Managing China's Rise

Transcript of Sir Christopher Hum's remarks 17th July 2007 to the Global Security Forum

Sir Christopher Hum KCMG joined HM Diplomatic Service in 1967. Some 18 years of his diplomatic career were spent working in or on China, culminating in almost four years as British Ambassador in Beijing (2002-2005). In January 2006, on retirement from the Diplomatic Service, Christopher Hum was elected Master of Gonville and Caius College, Cambridge. I have chosen the topic of 'Managing China's Rise'. I do not think that there is anyone here who would disagree with the proposition that this is really one of the crucial events of the 21stcentury, amounting to no less than a tectonic shift in global relationships, both political and economic. It is a shift which affects all of us, whether as citizens or as consumers or as custodians of the planet. What I plan to do is three things: firstly, to remind you of what seem to me to be some of the key features of China's rise, to look at the prospects of its continuation; and the possible threats to its continuation. Secondly, I will say something about how China itself seeks to present its rise to the rest of the world and then finally, I will have a few thoughts about how this rise might be managed by the rest of us.So first: the key features of China's rise. Politically, let me just remind you where we are and where China is. Over the past five years, we have seen in China a peaceful succession and the steady consolidation of the new leadership generation, in itself a first in China's long history. Economic reform and opening has, broadly speaking, continued on a steady path. China's new leaders are very effective technocrats – they are essentially managers, they are pragmatic, and they are rather deliberately uncharismatic compared with some of their predecessors. Ideology is dead – what sustains and validates the Chinese leadership politically is, instead, the delivery of a number of economic goods: high rates of economic growth, rising living standards and the jobs that are needed to employ the people coming into China's cities. But of course the Party apparatus, the Party framework, the Party mechanisms of propaganda and control remain – they are very convenient as a way of maintaining control and, where it matters, that control remains very tight. And so the leadership which the Party exercises over the executive, over the legislature, over the judiciary and the work of the courts, over law and order, remains very much in place, and unchanged. The media and the internet are subject to tight control. Freedom of speech and freedom of association remain severely curtailed. People no longer live in fear as they might once have done during the Cultural Revolution, but they still need to watch their step. There is no movement towards what we would regard as significant political reform. On the contrary, in many ways, the trend over the last two or three years has been one of tightening, whether it is over the media, over the internet, over the work of social activists or over the work of local and international NGOs in China. So what are the prospects? The next big event is the Party Congress, due this autumn, to be followed by the session of National People's Congress, China's parliamentary organ, in spring next year. And between them, in conjunction, they will put in place a series of changes in the Party and government leadership. Of course the same

people occupy concurrent positions and the two meetings will set the policy course for the next five years. I think all the signs are that this will be a smoothly-managed event. The top leaders are expected to stay put and both of them, Hu Jintao and Wen Jiabao, have another five year term which they can serve in their present jobs. All the signs are that they have consolidated their position – they will not face any significant challenge. There has been a certain amount of manoeuvring, as a result of which certain potential challenges have been suppressed, in particular, some representatives of what some observers call the 'Shanghai faction' associated with the former President Jiang Zemin, have lost their position. This was presented as action against corruption, but I think the political intent of these changes is also quite clear. We can also see the next generation being brought along and put in place. So some individuals associated with President Hu Jintao have been promoted, though the promotions have also been balanced by the advancement of representatives of the other factions who need to be maintained within an updated leadership. The new figures are not exactly clones of their elders: they are, of course, younger and I think they come from a wider range of backgrounds and they have a wider range of educational experience. Some of them have greater international exposure and perhaps they have potentially a greater flexibility of approach as well. What are the political and social challenges which they will face? I think the overwhelming challenge in the short term is dealing with inequalities and the social consequences of those inequalities. China is now a profoundly unequal society, more so, for example, than the United States, and the effects of that are compounded by the impact of corruption and of maladministration, in some cases tending to fall disproportionately on the poorer parts of society. And so there is a phenomenon of social unrest, but it needs to be kept in proportion. This unrest is certainly there, but it is scattered, it is localised and it tends to be a reaction to local issues, rather than any more orchestrated political challenge. Over the long term, the challenge must be the whole issue of governance and we cannot escape the tension between the political stasis which is in place at the moment and the rapid development and diversification of the economy and of social organisation in China. At present the desire of the Party to control everything does lead to some human rights abuses. I think it does have a rather unhealthy effect on the development of Chinese society and the Chinese economy. It perpetuates certainly economic inefficiencies in the absence of any effective checks and balances within the system. So there are certain stresses and strains which are set up, which are very profound. But my belief is that these prescriptions for collapse or explosion are highly exaggerated. I think the Chinese body politic has an ability to absorb stress, to evolve in ways that limit stress and my belief is that that will happen over again. In the economy, China's record of sustained growth is known to us all. It is an unprecedented achievement. It has lifted hundreds of millions of people out of extreme poverty. It has given the majority of the Chinese population greatly improved lives. The key question there is whether this can continue and again, there are a number of risks which have been identified, which I will discuss. Firstly, there is simply the rate and the composition of growth – can the system withstand such very high rates of growth? Are there ways of shifting the composition of growth away from investment which is the predominant factor at the moment and towards consumption? There are certain bubbles that appear in the economy – can those be made to subside? Second, there are certain systemic weaknesses in the economy: the immaturity of the banking sector, of the capital and equity markets and the inefficient allocation of capital. Third, there are what you could call the exogenous constraints – shortages of water, pinches in energy supply, the need to import increasing amounts of raw materials; and the horrific impact of unbridled growth on the environment. What I think we can say is that these

