

MUNK DEBATE ON CHINA

Rudyard Griffiths: Ladies and gentlemen, welcome to Toronto, Canada, at Roy Thomson Hall, for the Munk Debate on China. My name is Rudyard Griffiths, I'm the co-organizer of the Munk Debates along with my colleague, Patrick Luciani, and it is my privilege to once again be your moderator this evening.

I want to welcome first the thousands of people watching this debate online, live on the Internet right now, on theGlobeandMail.com and MunkDebates.com. It's terrific to you have as a part of tonight's proceedings. A warm hello also to the millions of people watching, reading and listening to this debate, everywhere from the Australian Broadcasting Corporation down under to CSpan throughout the United States, to the People's Daily in China and through our international media partnership with the Financial Times of London and its prestigious China Confidential Research Unit.

Hello, too, to Canadians coast to coast, who are listening and watching everywhere from CBC-Radio Ideas to CPAC our own national public affairs channel and on the network where I host a daily television show, BNN. It's great to have you as part of this debate, too. And finally, if I look around this hall, filled to capacity, welcome to the 2700

people who have come out for a second time in a row for the Munk Debates at Roy Thomson Hall.

All of us associated with this project thank you for your support for the simple idea to which this series is dedicated which is to create venues like this, where we can debate the big geopolitical issues that are changing Canada and changing the world. The success of this series, its ability to bring to Toronto some of the world's sharpest thinkers would not be possible without the philanthropic creativity and generosity of two individuals. I'd like all of us here tonight to join me in a round of applause for our hosts, the co-founders of the Munk Debates, Peter and Melanie Munk. Bravo you two. We're going to keep at this.

Now, for the moment we have all been waiting for, we have our motion before us: Be it resolved the 21st century will belong to China. All we need now is our debaters centre stage. Let's have a big round of applause for the two debaters who will be arguing for the motion, Niall Ferguson and David Li. Now, let's welcome their formidable opponents, Fareed Zakaria and Dr. Henry Kissinger.

Niall Ferguson is well known to Munk Debate members. In our very

first debate in 2008, he and Charles Krauthammer bested now National Security Council member Samantha Power and the late Richard Holbrooke on the motion: Be it resolved the world is a safer place with a Republican in the White House. That was a very spirited debate. Since 2008, Niall Ferguson has added to his raft of internationally best-selling books with the publication of *The Ascent of Money* and most important to us tonight, *Civilization: the Rest and the West*. He holds a variety of prestigious professorships and lectureships everywhere from Oxford to Harvard to LSE, ladies and gentlemen, Niall Ferguson.

Our next debater joins us from Beijing, China, where he is the director of the Centre for China in the World Economy at the University School of Economics and Management in Beijing. In many ways his personal biography mirrors China's rise. His family was displaced by the Cultural Revolution; David still has memories of this as a four-year-old boy. Twenty-eight years later he received his Ph.D from Harvard. He is now one of only three academic members of the Monetary Policy Advisory Committee of the Central Bank of China and one indication of the key role that he plays representing a new generation of thought leadership in China is this: David, an economist, has three million plus followers on the Chinese equivalent of Twitter. Move over, Justin Bieber.

Fareed Zakaria is a familiar face to Canadians. He's the host and the driving force behind CNN's flagship international affairs program, Fareed Zakaria: GPS. You have also read him at Time Magazine where he is editor-at-large, and in the Washington Post. He's the author of the internationally acclaimed books, The Future of Freedom and the recently updated Post-American World: Release 2.0. As you will hear here tonight, Fareed is one of the most thoughtful and provocative U.S. thinkers practicing today on America's role in the world and the effect of the rising powers. Fareed Zakaria, a pleasure to have you here.

Our final debater has played a central role in global affairs for the last half century. His public service has been rightly honoured with the Nobel Peace Prize and the Presidential Medal of Freedom. Most important to us, though, he is the single individual here today who can interpret China's rise, given his unique contribution to bringing China back into the community of nations after its Cultural Revolution. And tonight he makes history again, participating in his very first public debate on China or any other subject. Ladies and gentlemen, please welcome to the Munk Debates, the 56th Secretary of State of the United States, Dr. Henry Kissinger.

Let's briefly run through how the next hour and a half will unfold. Each of our debaters will have six minutes for their opening statements to make their case for and against this motion. And talking of timing, there's going to be a clock on the screen as we have done in the past; when you see it count down to zero join me in a round of applause for the debater speaking and that will ensure that we continue this debate in a timely fashion. After those opening statements, we're going to have our debaters cross-examine each other's views and opinions, and then we're going to bring you, the audience, into the conversation in three ways. We have some notable people in the audience tonight, we have students from the Munk School of Global Affairs here also and finally we have a raft of questions from our own website, Facebook and Twitter, which I will weave into the conversation.

So how did this audience vote, coming into this evening? Did you believe the 21st century will belong to China? Let's take a look at those numbers up on the screen: interesting. Thirty-nine percent of you believe the century could be owned by China, 21 percent do not know – so there's a swing vote in play already. Next question we asked – would you be open to changing your mind, depending on what you've heard over the course of the debate? Let's have a look at those results. Wow! Ladies and gentlemen, we officially have a debate on

our hands.

To get us started, as has been previously agreed, I am going to call on Niall Ferguson. You have six minutes for your opening statement.

Niall Ferguson: Thank you Rudyard, and ladies and gentlemen. I believe the 21st century will belong to China because most centuries have belonged to China. The 19th and 20th centuries were the exceptions. Eighteen of the last 20 centuries saw China as, by some margin, the largest economy in the world.

Let me begin with some demographics and economics: China is more a continent than a country. A fifth of humanity lives there. It's 40 times the size of Canada. If China were organized like Europe it would have to be divided up into 90 nation states. Today there are 11 cities in China with a population of more than six million. There's only one in Europe and that's London. There are 11 European Union states with populations of less than six million. In just 30 years China's economy has grown by a factor of very nearly ten and the IMF recently projected that it will be the largest economy in the world in just five years time. It's already taken over the United States as a manufacturer and as the world's biggest automobile market. And the

demand for cars in China will increase by tenfold in the years to come. By 2035 China will be using one fifth of all global energy. It used to be reliant on foreign direct investment. Today with three trillion dollars of international reserves and a sovereign well fund with 200 billion dollars of assets, China is the investor.

What's perhaps most impressive is that China is catching up in terms of innovation and in terms of education. It's about to overtake Germany in terms of new patents granted and in a recent OECD survey of educational attainment at the age of 15, the region of Shanghai came top in mathematical attainment with a score of 600. The United States came 25th with 487. You'll be glad to hear that Canada got 527. That's better, but not good enough.

Ladies and gentlemen, it's not easy being a biographer debating against his own subject. It's a little bit as if James Boswell had to debate against Dr. Johnson. So what I propose to do in a diplomatic way is to try to show to you that Dr. Kissinger and perhaps Fareed Zakaria are, through no fault of their own, on the wrong side of this revolution. Can I quote from Dr. Kissinger's outstanding new book on China - page 493?: "China's quest for equal partnership with the United States is no longer the outsized claim of a vulnerable country;

it is increasingly the reality backed by financial and economic capacities." Or I could quote Fareed, from his excellent Post-American World: "China is a country whose scale dwarfs the United States. China is hungry for success."

The fascinating thing is that these two great geopolitical thinkers agree that the Chinese economic challenge is also a challenge to the hegemony in the world of the United States. Once again let me quote Dr. Kissinger: "An explicit American project to organize Asia on the basis of containing China or creating a block of democratic states for an ideological crusade is unlikely to succeed." He hopes, as he concludes in his book, for peaceful co-evolution. But he fears a repeat of what happened a hundred years ago when the rise of Germany challenged the pre-dominance of the United Kingdom.

