



MY POINT OF VIEW By *Steve Lasky* Group Publisher/Editor-in-Chief

Fear and Loathing in China: Corporate America's Suicide Pact

Mao Zedong, also transliterated as Mao Tse-tung, and commonly referred to as Chairman Mao, was a Chinese Communist revolutionary, guerrilla warfare strategist, Marxist political philosopher and leader of the Chinese Revolution. He also happens to be the architect of the current Chinese corporate business model, where guerilla warfare on American trade secrets rages on.

It was Chairman Mao who stated the eventual fall of the United States would be bloodless and blatantly simple. "China will never need to physically attack the United States. The U.S. will destroy itself from within with its greed," he said.

A quick glance at the way some members of corporate America are dealing with China, the clearer it becomes that Mao might have been on to something.

In his book, *Death by China*, Peter Navarro, a University California Irvine economics professor, CNBC, CNN and NPR contributor and noted China business expert, paints a frightening picture of Chinese corruption and U.S. complacency that figures to create an eventual world economic Armageddon.

Co-authored by writer Greg Autry, here's what a glance at the book's flap tells you: "America's policy of appeasement and perpetual bending to Beijing's tacit threat to stop funding our unsustainable consumption-based economy and deficit-addicted government has left the Chinese people and the world in a frightening position while achieving absolutely nothing. Laughing at our timidity, it becomes ever bolder in executing its plan to shutter every last manufacturing plant in the West."

Some turncoat Western CEOs seem to be content to drive every last high-value manufacturing job to Guangzhou or Chengdu. Congress is happy to be re-elected with contributions from those same corporations, and together, they are happy to leave the rest of us with a future of low-paying service and retail "careers" based on selling Chinese knockoffs.

Just last year, GE entered into a highly controversial avionics joint venture with China. The company was content that the business venture had been reviewed and sanctioned by the U.S. Commerce Department and the Department of Defense.

These days, GE is sharing the guts and "brains" of airplanes with the Chinese government. That's the guidance, navigation, communications and other operations that include some of the highest technological achievements of American aviation — a business sector where the United States is still highly competitive. Trading such home-grown technological innovation with Chinese companies is tantamount to corporate suicide, but GE says it has mitigated its risk. The idea that such a thing is even possible is naïve at best, criminal at worst and laughable in its

sadness. Risk mitigation in China does not exist, and I have history on my side: In the past 30 years, countless major U.S. industrial corporations have struck deals with Chinese state-owned companies for what they hoped would be fast fourth-quarter profits, only to find that one day their trade secrets and patents had somehow disappeared. Now, their Chinese "partners" either own the company outright, or they have stolen the technology to compete directly while undercutting the U.S. company in the world market.

The list of victimized companies is long. Just recently, American Superconductor Corp., (AMSC) a maker of computers that serve as the electronic brains of wind turbines used in China's Gobi Desert, found out its Chinese business partner, Sinovel

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Wind Group, had stolen the software. AMSC's only recourse was to plead its case in front of the Chinese Supreme Court. Do I really need to tell you how it went? Not well for AMSC.

Siemens was also a victim, when its Chinese business partner cloned high-speed rail technology from an early joint venture and is now competing against them internationally.

The list also includes Dupont, where five Chinese nationals were arrested for economic espionage and theft of trade secrets; Motorola, which saw more than 1,000 proprietary documents stolen by a Chinese national working for the company; and Bridgestone, where a Chinese research scientist was charged with stealing trade secrets.

Perhaps the most egregious case belongs to Fellowes Corp., one of the oldest American companies in the world. Their Chinese business "partner" staged a hostile takeover of the document shredder manufacturer and completely ripped off its in-country assets.

So remember, the next time you check out those Chinese manufacturers at a security trade show, know that you probably already saw that exact same technology in an American booth. ■

If you have any comments for Steve Lasky regarding this or any other security industry-related issue, please e-mail him at steve.lasky@cygnus.com.

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