various problems are identified, they are discussed and up to a point, measures have been conceived to address them and I would suggest that, in most cases, the movement is absolutely in the right direction. The new five year programme – it is no longer a plan but a programme – aims to reduce inequalities. It is aiming for quality of growth rather than the headline figure. It has a target which has not been met yet, but a target to improve energy efficiency as well. A huge amount of action has been taken to strengthen financial systems and if you look at the state of the banks, the state of the equity markets and so on, you can see very clear improvement. There is a lot of movement in the right direction, but still the challenges remain pretty big. But I would say that, for all those challenges, there is not one which seems likely in the short term or the medium term to knock China seriously off course and I think it is the consensus of most economic observers that continued high rates of growth are possible and should be attainable over the years ahead. In China's external relations, China is engaging as it never has before. It is conscious of its growing weight, and it is using that weight very actively, both in international organisations and in its bilateral diplomacy, so it is increasingly proactive in the UN and in the WTO; it is doing a lot of broadly helpful things against terrorism and against the proliferation of weapons of mass destruction. China is seeking quite justifiably to play a greater role in global economic management, for example, in its relations with the G8. Over the past year there have been some successes and perhaps some setbacks. China has worked well to take some poison out of its relations with Japan. Its patience in chairing and orchestrating the discussions on North Korea has (so far) paid off at last. There has been a slightly more controversial expansion of China's influence in Africa and Latin America and I will say a little more about that in a moment. So how does China present its rise? This is something which I think has been thought about a lot in the Chinese government and in the very influential think tanks which serve it: how to handle and present the rise of China? There is a recognition that this is bound to be seen as a potential threat, especially in China's immediate region. So out of these concerns has come the thesis of 'peaceful rise' or 'peaceful development', which is, in essence, that China's domestic economic development is an overwhelming priority, that to achieve that, China needs international co-operation and it needs to co-operate in a peaceful international environment, which of course is largely unexceptionable and a lot of China's international behaviour is consistent with those principles. So we have seen China working very hard and very skilfully to present itself as a good neighbour in its immediate region. It has resolved all outstanding border issues, except with India and there is progress there too. China has sought to stimulate regional free trade and it has made a lot of the fact that all its neighbours are actually in trade surplus with China. What is I think more open to question is the sort of issue where China's pursuit of national interests sometimes cuts against some of the objectives of the broader international community. Some of these come from China's very acute feeling of vulnerability as an importer of energy, of raw materials and of foodstuffs and over the last few years we have seen China engaged in a very, very determined drive to secure sources of supply. And I think in that context, the concept that has been raised of China as a responsible stakeholder is one which gives China some difficulty. Firstly, what does it mean? How do you translate it into Chinese? And there are cases, of which I think we are all aware, where China's actions have threatened to undercut what the international community has been trying to do – think of Burma, think of Sudan, think of Zimbabwe. Perhaps China's policy towards Africa is the most topical issue. Africa is now an important source for China of oil, of minerals and a growing market for China's consumer exports. And the Chinese government has a really unparalleled ability to focus resources – it is something it has been doing for several