But for me, it's not just about China. The key to the 21st century really lies in the decline of the West. A financial crisis caused by excessive borrowing and subsidized gambling; a fiscal crisis that means the United States will soon be spending more on debt interest than on defence; a political crisis exemplified by a game of Russian roulette over the U.S. federal debt ceiling; and a moral crisis personified by a legislator named, implausibly, Weiner, sexting miscellaneous women

with pictures of his naked torso. The 21st century will be China's because an overweight, over-leveraged, over-sexed America, not to mention a dysfunctional Europe, are on the slide.

Four decades ago Richard Nixon got this point sooner than most: "Well you can just stop and think of what would happen if anybody with a decent system of government got control of that mainland. Good God, there'd be no power in the world that could even...I mean, you put 800 million Chinese to work under a decent system and they will be the leaders of the world." I salute the achievement of that administration in re-opening Sino-American relations in 1972. It's an achievement to which no-one contributed more than Henry Kissinger. So I don't ask you to vote against him, but for his own analysis, which places him and his partner tonight firmly on our side of the debate. I urge you to support the resolution.

RG: Fareed Zakaria, your opening statement please.

Fareed Zakaria: Thank you very much. That's a hard act to follow. My role in this debate has been to lower the average age of this debating team and I am going to try and do that as best I can without also lowering the average IQ, which I fear is also going to happen. So bear

with me and Henry will correct all the mistakes I make, including I hope, firing his biographer, which I think should be one of the first steps.

I actually was a little worried about having to debate with Henry because, you know, the man is a legendary genius, but part of debating is listening to the other side and I remember this story that I was told about Henry. It's what journalists call "too good to check," so I've never actually checked it. It goes like this: Henry Kissinger, as you know, has this legendary accent and friends of his who are German say to me, he has an accent even in German. Apparently he has an older brother who speaks normal American English. So somebody asked the brother, what explains this difference? And he said, it's very simple; Henry never listens. So I hope this is too good to check and will crumble upon real fact-checking.

I want to make three points about China. China is not going to be the dominant power of the 21st century, the century is not going to belong to China, for three reasons: economic, political and geopolitical.

Economic: one thing we've realized in the past decades is that nothing goes up in a straight line forever. China looks like it is about to inherit the world, but Japan looked like that for a while. It was the second

largest economy in the world; I don't know how many of you can remember all the tales we were told about how the world was going to become Japanese. We were all going to be eating sushi -- well I guess we are all eating sushi -- but the rest of that prediction didn't quite work out. If you think about it, most Asian tigers have grown at about 9% a year, for 20-25 years. And then they shift downward to 6%, 5%. I'm not predicting any kind of Chinese crash. I am simply saying that China will follow that law of large numbers and regress at some point to a slow growth rate, perhaps a little bit later than the others because it is a much larger country.

It is also worth pointing out that there are massive inefficiencies built into the Chinese system. They have a huge property bubble. Their growth is highly inefficient. China takes in, in foreign direct investment every month what India takes in every year and still, it only grows two percentage points faster than India. In other words, if you think about the quality of Chinese growth, it's not as impressive as it appears. It is massive investment, a huge number of airports, eight-lane highways, a high-speed rail that's being built and if you look at what you are getting out of it in terms of the return on investment it is not as impressive.

The UN just came out with a report indicating that China is going to have a demographic collapse over the next 25 years. It is going to lose 400 million people. There is no point in human history in which you have had a dominant power in the world that is also declining demographically. It simply doesn't happen. And if you want to look at what a country in demographic decline looks like, look at Japan and ask yourself how powerful it is.

Even if China were the largest economy in the world, those numbers are all based on something called purchasing power parity, where China's GDP gets inflated because the cost of a haircut in Beijing is less than the cost of one in Toronto. And international power doesn't depend on the price of haircuts. It depends on foreign aid and oil and international investments and aircraft carriers and for all of that you need real hard currency and that adjusts these numbers slightly.

But let's say that China does become the largest economy in the world: does it have the kind of political capacity to exercise the kind of leadership needed? Remember, Japan was the second largest economy in the world for decades and I didn't see any kind of grand, hegemonic design. You need to have the political capacity to be able to exercise that kind of leadership. Henry's going to talk more about these issues

but I want to telegraph them by saying this is a country ruled by a political system that is in crisis.

It is unclear whether the next succession that China goes through will look anything like this current one. China has not solved the basic problem of what it is going to do when it creates a middle class and how it will respond to the aspirations of those people. When Taiwan went through a similar process, what you saw was a transition to democracy. When South Korea went through it, you saw a transition to democracy. These were not easy periods. They were fairly bloody and chaotic ones and China is, as Niall has reminded us, a very large country and a very complex country. Imagine this kind of political instability and social instability in that process.

Finally, I'll make one point about the geopolitics and again, Henry will talk more about this. People like to talk about the rise of Asia. I grew up in India. There is no such thing as Asia. There's China, there's Japan, there's India. They don't much like each other. And the point of fact is you are going to find that as China rises there is going to be a spirited response in India, in Japan, in Indonesia, in Vietnam, in South Korea. You already have begun to see the stirrings of this. China is not rising in a vacuum. It is rising on a continent in which there are many,

many competitors.

RG: Two very professional debaters landing it right on the three minute mark. David Li, you're next.

David Li: Good evening, ladies and gentlemen. As the only one from China I am extremely handicapped in this debate because in my culture and in my education, we do not advocate debates, especially debates against an elderly sage. Today I would urge you to read all the best-sellers done by my co-debaters. They are much better at explaining the huge amount of changes in China in the past decades and also even more the mountain of challenges, just as Fareed has explained to you. Buy their books - today I am advocating their points.

However, I would like to share with you three simple points, summarized by three keywords. The first keyword is energy. I would argue that the changes you have witnessed in the past decades in China at most are only halfway done. What we're seeing is continued change in China. Why -- because there is energy. There's new energy there in our gas tank, for continued change, whether it's economic or political. Why -- because the changes came from a spectacular clash of civilizations between China and the West as recently as 170 years ago.

The clash was a total failure for the Chinese. It came as a big humiliation to us, lasting from generation to generation. Even today our young kids are also taking in these lessons.

And this humiliations created a huge amount of reaction and over-reaction in Chinese society, in China's history, including the founding of the Chinese Communist Party 90 years ago almost to the day. That was more about establishing a strong and independent China than spreading a proletariat revolution all over the world. So after the founding of the Republic, 62 years ago, we've seen over-reactions in the Communist Party and in the government in the form of the Great Leap forward, in the form of the Cultural Revolution, none of which improved life for the Chinese, none of which advanced the interests of the Chinese. That is, until 33 years ago, when more big changes happened, which we called Reform and Opening Up.

Reform implies gradual and non-continuous improvements in our institutions, whether they are political or economic. Opening Up means learning whatever is best in the West. Initially, people didn't believe in the message of reform and opening up, just as Fareed was saying. But our great leader Deng Xiaoping said, "No debates. Just do it." I guess Deng Xiaoping wouldn't be a fan of the Munk Debates. He would be a

fan perhaps of Nike. Just do it. Indeed, the last thirty years of change have demonstrated the power of reform and opening up. Today I will tell you, young people are not satisfied with the progress we have made. They are eager to push for more reforms, more opening up, with the power of the Internet. That's the first message - energy. The energy is still there, in the gas tank.

