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BORDERLESS ECONOMICS



CHINESE SEA TURTLES,
INDIAN FRIDGES AND THE
NEW FRUITS
OF GLOBAL CAPITALISM

ROBERT GUEST

BUSINESS EDITOR, *THE ECONOMIST*

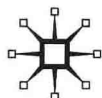
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PRAISE FOR *BORDERLESS ECONOMICS*

“This is a thoughtful, entertaining and above all inspiring hymn of praise to the cultural, social and economic benefits of freer migration. Its conclusion should be noted by every politician running for office: immigration is an opportunity, not a threat.”

—*Bill Emmott, author of 20:21 Vision and Rivals*

“For most, globalization has been about the movement of goods, services, technology and capital. As Robert Guest succinctly explains in this eminently readable book, globalization is actually about people—their migration, the networks they form and the ideas that they transmit through their mobility. In a world grappling with rising protectionist fever, this book is a warning that those nations who want to batten down the hatches and shut the free flow of people and ideas do so at their own risk.”

—*Nandan Nilekani, chairman,
Unique Identification Authority of India*

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INTRODUCTION

THE CURSE OF ISOLATION

I once attended a concert in North Korea. It was excruciating. The only songs that did not praise the Dear Leader, Kim Jong-Il, were those that glorified his late father, the Great Leader Kim Il-Sung. Some of the lyrics were a bit over the top. One song claimed that the Dear Leader could dispel raging storms with the sheer force of his personality. I had my doubts.

That the choir was mostly children made it worse. This was their education: the only worldview their totalitarian rulers allowed them to hear. As they sang a ditty called “We Must Always Be Prepared for the Sake of the Dear Leader,” pictures flashed across a huge backdrop to reinforce the message.

There was a picture of the log cabin on Korea’s sacred mountain, Mount Paekdu, where Kim Jong-Il was supposedly born. (Actually, he was born in the Soviet Union, where his dad served in Stalin’s Red Army, but the official story sounds better.) There was a picture of the *kimjongilia*, a flower named after guess who? And finally, there was a painting of the junior god-king himself, mounted heroically on a rearing horse.

The painting looked familiar. Of course, I thought: it’s that famous one of Napoleon crossing the Alps, by the nineteenth-century

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French painter Jacques-Louis David. I looked it up afterward. The North Korean propaganda people had airbrushed Napoleon out of the portrait and replaced him with the equally short and pudgy Kim Jong-Il.

The crowd loved it—or, at least, they burst into wild applause. My guide, a party functionary whose job was to follow me around all day, woke up and clapped too. Then there was a power cut.

The tinny electronic music stopped. Darkness engulfed the audience. The choir stopped singing, and a thousand communists sat in mortified silence.

I felt a surge of sympathy. The party line is that North Korea's ruler is perfect—he even scored five holes-in-one on his first day playing golf, according to official sources.¹ Thanks to his wise leadership, the land he rules is a paradise, where contented farmers reap a bumper harvest every year. The penalty for suggesting otherwise is grim. North Koreans suspected of disloyalty can be sent to freezing labor camps, along with their families.

So none of those frightened people in that dark, silent theater could admit that the show was rotten. Instead, they all fervently pretended that nothing was amiss. They did not want anyone to suspect that they knew what was staring them in the face: that their country is a basket case. It is miserable, brutal, poor and so backward that its propaganda czars can't even keep the lights on during a musical tribute to the Dear Leader.

After a few minutes, a backup generator kicked in. The lights came on again, the synthesizers resumed their whining and the choir began again from the start of the song that had been interrupted. No one said a word about the power cut, then or afterward.

This is a book about connections. It is about people who cross borders, the ideas they bring with them and the networks they create. My argument is that migration matters more than most people realize, and that on balance it is a colossal boon to mankind.

Migrants sometimes cause trouble, to be sure. They disrupt local cultures and create social tensions. They compete with natives for jobs. Occasionally they commit crimes or plot terrorist outrages. But at the same time, the free movement of people makes the world richer,

accelerates technological progress and helps disseminate good ideas, from genomics to democracy.

