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Transcript Q&A

The Convergence of Civilizations

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Lord Williams:

Two little points from me before I open it up. One is the issue of governance, particularly in China, where I see it as unresolved. Then the question which you were very frank about, that the prospect of war is not absent in Asia. One thinks of the Koreas and also sadly still of the subcontinent, India and Pakistan. Maybe you can come back to that later. But I'll open it up to the floor now.

Question 1:

Thank you so much for an excellent talk. The purpose of this question: if you define the West as North America and Europe, in addition to the unprecedented national debt we have an unprecedented private debt, held in the hands of private citizens. Basically, our countries are bankrupt. The entire middle class ideal seems to be dying in Europe, certainly in Britain. How bad, from the perspective of Singapore and an experienced eye like you, do you think things are going to get in Europe and North America?

Kishore Mahbubani:

Gosh. I wanted difficult questions, but that's a really difficult question. Frankly, I'm actually optimistic that things need not continually spiral downwards for both the United States and Europe. I actually think that as the global economy is going to get bigger and bigger – and by the way, I always emphasize that even though the relative share of America and Europe in the global economy will naturally shrink, it's shrinking not because its absolute size is shrinking. The absolute size will remain the same or even bigger, it's just the rest of the world is growing faster.

So I don't see the United States and Europe going on a decline forever. I actually see great market opportunities, and certainly the United States now faces the possibility of having a new manufacturing revolution coming back to it because of fracking and shale gas and so on. The price of energy today in America is lower than the global prices, so that gives them a competitive advantage in manufacturing. People are anticipating some kind of manufacturing revival coming back to America.

Similarly, I think in Europe too there are great opportunities out there. If you look at the aspirations of the Asian middle classes, as they succeed and have lots of wealth, what do they want to spend their money on? They want to come to London and Paris. If you go to many of the shops, I'm told – I heard

this of Paris more than London – you go to some of the stores in Paris, you have salespersons who only speak Mandarin.

Michael Williams:

Yes, it's true.

Kishore Mahbubani:

They clearly are ready for the next wave of Chinese tourists. The Chinese tourists by the way, amazingly enough for a country that was completely downright poor 30 years ago, are some of the most affluent tourists you find in the world. Today, 70 million – I mentioned the figure – that is leaving China; within five or 10 years it will be 200 million Chinese leaving China. They will be coming to all these places and they will be trying to purchase many of the brand names and luxury products that Europe is extremely good at. So there are a lot of opportunities out there.

But at the same time, it is also clear – this is also what I emphasize in the book – both the United States and Europe have got to make strategic adjustments not just in their external policies but also in how they manage their own domestic affairs. Certainly in the case of France, for example, a 35-hour week cannot work in a world where you have to compete with China and India and other countries. So you have to, in a sense, tell your own populations there *are* opportunities out there but we have to adapt and adjust and therefore deal with it. The thing is, the Asians are used to this idea that you have to adapt and adjust to a global economy where you can't dictate it, but Europeans have forgotten how to adapt and adjust and become pragmatic in their dealings. If they can do that, then I think they can succeed.

As you know, there are also successful economies in Europe. If you look at Germany, for example, I think the Germans have done a brilliant job in terms of their growth of exports and so on. They were lucky, frankly, in 2003 that Chancellor [Gerhard] Schröder carried out all the wage reforms that were necessary. He did it ahead of time and therefore Germany succeeded. So why doesn't the rest of Europe learn from what the Germans did in 2003 and emulate it? Then maybe you might also be successful exporters 10 years from now.

Michael Williams:

Are you going to Paris? Is that your next stop?

Kishore Mahbubani:

My next stop is Singapore. I've been on the road for three weeks.

Question 2:

Thanks very much for your comments. I want to pick up your third point, because what you describe to me is less convergence and more divergence. Sitting here in London, one of the debates that we had here on the stage two weeks ago but that is going round and round in circles in the UK is: is Britain going to pull out of the EU? But let's not for a moment take – you know, the future of NATO, post-2014, is it going to survive?