Where are we driving to? What's the destination? The destination is the keyword revival. The destination is the revival of our great civilization 1500 years ago, the Tang Dynasty. It is not revenge against the West. It is not to emulate the success of the U.S. in the absolute dominance of the world. Rather it is revival a peaceful, self-confident, open-minded civilization such as the Tang Dynasty. That is the destination of this change, which is at most, halfway through. The second keyword is revival.

The third keyword I would like to share with you is influence. What kind of influence will China have in the world, maybe 90 years from now? I would like to argue that the influence will be multi-dimensional. First, China's emergence has given hopes to the poor in the world, such as people in Africa and other underdeveloped regions. They say to themselves, China has been poor. China has been constrained in

natural resources. If China can make it, surely we can, as well. So we are giving hope to many of the world's poor. That's the first dimension.

The second dimension is that China's emergence gives us an alternative model of social and economic institutions; different from the West, different from the U.S. In this model – compared with the U.S. and other Western models -- more weight is given to social welfare, to social well-being, to social stability, rather than pure, individual liberty.

The third dimension of influence is international relations. China's revival of civilizations such as the Tang Dynasty is giving us a new picture of international relations in which China is looking for peace, looking for collaboration. We saw this in the past two and a half years with the global financial crisis. So overall I won't impose my conclusion upon you. I would like to ask you to draw your own conclusions: continuous change with energy, revival of a great civilization and a positive, international influence. You draw your own conclusions.

Thank you.

RG: I can't believe I'm about to say this, but Dr. Kissinger, you have six minutes.

Henry Kissinger: For somebody who was brought up speaking German, six minutes are barely enough to place a word. My colleagues up here have spoken of the magnitude of China. I respect its tremendous achievement. And nobody would deny, in fact I would affirm, what China has achieved in the forty years that I have been able to observe it directly.

But the issue before us is whether the 21st century belongs to China. I would say that China will be preoccupied with enormous problems domestically, and preoccupied with its immediate environment. And I have, because of this, enormous difficulty imagining a world dominated by China. Indeed, as I will conclude, I believe that the concept that any one country will dominate the world is, in itself, a misunderstanding of the world in which we now live.

China has achieved great things economically, but it has to produce 24 million jobs every year; it has to absorb six million people moving into the cities every year; it has to deal with a floating population of 150 to 200 million. It has to accommodate a society in which the coastal regions are at the level of advanced countries while the interior regions are at the level of underdevelopment. And they have to

accommodate all of this in a political system that must take care both of the economic change that is being produced and the political adaptation that inevitably has to result from the huge figures involved in the economic change.

In the geopolitical situation, China historically has been surrounded by a group of smaller countries which themselves were not individually able to threaten China, but which united could pose a threat to China. Therefore, historically Chinese foreign policy can be described as barbarian management. China has never had to deal with a world of countries of approximately equal strength. So to adjust to such a world is in itself a profound challenge to China, which now has 14 countries on its borders some of which are small but can project their nationality into China; some of which are large and historically significant, so that any attempt by China to dominate the world would evoke a counter-reaction that would be disastrous for the peace of the world.

As for the quote that Niall Ferguson -- who, of course, is my biographer so he will have the last word no matter what I say here -- used about the military containment of China, I would say that one of our challenges is to accommodate the rights of China. One of China's challenges is to accommodate itself to a world in which it is not

hegemonial as it has been for 18 of the last 20 centuries.

So if I may take the liberty of retracing the topic before us: the issue before the world is not whether the 21st century belongs to China. The issue before the world is whether, in the 21st century when China undoubtedly will get stronger, we in the West can work with China. And the issue is also whether China can work with us to create an international structure in which perhaps for the first time in history a rising state has been incorporated into an international system and strengthened peace and progress.

I say in my book that based on experience the prospects are not optimistic. But on the other hand we have never had to deal before with proliferation, environment, cyberspace and a whole set of other problems that can be dealt with only on a universal basis.

RG: Dr. Kissinger, I'm going to give you 20 more seconds on the clock.

HK: My conclusion is that the issue is not whether the 21st century belongs to China but whether we can make China belong to a more universal conception in the 21st century.

RG: A fascinating series of arguments have begun to crystallize in this debate and to keep it going I want to ask both teams of debaters to quickly respond to what they've heard in their opponents opening statements. Specifically, I'd like them to address what they disagree with most. Niall, as we agreed I wanted to come to you first for your rebuttal.

NF: Well let's just take one point -- and I assume you don't want me to wander around the stage anymore...

RG: Whatever you'd like to do.

NF: Well, everybody else wanders around the stage, so...I mean, what are these [gesturing at the note-stands] for? My question to Fareed is, if you're right and China is going to repeat Japanese history, just think what that means considering Japan's much smaller size and considering China's relatively low level of development as both of you have pointed out. If you're right and China is going to re-enact Japan's economic history, then it surely will own the 21st century. Because before it slows down in the way that Japan has since the late 1980s, it will achieve an enormous share not only of global GDP but also of global power, because unlike Japan, China never lost its sovereignty

through the kind of military defeat that Japan suffered in 1945. So both economically and geopolitically the prospect of China repeating Japanese history should really be quite a scary one for your side of the debate.

RG: Fareed?

FZ: Well since I'm an American trained in the Oprah Winfrey style I intend to come out [walking to the front of the stage] and -- you're all my friends.

NF: You hope!

FZ: And if you look under your seats you will see you're all going to Australia if you vote for our side of this debate!

Look, the Japan example is simply to point out that nothing moves in a straight line. Countries, particularly as they ascend the economic modernization scale, find that they have problems. If you look at the number of countries that have been able to get past about \$12,000 per capita GDP over the last 100 years it is an astonishingly small number. It is about five.

You have lots of countries that manage to do well -- the basic manufacturing, the beginnings of the reform process, the government getting out of the economy. Then it turns out you've got to modernize every element of your society to move up into that top tier that South Korea and Taiwan and Singapore and Hong Kong have been able to reach. I simply point out that China -- with the economic, demographic, political and geopolitical problems it faces -- might find that that last period will be somewhat rocky and complex. As Henry pointed out, it may require that China stay internally focused and absorbed in a way that will not allow it to project enormous hegemonic power.

I don't doubt that China is going to be an enormous economy. I don't doubt that China is going to be an enormous player on the world stage. The question is, will it own the 21st century, will it dominate it? And I say for all those reasons it's not going to do that.

RG: David, come back on this because it was a subject of a lot of debate before this debate: the Japan example, the years of GDP growth, the close state co-ordination of their economy, and more than that the sense in the 1980s that Japan was a lot like China -- a society

with a lot of homogeneity, a lot of energy. Why isn't Japan's recent past China's near future?

DL: Let me respond to your question, and Fareed's points and Dr. Kissinger's points altogether. I think your arguments are correct. These points are even better made if we are talking about the China of 20 or even 30 years ago. Despite all these claims, China has been growing. China has been changing for the past 30 years. And my point is that today's China, despite all the mounting challenges, is still making changes.

Let's compare China with Japan. In Japan, I don't think there had been any fundamental changes before the collapse starting in the early 1990s. In China we do see that. Also, Japan has been learning from China. I wouldn't argue Japan was one of the primary cultures in the world where China has been, at least until the spectacular financial crash took place in Western countries.

On the point of Fareed about the economic growth rate, I fully agree with you that an economy as large as that of China can never increase at the pace of double digit GDP growth. It will slow down. But when the U.S. was emerging, it wasn't growing nearly as fast as China. The

U.S. slowed down significantly, long before the U.S. became the world's dominant power. And it kept growing. In today's China, I do see energy, I do see changes on-going.

