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## Rags to Riches

**B**Y THE TIME I got there, there was only a scar. A scar of bocher earth twenty-five times the size of a soccer field. A dozen excavators pawed ponderously at the soil as if absently searching for something lost. The place where one of Germany's largest steel mills had stood since before World War Two was now reduced to a few mounds of twisted metal scrap.

I approached a man in overalls by the side of the road. He was hoisting a huge length of pipeline onto the back of a truck. After he had settled it in place, I called over to him. He said he had dislodged, lifted, and loaded fourteen pieces of pipe like this already and there were only three left, enough for another week's work. Then it would all be over. I asked him where the pipeline was going. He straightened his back and made as if to throw something in a gentle arc far into the distance. "China," he said.

The rest of the equipment had gone earlier: the oxygen converters that were housed in a shed two hundred feet high, the hot-rolling mill for heavy steel plates that stretched out over two-thirds of a mile, a sinter plant, a blast furnace, and a host of other parts. They had all been packed into wooden crates, inserted into containers, and loaded onto ships, and then they were unpacked at their destination, near the mouth of the Yangtze. There, on the flat alluvial bed of that mighty river, they had been reconstructed exactly — to the last screw — as they had been in Germany. Altogether, 275,000 tons of equipment had been shipped, along with 44 tons of documents that explained the intricacies of the reassembly process.<sup>1</sup> The man in overalls shook his head at the con-



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volved nature of it all. "I just hope it works when they get it there," he said.

The Thyssen Krupp steel mill in Dortmund once employed around ten thousand people. The communities of Horde and Westfalenhutte, where workshops clustered around smokestacks that could be seen from all over the city, had depended on them for generations. People had made iron here for nearly two hundred years, and when the drums of German conquest rolled in 1870, 1914, and 1939, it was this corner of the Ruhr Valley that supplied first Prussia and then the German empire with field guns, tanks, shells, and battleship armor. A pride in practical things was evident everywhere. A stumpy-looking iron blast furnace from the nineteenth century with a sign saying that it had been brought over from England stood as a monument by one of the gates of the former plant. Nearby, a plaque memorialized a local engineer.

But on a warm, bright afternoon in June 2004, Horde was clearly no longer the pounding heart of the Ruhr. The place looked laid-back, becalmed. A few people sat in the sun outside an ice cream shop on Alfred Trappen Street, digging to the bottom of their sundaes with long spoons. Up the road, women fished into a wire basket outside Zeeman Textiel, a discount store, inspecting T-shirts for ninety-nine (euro) cents. There were three tanning salons in the vicinity and a tattoo parlor advertising its ability to emblazon *ai*, *fu*, and *kang*, the Chinese characters for "love," "wealth," and "health," on the bodies of its customers. But the tanning and tattoo places were shut.

I had come to Horde to try to understand how life was changing now that the steel plant was gone. But my inability to speak German was a handicap. I tried calling on local officials, but they were unwilling to talk. People on the street, when approached, seemed to find my questions unwarranted. So I went to the Lutheran church and phoned each of the five fathers listed in a leaflet, inviting them for a coffee. Pfarrer Martin Pense was busy, Pfarrer Klaus Wortmann was out of town, Pfarrer Bern Weissbach-Lamay did not answer, and Pfarrerin Angela Dicke would

have been happy to help but it was a holiday, so . . . sorry. Pfarrer Sven Frohlich, a soft-spoken man, was ready to give me a few minutes on the phone.

The death of the steel mill, he said, had been the slow but inevitable result of a loss in competitiveness. In the early 1990s, when efficient South Korean steel plants were undercutting the world, Horde steelworkers were agitating for a thirty-five-hour work week. And the reunification of West and East Germany had taken its toll by forcing the government to raise taxes and by acting as a drag on overall economic activity. By the mid-nineties, the ultimate fate of the Horde plant had become an issue of debate. To start with, the management reacted as managements generally do, by agreeing to merge with a competitor to derive operational synergies, cost reductions, and improved competitiveness. But by the time world steel prices had slumped into a trough around the year 2000, such talk had died away. There seemed to be little that could be done.

Pfarrer Frohlich said that nearly half the Lutheran church's congregation had moved away as thousands of steelworkers lost their jobs and the community, though not poor, had sunk into a kind of numbness. Young people did not seem to feel the pull of religion in spite of the strenuous efforts, evident in the church newsletter, to lure them into all sorts of community activities. "Our identity is lost," said Frohlich. "And that is the most important thing that can be taken away from somebody. It could take more than a decade to recover it."

