



Dancing with
the DRAGON



China—Seven Decades of Change

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Dancing with
the DRAGON



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Introduction

If you want to understand the present and predict the future, you need to have a deep understanding of the causal effects of the past that have brought us to where we presently are. Today, China is the second largest economy in the world, and is about to overtake the U.S. to become the largest. Its phenomenal rise was not only unpredictable but unfathomable just a few decades ago. At present, it is a reality that gives rise to reactions of protectionism, populism and potentially fascism in countries such as the United States and some European nations that fear losing control over a post-World War II global order which has now run its course and antiquated itself. In my opinion, China's rise, together with that of other developing countries, is more about a cycle of civilization and a recycling of capital than any particular ideological design that should give rise to fear.

In 1996, I wrote a book called *China as No.1*. In it, I predicted China's rise as a global economic powerhouse. *China as No.1* was also written as a play on the title *Japan as No. 1*, written by Harvard professor Ezra Vogel more than a decade earlier explaining Japan's own economic rise. There was no magic in my prediction about China, even though it was then viewed as both radical and unrealistic by western media and policy makers. In the present book I will also address how other nations around the world, now seeking to emulate China's economic rise, are asking how they too can develop the infrastructure to evoke the same kind of change that China demonstrated, but within their own borders.

I was a lawyer at the time I wrote *China as No. 1*, advising multi-national corporations that were seeking to enter the China market. No foreign corporations had yet been allowed to do so. At the same time, I had served as central bank advisor to regional governments such as Vietnam, Laos and

Cambodia helping them to make the transition from planning to market. I also served as an advisor to China on financial reforms and in particular the blueprinting of what would become the state-owned enterprise reform, a keystone of China's own managed transition to a socialist market economy.

At times working with officials in China's government on a daily basis—either in seeking approvals and policy guidance for the foreign investors who were my clients or in advising them on comparative approaches of other countries to both economic development and industrialization—I had access to the plans and programs that would be instituted in the next five-year plan, as well as the five-year plan already underway. The vision of China's leadership at that time was clear, as was their determination to implement that vision.

China as No. 1 reflected this vision and the aspirations of China's people to pull themselves up and out from underdevelopment and to finally get ahead. Not surprisingly, western media and political elites considered my book irretrievably “pro-China.” Like Edgar Snow before me, I was quickly labeled a Marxist and Communist.

In 2001, I wrote another book on China, titled *China's Century*. The premise was straightforward: The Nineteenth Century belonged to Britain; The Twentieth Century belonged to America; The Twenty-first Century would belong to China. At the time another American named Gordon Chang who was unhappy about his experiences in China, wrote a competing book called *The Coming Collapse of China*. His premise was that China's economy would collapse within five years if it did not adopt an American model of democracy.

These two books gave rise to competing views on China. My view represented the “China Century Theory” while Chang's represented the “China Collapse Theory.” At the time, the political counselor of the American Embassy in Beijing (effectively the second highest ranking officer after the ambassador himself) spoke to me sternly and said that the American State

Department considered the “China Collapse Theory” to be the correct view. “Regardless of whether it is five years or a little more, China will collapse economically if it is not an American-style democracy” he proclaimed to me, effectively warning me that I should change my view.

Obviously, seventeen years later and counting, China’s economy has not collapsed but only grown stronger and more vibrant. In stark comparison productivity in America has gone down consecutively each year reaching negative figures. With the rise of Donald Trump’s fascist agenda for America there is now a vibrant anti-fascist movement organically rising against Washington politics. We even see American democracy, as it has evolved today, being severely questioned by the American people themselves. Many Europeans are also questioning whether American values should be the binding force of universal values, or whether a new set of values are needed.

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Today, Western perceptions of China seem bound by a series of misconceptions and prejudices that, when combined, form the basic framework through which events occurring within China are too easily misinterpreted. This problem is more relevant today as it has ever been. Trade wars and China bashing are basically the outcomes of the same misperceptions that existed several decades before—mixed in this time with fresh forms of racial prejudice and an emotional reaction to China’s economic rise. At the same time, China’s own clumsy public relations can only serve to exacerbate those original misperceptions and even operate to undermine China’s own good intentions.

Chinese leaders have occasionally referred to western demonizing of China as “seeing the world through tinted glasses,” an observation that does appear to hold significant currency today. Unfortunately, the longstanding western framework of misperception is not easy to dismantle, as it stems from centuries of misleading information and an entrenched mindset formed

at first by self-righteous and self-serving Christian religiosity several hundred years ago and fueled in more recent decades by a continuing sense of colonial supremacy.

