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## **China is in an evolutionary process towards democracy**

**Exclusive interview with Prof. Dr. Huang Jing, Lee Foundation Professor on US-China Relations, Director, Centre on Asia and Globalization, Lee Kuan Yew School of Public Policy, National University of Singapore, Singapore**

### **1. What do you see as the major trends and challenges for leadership which in the next five to ten years will have a significant impact on business and society?**

Some things about good leadership will never change, such as dignity, intelligence, the willingness and capability to listen and to work with other people. As leaders need to work with other people, to be humble and prudent is a key requirement for them to become accepted and respected, and they have to work very hard to earn this respect. This being said, I think that in the next five to ten years there will be some new challenges for leadership which have not been that important for leaders until now.

First, global knowledge is much more crucial than before. Leaders must be knowledgeable not only about their own communities and countries, but about the world as a whole. Because the world is getting ever more integrated politically, economically and socially, a global vision is necessary for any successful leader.

Second, leaders need to understand people from different cultural and religious backgrounds. Even though we are getting more and more integrated with each other, we still come from different backgrounds. If leaders cannot communicate effectively across those different backgrounds, they cannot fulfill their leadership role.

Third, as the world is changing so fast, leaders need to be more prepared and more eager to learn. Learning capacity is critical for leaders at any age. In my view, the most difficult challenges for leaders now and in the future are the result of technological development. Previously, there were information lags between leaders and the general public. Leaders had the privilege to get the information first, to analyze and to digest it before making rational decisions and informing the public. Nowadays, in the information age, leaders and the general public usually receive the information at the same time. This creates pressure on leaders to respond to the situation fast as the general public is waiting for them to take action. The time for leaders to analyze the situation, to digest the information, and to come up with a rational response becomes shorter and

shorter. This is a major reason why many leaders today tend to be more populist-driven. Unfortunately, most often the first response is not the most rational response. Especially in the face of dramatic events, the first response tends to be driven by emotions and instinct. However, leaders can only make rational decisions through in-depth understanding and thorough analysis of the event and its real cause. Therefore, leaders need to stand firm, resist this pressure to act quickly, but first understand the situation well, then make the right decisions and explain them to the people whom they work with and to convince them why their understanding is correct, and finally to mobilize everyone to implement the right decision.

The more developed and modernized societies are, the more difficult it is for leaders to lead them. Some people blame democracy, however, I do not agree. In my opinion, this is more because technology evolves so fast that our social and political systems cannot be adjusted fast enough to keep up. When looking back in human history, there is a pattern which shows that we experienced the most chaotic and violent periods when our knowledge and technology advanced the fastest, but our social systems lagged behind. For example, the agricultural revolution happened thousands of years ago during the transition from slave society to agricultural society; there was also a period of fierce resistance during the process of industrialization. Now that we are entering the information society, I do not think that our political systems which we have gotten used to since industrialization are really fit to keep up with technological developments. This explains why today we see instability everywhere around us and therefore this will be the most important challenge for leadership in the future.

**2. If you could re-design the education system, what changes would you make to better promote the leadership skills of the younger generation?**

I think the education system is in constant change. Education involves mutual conversation, it is never a one-way street, especially in the higher education system where I work. My job as a professor is not to teach you what it is, but to teach you how to learn. To this end, I believe that a good education system should be based on the following principles:

The first principle is academic freedom. Political correctness does not belong to universities. It really worries me when some special interest groups or political groups aim to control the moral high ground to tell others how to think and what to think. This is becoming more and more counterproductive.

The second principle is intellectual equality. In universities, professors may have more knowledge than their students because of their experience, but intellectually speaking, professors and students are equal. In other words, no one is intellectually superior to anyone else.

The third principle is the spirit of challenging the established knowledge or system. For university students, the books they use are often written by people who are 20 to 30 years older than them, therefore the experience that went into those books could already be outdated as the world is constantly moving forward and changing fast. Students should be encouraged to challenge the established facts. If we stop challenging, we will stop progressing. To cultivate the spirit of challenging, we need more tolerance in our educational system. Tolerance does not mean that I have to agree with you; it means even though we disagree with each other, we try to understand why we disagree. As it is said, there is only one truth, but people see the truth from different perspectives.