According to Thyssen Krupp, the Horde plant would have been closed regardless of whether a buyer for it had been found. But others had their doubts. The Chinese pounced so quickly on the purchase, signing to buy it just one month after the plant was idled, that some in Horde suspected a sweetheart deal. Whatever the truth, the events that were to follow the Chinese acquisition stunned the local population. As if out of nowhere, nearly one thousand Chinese workers arrived. They bedded down in a makeshift dormitory in a disused building in the plant and worked twelve hours a day, seven days a week throughout the summer.

Only later, after some of the German workers and managers complained, were the Chinese workers obliged to take a day off, out of respect for local laws.

Their industriousness alone was enough to give the hardened workers of the Ruhr pause for thought. But there was something else. Locals started to notice the Chinese deconstruction teams high up—as high as two hundred feet above ground—on exposed walkways, swinging on ladders and clinging from scaffolding poles, all without the use of safety harnesses. The spectacle became a media sensation. Some referred to it as the “ultimate Chinese takeaway,” and on the day that a reporter from Deutsche Welle, the German broadcaster, showed up, a Chinese worker was spotted dangling by a thin wire from the top of the 300-foot-high Horde Fackel smokestack. “Have the Chinese acrobats come to town?” he asked in his dispatch.

By the end of 2002, in less than one year, the Chinese had finished the dismantling job—a year ahead of the schedule that the Chinese had agreed on with Thyssen Krupp and a full two years faster than the German company had initially estimated the job would take. Shortly before it was time to leave, a diplomat from the Chinese embassy in Berlin arrived to address the laborers. “The Chinese are known in Germany for washing dishes and running restaurants,” he said. “When our companies want to do business here we sometimes have to beg just for an appointment. But through your work you have earned the Chinese people some face.”

A few weeks after that, the workers pulled out, having invited local German officials and site managers to a banquet cooked in four different styles, reflecting the four hometowns of the deconstruction team chefs. The dormitories and kitchens they had been using for a year were left scrupulously clean and tidy, save for a single pair of black safety boots. These boots, it turned out, bore the brand name of Phoenix and were made in China.<sup>2</sup> That was curious, said Germans who had worked at the steel mill, because the plant the Chinese had just taken away was also called Phoe-

nix, in commemoration of the way that Dortmund had risen from the ashes of bombing raids in 1944. Nobody could tell, however, whether the single pair of forgotten boots was an oversight or an intentional pun.

Eighteen months after the Phoenix's migration, I stood in the bar in Zum Brauhaus, a hostel on Alfred Trappen Street. It was a simple place with pine tables, upright chairs, photographs of local soccer teams on the wall, and a one-armed bandit in the corner that had attracted the attention of a stolid woman who mechanically shoved coins into its slot. At a table behind her, a teenage girl with a blank expression sipped a pint of lager. I stood by the bar, where the woman serving drinks introduced me to a man called John. He had been born and brought up in Britain, in the northern industrial town of Bolton, and had been posted to Germany with the British Army a few years after the war. He married a German girl and they moved to Dortmund, her hometown, after he left the army. He had worked in the steel mill for more than twenty years, but now that it had gone, he took a philosophical view of its departure. The Chinese economy was booming, whereas Germany's had reached a plateau. If the Chinese could put the Horde plant to profitable use, then maybe it was a good thing that they had bought it, he said.

But there was no denying that the Phoenix's loss was keenly felt. You could see the psychological displacement in a small park at the lower end of Alfred Trappen Street. There, around a monument to a synagogue that had been destroyed during the war, groups of unemployed steelworkers sat under spreading beech trees with their cans of lager in plastic bags. John held a thumb to his lip and made a sucking sound. A future without heavy industry was going to take some getting used to, he said. Nobody had a clear idea of what would take its place. The only thing that the local authorities had come up with so far was a plan to redevelop the area that the steelworks had occupied into a lake larger than the Binnenalster in Hamburg. It would feature four small islands and a tombolo. Around the shore there would be moorings for

a marina, rows of upscale restaurants, and nearly five hundred acres of parkland. But so far the marina scheme had not received a positive reception.

As John was talking, another former steelworker, a large, powerfully built man in his forties, had joined the conversation.

"Let me ask you," he boomed. "Do we look like yachtsmen to you?"

The sea voyage of the Thyssen Krupp steel mill ended 5,600 miles away from Horde at a small, windswept port on the alluvial bed of the lower Yangtze River. The water, wide and sluggish, was deep enough for all but the largest sea vessels to dock. A few hundred yards inland from the riverbank, the plant had been reassembled. I recognized it immediately. It looked somehow cleaner than in the photographs I had seen of it in Germany, though that may merely have been an illusion created by the white sand and metallic gray sky that surrounded it.

