

Hardcover: US

When outsourcing to China, it's buyer beware

There's something rotten in Southern China's manufacturing belt, but foreign importers are so lazy and bedazzled by the red-carpet treatment that nothing's being done to fix the problem

BY J. MICHAEL COLE
STAFF REPORTER

A handful of noteworthy books have been published in recent years that attempt to weigh the impact of the world's intoxication with "made in China" products. *Financial Times* reporter Alexandra Harney's *The China Price*, an expose of the human cost associated with China's competitive advantage, readily comes to mind. More recently, Paul Midler, who for years worked as a consultant and go-between for American importers who descended upon China like sailors to a siren, explores another aspect of the ambiguous relationship — the corporate machinations.

This isn't to say that Midler's book, *Poorly Made in China*, doesn't have a human element to it. Quite the contrary. Its pages are filled with individuals who truly come to life as they make their first excited steps in China, are courted, get deceived, become disillusioned and, quite often, resignedly do whatever it takes to keep their businesses running. The entire book is human theater, a well-paced and entertaining tale of egos hurt and ridiculous retribution, such as when the author, who perhaps had dug a little too deep, suddenly found it impossible to get a ride back home from the factory.

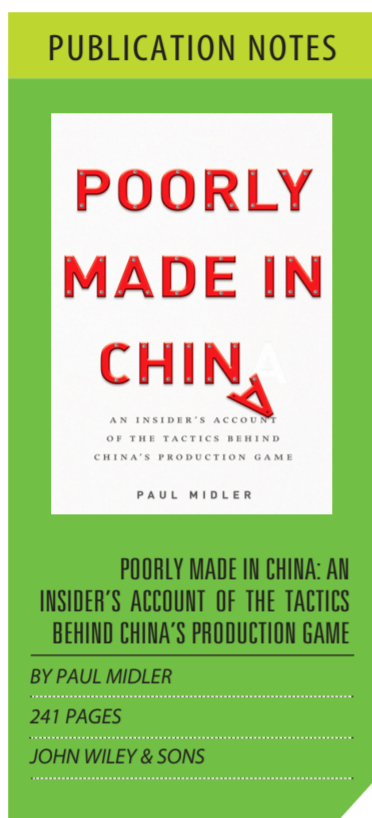
Despite the many cunning factory chiefs and wide-eyed foreign importers who form the *dramatis personae* in this book, *Poorly Made in China* has surprisingly little to say about the fate of the Chinese workers who have made it possible for China's giant wheel to start turning. We witness a brief, and ultimately pointless, public demonstration, and a handful of workers make the odd appearance, but the focus clearly isn't on them. Rather, what Midler exposes is the mechanism by which Chinese manufacturers have succeeded in drawing in foreign importers and, equally important, how they made it almost impossible to leave.

In this game, China has many elements playing in its favor. It has a mythical power of attraction, it knows how to unfurl the red carpet to make foreign investors feel like a million dollars, and, a major advantage over its would-be competitors, such as India and Vietnam, it has the infrastructure and adaptability to make manufacturing on a massive scale possible.

Midler's case studies show us the anatomy of the rise and fall of importers' relationships with Chinese manufacturers. In the early courting phase, Chinese manufacturers are the epitome of deference and show an incomprehensible (to foreigners) willingness to produce at almost zero-profit, which for obvious reasons proves irresistible to prospective importers. As the relationship matures and the importer becomes over-reliant on the manufacturer, however, small things start happening. Corners are cut. Ingredients are changed without notice. Bottles aren't properly filled, or the plastic becomes of lesser quality. Shampoo turns into Jell-O.

Guerrilla-like, the manufacturer sallies forth and retreats, making a profit by finding ways to cut on manufacturing costs, oftentimes at the risk of compromising the health of customers (at one point, Midler writes that he'd seen so much to worry about in the skin care products he was monitoring that he stopped using body wash and shampoo altogether). Worryingly, we learn the testing that would ensure product safety is often too costly and is passed on like a hot potato from the manufacturer to the importer, the retailer and, ultimately, to the consumer. On many occasions, the testing is simply not done. Equally disturbing is the fact that manufacturers often keep the list of ingredients secret, even from their clients.

Though Chinese manufacturers that succeed in bringing in foreign investment are celebrated and will sometimes score political points with Beijing, their involvement with importers also presents other



lucrative, if not entirely kosher, opportunities. A recurrent one is counterfeiting: stealing an idea, replicating it — the Chinese are past masters at this art — and repackaging it while selling it for a fraction of the price charged for the real product. Another strategy, we learn, is to produce more than what is ordered by an importer and then to approach the retailer directly and offer the same item for less than the importer would ordinarily charge — in other words, bypassing the middleman.

