

China vs America: Which Is the Developing Country? **The Wall Street Journal** June 9, 2011 (Page A15)

From new roads to wise leadership, sound financials and five-year plans, Beijing has the winning approach.

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Recently I flew from Los Angeles to China to attend a corporate board of directors meeting in Shanghai, as well as customer and government visits there and in Beijing. After the trip was over, in thinking about the United States and China, it was not clear to me which is the developed country and which is the developing country.

Infrastructure: Let's face it, Los Angeles is decaying. Its airport is cramped and dirty, too small for the volume it tries to handle and in a state of disrepair. In contrast, the airports in Beijing and Shanghai are brand new, clean, incredibly spacious, with friendly, courteous staff galore. They are extremely well-designed to handle the large volume of air traffic needed to carry out global business these days.

In traveling the highways around Los Angeles to get to the airport, you are struck by the state of disrepair there, too. Of course, everyone knows California is bankrupt and that is probably the reason why. In contrast, the infrastructure in the major Chinese cities such as Shanghai and Beijing is absolute state-of-the-art and relatively new.

The congestion in the two cities is similar. In China, consumers are buying 18 million cars per year compared to 11 million in the U.S. China is working hard building roads to keep up with the gigantic demand for the automobile.

The just-completed Beijing to Shanghai high-speed rail link, which takes less than five hours for the 800 mile trip, is the crown jewel of China's current 5,000 miles of rail, set to grow to 10,000 miles in 2020. Compare that to decaying Amtrak.

Government Leadership: Here the differences are staggering. In every meeting we attended with four different customers of our company as well as representatives from four different arms of the Chinese government, they began their presentation with a brief discussion of China's new five-year-plan. This is the 12th five-year plan and it was announced in March of 2011. Each of these groups reminded us that the new five-year plan is primarily focused on three things: 1) improving innovation in the country; 2) making significant improvements in the environmental footprint of China; and 3) continuing to create jobs to employ large numbers of people moving from rural to urban areas. Can you imagine the U.S. Congress and president emerging with a unified five-year plan that they actually achieve (like China typically does)?

The specificity of China's goals in each element of the five-year plan is impressive. For example, China plans to cut carbon emissions by 17% by 2016. In the same time frame, China's high-tech industries are to grow to 15% of economy from 3% today.

Government Finances: This topic is, frankly, embarrassing. China manages its economy with incredible care, and is sitting on trillions of dollars of reserves. In contrast, the U.S. government has managed its financials very poorly over the years and is flirting with a Greece-like catastrophe.

Human Rights/Free Speech: In this area, our American view is that China has a ton of work to do. Their view is that we are nuts for not blocking pornography and antigovernment points-of-view from our youth and citizens.

Technology and Innovation: To give you a feel for China's determination to become globally competitive in the world of technology innovation, let me cite some statistics from two facilities we visited. Over the last 10 years, the Institute of Biophysics, an arm of the Chinese

Academy of Science, has received very significant investment by the Chinese government. Today it consists of more than 3,000 talented scientists focused on doing world-class research in areas such as protein science and brain and cognitive sciences.

We also visited the new Shanghai Advanced Research Institute, another arm of the Chinese Academy of Science. This gigantic science and technology park is under construction and today consists of four buildings but will grow to over 60 buildings on a large piece of land equivalent to about a third of a square mile. It is being staffed by Ph.D.-caliber researchers. Their goal statement is fairly straightforward: "To be a pioneer in the development of new technologies relevant to business."

All of the various institutes being run by the Chinese Academy of Science are going to be significantly increased in size, and staffing will be aided by a new recruiting program called "Ten Thousand Talents." This is an effort by the Chinese government to reach out to Chinese individuals who have been trained, and currently reside, outside China. They are focusing on those who are world-class in their technical abilities, primarily at the Ph.D. level, as they work in various universities and science institutes world-wide. In each year of this new five-year plan, the goal is to recruit 2,000 of these individuals to return to China.

Reasons and Cure: Given all of the above, I think you can see why I pose the fundamental question: Which is the developing country and which is the developed country? The next questions are: Why is this occurring and what should the U.S. do?

Let's face it—we are getting beaten because the U.S. government just can't seem to make big improvements. Issues quickly get polarized, and then further polarized by the media, which needs extreme viewpoints to draw attention and increase audience size. The autocratic Chinese leadership gets things done fast (currently the autocrats seem to be highly effective).

What is the cure? Washington politicians and U.S. voters need to snap to and realize they are getting beaten—and make big changes that put the U.S. back on track: Fix the budget and the burden of entitlements; implement an aggressive five-year debt reduction plan, and start approving some winning plans. Wake up, America!

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