The company that had bought it was called Shagang, or "sand steel," after the distinctive physical environment in which it had blossomed from humble beginnings as a village workshop in 1975. In that year, China's entire steel output had scarcely been greater than that of Dortmund alone. But in the intervening years business had taken off, and the workshop's expansion had first consumed the village that built it and then usurped the neighboring town. Now everyone in the area seemed in thrall both to steel and to the former peasant farmer with a rudimentary education who had turned a backyard furnace into one of the world's most efficient producers. His name was Shen Wenrong.

When I checked into the Steel Town Guest House, just down the street from the Sand Steel Hostel, the receptionist told me that everyone was thankful to Shen. Without him, she said, this place would be nothing. Now it was full of the incongruities of industrializing China. A five-star hotel with an outdoor mural of mythical goddesses in flowing gowns was under construction in the reed bed by the river. Its name, locals said, was to be the Heavy Industry Hotel. Not far away, a restaurant called Sweet Water stood

beside mounds of stinking rubbish rotting in a canal. Wide new boulevards had been built in another part of town, but a dearth of manhole covers had turned driving into a slalom with consequences. And in front of a sports arena was a replica of the bronze charging bull that stands not far from the New York Stock Exchange. On its plinth, a poem written by Shen Wenrong had been carved into granite:

The bull will rush forward without whipping,  
Once in flight it covers a thousand miles.  
We ask the golden bull: Why are you like this?  
But the bull can fly over oceans too—  
Only then should you call it a miracle.

The town's name was Jinfeng, and it had the air of a temporary encampment. Most of its inhabitants were migrant workers, peasant farmers who had flooded in from their villages to find work for the equivalent of around 40 cents an hour. There were about thirty thousand of them in Jinfeng, and shortly after dawn they tramped in long silent lines to the steel, cotton, and glass factories that held the promise of a future free from the thousand-year tyranny of their fields. At dusk the factories would disgorge them back to their dormitories—a sullen, twilight army. The local economy bore the imprint of their presence: shops selling hard hats, steel-toed boots, and lengths of rope lined their route to work. There was also a discount clothing shop for those who wanted to spruce up before triumphant trips home. A pair of leather shoes with a fashionable square toe was on sale for \$4 and patterned T-shirts were going for 10 cents.

A bit farther on, I dropped into a liquor store and was attracted to the poetic names on several bottles of white spirits. One Drop Fragrant (90 cents), Cool River Destiny (75 cents), Eastern Crossing (95 cents), Boiling Ditch (60 cents), Drink Happy 100 Years (\$1.10). The last one I looked at was called Ordinary, and it cost 20 cents, but just as I picked it up the shopkeeper called me over.

“Don't drink that. You couldn't stand it. It's for migrant workers,” he said.

Later that afternoon, near the Steel Town Guest House, a white truck moving at the speed of a milk float came down the road playing a jingle and a recorded message from a speaker on its roof. "Jinfeng Cinema. Outstanding song and dance. Traveling performance. Five o'clock start. Don't miss it," the message said. In the passenger seat, a young woman with rouged cheeks and her hands interlaced in front of almost naked breasts was "casting the beautiful eye" to passersby. On the other side of the road, a truck carrying iron ore juddered to a halt as its driver and passengers jostled for space by the window to get a better view.

Before coming to Jinfeng, I had spent weeks trying to secure an invitation to Shagang to see Shen. But at every step I had been thwarted by a man called Wu. When I phoned him to request a visit, Wu suggested that I send a fax. I did. He told me it needed alterations. I made them. Then he told me I should send a list of the questions that I wanted to ask. I wrote them. When my documentation finally met Wu's specifications, the stalling took a different tack. Things were busy now, he said. Next year might be a better time to visit. Besides, Jinfeng had no good hotels, and traveling thereabouts was inconvenient.

In the end I just went, and one morning I made my way to the forbidding iron gate that stands at the plant's entrance. Three stern guards in uniforms and peaked hats stood in a pillbox. I told them I needed to find Shen's office. They smiled, pointed it out from the mass of long, low factory buildings, and allowed me to walk straight in. It was an open-plan, communal space, and as soon as I went through the building's main door, I found myself standing in the middle of it. I had not seen pictures of Shen, but I had been told that he was a big man with the ham hands of a farm laborer. Getting my bearings, I turned around a couple of times, taking in the rows of staff sitting in cubicles and staring at computer screens. Then I noticed that a couple of feet behind me, through a glass divider, was a big man poring over documents at a desk. A number of workers, all clutching papers, had formed a line next to him. As each person reached the front, the large man

would grab his papers, study them intently for a minute, and issue orders in a low, growling voice.