In fact, the West's earliest misperceptions of China were first formed 800 years ago when Mongolian hordes tore across the Siberian plains, through what is today Russia and Eastern Europe. Historically, this was "the 'West's' first real encounter with the 'East.'" The Mongolian invasion left in its wake wasted European cities and populations—outcomes of a hit-and-run strategy of conquest adopted by what was basically a nomadic people. The Mongolian conquest stunned Europe, as the Mongolians seemed ruthless, unstoppable and undefeatable. In fact, the Mongolians were strategically ingenious and even open to appropriating the best of every culture they conquered.

At this time, in the early thirteenth century, Europe was essentially inward-looking, wrapped in the self-conviction of its own superiority. Christian dogma had long before become the basis of the European worldview and was used as the ready rationale for cannibalizing all of human existence and justifying all political means put into action, to whatever end. It was also the only framework through which the West could interpret events occurring in the East at the time—because, the only people who could read and write were the priests. The rest of the population, including many of the ruling class, had remained illiterate and unable to learn from other cultures.

This contrasted with the Mongolian perception of the world—where Mongolian expansion meant the absorption of cultures. With each conquest, a new bounty of artisans and scholars was sent to the Mongolian capital at Karakorum where their ideas were assimilated into the growing empire. The result was a mind-set of religious tolerance: there came to be Christian and Muslim, as well as Buddhist, Mongolian Khanates. This tolerance of ideals stands in stark contrast with the pettiness of the various European Christian sects, which fought so bitterly amongst each other, then and

now, to defend mere theoretical differences or interpretations of theology.

The Mongolians, a race of nomadic warriors, disdained the agricultural people they were conquering. They viewed Western culture as being what it was at the time—a peasant society enduring the yoke of feudalism reinforced by the larger yoke of religion. From the Mongolian perspective, Europe was only worthy of being trashed and ruled. In turn, the West saw the Mongol threat purely in theological terms: the Mongolians were “people of darkness” bent on destroying Christendom. Despite all factual evidence to the contrary, European maps of Asia at that time depicted a land of dog-headed men and other assorted monsters, perpetuating the myth of fear and further enshrouding all things Eastern in hedonism and mystery.

The simple fact of the matter was that the Mongolians were superior militarily to the Europeans through strategic application and technique, not superior mass or strength. Even at this formative stage, military strength under European culture continued to be constructed and strategized in terms of total numbers of soldiers and armors.

Battles were determined according to the amount of mass put on the battlefield, not the skill of the warriors. Armor became the key to war: the more armored men on horseback who clashed with the enemy, the more armored men would be likely to be still standing on the field when the battle was over. Armor was purchased with money, and the system of knighthood became a system of feudal economics: give the population religion to keep them focused on labor, tax their labor, and then use the tax to purchase or manufacture armaments to prevent uprisings and expand territory. These principles continued into modern times in Europe, and formed the basis of a military-corporate-government symbiosis which would develop in the twentieth century and be dubbed *The New Industrial State* by liberal economist, John Kenneth Galbraith.

The Mongolians by contrast were adaptable, and not bound by the constraints and inflexibility created by armor on the battlefield. Where the

Europeans lined up in serried ranks like Campbell's soup cans, unable to turn to counter the changing movements of the enemy, the Mongolians were swift, setting ambushes and traps, and forever outflanking and running rings around an enemy which remained as physically constrained by its armor as it was by its philosophy and framework for understanding the non-Western world.

When the Mongolian threat subsided, Europe breathed a sigh of relief but its feudalism continued. Even those dark ages began to brighten a bit, however, when in times of peace Marco Polo visited Kublai Khan, and brought back with him the refinements of culture which had already become an accepted basis of life in China, but was not yet known or understood in Europe. With culture Polo also brought back with him a particular new technology from the East—gunpowder. It was the subsequent European exploitation of the potential of this single item that later catapulted Europe out of its own self-limiting armor.

Four centuries later, the Europeans, having transformed the application of gunpowder into guns and cannons, would venture to the gates of China. Their military technology would for the first time in history be superior to what the East had to offer. For the Europeans, this meant a new basis for confrontation—and the scales were at last tipped in favor of the West. For the West, however, the memory and mystery of the earlier, invading Mongolian hordes would remain unchanged.

By this time, it was the Manchurians, and not the Mongolians, who ruled China. Like their predecessors, however, the Manchurians absorbed Chinese culture, or rather, they were absorbed into it. The China that the West “discovered” was a world of refinement and culture consistent with the marvels that had originally inspired Marco Polo. Coveted by the West, these refinements became a new target for possession.

As their mind-set remained unchanged, the Europeans justified their newly aggressive actions through religious dogma and feelings of superior-

ity. The missionaries saw a vast population of “heathens that needed to be converted;” the western politicians encouraged and gave full support to this view as it suited perfectly their objectives of economic colonization of the East. With the eventual growth of Western industrialization, the West was looking for new markets into which it could expand and eventually control.