Migration is not well understood, not least because we tend to think in national terms. People in rich countries worry that immigrants will “swamp” their shores. People in poor countries fret about the “brain drain”—the exodus of doctors and engineers who seek fatter wages in the West.

What few people notice is that migration is no longer a simple, one-off event. People do not merely leave one country and take up residence in another. Often they circulate. They are born in one country, study in another and then return home. Or they work abroad and use the savings and experience they gain there to start businesses back home. Or they divide their time between two or more countries.

Most importantly, they build networks. A transnational family may have brothers in Kolkata and cousins in Cleveland. A graduate of a top American university may have classmates in both Bangalore and the Bay Area. Typically they stay in touch, swap ideas and alert each other to business opportunities.

As of 2009, some 215 million people were living outside the country in which they were born.² That is 3 percent of the world’s population—and not just any 3 percent. Migrants tend to be more driven and dynamic than the people they leave behind. It takes courage to face the unknown, and get-up-and-go to get up and go.

That is one reason why diasporas are so important. The 60 million Chinese living overseas are among the smartest and most ambitious people their motherland has bred. Ditto the 25 million nonresident Indians and the legions of expatriate Arabs, Africans and Europeans.³

Moreover, because diaspora members typically have feet in (at least) two places, they are ideally placed to serve as bridges between them. The overseas Chinese connect China to the world and the world to China. The Indian diaspora performs the same service for India, and so on. *Borderless Economics* is about the miracle of migration, the dynamism of diaspora networks and the ways they enrich all our lives.

It is based on my reporting from nearly 70 countries, mostly for *The Economist*, the British newsmagazine that pays my salary and covers my hotel bills. Most of the countries I’ve visited benefit visibly from

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migration and the networks it creates. In later chapters, I'll describe how Indians in India have joined forces with Indians in the United States to build the world's biggest biometric database and the world's most attractive destination for medical tourism. I'll describe how the Chinese diaspora turbocharges China's incredible economic growth, and how it also promises to turn the world's last great dictatorship into a democracy.

I began with an anecdote from a country that enjoys none of the advantages of migration because I think it puts the rest of the book into perspective. North Korea is the most isolated place on earth. Its government has tried to seal it off from the outside world, save for the occasional shipment of costly cognac for the Dear Leader or spare parts for his nuclear weapons program. Hardly anyone is allowed into North Korea—I had to pose as a tourist and pay a lot of money to get a visa. (The regime does not like journalists.) Hardly anyone is allowed out, either.

The North Korean government tries to exclude outsiders because they might bring with them subversive ideas, such as capitalism, democracy and jokes about Kim Jong-Il's bouffant hairdo and platform boots. By closing its borders, however, North Korea also keeps out millions of ideas that might make its people less miserable, such as how to grow enough food for its 24 million people.

North Korea's extreme isolation is not the sole cause of its poverty, but it is an important one. A comparison with the more open, capitalist South Korea is revealing. The two nations share 5,000 years of history and culture, and were only separated in 1945. When Korea was split into communist and capitalist halves following the Allies' victory in World War II, the North was actually richer than the South, since it was where the Japanese colonists had built most of their factories.

Yet today South Koreans are 17 times richer than their northern cousins.⁴ In the South, blue-collar workers have broadband Internet access in their homes; in the North they are banned from owning radios that can receive anything except the turgid official channel. Southern mothers fret that their children might not make it into the right university; northerners worry that their children might not make it to the age of five. Perhaps a million North Koreans starved to death

during the 1990s. Today, North Koreans are six inches shorter than their southern cousins.⁵

South Korean cities by night are a carnival of merriment, with pulsating nightclubs, wide-screen cinemas, raucous drinking dens and restaurants serving every creature you can think of, smothered in chilli and garlic.* North Korea by night, seen in a satellite photo, looks completely dark, as if no one lived there. One night when I was eating dinner in the pitch black in a North Korean hotel, the waiter brought in a candle and tried to persuade me that the absence of electric light was deliberate, so that I could enjoy the romantic atmosphere of a candlelit meal.