It had to be Shen. I walked over to join the line, but just as I was nearing the front, a man came over to ask what I was doing. It was Wu. He smiled in a resigned way and said he was delighted to see me. However, he said, it was not clear if Shen would be working today. In any case, I had better go with him to a separate office and fill out forms, make a formal request. But by now I was standing three feet away from the man I had been hoping for months to meet. I was not going to be budged.

When Shen looked up and saw an unannounced foreigner at the front of his morning business line he seemed neither surprised nor pleased. He stared at me over the top of his reading glasses for some time and then, with an impatient wave of his hand, told me to sit on a low wooden stool by his side. His desk was no bigger than a schoolchild's, very different from the wide, polished, hardwood "boss's platforms" that Chinese corporate chieftains normally awarded themselves. Its glass surface was piled with two stacks of papers, and between them was a plastic holder containing a few cheap ballpoint pens. There was no photograph of his wife or children, no mementos of business success, and no computer. Shen seemed to prefer doing business in physical form, in the here and now. Many of the workers and managers who had stood in front of me had been clutching reports that were handwritten or typed on typewriters.

As I explained to him why I had come, he cut me off in mid-sentence and told me to wait in a back room. Half an hour later he reappeared. We sat at a conference table and he told me to dispense with formalities and just get on with asking whatever it was I wanted to know. I asked him why he had bought the Thyssen Krupp steel plant. "I needed a horse that would run fast and not eat much hay," he said. "When the next crash in world steel prices comes, and it will certainly come in the next few years, a lot of our competitors that have bought expensive new equipment from abroad will go bust or be so weighed down by debt that they will

not be able to move. When that time comes, you will see that this purchase was good.”

Shagang bought the steel mill by paying its price in scrap: \$24 million. Its transportation by land and sea from Dortmund had cost \$12 million, and its reconstruction (plus the purchase of nearly one square mile of land) cost another \$1.2 billion.<sup>3</sup> All told, it came in at about 60 percent of the cost of buying a new plant, and, by reconfiguring it, Shen was confident he would be able to squeeze from it three million more tons of annual output than the Germans had managed in Dortmund. When the mill started producing at full tilt, it would more than double Shagang’s current capacity, catapulting the company into the ranks of the world’s top twenty producers.

If Shagang had decided to buy a new plant, not only would the cost have been far greater but also it would have taken about three years to make and one or two years to assemble. By comparison, Phoenix was indeed a fast, low-maintenance horse. Shen said he’d had the advantage during negotiations with Thyssen Krupp because, although steel prices worldwide were in a trough when he bought the mill in 2001, he knew demand in China was set to balloon over the following two to three years. The Germans, he said, were happy just to find a buyer. They could not have been expected to foresee that an extraordinary upsurge in Chinese demand in 2003 and 2004 would propel global steel prices to levels at which Phoenix, in its original Dortmund setting, would have made a handsome profit.

All in all, the Germans had been very cooperative, Shen said. Both he and Qi Guangnan, the chief engineer responsible for packing up the plant in Horde, had admired their technical knowledge and their trustworthiness. And clearly they had loved their factory, said Qi, who recounted how a big, middle-aged German who showed him around had started sobbing at the door of the sinter plant. “He had worked there for twenty years,” Qi said. But the great thing about the Phoenix plant, as far as the Chinese were concerned, was that back in Germany it had supplied steel to Volkswagen, the car maker. In China, few firms as yet had the

technology to make automobile-grade steel. There was a market to be had in substituting for the expensive imports of auto-grade steel, especially now that car sales nationwide were in an unprecedented boom. Volkswagen itself had a large plant in Shanghai, which was not far from Jinfeng. Shen's vision, then, was simple. Cars designed in Wolfsburg would still be built with steel made from Dortmund's fine technology, only the whole process would unfold within the span of the delta where the Yangtze meets the sea.

When I left, I was accompanied to the gate by Wu, whose resigned expression was accentuated by the weight of his bushy eyebrows. He had been with Shen since they grew up, and as we walked through the plant he spoke of the memories he was seeing in his mind's eye. The place where we stood in the factory forecourt had been a bed of reeds when he and Shen had first started out. And somewhere lost in the mass of buildings was the site of the farmer's shack where Shen had lived out a childhood as poor as it was possible to be in one of the world's most impoverished countries.

I thanked Wu for taking me around. He said it had been no problem. "Only next time," he said, "send a fax."