Midler's worries about the possibility of collusion among Chinese manufacturers and its impact on prices and quality are well founded. Over the years, Chinese manufacturers have formed tightly knit networks of sub-suppliers involving producers of raw materials all the way to makers of end products. Most company chiefs know each other, are part of the same family or went to the same business schools. Consequently, disillusioned importers who, after being burned once too often, threaten to shift manufacturing to the competition have a major handicap, while leaving the country altogether is out of the question, given the months that it takes to consolidate a business relationship. The possibility of collusion, and the weak government regulations and corruption that facilitate the process, also put foreign manufacturers operating in China — such as Taiwanese — at a clear disadvantage, as they are not part of that network and will therefore be charged more for raw materials and components.

Relationships are at their best when operations are small and at their inception. Once a manufacturer has gained what it sought and mired its client in Chinese quicksand, the quality of its product and its willingness to clean up its act drops, often dramatically. Despite this, as Midler shows us, importers will often show unnatural patience and a willingness to look the other way. For many, they've gotten in so deep that pulling out would mean corporate suicide. In fact, the book has its share of promising partnerships that, in the end, brought American companies asunder. So the silly dance continues, and consumers are the real losers. Toys, pet food, baby cribs, toothpaste — the potential health hazards are the cost of our frenzied venture into China when neither we, nor the awakening giant, were ready for, or understood, the implications of what we were doing when we opened the gate and jumped in.

Poorly Made in China is an important, timely and thoroughly entertaining read that, *inter alia*, provides a warning about our future engagements with China in other fields, where we can expect it to act with equal selfishness and to treat its interlocutors as mere means to an end. The cost of that will likely make bad cheap shampoo a bit of a trifle.

BY DAVID CHEN
STAFF REPORTER

Aiptek International (天瀚科技) is among a growing number of fledgling Taiwanese manufacturers with brand name aspirations in the consumer electronics market. The Hsinchu-based firm, formed in 1997, has built upon its experience as a producer of digital photo frames, camera and camcorders to develop some niche products that will catch the attention of videophiles.

The *Taipei Times* spent a week sampling three of Aiptek's latest showcase products: a pocket-sized digital camcorder, an e-book reader aimed at children and a mini-video projector.

CAMCORDER IN YOUR POCKET

The **PenCam Trio HD** (NT\$5,900) is a tiny camcorder that has 4 gigabytes of internal flash memory and makes surprisingly good videos. The device, which measures the size of two magic markers stuck together, joins a growing crop of mini-cameras that record HD (high-definition) video at 720p, the widescreen resolution that is becoming standard on the Internet.

The video quality is impressive considering PenCam's size and weight (85g), but as with any product of similar size and specification, don't get swept away by the HD label. You can make decent and quick home movies with this device — the picture is much better than the average mobile phone video but a far cry from the sharp, crystal-clear sheen of a modern Hollywood production. The reason for this is the PenCam's tiny lens and 5-megapixel CMOS sensor, which produces a quality equivalent to that of a point-and-shoot camera from several years ago.

But the PenCam is very much worth considering for its packaging of form, function and usability. It has a pen clip and fits nicely in a front shirt pocket, and the slim shape makes the device feel much more comfortable to hold than a mobile phone. The "trio"



The PenCam Trio HD, a tiny camcorder that has 4 gigabytes of internal flash memory, makes surprisingly good videos. PHOTO COURTESY OF AIPTTEK



Above: InColor, which is aimed at young children, represents Aiptek's foray into the e-reader market. Below: Aiptek's PocketCinema V10 plus provides cinema on the go. PHOTOS COURTESY OF AIPTTEK

part of PenCam's name refers to its three functions: in addition to video, the device takes still photographs and records audio in WAV format.

Aiptek wins points for user-friendliness. Using the PenCam is easy to figure out without a manual, with clearly marked buttons and a simple and intuitive menu navigation system. It plays nice when you connect it to a Windows PC, simply showing up as a flash drive. I wasn't able to keep the PenCam long enough to properly gauge the battery life, but the company claims 140 minutes of video recording time, thanks in part to the 1-inch OLED screen, which consumes less power than an LCD screen.

E-READER FOR KIDS

Aiptek has its eye on the e-reader market, but with a younger target audience in mind: elementary school-age children. Last month, the company launched its **Story Book inColor** (NT\$6,900), an e-reader with an 8-inch color screen and 1 gigabyte of internal memory for storage, which comes with 20 books already installed.

The inColor is just one part of Aiptek's business model for e-readers. The company has created an accompanying online store (tw.ebookincolor.com), where users can purchase additional books.

