

# Australia Network News

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Robert Lawrence Kuhn, international corporate strategist, investment banker, China political and economics commentator, and expert on the China business market.



**Jim Middleton (HOST):** Robert Kuhn is a businessman and corporate strategist, and a seemingly unlikely advisor to Communist Party leaders. But over the past 20 years, he has formed close links with China's leadership and has been an advisor to Xi Jinping. He's also author of the book, How China's Leaders Think: The Inside Story of China's Reform and What This Means for the Future.

Robert Kuhn, it's a delight to be talking to you.

**KUHN:** It's a pleasure.



**Jim Middleton (HOST):** How does a U.S. businessman and corporate strategist come to be an advisor to the next president of China?

**KUHN:** I met Mr. Xi Jinping in the beginning of 2005 when I gave him one of the first copies of my biography of President Jiang Zemin, *The Man Who Changed China*. This was very soon after the book was published, no more than a few weeks, so I thought I was the first person to give it to him, and that he hadn't seen it prior.



I gave Xi the book, and he thanked me. He was very warm and gracious, but then he immediately flipped through the book and turned to one of the photographic sections, as if he knew the book and was searching for something. He quickly seemed to find what he wanted, and he pointed to one of the pictures of President Jiang, who was singing (as he likes to do) with some women from the military. Xi smiled and pointed to a specific woman in the photo said to me, "Who is this woman?" And I said, "Well, that's one of the women singing with President Jiang." He said, "No, who is she specifically?" And then he said, again smiling, "That's my wife!" Well, I didn't know at the time what today everyone knows: that Xi's wife is the famous singer, Peng Liyuan. Obviously Xi had received the book earlier, from President Jiang. Xi was very gracious.



In that first meeting, I was very impressed with Xi Jinping. He had none of the airs of a high official. I've met many high Chinese officials in many formal settings – it can be rather regal, ceremonial. None of that with Xi.



He was very comfortable his own skin, confident, sincere, serious – and all my subsequent meetings have had that same style. I couldn't tell you from that first meeting that he was going to become president of China, but I could see this was an individual who was dedicated to the country, who had a good sense of his challenges and responsibilities – a committed and dedicated leader who had as his primary interest his responsibilities as opposed to his own persona.



**Jim Middleton (HOST):** There are many questions surrounding the transition, this once in a decade change in leadership in China. But here's one of them: the Army is almost as important, if not as important, as the Communist Party in this country. There's speculation that unlike Jiang Zimin, Hu Jintao will not continue to be head of the military commission. If that turns out to be the case, what do you think it will mean and is it better or worse for China's future?



**KUHN:** I've taken a contrary position on this. The predominance of rumors that we have heard recently suggests that Hu Jintao will resign, and it will be a complete transition, but that's not 100% sure. But here's the point I've made: I don't think it makes much difference.



**Jim Middleton (HOST):** But isn't it the case that unlike Hu Jintao himself, with Jiang Zemin, Xi wouldn't have someone from the past looking over his shoulder, and that makes a difference about the quality, and the nature, of decision making?



**KUHN:** I'm not sure that here, now, it really matters. Because what matters is the substance, not the form. Chairman of the CPC Central Military Commission can have substance or can have form. The key, in China, is the composition of the Standing Committee of the Politburo. That's the real power in China.



When Westerners look at the Standing Committee they see – right now it's nine, tomorrow it'll be seven, individuals – and it looks like the American cabinet, British cabinet, the Australian cabinet, where the president can arbitrarily hire and fire whomever he wants, even capriciously. This is not the case in China. Each individual is a complete power in his own right. They all have equal votes. The president of the country, the head of the Party, General Secretary Xi Jinping, is the first among equals. But he still only has one vote. Every member has his own portfolio and each reports only to the collective. The Standing Committee is the real power. So its composing and coalitions are critical... that's how it works... that's the real power.

**Jim Middleton (HOST):** So is it your sense, from your association with Mr. Xi, that he is, by instinct, a reformer, or steady-as-you-go-guy, or rather I should say, will he have around him in the Standing Committee those to enable China to follow the course that he would like?

**KUHN:** Good! That's the important question. But let's start with Xi. My sense is that he deeply understands China. In all my conversations with him, he projects profound understanding. He actually helped me understand China when I was writing my books, the diverse ways I should approach China. So that's number one. Xi is not a radical reformer, but he



does appreciate, for example, private business. He ran Zhejiang Providence – the center of entrepreneurship in China. Next, we look at the coming Standing Members, the majority of whom, maybe six out of the seven, have run two or more major provinces or major municipalities, all of which are the equivalent of middle or large-size European countries, in terms of population, even now in terms of GDP.

So it's a remarkably experienced collection of individuals who have had long-term executive, CEO responsibility for running what are, in essence, major countries. And when they come together, it's a group that will support what China needs. As to labeling the political positioning – liberal, conservative – I think such is archaic. We will see in the world's media an attempt to characterize the Standing Committee as more conservative than it might have been. I think that is an oversimplification.

I personally know most of the candidates – on all “sides”. Of the coming seven, I personally know five. And I can tell you that those people who are supposedly very liberal are not as liberal as people think. And those who are supposedly very conservative are not as conservative as people think. The new Standing Committee is a sophisticated group and it will enable Xi to work toward implementing his vision.

And I think that bodes well for China and for the world. Do not look for radical reform. But look for reform perhaps sooner than we thought.

**Jim Middleton (HOST):** One final subject. You worked with Xi Jinping's team for his visit to the United States, where he met President Obama and other significant policymakers. Relations with the United States have got to be of great importance in the coming decade. Do you think by instinct Mr. Xi is a man who wants to compete with, or cooperate with, the United States in a shared leadership of global responsibility?

**KUHN:** Xi is a sophisticated, worldly wise individual, and he sees himself, much as Jiang Zemin did, as a real Chinese patriot. And to develop China, it is important to have very good relations with U.S.

In his early part of his term, Xi needs to consolidate power, so I look for him to be more nationalistic. He has a good relationship with the military. He cannot afford to appear “soft” on relations with U.S. or do anything that violates Chinese sovereignty, especially if he is going to institute reform, because reform has this liberal connotation. So if Xi needs to effect reform, which he does need to do for economic and political reasons, he cannot afford to look soft or liberal on international relations.

So I look for him to make important decisions, economically and politically, and balanced off with a fairly aggressive nationalistic posture. But over time, I see him being sophisticated and nuanced in his dealings with the United States. His visit to the United States last February was a tremendous success, the biggest and best publicity China has had – actually, since Jiang Zimen's visit in 1997. It was very effective.

**Jim Middleton (HOST):** Fascinating stuff, Robert Kuhn. Thank you.