But even if we look to Asia, you've got the incredible prioritization of sovereignty that the Chinese, Indians and others hold as paramount above all other motivations, of alliances and partnerships and the like. You have ASEAN, which is an institution that some would say is strengthening but on the other hand is very intentionally not trying to create a unitary. You have the decreasing power of the WTO arguably, as we create the TTIP (Transatlantic Trade and Investment Partnership).

So you're almost seeing actually countries strengthen their borders – whether in a security sense, protectionism, in an economic sense – and the breakdown of global institutions or even to some degree regional institutions. That, to me, is divergence, not convergence.

Kishore Mahbubani:

Good question. I'm really glad you used the very critical word which I should have mentioned in my remarks and didn't: the notion of sovereignty. I actually believe the notion of sovereignty is long gone its sell-by date. It emerged in 1648, the Treaty of Westphalia – it's 365 years old. At a time when the world has transformed itself, it's amazing that most governments still function on the basis that sovereignty is very important. Every leader has got to say, 'I'm going to protect my country's sovereignty.' In practical terms, most countries have ceded their sovereignty. I spent a lot of time in this book, *The Great Convergence*, to say: you may pretend you're not on the boat but you are on

the boat with others. If something happens in the rest of the world, no matter where your cabin is, you're going to be affected by it.

So sovereignty has effectively been eroded in the world, especially in economic terms. You want a fairly dramatic recent example of it? Look at the recent case when the Italians elected a comedian, and the next day stock markets fell all over the world. That shows how we are in a sense functioning as a single global economy. Where is your sovereignty? One Italian comedian and stock markets go down around the world? That's how deeply interconnected we have become.

The problem we have in the world is that our language, our concepts, our way of looking at the world are still stuck in the past even though the world has completely changed and transformed itself. This is true of most governments, by the way. Virtually every government in the world is functionally schizophrenic when it comes to issues of sovereignty: in theory they keep worshipping it, in practice they are giving it up in many ways without acknowledging that they are giving it up.

To take Southeast Asia, for example, you are absolutely right that Southeast Asians are definitely not going to emulate the kind of tight, legalistic arrangements that the European Union has created for itself. But at the same time, if you look at the amount of cooperation in Southeast Asia, it's the highest it's ever been. Southeast Asia today, in terms of the trend line, is moving in the European direction of zero prospect of war. That in itself is a remarkable achievement when you remember that Southeast Asia is by far the most diverse region of any region anywhere in the world. No other region in the world has got Muslims, Hindus, Christians, Buddhists, Taoists, Confucianists, even communists. It really is a remarkably diverse region that is now moving toward zero prospect of war. That I see as a leading indicator of what's happening in the world.

So even though the positions that countries take often sound as though they haven't changed anything, functionally they have changed their behaviour. Actually the amount of cooperation among countries is rising. One of the charts I really like in this book of mine is the chart that shows on the top half of the page the amount of wars going down in the last 50 years – it goes down like this – and amazingly enough, at the bottom of the page, there's another chart that shows the number of free trade agreements in the world, in an almost direct correlation. As wars decline, free trade agreements are going up. There's almost a direct correlation.

So the amount of substantive cooperation among nation-states is growing by leaps and bounds. So effectively they are changing themselves, but the language hasn't changed. I hope as a result of this book people will start using new language when they look at the world that's coming.

Question 3:

You're very optimistic about war. If we look at the 20th century, one thing emerges from the 20th century: nature is the destroyer of proud empires. There were a number of empires at the beginning of the 20th century; they were almost all gone by the end. The situation now is we have one empire that is fairly proud, that is pretty well involved in a lot of war, and other empires emerging. So do you see in the long term equal optimism or will we get another crash of empires?

Kishore Mahbubani:

I'm actually sticking my neck out, by the way. Normally when you write books you're supposed to be smart and hedge. I don't hedge. I actually say quite categorically that if any major interstate war breaks out, I am wrong – my thesis is wrong. So I'm actually providing the means of empirically verifying my claims. But if no major interstate war breaks out then I am right.

