

A Journey Home



By Richard King

Since 1990 I have traveled regularly back to China, the land of my birth. I continue to marvel at the miracle unfolding there. But a recent return to China, this time with my wife, Carol, and stepdaughter, for whom this was a first visit, reminded me that this miracle is fraught with complexities. Perhaps it was my attempt to see China through the eyes of my Caucasian stepdaughter that attuned me to the vast contradictions attendant to what I like to call the Chinese renaissance

What was my general impression of China? To borrow a concept created by Joseph Nye, former dean of Harvard's Kennedy School, China has achieved a great deal of "hard power" in the form of a solid transition to a market economy and a vast system of laws to create order. But the "soft power"—and by that I mean, in this context, a cultural shift that accompanies rapid development—is still a work in progress. I am always amazed that each trip I make to China there is so much change. We saw construction sites operating 24/7. The nation now claims the world's largest airport terminal in Beijing: Norman Foster's glamorous Terminal Three, built in time for last year's Olympics. China now has the longest trans-oceanic bridge, spanning Hangzhou Bay.

In the current financial crisis, much of China's huge stimulus program has been used to build its infrastructure, including a nationwide network of high speed rail system. China just launched the world's fastest long distance rail service connecting Wuhan in Central China to the Southern metropolis Guangzhou, a distance of 1,100 km in less than three hours at an average speed of 350 km per hour. Sometime in 2010, Beijing will also be connected to Shanghai reducing the 1,500 km trip a mere four hours. There are major super highways the like of which compare with the best in the West. On our trip we quite literally saw stimulus dollars—I should say yuan—at work.

It is in the "soft power" area that China lags. Western critics complain about China's lack of rules and laws. I think they've got it wrong. Using a Cantonese phrase, "Yow Mo Gow Chore?" or, roughly translated, "Are you sure you got that right?" What is needed in China, to complement an evolving rule of law, is a law-abiding culture that we have yet to see emerge. All one has to do is to travel on Chinese highways. The roads are superb—mirror-smooth, straight, often with six lanes on either side of the median. However, most likely you will see eight lanes of cars racing down these roads. You might ask where the two extra lanes came

from: the Chinese drive on the shoulders with abandon. I was astonished to see cars driving on shoulders racing by a police car without the latter showing any sign of interest. Tailgating is a blood sport in China, with grim statistics to prove it. Chinese driving habits might be a good proxy to see whether China is ready for a Western democratic system assuming that is good for China or what the Chinese want. From what I saw in China, the answer is: not yet.

When critics complain about China's human rights record, they cite a lack of religious freedom. What they don't realize is that the Chinese government isn't worried about religion per se, as evidenced by the large crowd we saw at Lingying Temple in Hangzhou, one of the largest temple complexes in China. I find it fascinating to see so many Chinese searching for meaning amid dramatically changing times. With the emergence of a middle class, there is a sense of a lack of purpose in life now that material comfort has been achieved. Indeed, I worry that the West has afflicted China with one of its most dubious exports—an obsession with materialism that is almost a religion of its own. How else could you describe a long line of people waiting to get in to the Gucci emporium? A similar line formed in Hangzhou: according to my cousin, our guide on this day, massive crowds have to wait for hours to enter the temple compound during holidays. And there is certainly no sign of government interference. Where the central government draws the line is any effort—whether by religious institutions, labor or other forces—to organize in a way that would threaten order, which is the ultimate concern of the leaders of a nation that has been plagued by chaos throughout its history.

The ongoing tension between the Chinese government and the so called “underground churches” concerns Catholic allegiance to the Pope. What these critics forget or ignore is that the Pope is both the head of the Catholic Church and also the head of a secular state, the Vatican. It is the only country that I know of that recognizes Taiwan as the legitimate



What is needed in China, to complement an evolving rule of law, is a law-abiding culture that we have yet to see emerge.

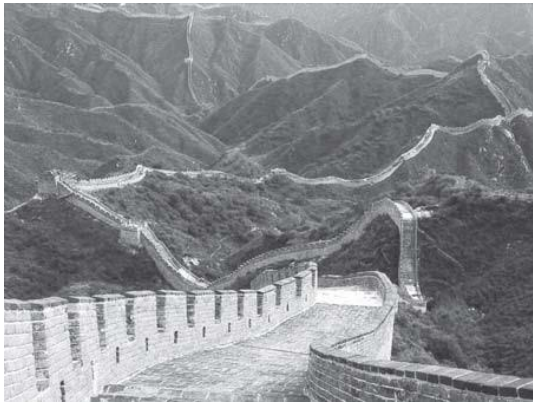
All one has to do is to travel on Chinese highways. The roads are superb— mirror smooth, straight, often with six lanes on either side of the median. However, most likely you will see eight lanes of cars racing down these roads. You might ask where the two extra lanes came from:

the Chinese drive on the shoulders with abandon. I was astonished to see cars driving on shoulders racing by a police car without the latter showing any sign of interest. Tailgating is a blood sport in China, with grim statistics to prove it.

government of all of China—a quaint position, to say the least.