The staggering difference between the two countries is due entirely to politics. The South allows free enterprise; the North does not. The South is open to foreign ideas; the North seeks ruthlessly to suppress them. When I lived in South Korea in the early 1990s, people constantly asked me how Westerners ran companies, held elections or raised their children. In North Korea, they did not ask questions at all. Instead, they subjected me to interminable lectures about the superiority of the *juche* idea (Kim Jong-Il's philosophy of national self-reliance).

Because I was single when I lived in South Korea, local friends assumed that I was looking for a wife and regularly tried to introduce me to eligible Korean women. In the North, marriage with an outsider is utterly taboo. The regime waxes hysterical about maintaining the nation's "purity" from foreign contamination.⁶ It is like the Ku Klux Klan with nukes.

Some North Korean officials go so far as to insist that all good ideas emanate not only from North Korea but from the Kim family itself. Libraries there stock hundreds of volumes purportedly written by the Dear and Great Leaders, offering guidance on everything from politics to engineering. I visited a library in Pyongyang, the capital, with a friend. We asked the librarian if any of his customers ever read any books by authors other than the Kims. He could not name a single example.

* Including sea cucumbers, which look and taste like foot-long aquatic slugs.

WHY NETWORKS MATTER

People are smart. But alone, not even the most brilliant human could make a toaster. Not from step one. Not if he had to make the tools to mine the iron ore or drill the oil and refine it to make plastic. In 2009, a London-based artist named Thomas Thwaites tried to make a toaster on his own. Inevitably, he failed. Even when he cheated—for example, by using a microwave oven to melt metal—it took him months, cost a lot of money and yielded a fifth-rate product. Mr. Thwaites concluded that a modern consumer is helpless because he cannot be self-sufficient.⁷

A more rational reaction would be to rejoice that we do not have to be self-sufficient. Thanks to trade, the skills and labor of thousands of specialists—steelworkers, oil drillers, electrical engineers and so on—can be combined into a single, reliable product that costs \$15 at Walmart. By working for two hours at the minimum wage, an American can afford something that he could not make for himself given a lifetime.

Actually, it is even better than that: when he buys a toaster, he is buying something that no human being alive knows how to make from scratch. Even the most gifted engineer at a toaster factory has no idea how to make the robots he uses on the production line or the computer he uses for his spreadsheets.

Or even the pencil he uses to doodle during meetings. As an economist called Leonard Read pointed out in 1958, making something as simple as a pencil requires the labor and expertise of millions of people: not only the loggers and graphite miners who provide the wood and the lead, but also the people who make the parts that go into the loggers' chainsaws or pour the concrete for the dam that supplies the pencil factory's electricity. "I am seemingly so simple," wrote Mr. Read, pretending to be a talking pencil. "Yet not a single person on the face of this earth knows how to make me."⁸

Technology advances because humans cooperate. To understand how this works, consider a prehistoric counterexample. Some 30,000 years ago, rising seas turned Tasmania, formerly attached to Australia, into an island. A few thousand inhabitants were cut off from all con-

tact with the mainland. Their technology regressed. They forgot how to make bone tools, catch fish and sew skins into clothes.

It was not that the islanders grew less intelligent. Their problem was that they no longer had many people to trade with. It took a lot of effort, in those days, to learn how to carve needles out of bone. So long as there were plenty of people with whom to swap needles for food, it made sense for specialists to acquire such skills. But in a tiny, isolated society, there may have been room only for one or two needle makers. If they both fell off cliffs, the technology died with them. When the first Europeans reached Tasmania, they found natives whose only shields against the winter chill were seal fat smeared on their skin and wallaby pelts over their shoulders.⁹

Communities that turn inward tend to stagnate. History is crowded with examples: pre-Reformation Spain was a "center of learning and intellectual inquiry," writes David Landes, an economic historian, not least because it was "on the frontier of Christian and Islamic civilization and had the benefit of Jewish intermediaries."¹⁰ But in January 1492 the Spanish monarchs Ferdinand and Isabella decided that Jews were a threat to the Catholic faith, and gave every Jew in the country four months to convert or leave, on pain of death. Then they offered the same deal to the Moors (North African Muslims who had recently ruled part of southern Spain).