Take, for example – I was on BBC *Hardtalk* yesterday, and they asked me about China and Japan. I said: yes, I am extremely worried about China and Japan and what's happened in the last few months, where there is a danger of major misunderstanding down there. But if they had actually gone to war, then my thesis is wrong. But the fact is that both governments, while taking very aggressive postures to show that they really were defending their sovereignty in the eyes of their populations, were very careful to make sure there was no conflict. This is true of governments all over the world today, even at different levels. They realize that the stupidest thing you can do today is to go to war.

I think even the word 'empire', to be honest with you, should be thrown in the dustbin of history. Frankly, in the world of today, even though the United States has functioned as an empire, it has progressively come to realize, I hope, that it's actually better off for its own national interest not to behave like an old empire. Certainly in the case of the United States, it was an absolutely stupid decision to go to war in Iraq. They wasted 10 years. They gave China a major geopolitical gift. They lost a trillion dollars and lost so much time. So in

fact, frankly, I think the biggest contribution that the Iraq war has made to the 21st century is that it has shown the world so clearly that even though the United States at that point in time was spending more on defence than the rest of the world combined in 2003, that country that was spending more on defence than the rest of the world combined could not invade and occupy one small country called Iraq successfully. That's a powerful lesson that every military establishment has taken on board and said: it's not that easy to go out and conquer countries nowadays.

So that's why I'm very confident that wars will continue to become a sunset industry, even though – I will add a paradoxical point here – even though defence expenses will continue going up. In some ways, paradoxically, the more the defence expenses go up, the less the likelihood of war, because then the war becomes more dangerous. So actually when you have very few weapons, wars are less dangerous. The more weapons you have, the more dangerous the war and so the more cautious you are.

Question 4:

If you look at civilization, there is normally a particular civilization that usurps other civilizations, in terms of health, transport or whatever definition you look at it from. I see after 2050 the Chinese civilization usurping or eating up Western civilization. You rightly said that the Chinese are going out and the Chinese are coming in. I also see that unless the West deals with certain problems, which I refer to as super wicked problems – illicit proliferation of small arms and light weapons, climate change and cyber security – I see China by 2050 and beyond usurping Western civilization. Your comments, sir?

Kishore Mahbubani:

On the first point, on China eating up the West, actually it's more accurate to say – if you want to use the phrase 'eating up' – that the West is eating up China. I'll tell you what I mean by that. If you look at the aspirations of the young Chinese and what kind of lives they want to have, they actually want to have the same kind of middle-class living standards that all the Western populations have. You see that in Chinese consumer behaviour but more importantly – and this is actually a very powerful indicator – if you ask any bright young Chinese where he wants to go and study, he wants to go and study in the leading Western universities. The dream of any young man or woman in China is to go and study at Cambridge or Oxford, or Harvard or

Yale. They share exactly the same aspirations. If you look, for example, Xi Jinping was installed as the new president of China today. Where is his daughter studying? Harvard University.

Thirty years ago there were zero students from China going to study in North American universities – or maybe a sprinkling. Today that number is 160,000. That's 160,000 Chinese just studying in Western universities. But the number of Chinese who are studying in Western-style universities in China has exploded, from five per cent of each cohort to 23 per cent of each cohort. That's millions and millions of Chinese.

So I actually see in some ways the cultural Westernization of China that is taking place, that people haven't noticed. I don't have the data in my head, I'm really sorry, but if you look at my previous book, *The New Asian Hemisphere*, the country that is producing the largest number of young, Western classical musicians – pianists, violinists and so on, cello players – is China. Enormous numbers, it's shocking, the numbers. You watch all this data, it's quite clear that China is not eating up the West but the West is eating up China, in terms of civilizational impact.

Your second point about the dangers of proliferation of small weapons and so on, many of these challenges will remain. I actually think that it is in China's interest to actually work with the West to prevent these problems from becoming bigger and bigger. At the end of the day, if you ask me to make a prediction whether China will cooperate with the West and the rest of the world in handling these problems, I can confidently predict that China will cooperate – because it is in China's national interest to do so.

Question 5:

The growth of the middle class worldwide, which you discussed, is accompanied by greater inequalities and the growth of a super-wealthy class in most of these countries. Do you think that that will lead to social unrest or do you think they will be able to cope with that and perhaps moderate it in future?

