



# IS CHINA THE NEW IDOL FOR EMERGING ECONOMIES?

China has rapidly risen from humble beginnings to become one of the most powerful nations in the world despite its lack of democracy or free market economy. In her hotly debated speech at the TED Global Conference, Dr DAMBISA MOYO suggests that the tides have finally turned for the West. New generations in emerging markets now find inspiration in the communist policies of China, rather than the capitalism of the United States, in their quest for economic prosperity. Excerpts.



Dr. Dambisa Moyo - International Economist, best-selling author and founder of the Mildstorm Group.

“Give me liberty or give me death.” When Patrick Henry, the governor of Virginia, said these words in 1775, he could never have imagined just how much they would come to resonate with American generations to come. At the time, these words were earmarked and targeted against the British, but over the last 200 years, they’ve come to embody what many Westerners believe, that freedom is the most cherished value, and that the best systems of politics and economics have freedom embedded in them.

Who could blame them? Over the past hundred years, the combination of liberal democracy and private capitalism has helped to catapult the United States and Western countries to new levels of economic development. In the United States over the past hundred years, incomes have increased 30 times, and hundreds of thousands of people have been moved out of poverty. Meanwhile, American ingenuity and innovation has helped to spur industrialization and also helped in the creation and the building of things like household appliances such as refrigerators and televisions, motor vehicles and even the mobile phones in your pockets.

It’s no surprise, then, that even at the depths of the private capitalism crisis, President Obama said, “The question before us is not whether the market is a force for good or ill. Its power to generate wealth and to expand freedom is unmatched.” Thus, there’s understandably a deep-seated presumption among Westerners that the whole world will decide to adopt private capitalism as the model of economic growth, liberal democracy, and will continue to prioritize political rights over economic rights.

However, to many who live in the emerging markets, this is an illusion, and

even though the Universal Declaration of Human Rights, which was signed in 1948, was unanimously adopted, what it did was to mask a schism that has emerged between developed and developing countries, and the ideological beliefs between political and economic rights. This schism has only grown wider. Today, many people who live in the emerging markets, where 90 percent of the world’s population lives, believe that the Western obsession with political rights is beside the point, and what is actually important is delivering on food, shelter, education and healthcare.

“Give me liberty or give me death” is all well and good if you can afford it, but if you’re living on less than one dollar a day, you’re far too busy trying to survive

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and to provide for your family than to spend your time going around trying to proclaim and defend democracy.

Now, I know many people in this room and around the world will think, “Well actually, this is hard to grasp,” because private capitalism and liberal democracy are held sacrosanct. But I ask you today, what would you do if you had to choose? What if you had to choose between a roof over your head and the right to vote?”

### The Current Debate

“Over the last 10 years, I’ve had the privilege to travel to over 60 countries, many of them in the emerging markets, in Latin America, Asia, and my own continent of Africa. I’ve met with presidents,

dissidents, policymakers, lawyers, teachers, doctors and the man on the street, and through these conversations, it’s become clear to me that many people in the emerging markets believe that there’s actually a split occurring between what people believe ideologically in terms of politics and economics in the West and that which people believe in the rest of the world.

Now, don’t get me wrong. I’m not saying people in the emerging markets don’t understand democracy, nor am I saying that they wouldn’t ideally like to pick their presidents or their leaders. Of course they would. However, I am saying that on balance, they worry more about where their living standard improvements are going to come from, and how it is

their governments can deliver for them, than whether or not the government was elected by democracy.

The fact of the matter is that this has become a very poignant question because there is for the first time in a long time a real challenge to the Western ideological systems of politics and economics, and this is a system that is embodied by China. And rather than have private capitalism, they have state capitalism. Instead of liberal democra-

cy, they have de-prioritized the democratic system. And they have also decided to prioritize economic rights over political rights.

I put it to you today that it is this system that is embodied by China that is gathering momentum amongst people in the emerging markets as the system to follow, because they believe increasingly that it is the system that will promise the best and fastest improvements in living standards in the shortest period of time. If you will indulge me, I will spend a few moments explaining to you first why economically they’ve come to this belief.

First of all, it’s China’s economic performance over the past 30 years. She’s been able to produce record economic growth and meaningfully move many

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people out of poverty, specifically putting a meaningful dent in poverty by moving over 300 million people out of indigence. It's not just in economics, but it's also in terms of living standards. We see that in China, 28 percent of people had secondary school access. Today, it's closer to 82 percent. So in its totality, economic improvement has been quite significant.

Second, China has been able to meaningfully improve its income inequality without changing the political construct. Today, the United States and China are the two leading economies in the world. They have vastly different political systems and different economic systems, one with private capitalism, another one broadly with state capitalism. However, these two countries have the identical GINI Coefficient, which is a measure of income equality. Perhaps what is more disturbing is that China's income equality has been improving in recent times, whereas that of the United States has been declining.

Thirdly, people in the emerging markets look at China's amazing and legendary infrastructure rollout. This is not just about China building roads and ports and railways in her own country -- she's been able to build 85,000 kilometers of road network in China and surpass that of the United States -- but even if

you look to places like Africa, China has been able to help tar the distance of Cape Town to Cairo, which is 9,000 miles, or three times the distance of New York to California. Now this is something that people can see and point to. Perhaps it's no surprise that in a 2007 Pew survey, when surveyed, Africans in 10 countries said they thought that the Chinese were doing amazing things to improve their livelihoods by wide margins, by as much as 98 percent.

Finally, China is also providing innovative solutions to age-old social problems that the world faces. If you travel to Mogadishu, Mexico City or Mumbai, you find that dilapidated infrastructure and logistics continue to be a stumbling block to the delivery of medicine and health care in the rural areas. However, through a network of state-owned enterprises, the Chinese have been able to go into these rural areas, using their companies to help deliver on these healthcare solutions.'