Now finally I would like to address a point of Dr. Kissinger. He has been referring back to the past 18 centuries in China. I fully agree with him, but there is one difference. In today's China, we have been sending a huge number of young kids to the outside world to study. How many? Imagine -- six times the size of the University of Toronto, that's the number of Chinese students studying in the U.S. and in Canada. These are sources of change. These kids are learning. So I do think China's emergence will be different from that of the U.S. and I also think it will not repeat the problems of Japan.

RG: Dr. Kissinger, would you like to offer a rebuttal?

HK: That China is changing is undoubtedly the case. If one compares what China looked like in 1971 to what it looks like today it has changed physically and it has changed demographically in a fundamental way through the one child per family policy. The latter has also, in a way, changed the values in China. In a predictable future, in about thirty years there will be only about two people of

working age taking care of retirement-age people. In 2005, there were 9.2 people that were able to deal with the retirement-age people. So this creates a different set of attitudes.

But one must not confuse magnitude with global influence. China will have to be preoccupied with the adjustments to urbanization, with the adjustments to demography and with the adjustments to an international system in which it will be a permanent participant rather than the centre of the universe as it has been historically conceived. These are soluble problems but they should not be identified with the Western notions of imperialism.

Historically, the Chinese role internationally has been based on gaining respect for its conduct. It has not been culturally geared to a global role. I believe that for China to manage its environment and its domestic situation, co-operation with the West -- rather than attempts to dominate the West -- will be required.

RG: Fareed, you wanted to weigh in on this point also?

FZ: I wanted to ask Niall a question. I mean I could have done this, I suppose, if I were not as lazy, by reading all of Niall's 46 books and

finding quotations that contradict his current position. But instead I'm going to put this very simply, which is to say that Niall is a very keen student of geopolitics and I wondered what he made of the fact that China is rising -- and it is undoubtedly rising -- but not in a geopolitical vacuum.

If you just look at the last year, China had a good year. It had a good financial crisis. It came out of it feeling confident. And look at the manner in which it behaved. In Copenhagen it humiliated the United States and humiliated the President of the United States and refused to sign up for a deal. On the Senkaku Islands it angered Japan enormously. When the North Koreans sunk a South Korean boat and the South Koreans asked the Chinese to condemn it, they refused, enraging the South Koreans. The Vietnamese and Filipinos were enraged because China asserted sovereignty over the South China Sea. That's just in one year, right? And that's when China hasn't even yet gotten to the point where it is, in fact, the dominant economic power in the world.

Do you think all these countries are going to roll back and accept Chinese domination? Or are you likely to see a spirited response from the Indians, and Vietnams, the South Koreas and Japans and

Indonesias of the world, in which case all of a sudden this proposition doesn't look as rosy as it did?

NF: Thanks Fareed, for that question. I've noticed in your recent columns in Time Magazine you've been dabbling in economics. So this gives me an opportunity to help you out. The thing about China's growth during the financial crisis is that it fundamentally altered China's role in the world economy. Up until the financial crisis the main story was that China was competing with other emerging markets for market share in developed economies like Canada's or the United States'. It was an exporter of cheap goods and it was essentially able to beat most of the emerging market competition with the so-called China price. And then the financial crisis struck and those developed economies went into recession or near depression.

What happened? China engaged in the biggest and most successful stimulus in the world and in so doing its role changed. It ceased to be a competitor with other emerging markets and it became their market of first resort. They found that the most dynamic market they could sell to was China's. And so in an amazing reversal of fortune, trade patterns around the world shifted and China's neighbours right the way around Asia, including India -- where you were born -- discovered

a new China: not a competitor, but a market to which they could sell.

That trend is just going to keep on going because the whole aim of China's latest five-year plan is to shift from exports to domestic demand, to consumption. That's why your idea that all these little Asian countries are going to band together against nasty China is a total fantasy. They depend on China economically more than they ever have. And if you go to Seoul and talk to people there, or if you talk to Mukesh Ambani, India's richest man, he'll tell you just how big China's business now is for the rest of Asia. And that seems to me one very good reason why the 21st century is going to belong to China, because all of those Asian markets are going to belong to China.

RG: I'm going to go to you David and then back to Fareed and then we're going to start looking for a couple of questions.

DL: Fareed was absolutely right in observing the tensions in the last one year. But we have to go deeper. We don't have to just stay on the surface, like on television. I'm sorry, television is important, especially your GPS program which I like very much. But we have to look beyond the surface. Who are the aggressors? Who were the provocative parties? It was never China.

Take the issue of the Senkaku Islands with Japan. It was the Japanese government which arrested and used domestic law against Chinese sailors. The Chinese side was trying to make peace. Take the issue of the Copenhagen negotiation -- it was China trying to make a meaningful agreement with other countries. On the matter of any negotiations, the Chinese side is extremely handicapped because whatever the Chinese government promises today, the Chinese government has to honour in the future, because we cannot claim we have changed our parliament, and that the new parliament has nullified the agreement.

In the case of the U.S., it was a show for the new President, Barack Obama, who was trying to negotiate, but who in the end expected Congress to kill the deal. That would never work in China. I would suggest you look at other evidence. For almost three years during the financial crisis, it was China trying to stabilize the global financial system. During the peak days of the financial crisis, the RMB did not depreciate against the U.S. dollar, unlike many other currencies.

Also, China did not sell massive amounts of Treasury bond holdings during the financial crisis. China has been the most patient long-term

investor supporting today's Europe and supporting the U.S. government. So I suggest you look at the big picture.

FZ: Just a quick point: Niall is, of course, an incredibly accomplished economic historian and so he understands the economics of Asia. But I would point out that throughout history people have gone to war and countries have had spirited geopolitical rivalries despite the fact that they have been economically interdependent.

Thucydides, the first great historian, talked about the Peloponnesian War and his first explanation for the war was honour and dignity. It had nothing to do with economics. If you looked at Europe on the eve of the First World War you saw a continent that was economically more interdependent by some measures than the countries of the world today. And in fact, the level of economic interdependence between Britain and Germany was such that it was in some ways madness that these two countries went to war, but still they did.

In fact, there was a very famous book written by a young historian who talked about the fact that perhaps Britain should not have gone to war because in fact this was craziness and it was...a pity, *The Pity of War*. Oh, wait a minute -- that historian was Niall Ferguson.

NF: So you've read one of my books, then.

RG: Before we end the rebuttal part of this debate I'd like to allow Dr. Kissinger the last word.

HK: I don't know whether one can reverse the order of participants up here, because I think it's three to one against my friend Niall. Our Chinese friend is saying that China has suffered a great deal, has been provoked through a century of Western exploitation and that it's not trying to dominate the world. As I understand it he is saying this: when the West wants to discuss climate or the financial system, our tendency is to say that China can be a stakeholder, it can be a participant in a system they did not themselves participate in creating. So the issue is whether it is possible to create an international system in which China participates in the creation of it, without dominating it. This is really what we are debating here.

If I understand the observations of our Chinese colleague, he's not saying that China will dominate the world. He's saying that China is making great progress and that China wants to be heard and that in such issues as climate the United States should not present them with

a finished product and ask for their agreement. All of this we agree upon, on this side of the aisle. So if you would like to move your chair over to our side we will welcome you.

RG: We're now going to move into the question and answer portion of the evening and a bit like in Fareed's opening remarks we're going to break it down into three sections: economic, political and cultural and of course, geopolitical. To start us off on our first section, the economy, I want to go to someone in the audience who's written a number of best-selling books on economic themes including *Dead Aid*, a great best-seller here in Canada, and *How the West was Lost* and she is Dambisa Moyo. Dambisa?

