Huang, Yasheng, *Selling China*. Cambridge: Cambridge University Press, 2003. 383 pp. ISBN 0 521 81428 6.

Huang Yasheng's book is an important contribution to understanding not only FDI in general, but its role in China in particular. In addition, it provides the reader with some keen insights into the dynamics of Chinese society. The book is well researched and documents its statements, which makes it a pleasure to read at a time when too many volumes are published with superficial content targeted at the business community.

The introduction of the book, comprising more than 60 pages, provides one of the most detailed accounts of FDI in China I have ever read. Having thereby set the scene, the second chapter describes the motivations for the research followed by an analytical framework that builds on both economic and institutional theory. This culminates in the central claim of the book that the 'high relative competitiveness of foreign over domestic firms resulted from government policy and regulatory treatments that specifically advantage foreign firms' (p. 87). The next three chapters deal with China's corporate sector in general, the non-state firms and state-owned enterprises. Both the non-state firms and the state-owned firms are described in the light of the huge inflow of FDI. The penultimate chapter discusses what Huang calls 'economic fragmentation' and FDI.

The basic argument of the book is that the Chinese state, in its desire to mix public ownership of capital and to utilize foreign capital, created unforeseen institutional conditions, which led to a high degree of dependence on FDI. In Huang's own words, he has written a book 'about the effect of suppressing the private sector'.[1] A more rigorous way of describing the book might be that it analyses how poor financial and legal treatment by the state undermined the competitiveness of the Chinese private firms and led to insolvency in state-owned enterprises.

Despite my high regard for Huang's work, three weaknesses came to mind during my review. The first concerns what alternatives may have existed in the socio-political environment in China in the 1990s. Political pressure did not allow large-scale privatization and, even if it had, the result would have been a 'Big-Bang' type of development with massive unemployment and a shortened lifespan for the population. All these phenomena are well-known from the collapse of the Soviet Union.

The second weakness concerns the way Huang sees the political system in China, which he views as highly static. However, what Huang describes is the system as it existed in the late 1990s; he does not take account of the dynamics that took place in the five years leading up to the book's publication in 2003. It was this period (1998-2003) which showed the Chinese government doing exactly as Huang suggests, namely promoting the private/semi-private sector in China, because now the state-owned enterprises had been dealt with (privatized). In 2005 the amount of realized FDI had not grown.[2] Under current circumstances, the private sector can be given more support. Another important issue is that although the Chinese political system was not supportive of the private sector in the early 1990s, during this period the government did develop the physical infrastructure to the benefit of all, including the private companies. It was 'only' the financial system that took a long time to reform.

Finally I am not convinced that support to the private sector and a high amount of FDI are contradictory. In such a huge country as China, in the coming years I foresee a large inflow of FDI, while at the same time the private/hybrid sector will flourish as the state-owned sector diminishes. This has already happened to a large extent. And how can we know that the only way to develop China is through the indigenous private sector? In the countryside the development in the 1980s was largely created by township and village enterprises, which were not entirely private.

Although I do not believe there would have been another way to proceed if China were to avoid the 'Big Bang' model, I cannot help thinking about the likely consequences if the Chinese government had followed Huang's indirect suggestion, namely giving a large amount of capital to the private sector in the early 1990s—with the implication that due to competition, the amount of FDI would have been more limited. To my mind this would have had negative consequences both for China and for the world economy. China's economic development would have been slower, possibly leading to even higher unemployment than we have witnessed. An additional implication is that the amount of cheap goods manufactured in China for our consumption would have been less. This would mean that the western economies would not have had to focus on scaling up their activities.

From an academic point of view, the whole globalization debate, which basically is created by the increasing outsourcing to China and more recently to India, would probably not have taken place. Companies do not outsource abroad unless forced to do so. Everybody, except maybe a few Chinese entrepreneurs, would have suffered, but I am sure they will recover during this decade.

Despite my critical remarks this is an outstanding book, which I thoroughly recommend to academics who wish to gain a fuller insight into overall global development as well its specific applications in China. I look forward to Huang's next book.

Verner Worm
Associate Professor
Asia Research Centre
Copenhagen Business School

NOTES

[1] Huang Yasheng (2005) Huang's Response. *Management and Organization Review* 1(2): 332.

[2] http://www.fdi.gov.cn . Accessed 9 January 2006.