### China's Growing Influence

'Ladies and gentlemen, it's no surprise that around the world, people are pointing at what China is doing and saying, "I like that. I want that. I want to be able to do what China's doing. That is the system that seems to work." I'm here to also tell you that there are lots of shifts

occurring around what China is doing in the democratic stance. In particular, there is growing doubt among people in the emerging markets, when people now believe that democracy is no longer to be viewed as a prerequisite for economic growth. In fact, countries like Taiwan, Singapore, Chile, not just China, have shown that actually, it's economic growth that is a prerequisite for democracy. In a recent study, the evidence has shown that income is the greatest determinant of how long a democracy can last. The study found that if your per capita income is about 1,000 dollars a year, your democracy will last about eight and a half years. If your per capita income is between 2,000 and 4,000 dollars per year, then you're likely to only get 33 years of democracy. And only if your per capita income is above 6,000 dollars a year will you have democracy come hell or high water.

What this is telling us is that we need to first establish a middle class that is able to hold the government accountable. But perhaps it's also telling us that we should be worried about going around the world and shoe-horning democracy, because ultimately we run the risk of ending up with illiberal democracies, democracies that in some sense could be worse than the authoritarian governments that they seek to replace.

The evidence around illiberal democracies is quite depressing. Freedom House finds that although 50 percent of the world's countries today are democratic, 70 percent of those countries are illiberal in the sense that people don't have free speech or freedom of movement. But also, we're finding from Freedom House in a study that they published last year that freedom has been on the decline every year for the past seven years.

What this says is that for people like me who care about liberal democracy, is we've got to find a more sustainable way of ensuring that we have a sustainable form of democracy in a liberal way, and that has its roots in economics. But it also says that as China moves toward being the largest economy in the world, something that is expected to happen by experts in 2016, that this schism between the political and economic ideologies of the West and the rest is likely to widen.

What might that world look like? Well, the world could look like more state involvement and state capitalism; greater protectionisms of nation-states; but also, as I just pointed out a moment ago, ever-declining political rights and

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individual rights.

The question that is left for us in general is, what then should the West be doing? And I suggest that they have two options. The West can either compete or cooperate. If the West chooses to compete with the Chinese model, and in effect go around the world and continue to try and push an agenda of private capitalism and liberal democracy, this is basically going against headwinds, but it also would be a natural stance for the West to take because in many ways it is the antithesis of the Chinese model of de-prioritizing democracy, and state capitalism. Now the fact of the matter is, if the West decides to compete, it will create a wider schism. The other option is for the West to cooperate, and by cooperating I mean giving the emerging market countries the flexibility to figure out in an organic way what political and economic system works best for them.

Now I'm sure some of you in the room will be thinking, well, this is like ceding to China, and this is a way, in other words, for the West to take a back seat. But I put it to you that if the United States and European countries want to remain globally influential, they may have to consider cooperating in the short term in order to compete, and by that, they might have to focus more aggressively on economic outcomes to help create the middle class and therefore be able to hold government accountable and create the democracies that we really want.

The fact of the matter is that instead of going around the world and haranguing countries for engaging with China, the West should be encouraging its own businesses to trade and invest in these regions. Instead of criticizing China for bad behavior, the West should be showing how it is that their own system of politics and economics is the superior one. And instead of shoe-horning democracy around the world, perhaps the West should take a leaf out of its own history book and remember that it takes a lot of patience in order to develop the models and the systems that you have today. Indeed, the Supreme Court Justice Stephen Breyer reminds us that it took the United States Nearly 170 years from the time that the Constitution was written for there to be equal rights in the United States. Some people would argue that today there is still no equal rights. In fact, there are groups who would argue that they still do not have equal rights under the law.

At its very best, the Western model speaks for itself. It's the model that put food on the table. It's the refrigerators. It put a man on the moon. But the fact of the matter is, although people back in the day used to point at the Western countries and say, "I want that, I like that," there's now a new person in town in the form of a country, China. Today, generations are looking at China and saying, "China

birth, blacks were not issued birth certificates, and that law only changed in 1973. This is an affidavit from the Zambian government. I bring this to you to tell you that in 40 years, I've gone from not being recognized as a human being to standing in front of the illustrious TED crowd today to talk to you about my views.

In this vein, we can increase economic growth. We can meaningfully put

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can produce infrastructure, China can produce economic growth, and we like that." Because ultimately, the question before us, and the question before seven billion people on the planet is, how can we create prosperity? People who care and will pivot towards the model of politics and economics in a very rational way, to those models that will ensure that they can have better living standards in the shortest period of time.'

### **The Reality of Tomorrow**

'As you leave here today, I would like to leave you with a very personal message, which is what it is that I believe we should be doing as individuals, and this is really about being open-minded, open-minded to the fact that our hopes and dreams of creating prosperity for people around the world, creating and meaningfully putting a dent in poverty for hundreds of millions of people, has to be based in being open-minded, because these systems have good things and they have bad things.

Just to illustrate, I went into my annals of myself...I was born and raised in Zambia in 1969. At the time of my

a dent in poverty. But also, it's going to require that we look at our assumptions, assumptions and strictures that we've grown up with around democracy, around private capitalism, around what creates economic growth and reduces poverty and creates freedoms. We might have to tear those books up and start to look at other options and be open-minded to seek the truth. Ultimately, it's about transforming the world and making it a better place.' ■

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Speech delivered by Dr. Dambisa Moyo at the TED Global Conference in June 2013.