People I spoke to in Dortmund had assumed that their steel mill must have been bought by a Chinese state-owned enterprise or perhaps by some sinister arm of a totalitarian regime. This type of perception was widespread in Europe and the United States. The conventional wisdom seemed to be that the Chinese companies acquiring equipment or technology in the industrialized world were somehow agents of the Communist government, or at least were financed by state banks with loans they would never have to repay. Indeed, some of the corporations that sought to buy equipment, companies, and assets overseas did fall into this category. But in the case of Shagang and Shen Wenrong, such a characterization did not match reality. The story of Shen's rise belonged to a different tradition, one that was much more instructive about the forces transforming China.

To understand these forces better, it is necessary to delve into a crucial yet often misunderstood passage of history. In the popular imagination, the launch of China's economic reforms in 1978 was a planned, top-down affair managed by a man who is often called the architect of the country's emergence, Deng Xiaoping. According to this version of events, Beijing has all along been cleverly manipulating a master plan that has delivered structured, gradual free-market reforms. But the reality has not been so neat. Many of the key events and occurrences that propelled forward progress toward capitalism were, in fact, unplanned, unintended, or completely accidental. It is undeniable that the 1980s, the decade of Deng, brought genuine and deep-seated change that improved the lives of hundreds of millions of Chinese. But on closer inspection it turns out that much of the crucial impetus behind the creation of wealth during that period sprang not so much from the implementation as from the miscarriage of central government policies.

At the outset, the reforms were precipitated by a payments crisis.<sup>4</sup> The first thing Deng tried to do after winning his power struggle with Chairman Mao Zedong's successor, Hua Guofeng, was to try to carry out the priorities listed in the Ten-Year Plan for Economic Development. Deng had drawn up this document in 1975, but political infighting and the rise of the "Gang of Four," led by Mao's demonic wife, Jiang Qing, had stalled its passage through the bureaucracy. The plan boiled down to a huge shopping list: approval for the importation of twenty-two complete industrial production units, at an average cost of more than \$500 million each, amounting to a total outlay of \$12 billion—equivalent to the total annual income of roughly twenty-four million Chinese in those days. Deng gambled that these purchases could be funded by the discovery of big new oil deposits. Chinese companies, assisted by foreign engineers, were already feverishly at work sinking wells in promising locations all over the country. Unfortunately, little oil was found. Many of the purchases had to be postponed, but those that had already been paid for left a gaping hole in the state's finances.

Deng was forced to improvise to coax growth out of an econ-

omy that had only just started to recover from the Cultural Revolution, the decade of Maoist chaos that had officially ended in 1976. He brought in Chen Yun, an expert at defusing economic crises, to conceive of new strategies. Chen's view was that the initiative of farmers, who then comprised some 700 million of China's then population of 1.1 billion, had been suppressed for too long under the system of agricultural communes set up by Mao. From 1979 on, Deng instituted a new policy under which farmers could more directly reap the harvest of their labors rather than handing over their crops to the commune. To do this, they formed "work groups," with each group tilling its own designated strip of land and owning whatever it produced. However, a key tenet of the new policy made it clear that such groups could not be single families and that the land they worked would remain state-owned.

Nevertheless, in one of the first of several important acts of creative disobedience, farmers took the new policy as a license to cultivate family plots.<sup>5</sup> Local officials knew exactly what was going on, but they could also see that the enterprise of the peasant farmers had been unleashed, and it was consigning the lassitude of the communes to history. The impact was immediate. By 1984 the national grain harvest had risen to 448 million tons from 335 million in 1978, and meat became more widely available.<sup>6</sup>

Similar types of subterfuge attended China's prototype private businesses. In areas around the Pearl River Delta bordering Hong Kong, and in Zhejiang and Jiangsu provinces to the north and south of Shanghai, people began to form companies that were socialist and state-owned on paper but capitalist and privately owned in reality. The main ruse employed to conceal this disobedience was semantic acrobatics with the word "collective." When Mao had used it, the word meant that a company was wholly owned by the state but by more than one branch of it. In its new incarnation, "collective" could also mean a group of private, or partly private, owners. It was a fig leaf that came to be known as "donning the red hat," and it would not have fooled anyone had it not been for the complicity of local government officials. They

were willing to allow such sophistry to flourish because they soon saw that “red hat” collectives could be the most dynamic job creators and taxpayers in their districts. Often, of course, they had the additional incentive to cooperate that came from direct shareholdings. Within a few years, an unsanctioned amalgam of “red hats,” collectives, and “township and village enterprises” had become by far the fastest-growing sector in the national economy.

