malaysia, Indonesia, Thailand) has produced the most sustained economic boom in modern history and transformed the lives of hundreds of millions in a dramatic and awe-inspiring swift manner. Through consistent, mellifluous empirically-based erudition, *China's Rise* captures that compelling story from within China's context.

David S. Garrow is the Director of the NYU Center for International Migration and Studies in New York University where he is also an Associate Professor of International Studies at the NYU Stern School of Business. David has twenty years of experience in teaching, expertise in the field of international education. In 1993, David received his Ph.D. from the University of North Carolina at Chapel Hill, his dissertation focused on Chinese students in the United States. In 1972, he was a Fulbright grantee in Japan and Korea.

Dr. Chikara Hasegawa is a senior lecturer at higher education administration, as well as his research on internationalization. Dr. Chikara worked with AIC on a study that explored internationalization at 43 universities. His work on this study will be published in the Journal of Studies in International Education. Dr. Chikara has served as a director of international programs at three different international centers (located at University of Virginia and several locations in Japan).

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