In fact, inColor users have to purchase e-books from Aiptek's Web site: The device uses a proprietary format that the company has developed with several children's publishers in Taiwan. The selection, composed of mostly illustrated books by Taiwanese authors, is limited for now, with only 108 titles averaging NT\$150 per book. The company expects to have 500 Chinese-language titles available next year (Plans are in the works to develop stores in the US and Europe, but no definite date has been set).

Perhaps in a nod to Amazon's Kindle e-reader, the inColor sports a white casing and looks like a tablet, with four navigation buttons on the right side and a volume dial at the top. The display menus are easy to navigate and clearly

laid-out. Colors look crisp and rich on the device's screen, which highlights Aiptek's storybook format: "Picture ebooks" and "story e-books" all have accompanying music and narration, which play on a built-in speaker. "Motion e-books" are animated videos.

The e-books look beautiful on inColor, which does justice to the authors' illustrations, but the experience of using the device is less like actual reading and more like watching videos.

Even with the picture and story e-books, users have little control over how they read using inColor. Aiptek's e-book format assumes that users want and perhaps need the accompanying music and narration, which can't be turned off except for turning down the volume. The device also dictates the pace of reading, as the pages are turned automatically by default. There is no way to quietly read a story, or let one's imagination provide the voice of the characters and narration.

Aiptek is currently testing the inColor out in a classroom pilot program overseen by the Ministry of Education, but in its current version, the device appears to be geared more towards entertainment — it won't teach your child to read proactively, but it will certainly keep him or her occupied for an hour or two.

The inColor also displays still photographs and plays MP3s, and storage can be expanded up to 16 gigabytes using a SD card or a plug-in USB drive. Aiptek claims a battery life of approximately two hours.

PORTABLE CINEMA

The world can be your movie screen with Aiptek's **PocketCinema V10** (NT\$9,900), a mini projector that offers a user-friendly, relatively low-cost solution for blowing up your digital images and video to big-screen sizes.

Slightly larger than a mobile phone and smaller than a TV remote control, the V10 uses a small LED lamp to display photos and videos at 640x480 VGA resolution. It comes bundled with

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a pile of cables, including a 3-in-1 AV jack that makes it easy to attach and watch video from devices such as an iPod, Nintendo Wii or a DVD player.

The V10 can also display images from only from laptops with an S-Video port; Aiptek is currently working on new firmware so the device will eventually be able to display content from any laptop using a USB cable.

Aiptek says that the V10 can project images up to 50 inches in diameter from a 1.8 m distance. In a dim room, I was able to project a movie at nearly 80 inches in diameter from 3m away. The picture was still clear enough and enjoyable to watch.

But choosing videos proved to be tricky without an external device. The V10 is supposed to be compatible with AVI and H.264 formats, but files stored on my hard drive didn't work when I copied them onto the device's internal 1GB flash memory.

I had a frustrating experience trying to convert a movie that was an AVI file from my computer to Aiptek's recommended format using the bundled software from ArcSoft. The conversion failed — there was sound but a mangled picture and I was left unimpressed by the version of software I received, which didn't have an option to convert DVDs.



The V10's sister, the V10 plus (NT\$11,900), has 4 gigabytes of internal memory and can record programs when connected to a DVD player or television. Both devices also support SD cards up to 32 GB. The device also makes for a nice photo album display and can handle Powerpoint files converted into JPEG format.

What makes the V10 tempting is its portability and user-friendliness. It has a simple menu navigation system and plugging in external devices is a breeze. The prices still favor early adopters and just as well, because the V10 has a few setbacks. The picture isn't very clear unless you're in a dark room. The device also gets very hot, and Aiptek says the heat affects image quality after several hours. But if you've always wanted a movie projector, this just could be the one.

The above three products are available at *Guanghua Market* (光華商場) in Taipei City, *NOVA electronics stores nationwide* (www.nova.com.tw) and online at *shopping.pchome.com.tw*

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Life and death in a re-education camp

Xianhui Yang's collection of partly fictionalized memoirs throws light on a previously under-represented era

BY BRADLEY WINTERTON
CONTRIBUTING REPORTER

In 1965 Xianhui Yang (楊顯惠), aged 19 and full of revolutionary spirit, was working in China's northwest (his native region), planting trees and digging irrigation systems near the Gobi Desert. He was one of the youth Mao Zedong (毛澤東) had ordered into the countryside to experience the lives of the ordinary rural people.

One day someone mentioned the tragic deaths that had taken place a decade earlier at a re-education camp called Jiabiangou (夾邊溝). At first Yang couldn't find out any more, but the idea that the Communist Party might commit brutal acts against its own people surprised and shocked him.

He remained in the region for 16 years and started to write short stories about the pioneering life of the young in Gansu Province. In 1988 he moved east and began living full-time as a professional writer. Then in 1997, with the relaxation of official attitudes to past errors by the Party, he decided to return west and try to find out more about what had happened at Jiabiangou.