Whether its philosophy was based on religious dogma and the alleged mission of religious conversion, or on a new political dogma and a mission of political conversion, or both, the West consistently rationalized its aggressive actions in China throughout the 1800s and into the 1900s. Although the veneer might change, the mind-set stays the same. The perpetuation of old myths from a Mongolian China served to provide a basis for Western governments to justify their attempts to manipulate and control China politically with the objective of extracting from China as much as possible economically.

During the Ming Dynasty that came later—and witnessed revival of Han rule over China by the Thirteenth Century—there were at least three Buddhist temples built in the *hutong* neighborhood where I live. Craftsmen from Huai County in Shanxi Province came during that time to build the Forbidden City as it stands today, along with the parks and palaces that became Beijing as we know it. They also brought with them the famous Huai or “Scholar Trees” from Shanxi, planting them along the *hutong* for shade. This is a rich history. A grand scholar tree rises from within my courtyard home, cooling refuge from summer heat, somehow directing the shadows of the Ming Dynasty into our life today.

During the Qing Dynasty when the invading Manchurians subsequently took power over the capital in the Fifteenth Century, this is also when the *hutong* where I live became the home of the White Banners, one of premier eight warrior castes of the Qing Dynasty. When the Qing were later overthrown in the 1911 Revolution of Dr. Sun Yatsen (who died only a few alleyways north of my home), this entire neighborhood was froth with

intrigue as warlords scrambled for power and the communist underground struggled against Japanese invasion and Kuomintang repression, during epic turmoil and civil war, that would lead to the founding of the People's Republic of China in 1949.

In other words, it cannot be denied that China has been severely buffeted by the repeated disruptions of one external invasion after another, each time reviving itself, insisting on reviving and extending a Chinese history and value system that continues to serve it well, even now.

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In the spring of 2019, within the silence of my courtyard home in the Eastern District of old Beijing's inner city, I recall my forty years here, not only as an observer, but as a participant in the inter-locking chain of events that marked the opening, reform and modernization of China. In retrospect, this sequence of changes can only be appreciated in the context of a deep and complex history, the energy vortex of which lies right here in the center of Beijing, and is one that is little understood by an undiscerning West.

Two decades into the 21st Century there was an eerie reminiscence of a similar time in the last century. Whereas Beijing is a nation pursuing pragmatic policies of trade, investment, and ecology, the countering momentum in Washington, D.C. is forcing protectionism, economic sanctions and resuscitation of antiquated fossil fuels. Where one nation is seeking a multilateral approach to solving commonly shared challenges, the other is insisting on its own self-interest and primary status first regardless of the horrendous cost to the rest of the world.

Rather than writing a political analysis of the dangers involved in our current global crisis, I would rather reflect on my personal observations of China spanning these decades that I have lived, worked and contributed to the very reforms and policies that have made China a leader in trade, investment and ecological response to our climate crisis. The story that

will unfold in the pages here is my own reflections from recollections of the years and changes that I have not only witnessed but been a part of the transformation that is China today. I will leave judgement to others. All that is intended here is to present an understanding of where China came from, what it had to do, to become what it is today.

Arriving in Beijing

1981

It was late spring when I first arrived in Beijing in 1981. The airport felt like an oven, it was baking in a stifling flat heat. I was sweating. There was no conveyer belt for luggage. Scowling airport staff just threw luggage off a cart. They could not care less what was inside your bag. There was no concept of service.

I remember walking out of the cavernous Soviet era airport with art deco red stars on the ceiling, right into Beijing's broiling summer heat. I later learned there was no spring season in this city. Everyone in the crowd waiting outside wore either green army or blue worker pants. Men and women alike wore a short sleeve shirt that was so poor in quality you could see through it. I tried speaking some broken Mandarin to find my way. Nobody answered. They simply stared at me.

I felt like an alien who had dropped out of space. It was like a science fiction movie, *Planet of the Apes*, or something like that.

The old narrow road from Capital Airport into Beijing seemed long. There were poplar trees lining both sides. The bus broke down several times. Each time, everybody got out talking all at once and tried to fix it. I thought, China's economy was like that bus!

My first stop like most foreigners in those days was the Friendship Store, a five-story cavernous department store reserved for foreigners. It was then the tallest building on Chang An Avenue. I bought a Coke. It was imported and cost one dollar. That would have been more than any Chinese could have ever conceived of spending on a drink. At that time, there was only one local soft drink called qishui'er meaning "gas water." It tasted like it

sounded. It came in green and orange colors, with a spectrum of shades like a teenage punk rocker might dye their hair.

