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

**HOST:** We go live to Beijing now speak to Robert Lawrence Kuhn, a longtime advisor to China's leaders and the Chinese government. He is also author of "How China's Leaders Think." Thanks very much for being with us, Robert.



How significant is this change of leadership going to be for China, do you think?

**KUHN:** It's really significant. People may not think so. People may think, because there is one ruling party in China, that there is continuity among all the leaders, that they all have similar policies. But the problems of the last year -- the slowing economy, the social conflicts, the corruption cases and scandals -- have been disruptive. So the Chinese people are looking to the new generation of leaders with a different eye. And they have very high expectations, maybe too high. The people expect action and change. Normally, it would take several years for a new generation of leaders to make their mark, first consolidating their power and then making gradual changes. We now expect that the risk of not reforming may be, for the first time, higher than the risk of reforming.



So we will be watching what is going to happen with the new leaders. They are ready. They are a very good, highly experienced group. Most have run major geographical areas -- provinces, large cities -- the equivalent of countries in the world. China's large provinces, if they were independent countries would be in the top 20 in population, the top 30 in GDP. But China's new leaders will have their hands full. There's a whole series of gnawing, intractable problems that have emerged; the Chinese people are aware of them, and they are looking to the new leaders for change.



**HOST:** And if there is change, if there are reforms, what sort of concrete measures might we expect?

**KUHN:** We have to look at change in diverse areas. Hu Jintao's opening speech talked about five areas of major concern: economics, politics, culture, social and ecology. And we should be looking for reforms in all of these areas. We in the West sometimes have a simplistic view of reform: that the only reform is political reform, and the only political reform is a one-person-one-vote voting system. But in China, reform is much broader.



In economics, look for reform in terms of markets. How much will the state continue to control various industries, enterprises and prices? Though state-owned enterprises have a heavy vested interest in maintaining the current system, it is inefficient for China and retards growth. Economic reforms are needed.





In political reform, China's leaders seek what's called 'intra-party democracy', which means really building into the Party – which, for sure, is the sole ruling party – a real democracy. While voting for leaders will be limited, some candidates will not make it. For the CPC Central Committee, those who get the very lowest number of votes will be eliminated. Transparency is very important. Transparency is probably even more important than some kind of voting system. 'Sunshine laws' requiring leader and officials to declare their assets can bring checks and balances to the party. To have a one-party system, I believe, is actually optimal for China today because of the huge population and the very severe problems. Leaders can make quick decisions, and there is continuity, but a one-party system has a higher need for transparency and checks and balances.

HOST: It's a communist party, but where is the communism in China? It's a nakedly capitalist country. You have got lots and lots of billionaires...

KUHN: Certainly, the party today is a ruling party. It's not a leftist revolutionary party. It has a historical name; it has a historical vision. The Party is still called "communism" because equality as well as prosperity is their ultimate goal. But they say China in the first stage, the primary stage, of socialism. And it's going to last for 100 years or more. So, no one has to worry about political labels within their careers or lifetimes. They can be very happy with the state capitalist model. Chinese leaders are a very pragmatic group – they've run provinces. They understand the need to move ideological issues aside – but they cannot eliminate the ideology because if they do, they will undermine the foundations of the party. This, they can't do. So they have to keep the ideology, but not apply leftism.

HOST: And when you talk about the one-party state, and whether that's best for China or not, how viable is it, in the very long term, with the growth of the internet and social media? How can China stay as a one-party state?

KUHN: I agree. A one-party system is not viable forever, and the question is, when does the crossover point occur? In terms of its optimization, when do the liabilities of a one-party system outweigh its assets? I think the time has not occurred yet. I think China does need a one-party system – as long as it's a meritocratic system, as long as it has checks and balances. Because with a one-party system, corruption is much harder to control, almost impossible, because you don't have a free press. So building checks and balances and transparency into a one-party system is the major challenge the new leaders will have. They know it. The Bo Xilai scandal, and all the high-profile scandals, hits them in the face. I know, first hand, that China's leaders are focused on corruption.

As far as China's political system in the future, as one senior leader told me, "My grandchildren will decide." And he winked, suspecting that there will be changes. But for the foreseeable time, the system is reasonably good, as long as the Party maintains its meritocratic approach, builds checks and balances into the system, allows transparency, and a greater public participation in the process of governance. For this, the internet and social media are necessary. The Party needs to appreciate this or it will be threatened sooner.

HOST: Really good to talk to you, and thank you for your time. That's Robert Lawrence Kuhn in Beijing for us.