DM: My question is actually to Mr. Li and Mr. Ferguson. Until now, a key piece of China's development strategy has been to use soft power, vast resources, to accumulate and access natural resources such as land, water, energy and minerals. And effectively, China's been free-riding off the United States which has been underwriting public goods such as national security around the world. As we head toward nine billion people on the planet in 2050 and add two billion into the middle class in 2030, my question to you is how aggressive do you think China will become in her efforts to secure natural resources? In other

words, what is the likelihood that China moves from the soft power strategy of accumulating resources to one where she depends more aggressively on hard power and therefore adopts more military and colonial-like strategies of accumulating resources, particularly in the context of Africa?

NF: Dambisa, it's great to have you here and I hesitate to answer a question from you on the subject of Africa. But it seems to me, having recently visited Zambia and last year having been in Senegal and Namibia, that something very important is happening in sub-Saharan Africa. China is leading a whole new developmental push, radically different in its nature from the aid programs you persuasively argued had been a failure when the West tried them.

This is a developmental strategy based on self-interest. China is developing natural resources like copper in the Zambian copper belt because it desperately needs copper to wire its vast new cities. But the effect in Africa is by no means all bad and I think it's a really big misrepresentation to suggest that this is a rerun of 19th century colonialism. That wasn't the question in my mind when I went to Zambia. It wasn't the answer that I found.

That wasn't the Chinese approach and in many ways I think what they are doing is very in agreement with what you argued in Dead Aid. They're investing. They're trying to make money. They're letting the market drive African economic development rather than handouts and a culture of dependency. Would this ultimately lead to conflict of the sort that you suggest, a sort of scramble for Africa as in the late 19th century? It's conceivable but I see absolutely no sign of it at the moment. There's only one country scrambling for Africa right now and it's China.

DL: Let me follow up Niall's great points by adding three simple observations. First: intention. China doesn't have the intention of repeating the colonialism of previous centuries. On the contrary, China has been working hard collaborating with African countries. Look at the African Union Summit of about three years ago, where most African leaders and business people were very enthusiastic about Chinese investments.

Second: capacity. Look at the Chinese reality. We are still an extremely poor economy, with per capita GDP around 4,000 U.S. dollars. So there's a long way to go for economic growth. Meanwhile, it implies that there is absolutely no capacity to colonize all these African

countries, even if China wanted to do so.

Third: you have to look at China. Within China there have been tremendous, tremendous efforts in pushing for new technologies to conserve resources, new technologies to promote energy efficiency and new policies to encourage conservation. So, I think it is clear that China is trying to develop a new pattern of modernization which again will give hope to the world's poorer nations.

RG: I want to ask you, Dr. Kissinger, isn't this one of the traps that nations that begin to assume global power fall into? Do you think China is at risk of reaching beyond itself to defend these lines of resources?

HK: That China will want to acquire resources for its industry is a natural evolution. Whether it believes that in order to have the access to its resources it must also be militarily dominant, that's another decision. If you look at the rights of Germany before World War I, the world would probably have been able to live with a Germany having the largest land army. But when on top of it, it tried to develop the world's largest naval force it began to threaten the long-term existence of Great Britain. So there are two challenges.

We have to understand that China will get stronger and that we cannot react neurologically to every indication of Chinese strength. But China has to learn some self-limitation in the way it vindicates its interests around the world. Both of these sentences have to exist and cannot be done by one nation alone. It has to be done collaboratively.

FZ: Can I just add one comment, which is I think that David said that China's investments in Africa are very popular; I think it would be more accurate to say that China's investments in Africa are very popular with its dictators. I was in Kenya a year ago and I asked a group of Kenyan parliamentarians what their main concern was -- we were talking about democracy, human rights, things like that and they said, the single biggest concern we have is that China is going around Africa making deals with Africa's dictators with no questions asked and no accountability on any human rights issues.

I would argue that that is possibly an exaggeration but certainly something they have to be worried about in a long-term geopolitical sense. We thought we had very stable relations with many of the countries in the Middle East. It turns out we had very stable relations with all the dictators in the Middle East.

NF: Hang on a second. Fareed, I'm a historian more than an economist. Remind me, are you saying that Western powers never did deals with Western dictators and this is some new and terrible deformity of Chinese policy? I go to Africa too and I spoke to the miners in the copper belt who had no jobs when the state-owned mining system collapsed and now have jobs because the Chinese re-opened the mines, and not only re-opened them but extended them. It's not fair to say that China only deals with African dictators. It deals with African democracies. It deals with the governments it finds in Africa, including the governments that Western powers have propped up for too many years.

FZ: I make no apologies for the West on this issue. I'm simply pointing out that China is doing what it is doing with the leadership class and that that may not reflect the wishes of the entire African public.

NF: Would you say that Africa would be better off if China didn't invest there?

FZ: I'm not saying that at all.

NF: Would Africa be better off if China weren't its biggest trading partner? I think that's the kind of hypocritical argument that if I were Chinese I'd find quite annoying.

FZ: You're obviously finding it annoying even though you are not Chinese.

RG: Keeping on the economic theme -- I'm going to have to separate these guys -- I'm holding in my hand what many people consider to be the quintessential consumer success product of the last decade, the Apple iPhone.

NF: This is a fountain pen. [Takes fountain pen out of his jacket pocket]

RG: This phone is manufactured in China. It is however, designed in California. The software that powered it was thought up by Steve Jobs, by his team at Apple. And that wow factor that makes this such a coveted device leads me to ask both you Niall, and David, can China innovate in the same way, on the same scale as an Apple, as a Google, as a RIM here in Canada? Because they've got to do it if you think that they can own the 21st century.

DL: The answer is yes. Remember, no country, starting from being very poor, could innovate overnight. It's a learning process. I told you before -- it's opening up, learning whatever is good in the West, sending out hundreds of thousands of students to the West to learn and then gradually innovate.

China couldn't innovate nearly 30 years ago. Now we have rapid trans-railroads where the U.S. is still struggling. Today we have cars which are not only cheaper but also more efficient than those from GM. Remember, most of GM's profit comes from China today. If it were not for Chinese operations, GM would have used more U.S. government money for its bailout. It's a simple fact.

So it's a learning process, it's a gradual process. I'm sure in the long run China will innovate. Whether China will have an iPhone in the future is a different issue. It's a different level of innovation. It is only in the U.S. that iPhones and iPads were invented. Coming from different economic and social institutions, China will not be at the very cutting edge of innovation. But you don't need to be at the cutting edge of innovation in order to be a respected and important country in the world.

NF: You know, I've heard that story about the iPhone so many times, and it's a symptom of Western complacency. As if we'll always have the cool ideas and they'll always do the assembly line. That is so out of date. That is ten years out of date. We're not talking about the future here. China is going to overtake Germany in terms of internationally recognized patents in the next couple of years and that is because of a huge effort on the part of China's educational institutions, like the one where David works, to raise the game in research and development, in producing people with Ph.Ds. And I'm not talking about Ph.Ds in Media Studies, but Ph.Ds in engineering and in physics.

RG: Fareed, I'd like to come to you on this point as well. Can China innovate though, without a free and open society?

FZ: First let me say that I broadly agree on this issue with Niall and David. It is a mistake to believe that there is some sort of genetic deformation that doesn't allow the Chinese to innovate. Of course they're going to innovate, of course they're going to do things that are interesting. I mean the point that Henry and I keep making is, they're going to innovate, we're going to innovate, this is going to be a world of multiplicities. That's why I didn't call the book *The Chinese World* or

The Indian World. It is genuinely a post-American world. There will be a lot of innovation going on.