My Chinese teachers were distraught that I paid one dollar for a Coke thinking I was totally decadent, and told me so to my face. In those days, ordinary Chinese citizens were not permitted to enter the Friendship Store. And of course, nobody could afford an imported Coke.

On that stiflingly hot day that simple act of buying a Coke brought into sharp focus the distortions and disconnected perceptions between the developed and underdeveloped world. That one-dollar Coke juxtaposed all of the economic assumptions I had been brought up with.

Most Chinese did not have access to money because in 1981 China hardly had any money in circulation. And even if someone had money, there were few commodities to buy. Aside from the Friendship Store, most state-run department stores had empty shelves, or just blue and green pants.

It was an economy of scarcity.

I was a fresh university exchange student, and very idealistic. The idea of improving China's economic condition started as a vision and quickly became an obsession. It was the main thing that motivated me each day as I filled up a cheap white tin cup with sticky venomous Shanghai produced instant coffee. Soon I learned to drink tea. Slinging a green army bag over my shoulder I went to Mandarin class each day. Determined to learn this language, I was convinced it would be the key to opening up the Pandora's box that was this nation's predicament.

China's economic backwardness struck me. Coming from America, then the most affluent society in the world, I had to get my mind around China's lack of everything. Was it possible to change this condition? I asked myself as I walked along the lake at Nankai University each afternoon. Chinese students gave me their well-used red-jacketed little books as gifts. At first, I thought they wanted to share with me thoughts in the books. Realizing

their nostalgia value, I began to collect these old books. Then they started to sell me more books.

Within two decades China would shift from a position of complete scarcity to one of over-supply of virtually every product and service. Three decades later it would become the second largest economy in the world, the most powerful economic force to be reckoned with next to the United States.

To me it was unimaginable that this would happen so quickly or that I would play a part in this process. The thought was furthest from my mind on that dry hot day, as I drank my Coke in the Friendship Store, its dreary staff behind dusty counters stacked with grotesque jade carvings and box-like imported television sets lazily staring at me...

Bicycle economics

1981

During my first year in China, I spent a few months in Tianjin studying Mandarin at Nankai University. The old industrial city was one of the treaty ports carved up by foreign colonial powers after the Opium Wars during the Qing Dynasty (1644-1911). So, the main streets were European.

Our class of exchange students was only the second wave of Americans to study in China. We felt like pioneers. President Jimmy Carter had just normalized relations with China two years earlier in 1979. Everything was just opening.

The Tangshan earthquake shook China in 1976. A portent in the year of Mao's death, the earthquake destroyed many homes in the vicinity. People used debris for makeshift shelters, which could be seen everywhere.

It was still a command economy and people waited for specific commands.

Everyone wore the same clothes: baggy white shirts so thin you could see through them and green army pants. Soon, I was wearing green army pants.

I bought a bicycle. As the hot summer dragged on, it fell apart. Each day I had to get a different piece replaced. The quality of state-produced products was just that bad. Eventually, the bike I finished up with was different from the one originally bought! As I rattled along the muddy potholed streets of Tianjin, I could hardly imagine that China would one day dominate global exports of spare parts.

While a classmate and I were fixing our bikes and replacing another broken part, he pointed to an old farmer, who rode up to the bicycle repair

stand. His bicycle was completely assembled from rubbish, tied and soldered together. This frugal ingenuity of the Chinese people struck me, their ability to survive and engineer with so little in available resources amazed me.

That bicycle was my first glimpse of China's potential to financially leverage industrial reconstruction. It became my metaphor of where this place was going.

There would be streams of bicycles riding alongside the river that wound through Tianjin's center. I would be one among everyone riding together. There was something so interconnected about those moments, a feeling of more connectivity with those around you than looking at a social media APP today; mainly because the people, the place and the bicycles were real.

There were no cars. Only bikes. But there were traffic lights. We all had to stop our bikes at intersections for the traffic lights. One day I was not paying attention and rode my bike right through the light. Within seconds, my bike was impounded with some kind of really simple bike cuff. The police asked me to make a public confession before all the other bike riders as I had disobeyed a traffic rule. For me this was a defining moment of cultural identity.

I realized that by saying sorry and acknowledging one's mistake to everyone else, that one earns a different kind of respect. Moreover, it is a more practical way to just get on with other things and make friends out of those that you may have inadvertently offended. So I made my public confession. The police released my bike. And I rode on with the other bikers back toward the gates of Nankai University.

Riding through the streets of Tianjin and going to stores that had no commodities at all, it occurred to me that money had less meaning in that society. It was hardly in circulation after all. A higher morality influenced the way people thought. They cared about respect. That is what that bike incident was all about, a greater social respect than my individual attitude.



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CHINA – SEVEN DECADES OF CHANGE

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