thousand years. In this particular case, it involves governments and companies, state and private, and the development banks working together very effectively to move into the African market. There has also been a very marked increase in China's development assistance to Africa, but there is a difference in that this assistance comes without any conditions of good governance or of economic probity attached; and that tends to undercut the influence of the other more long-standing donors, whether international organisations or national governments. But that too has not made China immune to growing signs that its behaviour is being questioned in certain African countries – the word 'colonialist' is for the first time beginning to be attached to some of the things that China is doing in those countries too. I think we can also note too the concerns that have been voiced recently by Japan, by Australia, as well as by the US about the growth and the lack of transparency in China's military expenditure. Military modernisation is directed very clearly towards Taiwan as an objective and in a broader sense towards the projection of China's influence in the region. So how can this rise, presented in this way, be managed? I think we need to be clear that China's emergence on the world scene is for good. It will not be reversed. Economic growth, as I have suggested, will continue at a high rate. China's impact on the world's economy, on world trade, on the global environment, can only grow. And all of this will give Chinese diplomacy still more weight and China has an extremely effective diplomacy. Now, for some, this all adds up to a clear threat. There are those, for example on the US right wing, who would describe China's influence as fundamentally malign: militaristic, expansionist, challenging the United States in its back yard. I do not think that that thesis can be sustained, though there is a larger constituency in America, in Europe, in neighbouring countries, which tends instead to focus on the economic threat and this is objectively a fact - the economic threat to local manufacturing and local employment. I would see China's approach as being one with a very strong element of ambivalence about this – there is a resonance to co-operate, but it is allied with a fair enough determination to assert the national interest. I think there is a strong incentive to Western countries to work with the grain of that, to emphasise the positive aspects of that, by seeking to bring China into a constructive and a mutually-beneficial relationship. First of all, I think that means that we need to make room for China: that means drawing China into dialogue, as between equal partners, on international issues; it means associating China more fully with global economic management (that is already happening); it means giving China market economy status within the World Trade Organisation – an important symbolic matter for China; it means giving China as close a relationship with the G8 as it feels comfortable with, and that for the time being is not full membership of a G9, but recognition as an important partner, (and that is the situation where China is now one of the duly denominated outreach countries). It also means pursuing with China a discussion of the entire new transnational agenda – issues like energy, the environment, climate change, overseas investment, in a way which respects Chinese interests. China feels with some justification, I believe, that there are those who are seeking to stifle its development or to thwart the legitimate interests that its companies have, for example, in investment in the United States. And of course, there are many concerns which the West and China absolutely share on that list of issues, for example, in making available to China the newest technology to increase energy efficiency and reduce pollution. The aim has to be to strengthen the community of interests between China and the rest of the international community. That involves encouragement as well as exhortation and an acknowledgement of the legitimate interests that China has. Second, I think we still need to develop our collective understanding of China. First, at the intergovernmental level: this is not about strategies of encirclement – it is nothing like as sinister

as that, but it does involve trying to establish some shared appreciation of where China is and some coherence of approach towards China. In the past there have been divergences of analysis and approach between the EU and the United States, for example, over the EU arms embargo. There have been divergences within the EU itself, often driven by pretty mercantilist motivations. But the worst offenders there both in Paris and Berlin are now off the scene and I think there is now a greater coherence than there has been in the past. I think there is a very important role for the European Union, which China finds a rather baffling organisation, but sort of senses that it has the potential to be an important interlocutor to the point of counterbalancing US hegemony. And over the past couple of years there has been encouraging progress in strengthening a collective analysis of China, as between the EU and Japan and the United States. Thirdly, I think there needs to be more exchange among the national China communities in government and business and academia. In the past we have been not very good in this country about pooling our efforts compared, for example, with the situation in the United States where interchange and exchanges of view between academia and government and business seem to me far more efficient. But here too I think there have been signs of progress over the last couple of years. There has been an impetus from Parliament itself, from the China Friendship Group. There has been impetus from No. 11 Downing Street in the past when it was occupied by the present Prime Minister. There has been a revival of work at Chatham House. The University of Westminster plays a very important role in London and the University of Nottingham has set up new programmes. Fourthly, I think there is still a lot more to do inside our universities and in our schools. Do our universities give the attention to modern China which is commensurate to its importance to us, not just its language and its history, but to its politics, economy, business, law, environmental policies and energy policies? Not yet, I think is the answer, but there are some promising developments. Do our schools yet reflect China's importance adequately in their syllabuses? There again, I think the answer is not yet, despite some advances and some very recent new initiatives to implant the learning of Chinese more firmly in schools. But in general there are far fewer students at the school level who have anything like the comprehension of China and its coming impact on the world that they should have. My conclusion then is that China's rise can be managed. I think the challenges it presents are real, and are difficult and are inescapable. Dealing with some of those challenges, especially on the economic and trade side and manufacturing, is going to be very painful for the West. But China's growing engagement with the international community also offers a means of dealing co-operatively with those challenges and in many areas as I have tried to show, China is working with the grain of the international community, even while vigorously forwarding its own interests. So I see no alternative to greater engagement with China, based on greater understanding of China - drawing China in on the basis of shared interests and equitable treatment. I believe that an approach by western countries, which is sympathetic but also coherent, firm and informed, offers good chances of influencing China's rise positively and making it a force for good.