The people imprisoned there had been victims of Mao's "Anti-Rightist" campaign which began in 1957 and ended in 1960. They were often academics or professional people, but also those who had gone too far in following Mao's apparent invitation to open criticism in the "Let One Hundred Flowers

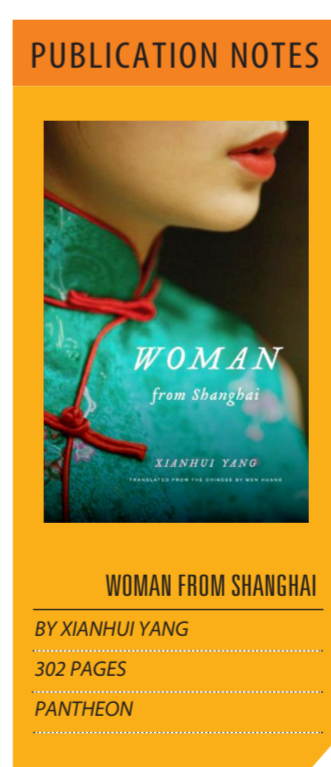
Bloom" campaign.

Over a period of five years, Yang interviewed former Rightists or their relatives. He then adapted the material he had garnered into a set of short stories. Many of these were published in China, most fully in *Farewell to Jiabiangou* (告別夾邊溝) in 2003, and they caused a sensation. Memoirs of life in forced-labor camps had appeared before, but these stories of Yang's, based so closely on interviews, were considered to be in a class of their own.

Now 13 of these stories have appeared in English under the title *Woman From Shanghai* (上海女人——中國勞改場倖存者的故事). In the title story, a woman travels the long distance from Shanghai to Gansu to try to visit her imprisoned husband. On arriving, she finds out he's dead, but the prisoners won't let her see the body because most of the flesh has been eaten.

Starvation is at the heart of these stories. Their translator, Wen Huang, describes how, after Jiabiangou was closed in January 1961, a doctor was assigned to stay behind and rewrite the medical records. Various fictitious diseases were given as the causes of death, and the word "starvation" was never mentioned.

The historian of modern China Frank Dikotter is himself about to publish a book on the Great Famine. In response to *Woman From Shanghai* (which



BY XIANHUI YANG
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is marginal to the Famine itself) he told me that, unlike Yang, he'd managed to gain access to the Jiabiangou archives, and they showed that nothing in the book had been exaggerated.

I mentioned to him that, in a review in *Taipei Times*, I'd responded to one memoir of the Cultural Revolution era written by a former victim now living in the US by saying that maybe we'd had enough of that kind of book. Was there anyone left who still thought that this was an admirable period? He replied that he agreed.

Typical Red Guard memoirs were so full of themselves, he said, while even well-educated readers continued to ignore the earlier decade "when tens of millions of ordinary villagers died of starvation, lack of medical care or torture."

Dikotter's forthcoming book, *Mao's Great Famine: Biography of a Disaster*, will be published in September by Bloomsbury. It uses, for the first time says Dikotter, extensive party archives to show that at least 45 million people died prematurely between 1958 and 1962. Deaths in re-education camps like the relatively small Jiabiangou are dealt with in a special chapter.

There are two reasons why *Woman From Shanghai* is an important publication. The first is that it throws light on an era that has been under-represented in memoirs cataloguing the horrors and absurdities of life under Mao. The second is that it is exceptionally well narrated and translated.

Its vividness derives from Yang allowing the interviewees to speak for themselves, even though some fictional elements have been introduced to make the narratives work as short stories in order to evade censorship — still a possibility, despite the era described being half a century ago. Some changes have also been made to render the collection easier to follow for American readers — terms like "sophomore" are used, for

instance, and a degree of explanatory background information has been discretely added.

Even so, the sensational nature of the original material remains. In one story the gross effects of gorging on looted and then boiled potatoes after years of near-starvation are all too explicitly described. In another the effects of eating indigestible weeds are shown — they don't just pass through the system but remain as a hard ball in the gut and have to be extracted by hook or by crook — often literally. Cannibalism occurs, and even as late as 1987 local farmers appealed to the government to bury the bones of former inmates that were strewn over the area.

When peoples' self-interests peacefully intersect, you're bound to conclude, one way or another life usually goes on. But when theories are imposed, such as that those who think for themselves are enemies of the state, or that people like the prisoners described here can feed themselves if only they'll work hard enough in the near-desert where they're incarcerated, catastrophes are all but inevitable. Also important is the bureaucratic psychology in totalitarian states. Decisions are postponed until the approval of superiors can be gained, but as this too isn't forthcoming for the same reason, nothing is done, with sometimes disastrous results.