

ASIA: WELCOME TO OUR REGION

Speech for Pacific Rim Policy Exchange

Rowan Callick, *The Australian*

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When I was invited to speak here tonight, I must admit I was not sure what I might be letting myself in for. An international gathering of civil society groups? I didn't know what such a gathering might properly be called. A conspiracy? And how civil, really, are the groups represented?

I was relieved to see, once I read the programme, some old friends listed among the speakers – people who may conspire, it's true, but in a very civil manner, and only against GOVERNMENT, and then only when absolutely necessary.

I would have understood the animating spirit straight away had I been invited to speak to a meeting of non government organizations. Groups which brand themselves as NGOs tend to be driven by the notion that governments should actually do everything, including funding the NGOs' own campaigns to persuade governments to spend more, especially on the NGOs' support for greater government involvement in everything. And on and on, for ever and ever. Amen. Or until a tax department – an agency of which one usually prefers to disdain – decides, as happened a year ago here in Australia, to attempt to deny charitable status and thus tax deductibility to NGOs whose chief goal is not charity but advocacy, on which our High Court is due to rule shortly.

The success of such NGO campaigns has reached its summit here with their victory in persuading both the Labor and Liberal parties – the government and the opposition – to increase massively the government's spending on official aid, to 0.5 per cent of GDP, which will come to about \$8 billion a year by 2015, the target date – when AusAID, the government aid agency, will become the fifth biggest federal government department in budget terms, spending about eight times as much as our total commitment to global diplomacy.

The political pledges to spend our money in this way – without elaborating in any coherent manner about how it will be deployed usefully – are driven of course by the global campaign for the Millennium Goals, the uncriticisable equivalent of Santa Claus, the Goddess Guanyin, and Nelson Mandela, all wrapped in one. The goals are worthy targets in themselves, emanating of course from guilt-laden but increasingly broke Europe, and largely devoid of an economic context. They have to come to be identified with the affirmation of a certain take on the “development” process – that of kind rich folk developing hapless poor supplicants through noblesse oblige. I just received a press release from a UN agency headlined: Addressing inequality key to progress on global anti-poverty targets. This is a project to end poverty that appears to operate in a parallel universe, for those of us who are living here in the Asia-Pacific region which contains more than half the world's population.

For you are meeting in the wake of the recent North American-European financial crisis – NOT a GLOBAL financial crisis – and just as this region is taking over, in my view unshakeably, the leadership of economic growth, if not of the global economy itself.

First to climb out of poverty through rapid economic growth after World war II came Japan, then the tiger economies of Singapore, Hong Kong, Taiwan, South Korea and other countries in south east Asia, and now the giants in population terms – India, Vietnam, China of course – and more recently our own vast neighbour Indonesia, with its disparate population of 240 million, which admirers of the “strongman” thesis believed would collapse once President Soeharto and his egregious family and cronies had been ousted, and which has instead entered a new phase, of stable, democratic, market driven growth, marred unfortunately by residual corruption but also marked by considerable decentralization and media openness.

It is these Asian examples of social vitality, with hundreds of millions of people seizing their opportunities to become resilient economic actors, that have provided the world with its sole successful model since World War II of combatting poverty, of post-colonial transformation.

Yet oddly, this fails to register in the Western-driven world of official aid, of politicized charities, of doing good.

But it has not gone unnoticed in the rest of the world, needless to say. I was living in Beijing when 43 African heads of state and government almost four years ago attended a summit there, which launched China’s extraordinary burst onto that continent. China wanted resources primarily, and ultimately once Africans begin to spend, its markets too. And as in Latin America and central Asia and the Pacific islands, such economic vitality proved both attractive and contagious. China’s Premier Wen Jiabao said he wasn’t interested in exporting a China Model of development. And I believe him. His priorities are domestic, first second and third. His party’s legitimacy depends on economic health at home.

But Africans who have for generations seen Western taxpayers and NGOs donate \$ billions to their kleptocratic rulers are naturally lured to the revolutionary idea coming from the East, that economic growth is good, not merely bad for the planet as they had been told by those sleek Westerners. They are attracted to the notion that shipping, selling and buying stuff provides a better prospect for their families than following anaemic World Bank prescriptions.

A fun formula has it that in 1949 only socialism could save China. In 1979, only capitalism could save China. In 1989, only China could save socialism. And in 2009, only China could save capitalism.

Imagine a Western leader of today proclaiming as Deng Xiaoping did: To get rich is glorious. She or he would be condemned for crass materialism, and for privileging elites.