But one qualifying thought: if you look at Apple and think about what constitutes innovation, Apple is generally regarded as the most innovative company in the world right now. It wins all the lists. Apple spends on R and D in one decade what Microsoft spends in one year. If you look at lists of R and D spending, Apple is 82nd. It spends 50% of what most computer companies spend. Apple's innovations are in design and in the way in which human beings use technology. That may be something you learn when you get a Ph.D in Media Studies.

And by the way, this is true throughout history. With the invention of the sewing machine, Singer's great skill was not coming up with the best machine. It was that he figured out that you sell it to women on an instalment plan. Nobody had ever sold machinery to women before. Google's great innovation may not actually be the search engine. It may be the advertising program that goes along with it. So part of what innovation is, is this strange combination of science and consumer behaviour. I mean the great invention that launched capitalism was double-entry bookkeeping. It wasn't some scientific gizmo.

Of course China will innovate in its own way but there is something about the eco-system of America which has all the things that we all know. Also, I think most importantly, Americans have the ability to question hierarchy, which is absolutely key. I hear all these people talking about Asian education and the Tiger Mom way of parenting. You know, I went through an Asian education system. I think it's pretty lousy. It's rote memorization toward some big exam and when you've taken the exam you promptly forget everything you've learned.

The American system is much better in that it teaches you to think, it teaches you to problem-solve, it teaches you to love learning for the rest of your life, it is a continuous process and it doesn't make you feel ashamed of failure. The ability to fail efficiently is an incredibly powerful part of innovation. So China will innovate, but I think that the United States has something very special about it.

RG: I want to move on to the second part of your question and answer session which is politics and culture. To kick us off I'd like to call on Janice Stein, who is the head of the Munk School of Global Affairs.

Janice?

JS: This question is to David Li and to Fareed Zakaria. The world watched recently with astonishment as young people streamed into the squares in Tunisia and in Egypt to demand political rights and to demand that authoritarian and corrupt leaders leave the scene. Now the parallels between the Arab world and China are far from perfect. China is a mature society, the Arab world is young. China has created hundreds of millions of jobs, Arab governments have not.

But China, like the Arab world, tolerates almost no dissent and again, like the Arab world, there is growing income inequality within China. So my question is, China is about to undergo a leadership transition - will there be growing demand for political rights in China and how will the leadership cope?

DL: Thank you for this question. I knew this question would come up. I don't need to be reminded of the Arab Spring. We knew this from day one. After the economic success, people knew in China that there would be more voices, there would be more demand for expressing opinions and political participation in decision-making.

From day one, people in China knew that economic institutional change would go hand in hand with political institutional change. I

think the biggest misunderstanding about China is that we don't have political institutional change. We do, starting with the way leaders are being selected. Today, the way leaders are being selected and public decisions are being made is much, much more sophisticated than before.

As we speak, young people in China are able to express their opinions on the Internet and in most cases their voices are being heard and public decisions are being changed. So I would invite you all to go to China, to talk to young people, to visit Chinese websites, to understand the new way of reform being done, to understand the new way in which people express their opinions and express their dissidence. And you will also see a new way in which public decisions are taking into account the opinions of people, especially young people.

FZ: Five years ago I think I would have agreed with David. It was very clear that there was a movement towards very gradual and very limited but very real political reform. I think that over the last five years what you have seen is economic reform and economic growth has proceeded apace, but there has been a drawing back of any kind of political reform. And as events have seemed to take place around

the world that suggest some danger, such as the Arab Spring, to maintaining this political control, what you don't see in China is an opening up, an attempt to announce a series of ambitious political reforms.

In fact, you see a closing down. If you type the word jasmine into Google in China you will come up against a blank page, because of fear that somehow the Jasmine Revolution will take root in China. If you look at the Internet in general, China has, by some accounts, a million people monitoring the Internet. Text phone messages are monitored.

I can tell you about my one, personal slice of this. I got an interview with Wen Jiabao for my program, a very important interview which I was honoured to get. The Chinese government announced it because it was seen as very important. Premier Wen made some fairly harmless comments about how China would eventually evolve politically. The interview was banned on Chinese TV, it was taken off Chinese websites. Then a group of Chinese journalists protested the fact that this had been censored and their protest letter was promptly taken off their website.

This does not strike me as political reform. This strikes me as a kind of circling of the wagons, a fear of what might happen next. Look, clearly China has been moving and giving greater and greater freedom to its people. I don't doubt that at all. But they have to figure out how they are going to create a political system that accommodates this rising middle-class in a world in which people are demanding greater and greater accountability from their leaders.

When I look at India and China I think to myself, China has solved all the small problems. They've built the best roads and the best highways and the best high-speed rail and they've done this so magnificently that it puts India to shame. But India has solved one big problem, which is what will it look like 25 years from now politically. It'll be the same crazy, chaotic democracy it is today. What will China be 25 years from now, politically? Will you still have this Mandarin elite? The Communist Party of China is today the most elite political organization in the world. Everybody looks like David, they all have Ph.Ds and they're engineers, but that's not China. The people they rule are this vast mass of peasantry and those people are not reflected in the political system. Their views, to a large extent, are filtered through these many mechanisms. That strikes me as a huge political challenge for China going forward.

RG: Dr. Kissinger, I think this audience wants to hear you on this question, too.

HK: I believe that the next decade will see China wrestling with the problem of how to bring its political institutions in line with its economic development. I think that when you have vast economic changes, the migration of people, the spread of education, it is absolutely inevitable that that question will be one of the dominant issues of the new leadership that is coming up in a year and a half. Whatever form it will take, whether it will be the form of Western parliamentary democracy or some new form that we haven't seen yet, the outcome will have to be more transparency and more participation. And I believe the next leadership change will reflect this.

This is also why I do not believe that a country that will be so preoccupied with this fundamental change will also have time to concentrate on dominating the world.

RG: I'm going to let Niall come in on this.

NF: You know, I remember reading a book a few years back with a

title like *The Future of Freedom* in which a brilliant young journalist argued that there were problems with Western democracy and especially with American democracy that were only going to get worse. Hey, that was you, Fareed!

I know Dr. Kissinger will agree with me on this, though he doesn't need to move over here yet: we are making a big mistake if we think there is one universal model of Western democracy that absolutely everybody is going to adopt at some point between now and 2050. If you think that that is what the future of the world is going to look like you are going to be one very, very disappointed person. Starting in the Middle East, the chances of Western-style democracy emerging in any of these countries has to be between 0 and 5% at best.

The possibility of alternative models was something that was raised by David right at the beginning of his thoughtful, opening remarks. And I want you to think very seriously about what that implies. Singapore is not worrying about a Jasmine Revolution. Singapore is the model. Think of China as a giant, technocratic Singapore, in which the one party state evolves itself in ways that avoid the catastrophe, the collapse of the Soviet experience.

Second point, and this is where we differ: it is precisely when nations are struggling with internal political problems and challenges from below that they are most likely to pursue a more assertive and aggressive foreign policy. This must be one of the lessons of modern history, indeed of ancient history. And that is one reason why I think it is precisely at this time of political stress that we are likely to see a more nationalistic and a more assertive China. That is one of the reasons I'm arguing for this motion tonight.

RG: To start off our final session of this question and answer period, I want to call on someone who's thought long and hard about the practicalities of China's rise. He's William Cohen and he is the former U.S. Secretary of Defence.