The stars symposium upholds these principles and it is therefore a very good way to learn a lot within a short period of time. We come here not only to listen to speeches, but also to exchange ideas with each other and to network. The participants come from all over and they can enrich themselves by truly understanding the increasing diversity in the world.

### **3. What is the most valuable leadership lesson you have learned from your own experience?**

I have learned some lessons from my own experience as well as from the experience of other leaders. When I went to Sichuan University, I was Chairman of the Student Association, later on I was President of the Harvard Chinese Students and Scholars Association in the Greater Boston area, and today I am Director of the Centre on Asia and Globalisation at Lee Kuan Yew School of Public Policy in Singapore. In my opinion, leadership is a learning process. No one can be a good leader if he or she is not willing to learn. In order to learn well, you also have to be humble and honest.

The first lesson I learned is to respect other people's intelligence. When I was Chairman of the Student Association of Sichuan University, I believed that I was very smart and that all of my decisions must be right. In 1978 I organized a big event, and it turned out to be a miserable failure. I failed because I tried to do everything by myself and I underestimated other people's intelligence. In order to become a successful leader, you have to respect other people's intelligence and make sure that you do not underestimate them. Otherwise you become arrogant and people who are arrogant cannot go far.

I learned my second lesson in 1989 during the Tiananmen Square protests. After I had spent 9 days at Tiananmen Square, I eventually went back home. The lesson I learned there is that a leader always has to be ready to make a compromise. No matter how powerful and strong you are, you cannot get everything exactly the way you want. A good leader therefore knows how to make a compromise, leadership indeed is the art of making compromise. If there is no compromise, it is dictation.

Finally, on the other side of the same coin, a leader also has to be fearless. If you are afraid of losing when you are engaged in a competition, you tend to make the easy choice, rather than the choice you should make. A good leader must have guts – this does not mean that he or she should be a risk-taker, but that he or she can stick to the game till the end. Let's take boxing as an example: the champion is not the one who can punch the hardest, but the one who can also take punches. When I say a leader should not be afraid of losing, it means that he or she can take punches. Taking responsibility is like taking punches, make your choices, don't be afraid of losing and stick to the game till the end.

#### **4. How stable is China's political system? Do you think it will eventually develop into a democracy in the future?**

Let me explain the Chinese political system in some more detail. At first sight, this system looks very strong and powerful, but the nature of the system – being exclusive and not allowing for participation - has greatly limited its capability to manage risks. In China, whenever there is a major risk, there is the worry that the regime may be overthrown. Democracy needs to be built upon strong economic development. I have not yet seen a stable democracy in any developing country. Take the Philippines, Thailand, India, Mexico or Brazil as examples - none of them have developed the kind of democracy which we would want to see.

Human beings only want two things: prosperity and freedom. The best way to achieve prosperity is through market economy - not socialism - and the best system to optimize our freedom is democracy. The real challenge is that prosperity and freedom usually do not come at the same time, so we have to choose which one to achieve first. Most developed countries in Europe and North America have achieved economic development before democracy.

In the 1960s, there were two regions on the edge of economic breakthrough, one is Latin America, and the other one is East Asia. At that time, most experts believed that countries in Latin America will succeed because of their Christian tradition and the already established democratic systems, whereas countries in East Asia still had military regimes. However, as Latin American countries have failed in the following decades, most East Asian countries have peacefully and successfully transferred to democracy, such as Japan, South Korea and Singapore (to managed democracy). Although Latin American countries already had democracy, their economic development fostered large interest groups who did not want to share the benefits of this growth with the general public, which in turn has hindered further economic development. If a very fast-growing economy does only benefit a small minority instead of distributing the benefits among everyone, then sooner or later its political system will face troubles. The key of sustainable economic development does not lie in pure GDP growth, it lies in the equal distribution of the benefits of such growth. Democracy is all about redistribution, or, as Churchill said, "democracy is the worst form of government except for all other forms that have been tried from time to time".