That determination to get rich is the type of talking dirty that thrills people who are dirt poor – that is, those people who have not already been pre-conditioned towards petty envy and the redistributionist zeal that led so many societies down a false trail, one that ends in the desert – as we see in contemporary Europe.

I won't forget the day this struck me, when I was living in Hong Kong – when I was taking the minibus to work. The driver, typically well down the Hong Kong pecking order, screeched to a halt and beckoned a gold plated Rolls Royce out of a side road, in respect for such a symbol of success. In some other places, our driver would have offered the Roller a rather ruder signal. Today the wealth of the average Hong Konger is greater than that of the average Australian.

While the East Asian transformations have all (let's leave the Kimocracy of North Korea out of this for now, as the exception that proves the rule) focused on growth, originally from industrial exports, the nature of those societies remains stunningly different and authentic. Modernisation, yes. Westernisation, not necessarily. Modern Japan remains very Japanese. Korea, certainly Korean. Fifty years ago, the UN development experts of the day strongly advised the Koreans to emulate the success of the Kenyans, who were then much richer. Oddly, ungratefully and thankfully, they failed to take that advice. South Korea is today enjoying another growth spurt in the wake of the GFC – whose chief effect in Asia has been to help drive the fine-tuning of economies, to accelerate their overdue shift towards a greater reliance on their embryonic service sectors, while remaining champions of globalization.

Korea has an especially strong culture of protest and vigorous debate, and in recent times, of political change. Taiwan too, whose economy is also doing especially well right now, has developed rapidly – out of a one-party state with long-term martial law – into another thriving pluralist culture. Even Hong Kong, whose people sadly have never been allowed to choose their own leaders, has a robust take on freedom and the legitimate limits of the state. The memorial event in Victoria Gardens this June 4 to mark the 21st anniversary of the Tiananmen massacre was strikingly well attended, by many thousands of families.

The Asian model is thus far from one of surrender to the state. It is one of grabbing opportunities for oneself and for one's family, and also of trying – in the language of an Australian dissident politician – to keep the bastards in power honest.

The most interesting case is that of China. This is a country of inconvenient truths, all round. Many western business leaders have expressed uncritical admiration not only for China's economic success but even for what they suppose to be its administrative structure. After their 5-star stays, their red carpet treatment, their banquets with people they (mostly wrongly) presume to be their business peers, they tend to pose a picture of a China ruled by the equivalent of the benevolent blind watchmaker who created the universe, wound it up and let it go. China's leaders are people who are able, in a way such westerners envy, to seize the hour, take timely and wise decisions, and then let the market work its wonders.

When Jiang Zemin, Hu Jintao's predecessor as party chief, led the redrafting of the party's constitution to permit capitalists to join, many Westerners interpreted this as a sign that businesspeople were eventually going to take over the party, as part of the apparently inexorable shift of a modernizing China towards liberal democracy. But no. The party's opening up actually served a different goal entirely: bringing the business sector more palpably within the party's influence, with business leaders and employees becoming absorbed within party structures.

A couple of years ago I visited the extraordinarily opulent, park-like HQ in Shenzhen of Huawei, now one of the world's top four telecommunications equipment designers and providers, on a par with Ericsson, Cisco and Siemens. It was founded by a former PLA officer who still runs what is often held out as China's model new private corporation. Its shareholding is a little mysterious, but generally 80 per cent is said to be held by its employees. How is the board appointed, and to whom is it answerable? Employee shareholders play a role, I was told by a suave public affairs manager. But who has the final say? Well, the manager said, the board also of course answers to the party committee – whose very existence does not appear in any of the company's glossy, multilingual brochures. And when I interviewed in Shanghai last month the president of one of China's biggest companies – which also owns a large Australian corporation – the business card he gave me emphasised that he is a member of the central committee of the communist party, as well as a corporate boss. He is his company's party secretary.

When you look at the list of topics this conference in Sydney will discuss, including protection, government intervention, regulation, taxation, control of digital technology, intellectual property rights, reducing the size of governments, and obstacles to investment, you will find the Chinese government mostly on the wrong side of the ledger. Typical is its suborning of modern communication tools that were once believed to be bound to prise China from the party's grasp, they have in the event been brilliantly used to achieve exactly the opposite. The party has found ways to transform the new instruments of liberation – such as the mobile phone and the internet – into instruments of control. Thanks to innovative and expensive surveillance technology – where China's research leads the world – and to its administrative authority, the government can reach into every Chinese home and office, by keeping tabs on all electronic devices.