The willingness of local officials to disobey Beijing was therefore a crucial ingredient in the free-market reforms of the 1980s. And the artifice did not end with that decade. It was to continue well into the 1990s, notably with the establishment of thousands of unlicensed “development parks,” to which local governments attracted corporate investors by offering a package of frequently illegal incentives.<sup>7</sup>

Taken together, then, these realities suggest that Deng was not so much the omniscient architect of free-market reform that he is often hailed to have been. A significant part of his success can be attributed to the disobedience of local officials, farmers, and entrepreneurs toward central government policies. Deng’s contribution was not that he conceived of all the strategies that would lay the foundation for China’s economic takeoff, but that he was willing to ride with whatever homespun formulas seemed to yield the growth that the country so desperately needed. This was no mean achievement; a phalanx of conservative ideologues in Beijing kept constant vigil from the wings, ready to convert the slightest mishap into an argument for revisionist measures.

Understanding the haphazard nature of much that happened in the 1980s helps in appreciating where men like Shen came from. Chaotic times throw forth heroes. Several of the entrepreneurs who by the late 1990s were driving Mercedes-Benzes, flying first class to the World Economic Forum in Davos, Switzerland, and sending their children to the best British public schools started at the bottom of the social pyramid in the early 1980s. In fact, at that time, misfortune—particularly if it came in the form of unemployment—could be the ultimate blessing. The payments crisis brought on partly by Deng’s spending binge in the

late 1970s was matched by an urban employment crunch. Some seven million educated young people who had been sent to the countryside to “learn from the peasants” during the Cultural Revolution were by the late seventies and early eighties flooding back to the cities. As they were assigned to work units, many of those with lesser educational achievements could not find a job. Beijing felt it had no choice but to allow them to indulge in minor private business.

Thus did the unemployed—and in some cases the unemployed—of the early 1980s get their foot onto an escalator that would within two decades deliver some of them to the highest echelon of wealth. Li Xiaohua, for example, started out selling watches out of a bag on the streets beneath the office block he now owns. There had been no job for him when he returned from a Cultural Revolution assignment to “repair the earth” in a frigid northeastern province near the Russian border. After hawking watches for a time, he took a train to the coastal resort of Beidaihe, sunk all of his savings into an American-made iced-drink dispenser, and prowled the beach for customers.<sup>8</sup> Another salesman’s job and some canny property investments later, he found himself in 1994 as the number-two tycoon on a list of the richest people in the country. Since then he has slipped down in the rankings, but he does not lack for consolations. One of them was parked in a garage beneath his office: a red Ferrari with the license plate A 0001. “It was the first to be imported,” he said.

Even richer than Li in the mid-1990s was Mou Qizhong, who had emerged from jail in 1979 without a job, a work unit, or any apparent prospects.<sup>9</sup> He took a loan to start a “suitcase company” selling ornate brass alarm clocks to shops in Shanghai and made a reasonable profit. Then came his *pièce de résistance*. He had heard that a regional air carrier, Sichuan Airlines, needed planes but had no cash to buy them. The Soviet Union, he knew, had planes but lacked manufactured products. So he brokered a deal: five hundred freight cars crammed full of instant noodles, shoes, garments, and other stuff in exchange for four Soviet passenger aircraft.

The audacity of the “socks for jets” transaction delighted Beijing, which hailed Mou as one of the country’s “Ten Best Private Entrepreneurs” and a “Reform Hero.” But his star was burning too brightly. Bearing an uncanny physical resemblance to Mao, he cultivated the likeness by brushing his hair in the same manner as the late Great Helmsman and by letting it be known that he did not much mind being called “Chairman Mou.” His ideas grew delusional; he talked seriously about blasting a hole through the Himalayas and using giant turbines to blow moist, rain-filled Indian air to parched parts of China. A scheme to launch satellites on Russian rockets hemorrhaged cash, driving his firm toward insolvency. Finally, the fraud inspectors closed in, and in 2000 Mou was sentenced to life imprisonment for a foreign-exchange scam.

Mou and Li were the luminary agents of a broader trend. Deng had said that some people should be allowed to “get rich first,” but he left the question of who these people should be largely to chance. For much of the 1980s those selected by the rounds of social roulette were mostly the *getihu* (“single body units”), or self-employed. Many of them would turn up again two decades later as the leaders of corporate China. Liu Chuanzhi, who as chairman of Lenovo bought the personal-computer division of IBM in 2004, was in the mid-1980s just starting out as a sales representative for “Big Blue” in China.<sup>10</sup> He would later recall how in those days he lived in a tiny communal space at the back of a bicycle shed and had to dry his socks over a coal-burning stove in the middle of a single room used by the whole family. When he attended his first IBM sales meeting, he wore a suit borrowed from his father. (I tell his story in detail in chapter 7.)