Having expelled hundreds of thousands of heretics, Spain tried to prevent heretical ideas from entering the country as well. In 1558, importing foreign books without permission was made punishable by death. So was printing without a license. In 1559 the government drew up a list of banned books. Many were included for trifling reasons, such as having a Protestant author. Spaniards were barred from studying at foreign universities (apart from a few reassuringly Catholic ones in Italy). "[T]he diffusion of new ideas to society at large slowed to a trickle," laments Mr. Landes.¹¹ British historian Hugh Trevor-Roper argued that the Catholic backlash against Protestantism retarded southern Europe for 300 years.¹²

A globalized world is in many ways the opposite of ancient Tasmania, Spain under the Inquisition or modern North Korea: goods and ideas flow fairly freely from one place to another. "The success

of human beings depends crucially, but precariously, on numbers and connections,” argues Matt Ridley, a polymath and the author of *The Rational Optimist*.¹³ Trade allows specialization. In narrower and narrower fields, people acquire deeper and deeper skills. Through trade, they share them. The fewer barriers there are to the free movement of goods and people, the more opportunities there are for ideas to meet and “have sex,” as Mr. Ridley puts it.¹⁴

A network is more powerful than the sum of its parts. We see this in computing: a laptop without an Internet connection is just a calculator that won’t fit in your pocket. We see it in biology, too: a single brain cell is useless, but 100 billion of them yoked together make a brain. And we see it in the world we live in: connect six or seven billion brains to one another and you have modern civilization.

This book is about the way those brains are linked. Because, of course, they are not all directly linked. Just as a brain cell has only a few thousand synapses, so the average person has only a few hundred acquaintances. An individual can know only a tiny fraction of what mankind knows collectively. So we all need a starting point, a place to plug into the global network.

For many people, that starting point is their tribe or ethnic group. People talk to people they know and with whom they share a common language. To make connections across borders—often the most fruitful kind—they tend to link up with their national diaspora.

This book is divided into eight chapters, followed by a conclusion. Chapter 1, “**Migrationonomics: How Moving Makes Us Richer**,” explains how migration enriches mankind. Chapter 2, “**Bridges to China: Tales from the World’s Greatest Diaspora**,” tells four very different stories about Chinese migrants. We meet Mei Xu, a woman whose business links Maryland with mainland China; James Riady, the scion of an old Chinese trading family in Southeast Asia; William So, a Chinese executive who lives in the West but is skeptical of it; and the staff at Alibaba, an Internet firm that helps Chinese people become gloriously rich without relying on the government. The aim of this chapter is to give a sense of the extraordinary variety of migrants’ experiences, and the power of the networks they create.

Chapter 3, “**Diaspora Politics: How the Sea Turtles Will Turn China Democratic**,” argues that the overseas Chinese will undermine

the Communist Party and eventually liberate their homeland. Chapter 4, **“Networks of Innovation: How Migrants Can Cut Your Medical Bills,”** looks at how diaspora networks such as India’s are boosting innovation and bringing the world \$69 refrigerators and \$300 houses. Chapter 5, **“Networks of Trust: How the Brain Drain Reduces Global Poverty,”** argues that the outflow of educated people from poor countries actually makes those countries better off.

Chapter 6, **“Networks of Hate: Genocide, Terrorism and Crime,”** examines the dark side of tribal networks. It explains why the Tutsis refer to themselves as the Jews of central Africa, and how the Rwandan genocide of 1994 sparked the twenty-first century’s worst war in neighboring Congo. It looks at how the virus of terrorism infects the *ummah* (the global community of Muslims), and what Muslims can do about it. And it describes how ethnic bonds make Nigerian criminals harder to catch.

The remaining chapters are about the United States. Chapter 7, **“‘A Ponzi Scheme That Works’: Why Migrants Choose America,”** argues that the United States’ greatest strength is that people want to live there. Despite the recent recession, America still offers an unbeatable material standard of living for upwardly mobile migrants. It also offers a wider variety of niches than any other country. A migrant who likes quiet suburbs, Korean newspapers and conservative Christian churches where the sermons are in his native tongue can find precisely that combination in northern Virginia. A migrant who prefers a more urban, secular Korean lifestyle can find it in Boston or San Francisco. Gay or straight, Kenyan or Vietnamese, Catholic or Hindu, rural or metropolitan, there is a niche for just about anyone in America.