China has succeeded economically despite hobbling itself in this way. This success is a tribute to the Chinese people, and to the visionary decision made by Deng Xiaoping to open manufacturing to foreign investors, which chiefly of course meant the Taiwanese and Hong Kongers. This is the key difference from the failed Soviet Union, which sought to remain economically self-contained.

Yet the ruling communist party is a jealous party, which wants to control all key areas of its citizens' lives but cannot. It is only too well aware how it constantly has to grapple – just as emperors in earlier dynasties did, reaching for carefully tailored versions of Confucius' sayings as they did so – with a core Chinese culture that is strikingly individualistic. In covering the Beijing Olympics while I was living there, I followed the

Chinese teams. When China wasn't playing, the default country which Chinese sports fans tended to cheer, was the US of A. they feel very much at home in the individualistic American culture.

And they mostly hate paying taxes, and avoid doing so, just as Americans, and I must say Australians, do. When I told a Chinese friend after I had begun working in Beijing, that I thought I should start paying some personal tax, he said I was crazy. neither he nor any of his pals paid tax, he said. Why should they, when they didn't choose the government, and mostly disagreed with what it spent money on.

When you travel around China, you'll see telephone numbers painted or sprayed or scrawled on every available surface. They're not – for the most part - promoting prostitutes or drugs, they're offering fa piao's or tax receipts, which can be bought to offset tax demands.

Professor Wang Xiaolu, who worked for some years here at the Australian National University, has recently completed his second massive household income survey of China. The chief conclusion, underlining the results of the first, is that China has a huge, concealed, grey income – with the average household income 90.4 per cent higher than the official data. This hidden revenue comprises an extraordinary 30 per cent of China's GDP. It comes from wedding gifts, government agency bonuses and welfare payments, state owned enterprise use of its monopoly or oligopoly power to pay extra income or welfare to officials, managers and workers. The property sector rakes it in through insider trading and false auctions, windfall profits accrue in the financial sector from insider information, market manipulation, and officials benefit naturally through the misuse of power for personal gain.

Deng Xiaoping spoke of crossing the river by feeling the stones – cautious progress. He was not referring to taking China from a communist river bank to a liberal democratic one, but taking the party and the country towards prosperity. Where did this great pilgrimage start? With formally conceding the space to do business.

Much of China's rapid change can be attributed to the determination of its "masses" to carve out better lives for themselves come what may, with the party's legitimacy relying on its capacity to shift its tactics, even its values, in response to demands from below.

The Tiananmen demonstrations of 20 years ago served as a wake-up call to the party. While with one hand it cracked down on the demonstrators themselves, with the other it responded by ceding more space in the economic realm. Progress has happened as individuals have sought and exercised steadily more space in which to start, develop and expand a business – beginning with the farmers when Deng ruled the roost.

Government has enough on its plate to meet the growing demands on its services as China transforms itself into a modern, chiefly urban, culture, without fighting a

rearguard action for every inch of its economic turf. And as it has ceded space for people to build businesses, this has become perceived not so much a favour but more of a right.

This is new ground in China, whose constitution guarantees many rights but has circumscribed them with so many administrative regulations and caveats that they are all but unusable in legal terms.

But the space – the de facto right – obtained by its constant personal exercise by many millions of people, is all but impossible to withdraw. This is now inching forward, from the right to own private property to the right to start a small business, to now, triggered by the response to the Sichuan earthquake in May 2008, the right to altruism and to personal expression – though still not, in this case, to disseminate that personal view widely. Centimetre by centimetre, civic space is being carved out, just as was space to do business.

In urban areas today, people are starting to presume on prosperity, for which they are no longer applauding so loudly the party's management. Deng's contract of 30 years ago – we ensure living standards keep growing, you let us rule as ever - is starting to fade. Thus a new contract is emerging, a new source of legitimacy, that harks back to its pioneering, founding days: the party as the source of security, stability and safety. The media gives national disasters and now also health threats, blanket coverage, as it does the efforts of the PLA, which is the party's own army, during emergencies, and the self-sacrificial visits of top leaders. The danger of the global financial crisis was underlined, the economic failure of the West stressed, and thus China's success attributed to party virtues.

And now the party is beginning to use domestic Chinese NGOs to deliver the social services for which the country is increasingly clamouring as it ages, but which the government lacks the structures to deliver. The state's wealth, including the massive foreign exchange largely still held in \$US, was in part built on denying its own citizens a fair share – in the economic as in other realms. But this is proving not to be sustainable. A higher proportion of the economy is steadily being seized by consumers and workers, as part effect and part cause of the structural change from cheap surplus labour and towards domestic services and greater productivity.