Other strivers included Liu Yonghao, who by 2005 was the largest individual shareholder in the China Minsheng Bank, the country’s first private bank. Back in the mid-1980s he used a bit of cash borrowed from relatives to start raising chickens on his balcony.<sup>11</sup> Chickens had eggs that hatched more chickens, and through various permutations Liu soon became head of New Hope, the largest animal-feed group in China. He used money

earned from that business to buy his stake in Minsheng, which is now listed on the stock market. Lu Guanqiu, whose Wanxiang company had become so successful by 2005 that it was making auto parts for General Motors, was in the mid-eighties just starting to make gimbals in his small smithy.<sup>12</sup> Li Shufu, the founder of Geely, a private carmaker that by 2005 was outselling some of the world's best-known brands, was two decades ago piecing together refrigerators using parts bought with a 2,000 renminbi loan from his father.<sup>13</sup> Li Dongsheng, who in 2003 acquired Thomson, the French electronics company, for TCL, a private electronics and white-goods manufacturer, spent much of the 1980s producing magnetic tapes with a Hong Kong businessman in the back of an agricultural machinery warehouse.<sup>14</sup> Zong Qinghou, whose Wahaha group had by 2005 turned into a formidable competitor of Coca-Cola in China, was in the 1980s selling ice pops priced at less than a penny each on the street.<sup>15</sup>

The list goes on. Every rags-to-riches story is different, but risk and hardship are common denominators. In his village on the lower Yangtze, the particular hardship that Shen Wenrong had to endure was the death of his father when he was in his late teens. His mother was left with four boys and two girls to support in the aftermath of the twentieth century's worst famine, in which an estimated thirty million Chinese are thought to have starved to death in the early 1960s. Because Shen's family were peasants on a commune, and because the commune system rewarded labor with food, Shen, the second son, was put out to work. He was tall and physically strong and therefore of more use in the fields than in a classroom at school. People who knew him said that when he was assigned to a production brigade, he worked as if driven by the anguish of misfortune.<sup>16</sup> But with so many unproductive mouths, his family was always short of the food points that the commune awarded for hours of labor and often had enough for only one meal a day.

What Shen soon learned, though, was that the work points were a red herring. The people on the commune who ate well were not those who labored the hardest but those who had the

coziest connections with the managers of the grain store. Acting on this insight, he cultivated Zhang Wenzhong, the head of a production brigade, and benefited in two crucial ways from this contact. The first was through the handouts of food that Zhang would sometimes give him. The second was a recommendation, when an opportunity opened up, for Shen to apply for a job in a cotton factory that had decided to hire “mud legs,” as peasant farmers were known. The leap he subsequently made from field to factory was the biggest and most important of his career. People in factories earned cash, not points. They could save money and had prospects for promotion.

Initially, what marked Shen apart in the textile mill were the fruits of his agricultural toil: he could lift and carry heavy bales of cotton with ease. But as time passed it became clear to his superiors that he was much more than a workhorse. He had a quiet, determined temperament and a shrewd intelligence. By the mid-1970s, when his next big chance presented itself, he had risen to a senior position in a factory that had thousands of employees and was committed to expansion. But it could not expand without the steel that was needed to build new workshops, machinery, and housing. Steel was strictly rationed just after the Cultural Revolution and was in chronically short supply all over the country. So Shen, with others, decided to take matters into his own hands and build a secret backyard furnace.

Jinfeng was then a very small town, no more than a speck on the map north of Shanghai, that even Chinese would have been hard-pressed to find. It was inconceivable that so lowly a place would be able to win over the bureaucrats in distant Beijing to provide approval for a new steel plant. So the cotton factory bosses turned obscurity to their advantage. While Beijing was preoccupied with power struggles and the impending death of Chairman Mao, they conferred with local officials and made the calculation that if they just went ahead and built their small steel workshop, nobody in the capital would notice.

Their gamble paid off. The workshop they made was the crudest type imaginable. Technologically, it was on a par with the

nineteenth-century British blast furnace that stood as a monument outside the Phoenix plant in Dortmund. It consumed scrap metal scavenged from the surrounding countryside and smelted it into iron bars that workers pulled by hand out of the furnace.

