

# Politics in China

## How should US companies support democracy in China?

*China isn't ready for democracy. Economic development makes countries ready. China needs more time and can't be forced at this point. Engagement of foreign companies helps drive the cultural change that paves the way for democracy. The best thing companies can do is live their values but stay out of direct involvement in politics as commentators or activists.*

Any conversation about how to support democracy and human rights around the world should start with this point—whatever we have been doing isn't working.

### Democracy hasn't spread far and is in decline

Only one out of six people in the world live in a fully functioning democracy, which is not very different from how it was 50 years ago, in part because the end of colonialism and the end of communism both produced little real democracy. Furthermore, according to Freedom House, an NGO that tracks such things, democracy around the world has been shrinking for the last 12 years. Democracy didn't take hold via regime change in Iraq and Afghanistan or via revolution in the Arab Spring. Democracy, it seems, just can't get a break.

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### Our approach—elections first—doesn't work

Our past approach is centered on one idea—non-democratic countries should hold elections as soon as possible. The problem is, this idea clearly doesn't work. All it produces is "DINOs", countries that are "Democracies In Name Only," like India, which hold elections but who are so rife with corruption, electoral irregularities, abuse of power by police and security forces, and other democratic lapses they bear little resemblance to a real democracy.

### Capitalism paves the way for democracy

On the other hand, there is one idea that does seem to work—economic freedom and development. Places that successfully mastered free market economic growth first and then tried political freedom, (Taiwan and South Korea), not only grew richer than countries that tried elections first (India, Brazil, Kenya), they also become much better democracies. There's forty years of survey data from social scientists at the World Values Survey that shows there a huge cultural gap between economically advanced and poor countries and that economic development via the free market changes the culture in

ways that lead to democracy. (For more on this topic, visit [www.theglobaldashboard.com](http://www.theglobaldashboard.com) and view our award-winning short documentary, *Democracy Road*.)

## Democratization requires cultural change

### **Economic freedom and development drives the cultural change that democracy requires**

The idea is that economic freedom and development drives the cultural change that democracy requires, transitioning a society from hierarchical to socially mobile, from authoritarian to egalitarian, from passive to empowered, with the market enforcing accountability and fairness in a way that elections can't (which is why poor countries, even those with elections like India, have much more corruption than advanced economies, even those without

elections, like Hong Kong). This is a phenomenon for which personal experience really helps. Living in China for ten years, doing business there for more than 20 years, I've had the opportunity to see how development has changed the Chinese people. The impact has been huge.

## Engagement with China has worked but needs more time

Which is one of the reasons why I can't understand why some people say economic engagement with China has not produced the benefits we expected politically. Such people obviously don't know as many Chinese people as I do. They also don't seem to understand how democracy develops, that it took America 100 years after the Civil War to disassemble segregation, and that, when the US was at roughly the same point of development as China is now (50-60% urbanized), it was the early 20<sup>th</sup> century, when women couldn't vote, segregation was in full force, and child labor was common. America changed a great deal as it developed. China has much change ahead of it to become ready for democracy.

Business does the hands-on work associated with cultural change. By providing opportunity for employees, passing on lessons relative to productivity, creativity, teamwork and the like, and conducting its affairs in an ethical, honest, transparent, accountable, and egalitarian fashion, foreign business makes a huge contribution to democratization and overall societal improvement in less developed countries.

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## Business provides hands-on cultural change

To summarize, engagement works. So the very best thing business can do to support democracy and human rights is to stay engaged and conduct its business according to the highest standards.

Accelerating democracy by taking political positions simply doesn't produce results. Societies don't change that way. It makes us feel good about ourselves, but does little else.

## Live your values but don't be political

That doesn't mean companies shouldn't support their values. They should. They just don't need to be political commentators or active in political movements. Instead, they should live those values. Over the long run, that's what makes the difference.

## Avoid onerous areas

Of course there will be areas that should be actively avoided. A good example might be the surveillance and security apparatus of authoritarian governments. Just like we try not to sell arms to certain regimes, companies should avoid contributing to particularly threatening aspects of authoritarian government. Of course this gray area is the tricky part, assessing exactly what to avoid.

## Be like Jackie (42)

On this topic, it might help to remember the lessons of Jackie Robinson and the integration of baseball in America. When Mr. Robinson became the first black player in baseball, he wasn't always treated well. He was insulted, harassed and disrespected regularly. But he didn't return fire to his attackers. He didn't say "I won't engage you until you treat me exactly as I want." He simply lived his values and stayed in the game. Over time, that made all the difference. Business can play that role in democratization, but it has to stay in the game. Live your values. But remember that engagement works.