Chapter 8, **“The Hub of the World: Why America Will Remain Number One,”** argues that the nation’s unique ability to attract and absorb migrants will allow it to remain the dominant power far longer than most people expect. Immigration not only provides the country with youthful energy and ideas. It also allows it to tap into every one of the world’s diaspora networks. It gives the nation legions of unofficial ambassadors, deal brokers, recruiters and boosters. It dramatically increases innovation, dynamism and soft power. It makes America the hub of a connected planet.

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The book concludes with a plea for freer movement. Migration is by far the most powerful weapon in the struggle against global poverty. More open borders are also in the interest of rich countries. Immigration is the only plausible corrective to the graying of rich societies. It is also the best hope for a more tolerant world. When rich countries allow migrants from poor countries to live and work within their borders, those migrants experience firsthand how a rich country works. When they taste the fruits of tolerance, pluralism and the rule of law, they often find them delicious. And sometimes they carry the seeds back home.

MIGRATIONOMICS

HOW MOVING MAKES US RICHER

When Cheung Yan moved to America from China in 1990, she noticed two things. First, that Americans threw away mountains of waste paper: heaps of junk mail, stacks of unread instruction manuals for barbecue sets and mountains of the Sunday edition of the *New York Times*.

Second, she noticed that fleets of container ships sail from China to America stuffed to the brim but go back half empty. The things China makes take up space: toys, televisions, steel girders and so forth. The things America exports to China, however, are often weightless: movies, patents, IOUs from the government.

Cheung Yan turned these two observations into a multibillion-dollar business. With her husband and brother, she set up a firm in Los Angeles to gather up American waste paper and ship it to China for recycling, where it could be done more cheaply than in America. Later, she set up her own factories in China to do the recycling.

She now turns American newspapers into cardboard boxes. These are then packed with Chinese electronic goods and shipped to America. When her firm, Nine Dragons Paper, went public in Hong Kong in 2006, she became rich. In 2011 her net worth was estimated at \$1.6 billion, making her one of the wealthiest self-made women in the

world.¹ Her business is part American, part Chinese: in other words, part of what financial historian Niall Ferguson calls “Chimerica.” She came to the United States with an outsider’s eye, and both countries benefited from what she saw.

The American dream has changed. The traditional immigrant success story went something like this. A plucky citizen of some foreign hellhole—Cuba, say, or Britain—decided to head for America. He braved stormy waters in a leaky boat to get there. He studied hard, worked hard, saved hard and ended up rich. His children went to Stanford or Cornell. By the third generation, his family was so thoroughly assimilated that his grandchildren had only the vaguest notion of what life was like back in the old country.

For most of American history, this stereotype was not far from the truth. Today it is in desperate need of an update. Immigrants still flee foreign hellholes, and they still flock to rich countries. They typically still find a good life once they arrive, and their children still thrive: think of Sergey Brin, the son of a Russian immigrant, who cofounded Google and is now worth \$20 billion.² Or of Barack Obama, the son of a Kenyan goatherd, who has also done quite well in his chosen profession.

But for many migrants, moving from one country to another is no longer a simple, one-off event. Millions of people like Cheung Yan keep a foot in more than one place. Thanks to the Internet and cheap phone calls, it is much easier for a migrant to stay in touch with friends and relatives back home than it was a generation ago. Thanks to lower airfares, it is much easier to visit them.

It is also much easier to communicate with business partners back in the old country, which means it is easier to set up ocean-straddling businesses. The days when you had to be big to run a multinational enterprise are gone. These days, a “micro-multinational” might consist of one man in Virginia, his cousin in Hong Kong and a sheaf of contracts to supply American shops with fireworks made in mainland China.

Two big changes have made migration less likely to be one-off and one-way. One is the drastic drop in the cost of staying in touch. When AT&T’s first transatlantic phone service opened in 1927, only one person could use it at a time, and it cost \$75 for a three-minute call.³ That was about a month’s wages for a typical worker at the time. Today, anyone can call anywhere via the Internet-based chat service Skype for