Shen spent much of his time there, fascinated by the process and trying to think of ways to make money out of the changes that were stirring throughout the country. The communes had by then been disbanded, and tens of millions of small entrepreneurs were taking their first steps. Demand for steel in the early 1980s was rising all along the eastern and southern coastal strips. Shen could see which way the wind was blowing, but he had to find a product that was simple to make and had an assured market. He noticed that when peasant farmers made money, the first thing they spent it on was a bigger house. He also knew that China's cramped cities, enduring the highest population densities in the world, would have to expand outward. He concluded that the future lay in window frames made not from wood but from iron. He sent engineers to Shanghai to tour around the window-frame industry leader, a state company called Xing Hu, with instructions to copy down as much of the fabrication technology as they could get away with.

Shen's old friend Wu, who accompanied the engineers on that trip, explained how it was done: "They prepared everything in advance so well that as soon as they saw part of the manufacturing process, they would understand quickly how it was done. Then they boiled down the things they did not know to one or two questions, because they knew that if they asked too much, the other side would get suspicious."

Within a few years, Shagang was the second-largest window-frame maker in the country, and its sales were starting to challenge those of Xing Hu itself. Shen, however, did not rest on his laurels. He heard from a Hong Kong businessman in 1987 that an 80-ton electric arc furnace, capable of producing 275,000 tons of reinforced steel bars a year, was up for sale in a town called Bidston, near Liverpool. The steel industry in Britain, squeezed by foreign competition and restrained by a mature home market,

was already in decline. But a British industrial castoff was in those days a state-of-the-art facility in China.

Shen borrowed heavily to finance the purchase and had to sell equity in his company to a Hong Kong investor. But as he wrestled to raise funds, opposition to the plan was mounting among government officials and even within the ranks of his own workers. During one meeting in Jinfeng, a worker shouted out that the idea of buying the Bidston plant was “like putting the hens to flight and breaking all the eggs.” The vice minister of metallurgy made a special trip all the way from Beijing to persuade Shen to change his mind. Even large state companies had not been daring enough to acquire untested foreign equipment and have it shipped back and reassembled in China. Operations like this, said the vice minister, were akin to “trying to eat the sky.”

But Shen would not listen. If the equipment did not work, he told a mass meeting of workers in Jinfeng, they could put it in a museum. “You can hire me to stand outside and sell the tickets,” he said at that time.<sup>17</sup>

His venture came to within an inch of failure. The plant was bought and reassembled back in China. But the whole operation took three years, during which time inflation had spiraled almost out of control, millions of antigovernment protesters had taken to the streets in large cities, and Deng had responded by ordering the People’s Liberation Army to massacre the people in the streets around Tiananmen Square in central Beijing. The economic consequence of the 1989 crackdown was a state of nervous stagnation, and Shen, saddled with heavy interest payments on his loans, faced the prospect of selling steel at below cost into a glutted market.

Then, out of the blue in early 1992, Deng embarked on what became known as his famous “southern tour.” Like emperors of old, he traveled with a retinue of mandarins to inspect the situation beyond his sequestered leadership compound in Beijing. He chose to visit the Pearl River Delta region bordering Hong Kong, and everywhere he went he was feted. At first, conservatives in the capital tried to suppress his message, but gradually the news

leaked out that Deng was exhorting people to “be a little bolder, go a little faster.” It was like a spark on a haystack. In a few brief weeks, the whole nation had caught fire and Shagang was perfectly positioned to ride the boom that followed.

That boom would carry Shagang along the path that eventually reached Dortmund. Chinese and foreign investors alike took Deng’s message from the southern tour as a rallying cry for faster economic liberalization. Foreign direct investment began to flood into coastal areas; the Hong Kong stock and property markets rallied; China’s own stock markets — one in Shanghai and the other in Shenzhen — were founded; Southeast Asian nations began to sell more resources to the emerging giant in their midst; and in 1995 China’s economy grew at more than 14 percent in a single year. But all this would prove downright lackluster compared to the cyclonic forces that were unleashed in the first few years of the twenty-first century.

The appetite that was unleashed on the world from 2003 on was in its extent and nature utterly different from that which followed the southern tour. It emanated from nothing less than the full-bore transformation of a large continental economy, a transition through time, space, technology, culture, and ideology. China had for centuries been the world’s biggest economy, and it was emerging once more, but along lines that were unprecedented. This cauldron of change, along with the combustions and eruptions that attended it, was set to fundamentally alter the globe in myriad ways. I set out in 2004 to look for a place that would encapsulate many of the changes taking place in China, somewhere that could serve as a symbolic epicenter of the energies remaking the country and, by extension, the world. Far up the Yangtze’s turbulent course from the alluvial bed of Shagang, I felt I found it, a place that was largely unknown to the world that it was already helping to reshape: Chongqing.