China is also moving into the same direction. Its effort to modernize itself is also the effort to democratize society. I do not think that China is so special that it will not follow the law of history. The so-called Beijing consensus and the Washington consensus are not different in kind, only in degree. From my point of view, democracy has to develop internally, it cannot be imposed from the outside. Also, democracy is always driven bottom-up, never top-down. The transition towards democracy is indeed a process of making compromises. It has been achieved either by evolution or revolution in different countries in history. In the case of China, I prefer evolution not revolution. China can play a positive role for global stability and development only when it develops peacefully into a strong democracy through evolution, like Japan, South Korea and Taiwan, which have all first developed their economy and then they transformed themselves to democracy. In Japan, the 38 years of one party rule ended only in 1993, before 1991 South Korea had a military regime and until 1987 Taiwan still had Martial Law, but eventually they all successfully completed the transition to democracy.

Let me sum up with two key questions I always ask about China: First, do we see positive political, social and economic changes in China in the past 30 years? The answer is yes. And second, are these changes reversible? Of course not. Therefore, China is in an evolutionary process towards democracy.

**5. On the economic front, China has entered the so-called “New Normal”. Should we be concerned about this slowdown of economic growth?**

It does not scare me that China’s economic development is slowing down, indeed it would really scare me if China’s economy kept on growing as rapidly as it did in the past decade. This slowdown is normal and it was predictable. If we look at the United States in the late 19th and early 20th century, Europe during the 18th and 19th century and Japan from the 1960s to the 1980s, we find the same trend – during the developing period, growth rates are very high, but once the economy is matured, it slows down and this becomes the "New Normal". China’s economy is now slowing down for a few reasons. China’s economic development is currently in a period of transition. A fast-growing economy is always driven by the demand side, for example large-scale infrastructure needs to be built up and this is driven by investment. But once this is completed, the driving force of the economy will shift from demand-side to supply-side. The entire economy will shift its focus from “to have it” to “to have it better”. When the economy starts to focus more on quality, growth will slow down. This is because quality comes from consolidation, not from growth. China is now at this point in its economic development.

The key issue therefore is not that China is slowing down, it is whether China can survive this transition. The reason why I am worried is because this transition is happening in a system which is not compatible with the political mainstream of the international community. As I already mentioned before, in China's political

system, policy making is an exclusive process. China does not yet have well-established institutions, norms and rules which provide checks and balances for policy making. The entire political system does not encourage participation, it actually cracks down on participation. The political mainstream of the international community, however, consists of more inclusive policy-making processes and well-established institutions. The major challenge therefore is that while China does not have this kind of political system, it tries to complete its economic transition. An investment-driven economy requires centralization to assure that resources are allocated effectively to those areas which make the biggest difference for growth. Japan, the United States and many other developed countries have all gone through this process - and so has China. But now the economic transition which lies ahead requires decentralization instead. In other words, during the period of fast growth, it is effectiveness that really matters, but once this period is completed, efficiency will become more important. A decentralized system is the best one to achieve efficiency, however, China's political system does not encourage decentralization.

Another issue which I am particularly worried about is that although China's economy has been fully integrated with the global economy, this is not yet the case for its currency. This has created enormous problems for China and for the rest of the world. In China, the financial sector, which is the heart of any economy, can still be manipulated for political purposes. This situation can cause severe harm to the whole economy. However, given China's political system, it is unrealistic and dangerous to open up its financial system.