In Asia more broadly, the right to do things for yourself, to be an autonomous actor, is coveted more highly than the right to receive support from the state – in part because success in the former will move you up to a higher realm of wellbeing and control over your life.

In China, as I have stressed, for all the pervasiveness of the party's controls, individuals can and do make a profound difference. I usually tell people who ask my advice on books to read about China today, to start with Charles Dickens. He was also writing of a society that was rapidly urbanising and industrialising, in which ancient extended families were shrinking into nuclear families, a world of casual injustices and astounding coincidences, and of resourceful heroes and, especially, heroines.

I shall briefly tell you of two in today's China. Zhang Shuqin, a former policewoman, was working as a prison warden in Xian the ancient capital of Shaanxi province, and was given the job of editing the prison newspaper. She found that the dominant preoccupation of the inmates was the fate of their children. The only rule governing children and prisons in China is that they must not be allowed in jails. So they were simply abandoned when their parents were arrested. A few, she discovered, had learned where their parent was taken, had found their way there, and had died of starvation and cold outside. In some cases the father had killed the mother and was then himself executed. Zhang sought money and other support from friends and acquaintances, and rented a house near the market, and asked police friends to bring to her, children they found while arresting the parents. Taxi drivers collected food left uncooked in restaurants at the end of the day, police and wardens helped with painting and maintenance in their spare time. Soon the home was full. She quit her job to run it. Then she founded another such home. And another. Now she has eight, in provinces all over China, and is starting to move within circles where she might be able to start framing policy.

Granny Han is another such heroine, who epitomises the rise of China in a different way from that of high towers or fast trains. She comes from a tough industrial, mining city, Shuzhou. Her grandson was born with a severe intellectual handicap. He was rejected from all schools. The head of the sole special school there, told her daughter in law to look to herself and her husband and ask why they had brought such a hopeless child into the world. The family, of course, was in tears. But Granny Han, a retired teacher, was determined something could be done. She discovered from a doctor friend that there were many such children in the city. She got some of their addresses, and was shocked to discover when she visited their homes to enlist their support, that quite a few were tied to tables and chairs, left alone because their parents both had to go to work. She decided to set up a special school for them. But her teaching methods failed. She went to Beijing, and was put in touch with an indomitable American Chinese woman, Doreen Huang, who works for Unesco. She helped Grannie Han raise some funds, and gain access to special training for teachers in Hong Kong. She invited the local education chief and Doreen to the opening of her bright new school. The chief said it was too good for such children, kept the keys and said he'd allocate some more land further out from the city next time. Doreen wept on the train back to Beijing. A man in the carriage asked what was up, she told him he couldn't help, and he said try me. It turned out he was Shuzhou's deputy mayor. He made an irate phone call. The keys and the school were returned. It has been running for several years now, and Grannie Han's grandson is working in a factory and living in his own flat. Officials from other provinces send teams of educationists to see what her school is doing, so they can copy it.

Through these two women, we gain a fresh view of China. On my recent visit there, I gained yet another, encountering through a friend, a famous figure from the 1989 demonstrations in Tiananmen. He had been a founder of China's first big successful IT firm. Since '89 he has not been able to work at all. But he refuses to go into exile. He is living in a rather marvellous Bauhaus style home on the rural fringe of the city, thanks to

his wife's work in TV, and to gifts of supporters. A figure rather like a gentleman scholar of old. In the basement they have an extraordinary home theatre, where they insisted on playing for me Tim Burton's eccentric new film of Alice in Wonderland. It's about China, they implied. Curiouser and curiouser.

... And the final such curiosity, underlining the capacity of human beings to turn expectations on their head: as China pursues its much vilified program of going out, of globalizing its interests, Chinese individuals are riding this wave for many motives – by no means only state or profit driven. The core of the surge in China's civil society is religious – Buddhist and, especially, Christian. I met at an international church I attended in Beijing, a widely respected theologian from a New York university, who had himself worked for a while in China. What was he doing here? He had been invited by a group of Chinese businesspeople who are investing in and trading with countries in central Asia and the middle east, and who wished to find culturally acceptable and effective ways to spread their Christian beliefs to their contacts in these largely Muslim lands. Who might have guessed that this would be one of the results of China's economic opening – just at the historic juncture when Westerners are confused as to what if anything they can say to Muslims.

Asia is hardly perfect, it's a long way from liberal, but for the most part it loves globalization, its people prefer governments to keep out of sight, and... well, welcome to our region.