

CNN International

“Chinese Leadership Transition Explained”

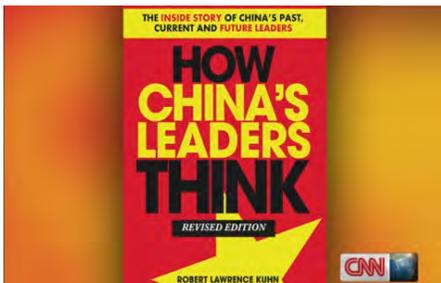
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Robert Lawrence Kuhn, international corporate strategist, investment banker, China political and economics commentator and expert on the China business market.

John Defterios, Host:

What can we expect from the man leading the world’s second largest economy? Robert Lawrence Kuhn has been an advisor to China’s leaders for two decades. He literally wrote the book on China’s leadership. It’s called How China’s Leaders Think. I asked him how the role of the Chinese president has changed over the last decade.



Robert Lawrence Kuhn:

First of all, we have to understand the political structure of China. Most people in the West assume China is an authoritarian government and that the number one person is like a dictator, an autocrat. And in China that’s not the case at all.

The members of what’s called the Standing Committee of the Politburo are, collectively, China’s most senior leadership. Xi Jinping, as general secretary of the Party, and president of the country beginning next March, will be first among equals. But equal are all Standing Committee members. So who are these people, and what positions they hold, will be instrumental in determining the coalitions and the kinds of policies that will be adapted.



China today is vastly different than it was 10 years ago. The economy is five times larger, the focus of the world is here, and through social media, the Chinese people are literally watching everything their leaders do. Such public oversight has dramatically changed the nature of the governance of the country. All of the problems – the social imbalances, the sustainable development, pollution, and especially, the corruption – are right in the bull’s eye of the Chinese people.



So how the new leaders react, who they are, exactly, and what positions they hold, will be both a vital and an interesting story as the months and years go by.



Defterios:

In fact, the outgoing leadership provided a warning, saying that the economy has to be more inclusive: “We have to provide jobs for people; we have to make sure we continue to grow.” What China’s leaders are suggesting here is that they have to be much more responsive than they were before.

Kuhn:

There are two ways to view this. First we have to look at the economy itself and second a host of different issues. Hu Jintao, in his speech, listed five areas of concern: economics, politics, third was culture, then social issues, and ecology.



So that's the constellation of issues that they face. But the economy is the real issue. It pays for everything. You can't do anything without growth, and the problem today is that the old economic model – cheap labor, low gross margins, high pollution, energy intense – the low-cost factory for the world – is just not sustainable any more. You can't have a low-cost manufacturing strategy and pay workers higher salaries needed to correct social imbalances. It doesn't add up.



China has to have economic transformation. That means enterprises have to generate higher gross margins. How do you do that? Not easily – technology, branding, services... these are complicated matters – and in addition, there's sustainable development. Energy is not China's strong point. They have to import oil. Pollution is an endemic problem in China. Some of the filthiest rivers and polluted airs in the world are in China. The people today will not put up with it.

What was fascinating, in one of the press conferences at the CPC Congress, ministers said that now they not only have to do an "environmental risk assessment" for new factories, they also have to do a "social risk assessment". That's a very interesting addition. Officials have to ask, "What would be the social implications of new development?"



So, in addition to economic growth, a whole host of issues need to be considered in terms of the well-being of the people, because that's what the people expect.

Defterios:

We had an absolute hurricane happening in Chongqing with Bo Xilai, his wife, the murder of the British businessman. It really started to shake the foundations of Chinese society. They can't sweep it under the carpet. They have to deal with corruption. How are they going to address this when they come into office?



Kuhn:

Corruption is a fundamental question, and for 20 years or more, the Chinese leadership has been talking about the scourge of corruption. One of the seven new top leaders in the country is in charge of discipline. China's leaders always say they're making progress, and yet corruption seems to be getting continuously worse. Why? It's a combination of the creation of vast wealth and a one-party system. A one-party system has its benefits, particularly long-term continuity of policy, quick reaction time, meritocratic leadership, but the downside of one party rule, without a free media, is corruption. It is a natural process of the marriage of wealth and one ruling party. The Party must build into itself transparency and checks and balances. How you do that in a one-party system is a real challenge. The best hope is the media and the internet. How China's new leaders will use media, new media and social media to attenuate, not eliminate, corruption is a critical issue. Whatever else they do is not going to be sufficient.



Defterios:

Once again, the respected author and advisor to the Chinese government, Robert Lawrence Kuhn, joining me a little earlier from Beijing on this historic transition, this once-a-decade transition, taking place in Beijing.