China is often referred to as a Communist totalitarian country ruled by a single party. But there is a striking difference between a totalitarian system, and authoritarian one, which characterizes China today. That difference is especially striking as one transits throughout China with great ease, observing personal freedoms unprecedented in the nation's history.

As for single-party rule, yes: a single party has unchallenged power at the national level. But a de facto single-party rule is in place in India, usually referred to as the world's largest democracy. Although China holds to a one-party system and India and other democratic systems embrace two-party or multi-party systems, the similarities are nevertheless there. In Eastern "democracies" such as Japan, government leaders



China is often referred to as a Communist totalitarian country ruled by a single party.

But there is a striking difference between a totalitarian system, and authoritarian one, which characterizes China today. That difference is especially striking as one transits throughout China with great ease, observing personal freedoms unprecedented in the nation's history.

are picked by power brokers through backroom horse-trading. Japan has been ruled by the Liberal Democratic Party since 1955, which is why the recent win by the Democratic Party of Japan is so startling. But it took Japan more than a half-century for that to happen.

The Congress Party, with a few lapses, has ruled India since its independence in 1947. The Nehru/ Gandhi dynasty has had a stranglehold on that country's power for years. And then there is Singapore, which has been ruled by People's Action Party ever since its independence in 1959. Its current Prime Minister, though considered by many to be highly capable, is the son of the founding Prime Minister Lee Kuan Yew.

In China, party elders indeed choose their leaders behind closed doors. But its prospective leaders are groomed and have many years to prove their mettle. Just last month, in a major shuffle, several future leaders have emerged. They represent the so called Sixth Generation since the founding of People's Republic of China 60 years ago. These emerging leaders are in their 40's and will have more than a decade under scrutiny to hone their skills. As David Gosset, a friend and the Director of Academia Sinica Europe based in Shanghai and a keen observer of China has pointed out, these candidates are all outstanding. It should be noted that most of China's current and future leaders are all highly educated in diverse fields ranging from agriculture, engineering, economics and law and most are graduates from top universities in China. Many have advanced degrees, including doctorates.

Meanwhile, our electoral process here in the U.S. has been hijacked by special interests. Are we really better with leaders backed by big money? Despite the flaws of the Chinese system, the Chinese people are not unhappy with it. They may be unhappy with corrupted officials, and corruption remains a major problem. Nevertheless in a Pew Research survey taken in 2008, more than 86% of Chinese expressed

satisfaction with the direction China is heading and 82 % are satisfied with China's economy. By contrast, a December 2009 Gallup poll indicated that only 39 % Americans believe our nation's economy is getting better but 55% think it's getting worse.

Scott Tong, a Chinese-American and a correspondent for NPR's "Marketplace" who is based in Shanghai, observed to us, over coffee in Shanghai, that Chinese are more interested in clean water than in freedom of the press, an interesting comment from a professional committed to press freedom. Indeed, the American Colonies, at the time of the Revolutionary War, were strikingly prosperous. The crushing need for food and shelter often makes the quest for freedom seem like a luxury.

Although China has come a long way in the 30 years since the great opening, it still has a long way to go. Despite its abundant problems, including air pollution that shrouded our visits to Beijing, Shanghai, Hong Kong, and Shenzhen, I am optimistic.

An encouraging step is the replacement of smoke belching buses of recent past with air conditioned ones run on clean natural gas in major cities. The recently opened gas pipe line connecting China to Turkmenistan will deliver clean natural gas to China for years to come.

The country is addressing in a big way the problem of pollution with leading clean technologies as a major focus. Scott Tong told us that China now has some of the cleanest coal-burning power plants. But they are still dirty, no matter how advanced. The scale of new power plants is staggering, with new ones added almost weekly. China is now embarking a very aggressive program to install nuclear power plants which will number three times more than the rest of the world combined and is soliciting help from the West in developing this program.

Solar energy is another area that China is focusing on, with massive subsidies to encourage consumers and to drive cost down. It now has

some of the world's largest solar suppliers. I am such a believer that I have invested in some China-based solar stocks. It may take China years to achieve clean air and have clean water. My own cousin, who manufactures industrial filters for water purification, has seen a huge surge in his business since the Chinese government's stimulus program kicked in earlier this year.

Over all, the trend line is positive. Even as we decry environmental degradation in China, let's remember that American development also brought environmental devastation. As recently as the 1960s when I drove through Pittsburgh on my way to college, I had to turn on the headlights during the day. And San Francisco Bay was, quite literally, a cesspool during that same time. But we mended our ways, and so will China. And it's quite possible that China will learn these lessons faster than we did, with new technologies and best practices that can be shared with the rest of the world.

Everywhere we looked on our 2009 China trip, we saw the contrast between a nation on the rise and the inevitable cultural lag between progress and a chaotic past. While I doubt that China will rise to the highest level of development during my lifetime, I do believe that my son and his future children will visit a China more open and prosperous, and even more clean and orderly, than my ancestors ever could have imagined.

###

Richard L King, PhD has been in the investment industry for more than 30 years. He received his PhD in nuclear physics from New York University in 1970 and also attended Stern Graduate School of Business at NYU. He is currently a venture partner at GRP Venture Partners, a large partnership based in Los Angeles which manages more than \$600 million.