WC: If I could I'd like to respond to the reference to Singapore by Mr. Ferguson. I was just there a couple of weeks ago for the so-called Shangri-La Dialogues. Secretary Gates was there making a very strong statement about the need for the United States to remain deeply engaged in the Asia Pacific region. And the reason he made the statement was to satisfy the Asian nations, many of which are anxious about China. One young man I talked to -- you quoted him in your book, Fareed -- said that no one in Asia wants to be dominated by

China. There is no aspiration for the Chinese dream, as there might be for the American dream. But there is growing concern that as China continues to expand its economy it is also expanding its military. And there is concern that the United States perhaps is looking more internally now because of our debt problems and that we will not be there in sufficient numbers. So they would like very much for the United States to become even more engaged.

Fareed, in your book you raise this issue: you said the United States must look for ways to co-operate with China. And there are a number of things that we can always co-operate on and the list is pretty public. But there are also areas of friction, be it Taiwan or the South China Sea. And you suggest that we need to draw lines. Now, we can't draw them everywhere, but the matter of the South China Sea does raise questions in terms of Indonesia, Malaysia, the Philippines and others in the region. Most ironically, Vietnam is asking for the United States to play a role in helping to solve the issues of sovereignty and territorial integrity. So the question I have for you or Dr. Kissinger is would you suggest or support drawing the line at China's assertion of sovereignty over the South China Sea?

HK: To answer your specific question, I think freedom of the seas is a

fundamental principle of American policy and has been a fundamental principle of the international system. So I would oppose the notion that any sea should be treated as a territorial issue.

Secondly, there are, of course, a series of specific issues about the possession of a series of islands and rocks and that should be dealt with hopefully by negotiation. But on the fundamental issue I would apply the principle of freedom of the seas to the South China Sea as I would to any other open ocean. The second point I want to make however, is this: while we can define the emerging relationship with China as an ability to draw lines, I believe it would be extraordinarily dangerous to begin thinking of international relations as a question of military containment of China. It is not a question of military containment. It is a question of dealing with China's inevitable rise. China has to restrain itself, within definable limits.

We cannot ask China to solve all our internal problems for us. We have to remain competitive. If we remain competitive, then the next challenge is to see whether a dialogue can develop between China and us and other countries that share our views on what we intend the world to look like five to ten years from now.

I keep asking the question that Niall asked in his first book, which is this: if the leaders of Europe had known in 1914 what the world would look like in 1990, would they ever have believed that what happened in Sarajevo justified the tens of millions of casualties that resulted? Similarly, I believe the leaders of the world now have to ask themselves, and the leaders of China have to ask themselves, how the evolution should be managed in a way that is co-operative rather than confrontational. I conducted foreign policy on balance of power principles. I know how to play that game. So it's not that I wouldn't know how we should play it.

I once spoke to a Chinese group and somebody got up and said, you're a great friend of China but we also read your books. And in your books you talk about the balance of power. How are you going to manage the balance of power? And I said, Look around. Look at the countries that border you. Ask yourself whether this is not a problem that is conceivable. What I'm suggesting is yes, the South China Sea is a clear case to make. That should not be claimed by any nation.

But what we really have to ask is that the top leaders begin to ask some of the questions that have been asked around here. Look at where we want to be five to ten years from now and work back from

that, rather than deal with crisis management month after month and be in a situation in which every time the leaders meet there is a terrific communique and then two months later one is asking, where did the Chinese go wrong, where did the West go wrong? That is my fundamental view, so on the South China Sea it's clear where we should come out with respect to freedom of navigation. But it's just a symptom.

What is required is an understanding that we are heading into a new world order in which there are now universal issues and that this world order cannot be organized on the same principles as our customary, conventional thinking. And this is where the relationship with China becomes so important, because China is rising. The question is, can China learn restraint? And can we learn to accommodate a reduction of our previous influence? It is that with which we need to deal.

RG: Fareed, can America learn a pattern of restraint in this new phase? Give us your sense of where the American polity is at vis a vis China? Are they willing to accommodate its rise?

FZ: Everybody tends to view the United States as having this vacillating foreign policy; that it's unable to get its act together and is

constantly shifting. And on China, I have to say that I think that the opposite is the case.

Since Henry Kissinger opened China to the world and opened U.S. relations with China the United States has had a remarkably consistent policy toward China. That has been to integrate China into the world, to help China gain the knowledge, the know-how, the technology, the capital and the institutional frameworks that will help it become a productive, thriving member of the international community. We have followed that under presidents that are Democratic, under Republicans, we have managed an extraordinary consistency of policy, even on those issues like red lines, such as our relationship with Taiwan, our relationship with the Dalai Lama. Every president has maintained a very strong, co-operative relationship with China while also maintaining some core interests and values that we have thought were important.

I think that my greatest worry about U.S.-Chinese relations right now is not the United States. I think the United States will continue to play that role and has been trying to do so. The United States has been willing to reform the IMF and the World Bank and all the international institutions to properly reflect the rise of China and other emerging

market countries. Let's be honest, the countries that haven't wanted to do it are the Europeans because their voting will be diluted in this process.

I think that the greater danger is that China, going through the kind of political transformation that Henry has been talking about, might find itself on a very different road. And here I'm only quoting back Niall Ferguson, who is saying quite rightly, China is becoming more nationalistic, more assertive, more arrogant. There is a growing sense in China that the policies that Deng Xiaoping outlined -- hide your light under a bushel, co-operate with the United States -- are not as relevant. People openly say that was at a time when we had the Soviet Union as our enemy, we needed the United States for technology, we needed it for capital. We needed it for WTO membership -- we have all those things now. So the great discontinuity is more likely to be Chinese than the United States.

RG: So David, that poses a vital question for your side, which is will China push on certain red lines?

DL: Well my observation is that the Chinese side is very much willing to work on these difficult issues. The Chinese side has been always

saying that we are not making new claims. We are willing to work with multiple parties. However we are not willing to work with interventionist American policy. The essence of the problem is that after the global financial crisis, the confidence level in the U.S. went down. As a result, the U.S. has been giving us mixed signals, even though the White House has been very clear in its policy. The Congress, also the candidates for the presidency have been giving very mixed signals, and many Chinese people do not fully understand American politics. So they take this as a signal that the outside world is becoming more and more hostile toward Chinese economic and political emergence. That is the issue.

I would suggest that people in the West try to understand the issues, try to put these relatively small issues in larger context, try to understand that the Chinese side is not changing. You have to solve your problems, starting with your financial problems, and then, when you are more confident, it will be easier for China to work with the West.

NF: You may not have heard the voice of Chinese power before, ladies and gentlemen. This is what it sounds like. Get used to it! Because this is the kind of firm, self-confident and more assertive China that I have

seen more and more in my trips to China and in my encounters with Chinese academics and statesmen in recent years.

Let's be clear -- in all honesty, going right back to the question, does the United States have the option of drawing lines anywhere in Asia in the way that it did in the days of Eisenhower or indeed in the days of Nixon. I don't think so. And the reason I don't think so goes right to the point you just made, David. Where are the resources? Look at the Congressional Budget Office projections of where the United States is going to be. I don't know if you saw Jim Baker's article in the Wall Street Journal today. In nine years time, the United States will be spending more on the interest on the federal debt than on national security.

The CBO has projections imagining what the U.S. would save if it reduced its overseas troop presence to 30,000. Thirty thousand! Now in that world -- and we are racing toward that world in this decade -- the idea that the United States can say to China, thus far and no further, and adopt a *realpolitik*, a balance of power policy with a threat of military action, well that idea becomes less and less plausible. And that's precisely the point of the debate we're having tonight. It's this way that power shifts. It's somewhat imperceptible but when it shifts,

ladies and gentlemen, it talks a little bit like David.