Question 6:

You said a lot about the convergence of civilizations and depict it almost as a 'hidden hand' – it's happened without anyone wanting to report on it or notice it, the media in particular. You haven't said anything at all about reforming international institutions. What kind of reform of international institutions

needs to be done and in what way can it contribute to the outcomes that you now see?

Kishore Mahbubani:

Two excellent questions. The first one about the super-wealthy class – it's right, the number of billionaires in the world is rising. That's very clear. By the way, the largest number of new billionaires emerging are Asian billionaires.

The problem is not so much the super-wealthy class but the growing inequality in the world. I think inequality is the challenge. At the same time, in the initial phase of economic development, inequality almost always rises. One of my favourite stories – actually my friend Montek Singh told me in the early 1990s, as China was just beginning its economic reform programmes, India happened to be hosting a group of Chinese economists who came to describe how China was going to reform itself, open up its economy and allow markets to determine prices and so on. So Montek Singh, at the end of the discussion he developed enough courage to ask the Chinese very meekly, 'If you do carry out all these reforms – you do this, do this, market pricing, all that – do you realize that in Communist China, inequality will rise?'

So the Chinese economists looked at him, smiled and said, 'We certainly hope so!' Because it's very clear that if you want to succeed in the first phase of economic development, you will have growing inequality because some people will obviously succeed more than others.

As you develop more and more, then the state *has* to intervene to try and take care of rising inequality. That's where the Asian states are going through a great learning phase about how to handle this. Even Singapore, tiny Singapore, has its problem with growing inequality and the government is trying its best to address it. I think China also will begin to address it too. But still it's always better to have an economy that is growing – that gives you the resources to take care of inequality. But if you have an economy that's shrinking or doing badly, then it's much worse off – the populations are much worse off. So I see that as a challenge that can be overcome.

In terms of the reform of international institutions, I was going to say – and I mean it quite seriously – you should read my book. You can see I always try to sell my books. I do have formulas to reform all these institutions. To take the hardest case – the UN Security Council, which has been trying for 20 years for reform – I actually think the one fundamental reason why the Security Council could not be reformed is that for every India that wanted to

get in, there was a Pakistan that said: why not me? For every Brazil that wanted to come in, there was an Argentina that said: why not me? For, let's say, the South Africans or Nigerians coming in, there's Egypt saying: why not me? But the most ingenious one was by the Italian ambassador to the UN. I remember when everybody was pushing so hard for Germany and Japan to become new permanent members, the Italian ambassador got very aggravated and stood up and said, 'Why are you all pushing for Japan and Germany? We, Italy, we lost World War II also!'

You can see how aggravated countries are about losing. This is why I suggested a new formula in my book called the '7-7-7 formula'. You have seven permanent members: three who remain are the United States, China and Russia; the European Union has a common European security/foreign policy, you get a single European seat – I'm saying this very cleverly, carefully, so that you know who's going to lose a seat; and then you have three new members, the three most populous states in their continents – India, Nigeria and Brazil. So you have seven permanent members. But because the reform has been blocked by the middle powers, I'm suggesting the creation of a new class of semi-permanent states, whereby the 28 states who are the near-losers, who couldn't become the permanent states, therefore become semi-permanent members and every four terms automatically get a seat in the Security Council. So Argentina, Pakistan, South Korea, you name it – they automatically get a seat in the Security Council. They don't have to run for elections again. So they also become winners in this formula. Then you have seven seats for the smaller states in the world, who also win because they don't have to compete with the middle powers for a seat in the Security Council.

So it is possible for any international institution you speak of to find sensible, pragmatic solutions that can solve these problems. I actually think it is not 'mission impossible' to restructure the international order. But at the end of the day, if it's going to happen, one thing I emphasize is that the West must change its attitude fundamentally to multilateral institutions. The West must now decide if it's in its long-term strategic interest to strengthen these institutions. So I don't appeal to Western ideals, I don't appeal to Western altruism – I'm referring to selfish, long-term Western interests and saying: hey, it's now in your interest to change your attitude toward these international organizations.

Michael Williams:

Kishore, thank you very much indeed for your very thoughtful and provocative presentation. We expected nothing less from you and you lived up to your reputation. I'd like you to join me in thanking Kishore.