



The Rise of China as the 21st Century Unfolds: With Legitimacy Comes Responsibility

By
Edgar W.K. Cheng
Chairman, World-Wide
Investment Co. Ltd.,
Hong Kong
and member of the
East-West Center
Board of Governors

August 12, 2005

Edgar W.K. Cheng
spoke at a meeting
of the East-West Center
Board of Governors
in Honolulu, Hawai'i.

The East-West Center provides a forum for extended discussion of major issues affecting Asia, the Pacific and the United States by prominent researchers, analysts and policymakers. This publication series extends these presentations to a wider audience.

The fates of China and the 21st century are intimately tied together and we cannot risk making the wrong decisions without heavy consequences for all. We all know how in the past two decades China has re-invented itself. It's true, China's enormous, cheap workforce and its unusual openness to trade are driving growth not only domestically, but throughout the world as well.

Yet, the influence of this rapid-fire development reaches far deeper, and the news magazine *The Economist* argues this authoritatively. In its July 30–August 5 issue, the magazine puts forward a convincing argument that decisions made in China are increasingly driving inflation, interest rates, bond yields, housing costs, wages, profits and commodity

prices in many of the richest economies — and, by extension, influencing the world at large.

What does this imply for the 21st century, its wonderful potential and the pitfalls that lie ahead of us that threaten that future, not only for us, but also for our children and for their children, too?

This century is ours to shape. We have all the ingredients at hand to make it a time of peace and abundance: We are at the forefront of many fields — technologies of all kinds, such as IT and medical science. We can produce almost anything — all the things needed to make this truly a century of prosperity and harmony.

But there is a catch — and that catch is us, we human beings.

A Need to Strengthen Institutions

We are smart enough to unlock the secrets of such wonders as stem cells, and to clone living things, but somehow the relentless drive of our imagination has left us groping to truly understand the ramifications of much of what we've achieved. We haven't the depth in our moral, ethical and legal institutions to match our ingenuity.

And yet, to benefit from these advances, we need a deep understanding of them all. Without it, human nature leaves us only “cowboy” responses. These are the kind of things that can get us into trouble. It's important that our leaders see this.

So now let me make the links for you. I've shown how significant China is to the world. Now let me turn that around: How the rest of the world sees its role in supporting China's continuing growth is just as important as — if not more than — how the world perceives China's growing economic and geo-political influence, whether with apprehension or enthusiasm.

China's rise, in the first place, is not a given, nor, in the second, is its continued growth guaranteed. They are not happening in isolation. Its breakneck development has left its institutions dangerously inadequate. The West has had the benefit of 200 years to develop its institutions in parallel with its economic and technological progress; even these robust institutions have been found wanting by the most recent advances.

But Asia has compressed its rise to becoming “tiger economies” into just the latter part of the 20th

century — and China more intensely into the past 15 to 20 years, and without the time to build a vital institutional foundation. While they may not be teetering on the verge of collapse, can we afford not to have China's institutions brought up to speed? Its social welfare system, its legal framework, the rule of law, its banking and financial systems — these must be robust, or else fail disastrously at the first sign of strain.

Look at it this way: unless China maintains 5 to 6 percent growth, its economy will collapse. Think of all the suffering this would bring to millions of people — not just in China, but everywhere that has prospered by China's boom.

I believe the East-West Center can play a part here — by helping to strengthen these institutions, not only in China, but throughout Asia.

China has suffered from bad press for many years. It has been an easy bogeyman: Its military spending comes under close scrutiny, its human rights record is a favorite topic for debate and, most recently, cries of unfair competition and its peg to the dollar were heavily blamed for America's trade deficit.

And while the U.S. trade deficit isn't caused by unfair Chinese competition, but mainly by excessive domestic spending and inadequate saving, the rhetoric is often persuasive. Building this negative face of China has become such a science that it seems almost impossible for the Chinese to convince people that their sweep towards economic maturity and geo-political strength is a potential source for good.

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A Need to Balance Economic and Political Clout

Now, I return to my point: Decisions that China makes — and decisions that others make in relation to China — will affect how the 21st century unfolds. These decisions must be based on solid, intrinsic values of justice, balance, and give and take.

While Beijing may not quite agree, the *Asian Wall Street Journal* perspective on the Pentagon’s recently released annual report on China’s military is that it is better balanced than in the past, that it is — and I quote — “a more coherent strategy of seeking to resolve issues through broader dialogue.” That’s one perspective, anyway.

Of course, balance cuts both ways. With the desire for legitimacy comes responsibility. China needs to balance its growing economic and political clout in the region — in the world — by taking on the mantle of responsibility as befits a country with such muscle. It’s doing this in its role in the Six-Party Talks on North Korea’s nuclear weapons program. But it missed an opportunity to step up on its own,

instead of just playing a part in mediating with Pyongyang. It surely can do more, in other fields — and perhaps, where it is deeply involved itself, Beijing might take the lead with policies that will heal, rather than provoke. Then, wary governments and people might see the change for good.

It’s natural and understandable to be defensive, especially with a Medusan situation like Taiwan that tugs and strains, and pulls in Japan and the U.S. But the execution of policies of balance and justice will greatly improve the chances of peaceful resolution. Give and take will help the world see the potential for good in China’s strength, and the value of its helping to build that strength, rather than hinder it.

Balance. Justice. Give and take. These will bring about my vision for the 21st century, the first of many of prosperity and harmony.

While we, human beings, were once the catch, now we are the key.



Edgar W.K. Cheng joined the East-West Center Board of Governors in August 2005. He is chairman of the World-Wide Investment Co. Ltd. and has been in many significant positions such as chairman of the Stock Exchange of Hong Kong, vice-chairman of the Hang Seng Bank Ltd., vice president of the International Federation of Stock Exchange, founding chairman of the Hong Kong Securities Institute, member of the Board of Directors of the Hong Kong Futures Exchange Ltd., and member of the Conference Board’s Global Advisory Council. He is currently a member of the Board of Directors of the Hong Kong Institute for Monetary Research.

From 1999–2001, Cheng served as the head of the Central Policy Unit of the Government of Hong Kong Special Administrative Region. He is currently the vice-chairman of the Council for Sustainable Development.

Cheng also plays an active role in Hong Kong-China affairs. He was appointed by the Chinese Government as a Hong Kong Affairs Advisor (1991–1997). He became a member of the Preparatory Committee and also the Selection Committee for the Hong Kong Special Administrative Region of the National People’s Congress (1996–1997). At present, he is a member of the 10th Chinese People’s Political Consultative Conference National Committee.

Cheng is a graduate of the University of Notre Dame and the Medical College of Wisconsin. He has taught at Cornell University Medical College and practiced medicine and conducted clinical research at the Memorial Sloan-Kettering Cancer Center in New York. A former chairman of the University Grants Commission in Hong Kong and a member of the Education Commission, he is chairman of the Council of the Chinese University of Hong Kong.

For more information contact:



EAST-WEST CENTER

Office of External Affairs
1601 East-West Road
Honolulu, Hawai’i 96848-1601
Telephone: (808) 944-7111
Fax: (808) 944-7376
Email: ewcinfo@EastWestCenter.org
Website: www.EastWestCenter.org

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