RG: So ladies and gentlemen, I'm now going to call on our debaters for their closing arguments. They're each going to be given three minutes to make their case to try to sway any final undecided votes in this hall. We're going to have our closing remarks in the opposite order of our opening statements. So Dr. Kissinger, if you could please begin.

HK: The issue is not whether China will grow in magnitude. That will clearly happen. The issue is twofold: how China uses its growing capacities and secondly, whether the United States and its allies have the willingness to adjust to the new international environment. I see nothing organic in the situation that leads me to believe that China will dominate the 21st century. China will play a larger role in the 21st century.

The challenge is whether America can redefine itself after its century of progress and similarly how China redefines itself when it absorbs its economic growth. I believe we do have the capacity to draw lines but we have to be selective in drawing the lines. More than that we should try to move toward a relationship in which the lines that separate us are not the crucial element, but the things we do together.

RG: David Li, your three minutes, please.

DL: Let me start by reiterating a remark which I made in my opening statement. That is that the changes which have been going on in China for the past three decades at most are only halfway done. The country is still changing. We still have gas in our gas tank. The changes will be more than economic. The changes will also be societal and political. Also, I would like to remind you that the destination of China's emergence is not dominance in the world. By no means does China want to dominate the world. There is only one dominant country in the world: that is the U.S.

It is not the dream, not the aspiration of China, not the capacity of China, to emulate the success of the U.S. in the dominance of the world. It is simply not in the genes of our Confucian tradition. That being understood, I urge to think about a different perspective. Forget about the past five hundred years of Western philosophy, of Western perspective. Forget about looking at international relations as a question of winners and losers.

Instead, look through the lens of our traditional philosophers, the

Confucians. The Confucians advocated for a harmonious world in which individuals are at peace with the outside world and with each other and countries are working with each other to solve international conflicts. I urge you to look from this perspective to understand the ongoing changes in the Chinese economy and society.

Finally, let me call upon you to have patience, to understand that we are not bystanders, we are also participants. When we become hostile, when we worry about China's emergence, when we worry about the relative decline of the U.S. or the West, we create problems for the world, we provoke negative, suspicious forces in China. Indeed, this world could become a very uncomfortable world. So in the end I urge you to think about these issues again -- China's emergence is not implying that China will dominate the world.

The 21st century will belong to China and also will belong to any countries, any nations or peoples who are willing to follow the flow. Together we all will own the century. Thank you.

RG: Fareed Zakaria, you're next.

FZ: We are going through a crisis of confidence in the Western world

and this has been true often when we have faced these kinds of new and different challenges and when we have faced nations that seem on the rise and on the march. George Kennan, the great American statesman and writer used to write routinely about how he thought the United States would never be able to withstand the Soviet challenge, because we were weak and fickle and we changed our minds and they were long-seeing and they were far-sighted and strategic. We were tactical and stupid. Yet somehow it worked out alright.

I think there is a tendency to think the same of China -- that they have this incredible long-term vision and we are bumbling idiots. There is a wonderful story that encapsulates this: Zhou Enlai is supposed to have said, I think actually in a conversation with Henry Kissinger, when asked what he thought of the French Revolution, it's too soon to tell. And everyone thought, oh my goodness he's such a genius, he is so far-sighted, he thinks in centuries. Well it turns out now he meant -- this was in 1973 -- the French revolution of 1968, the student revolution. And it was perfectly rational at that point to say that it was too soon to tell.

So don't believe that the Chinese are these strategic masterminds and we are bumbling. We have managed to bumble our way through a

rather advanced position despite the challenges from the Kaiser's Germany, from the Soviet Union, from Nazi Germany and I think what you will find is that the United States and North America are creating an extraordinary model in this new world. We are becoming the first universal nation, a country that draws people from all parts of the world, people of all colours, creeds and religions and finds a way to harness their talent and build a kind of universal dream. It happens here and it draws together people from all over the world.

Look at this panel: three of the people on this panel, Niall Ferguson, myself and Henry Kissinger, are immigrants who've come and found their fortune in the United States because it welcomed the most talented people in the world and allowed them to flourish in whatever they wanted, even to denounce the United States, as Niall Ferguson is now doing. So I simply urge you to think about this: if we lose faith in ourselves, if we lose faith in the power of free and open societies, we do much more damage than anything else we could do. We need to fix our economy, yes. We need to fix all these things. The Congressional Budget Office used to predict that we were going to pay off our debt in fifteen years, ten years ago. Now they predict that we are going to be immiserated. We'll see how it works. My point to you is don't lose faith in free and open societies, vote with your heart.

RG: Niall, your final, closing remarks, please.

NF: Well ladies and gentlemen, we've heard tonight that China is likely to repeat the experience of other Asian countries and run out of steam, maybe. But thus far it has done far better than these other Asian countries. China has achieved the biggest and fastest industrial revolution of them all lifting hundreds of millions of people out of poverty. I don't agree with David. I think this story isn't half over. Maybe it's a quarter over. There's a lot more still to come.

The second point I want to make to you is that the West's problems are far more serious than you have just heard from Fareed. And one of the biggest problems is that kind of complacency. You know as we speak tonight, ladies and gentlemen, the Eurozone is falling apart, an experiment with a single currency is disintegrating mainly because of the insolvency of the cradle of democracy, Greece. As we talk, the public finances of the United States are, if you do the math, which I do, more or less in the same situation as Greece was two years ago. The trajectory of the debt is not different. It may only be a matter of time before a fiscal crisis strikes the United States the magnitude of which we will never have seen before.

You know what? If we'd had this debate a hundred years ago -- just think -- and the motion had been that the 20th century would belong to the United States, who would have voted for it? It would have seemed, certainly to any British debater, preposterous. Those Yanks, with their trivially small military forces... Yeah, they have a big economy but look at all the social problems. Look at their cities with the squalor and poverty. It would have been very easy to make the case in 1911 that America would falter as we've heard China will falter. And yet it happened. It happened: first the economic power, then the geopolitical power.

I want to conclude with a quotation. "What if China gradually expands its economic ties, acts calmly and moderately and slowly enlarges its sphere of influence, seeking only greater friendship and influence in the world? What if it quietly positions itself as the alternative to a hectoring and arrogant America? How will America cope? This is a new challenge for the United States, one for which it is largely unprepared." The words of Fareed Zakaria, ladies and gentlemen. And that ladies and gentlemen is precisely why China will own the 21st century and you should vote for this motion.

RG: Well, all I can say is I'm glad I do not have a second ballot and a second vote because this was an exceedingly hard-fought and well-contested debate and let me reiterate something that Peter Munk has said at past Munk Debates. It's one thing for any one of these individuals to get up on a stage in front of an audience like this and give a set piece speech. It's something quite different to have this sparring, this meeting of minds and to do it with the eloquence and conviction that our debaters have done so tonight. So please, a big round of applause for our debaters.

One final comment, Dr. Kissinger, I think you have denied your public some very special talents that you've had in waiting till your 88th year to engage in a public debate. You were absolutely outstanding tonight, sir. Thank you.

Now before we vote for a second time let's briefly review where public opinion was at in this room at the start of tonight's debate. We had asked you, yes, no and maybe. There are the numbers, 39, 21, 40. We then asked, depending on what you've heard, and you've heard a lot this evening, some very convincing and compelling arguments on both sides, would you change your mind? Ninety-six percent yes, possibly changing their vote. So this debate is very much in play. You all have

a ballot with your program -- our ushers will collect them on your way out. I will announce the results in the south lobby shortly after 9:15 p.m., in the free public reception. For all of you watching online, the results will be on our Facebook page, our Twitter account and our website in the next half hour. So again, ladies and gentlemen, to the reception, let's start voting.