## **6. What role does the anti-corruption campaign play in shaping China's future?**

We do not know how successful the anti-corruption campaign will be. Fighting corruption is not only a political issue, it is also an economic issue - as Bill Clinton once said "it is all about the economy". Anti-corruption is also anti-monopoly. Over the past 30 years, when driven by the demand-side China developed very fast, many resources have become concentrated in the hands of privileged interest groups. Under the leadership of President Xi, China now tries to reallocate resources to the supply-side, which confronts with those interest groups. This reallocation process is neither new nor unique to China. By the end of the 19th century, the United States had enjoyed almost 40 years of strong growth before it faced this challenge. The advantage the United States had is that by that time they had built up a well-functioning democratic system. Still, it took decades and the efforts of presidents from both the Republican Party and the Democratic Party to really break up those family-oriented privileged interest groups. China now faces the same problem, but the process will be more difficult because there is no democratic system in China yet.

Economically speaking, the anti-corruption campaign is the attempt of the new leadership of China, with support from the people, to break up these monopolies

in three areas: in local government, state-owned enterprises (SOEs) in general and the financial sector in particular. I think that President Xi has achieved great success in the first two areas, but he encounters very strong resistance in the financial sector. This sector is very difficult to shake up because people who work in finance do not only have expertise but they also have powerful networks. The people who are really calling the shots in China's financial sector are deeply integrated with those interest groups. This is because they were promoted by the previous leaders, as is the case for Zhou Xiaochuan (*editor's note: Governor of the People's Bank of China, China's central bank*). Others who strongly support Xi, like Liu He (*Minister in the Office of the Central Leading Group on Financial and Economic Affairs, and Minister and Vice Director of the National Development and Reform Commission*) and Lou Jiwei (*Minister of Finance*), they have the expertise but not yet the network. That is why we have seen such dramatic ups and downs in China's financial system in the past years. However, economic stability will be in danger without the stability of the financial system. So here lies the dilemma – sustainable development requires efforts against monopolies in the financial system, but this may well cause instability or even crisis in the economy at large. This is the last as well as the most difficult battle, which I am fully confident President Xi will ultimately win.

## **7. How do you see the relationship between the United States and China and where do you think it is going in the years ahead?**

I think the balance of the US-China relationship has been shifted considerably, not only because China has been getting stronger, but also because US foreign policy has changed international attitudes towards both powers. Now the balance has shifted in China's favor for three reasons.

The first reason is obvious: China has developed substantially and it now plays a major role in the global economy.

Secondly, there is an increasing hypocrisy in US foreign policy. It is a common view in the US and in Europe that they are on the right side of history, so China must be on the wrong side. Yet people in the Middle East, Africa and Latin America may have different views.

The third reason is that America's leadership has been greatly weakened in the past ten years, and this has happened due to its own mistakes. As the ancient Chinese military strategist Sun Tzu said, the power who is not self-defeating will win. All major powers in history have been defeated only by themselves. But how does a country defeat itself? This happens when they make their policies based on what they can do instead of what they should do.

The United States needs to understand that they are the leader not because they are strong, but because they are the firm protector of the international system. As Bill Clinton once said, if we believe that the United States will always be the No. 1

country in the world, we do not have to follow the rules of the international system. Yet if we have doubts that one day we may become No. 2, we better follow the rules which may sustain us as the leader. However, ever since George W. Bush, the United States has become the No. 1 violator of international rules, which has done enormous damage not only to the United States but also to the international system. US policy is becoming more unilateral, which is the worst way to be a leader and the most efficient way to defeat itself. This does not mean, however, that the United States and the international system it established are going downhill. I strongly believe in the international system which we have built up since the end of World War II. Today we have many international institutions to work with, such as the United Nations, the World Bank, the IMF and so on. These institutions have become a very tight network which prevents us from falling back into open conflict.

As a matter of fact, China is successful exactly because it adapts and integrates very well into the existing system which has been built up by the West. I do not believe that China is capable of establishing an alternative system on its own, and it is not what Chinese people want in the first place. The rest of the world should have confidence in their own system, because history has proved that this is the only way to go.

This interview was conducted by Dr. Sophie Liu at the sidelines of stars Switzerland in September 2016 in Stein am Rhein. The text was edited by David Erne, Director Asia at stars.

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